



TasNetworks

Ring-Fencing Compliance Report

September 2019

Table of Contents

1. Overview	2
1.1 Background	2
1.2 Purpose	2
1.3 Corporate Overview.....	2
2. Measures to ensure compliance.....	4
2.1 Obligation to establish and maintain accounts	5
2.2 Obligation not to discriminate.....	6
2.3 Offices, staff, branding and promotions	6
2.3.1 Physical separation/co-location.....	6
2.3.2 Staff sharing	6
2.3.3 Branding and cross promotion	6
2.3.4 Office and staff registers	6
2.4 Information access and disclosure obligations	7
2.5 Conduct of service providers	7
3. Breaches.....	7
3.1 Bass Strait Islands.....	8
3.2 Telecommunication contract novations.....	8
3.3 Correction of Minor Defects within Private Overhead Connections by TasNetworks Employees	9
4. Other services.....	9
5. Transactions with affiliated entities.....	10
6. Waivers	10
6.1 Background	10
6.2 Temporary waivers	10
6.3 Waivers due to nature of electricity sector.....	11

1. Overview

1.1 Background

On 30 November 2016, the Australian Energy Regulator (**AER**) released the Electricity Distribution Network Ring-Fencing Guideline (**Guideline**). The Guideline was developed as a requirement of the National Electricity Rules (**NER**) to prevent cross-subsidisation and discrimination where Distribution Network Service Providers (**DNSPs**) provide direct control services and other services, or where entities affiliated of the DNSP (**affiliated entities**) provide other services. DNSPs are bound by The Guideline, including its subsequent updates.

The Guideline which came into effect on 1 December 2016, requires DNSPs to report compliance against the Guideline each year. Throughout the 2018-19 regulatory year, Tasmanian Networks Pty Ltd (ACN 167 357 299) (**TasNetworks**) and its affiliated entity, Fortytwo24 Pty Ltd (ACN 117 987 925) (**42-24**), have undertaken a number of compliance activities such as; balancing separate accounts; separating assets using cost allocation and attribution methods; adherence to disclosure, protection and sharing of confidential information policies; Guideline specific compliance training for affected staff and detailing exemptions, where they apply. This ring-fencing compliance report (**Report**) is TasNetworks' submission against the reporting requirements of the Guideline for the 2018-19 regulatory year.

1.2 Purpose

This Annual Ring-Fencing Compliance Report, for the year ended 30 June 2019, has been prepared by TasNetworks and is provided to the AER in accordance with requirement 6.2 Compliance Reporting, of the AER's Ring-fencing Guideline Version 2 – October 2017. TasNetworks does not claim confidentiality over this submission, and apart from circumstances outlined later in this Report, TasNetworks confirms it is in compliance with the Guideline.

1.3 Corporate Overview

TasNetworks differs from other DNSPs in that the business is an integrated transmission and distribution business. TasNetworks sought a waiver of clause 7.1(a)(ii) of the Transmission Ring-Fencing Guidelines to allow it to own and operate both the transmission business and the distribution business. TasNetworks was granted this waiver on 12 May 2014 and as such, the AER waived TasNetworks obligation to comply with clause 7.1(a)(ii).

Accordingly, we have made a key decision not to separate our transmission services from our direct control distribution services and to apply the NER definition of Transmission Services (which includes Prescribed, Negotiated and Unregulated transmission services). These services are able to continue to be provided together with regulated distribution services, with existing cost-allocation and asset sharing provisions continuing to apply. No further ring-fencing of Negotiated or Unregulated transmission services is therefore deemed necessary.

In recognition that TasNetworks would most probably provide some services that would not comply with the Guideline 42-24, previously called AuroraCom Pty Ltd, became a wholly owned subsidiary of TasNetworks Holdings from 1 July 2018. Since this time, TasNetworks created two more wholly owned subsidiaries of TasNetworks Holdings. They are:

1. Large Scale Renewables Pty Ltd; and
2. Marinus Link Pty Ltd.

TasNetworks Ring-Fencing Compliance Report

The relationships between the entities are shown below.

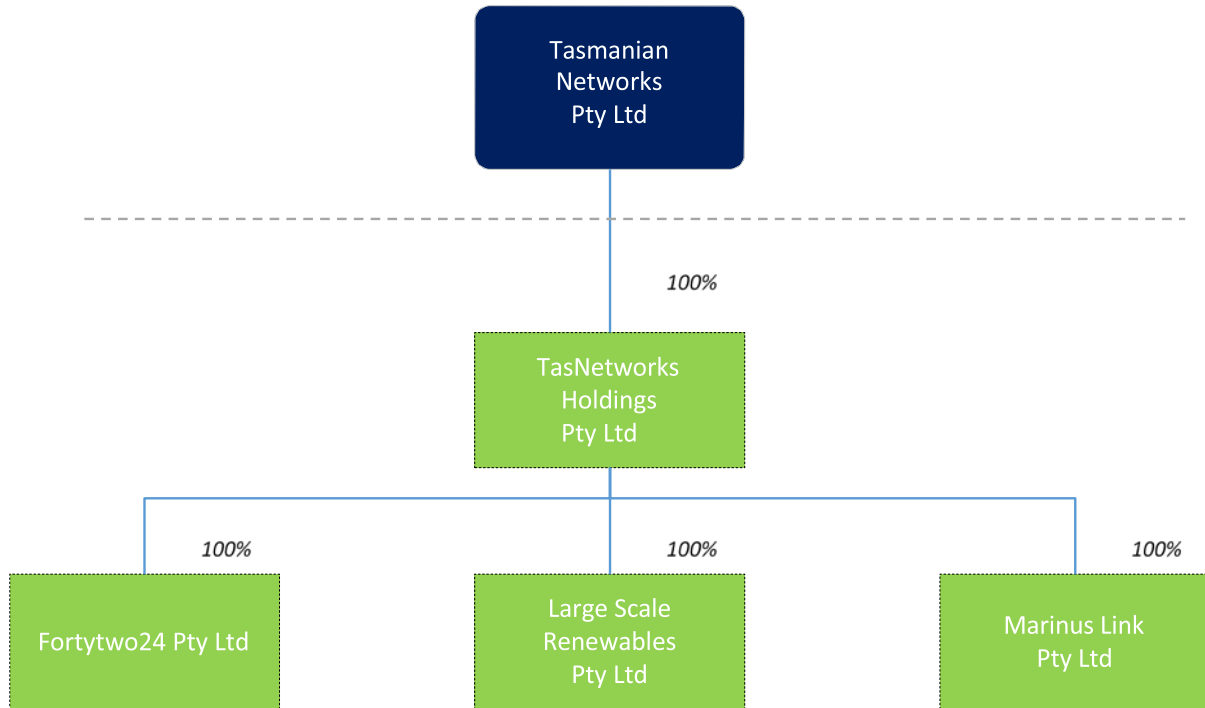


Image 1 - TasNetworks' Group Structure

Currently, 42-24 does not undertake any contestable electricity services, however it does undertake a number of 'other services' that require legal separation including:

- Telecommunications,
- Data centre services and,
- IT Services (including Infrastructure as a Service (**laaS**)).

Neither Large Scale Renewables Pty Ltd nor Marinus Link Pty Ltd provide distribution or other services.

Image 2 below illustrates the services attributable to each entity implemented under this Guideline

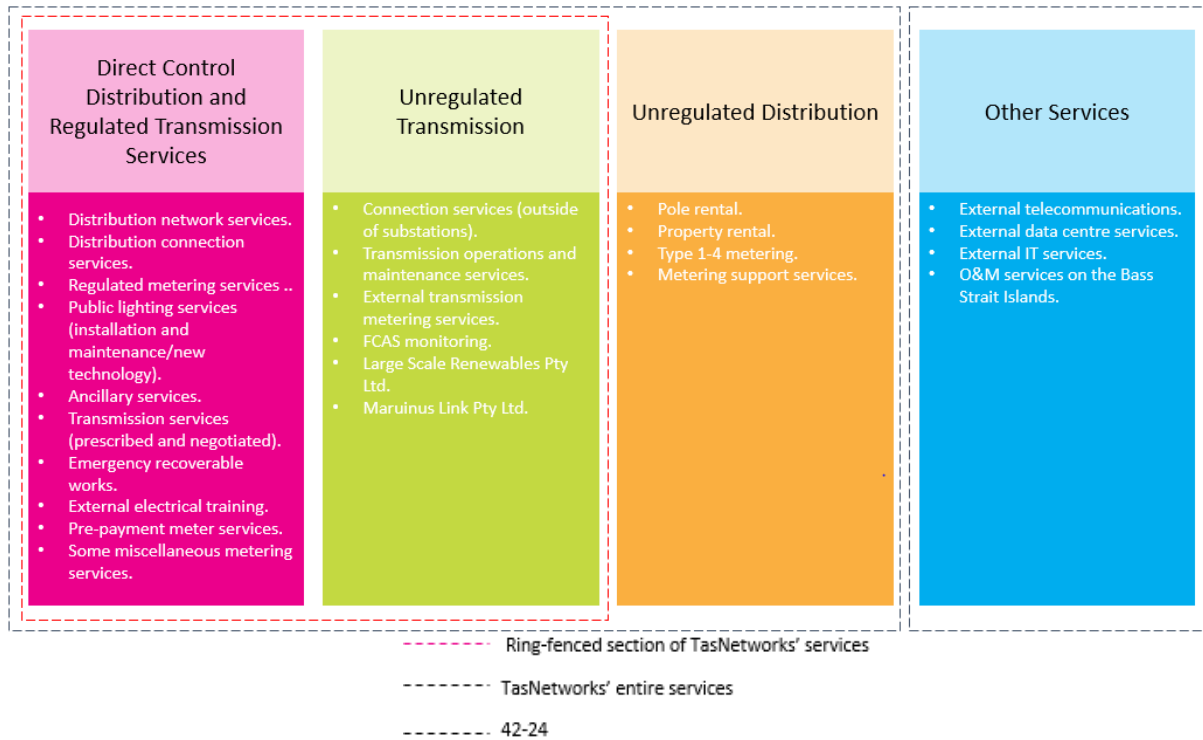


Image 2 – TasNetworks' Services

2. Measures to ensure compliance

Clause 6.2.1(b)(i) of the Guideline requires that the annual compliance report must identify and describe, in respect of the regulatory year, the measures the DNSP has taken to ensure compliance with its obligations under this Guideline.

A general ring-fencing training package is available for all TasNetworks employees and includes:

- an introduction to ring-fencing;
- an overview on obligations to not discriminate per 4.1 (b) and (c) of the ring-fencing guideline;
- hypothetical scenarios which may be encountered by TasNetworks people; and
- a short quiz.

Additional training has been implemented in 2018-19, targeting employees most likely to work in both the unregulated and regulated parts of the business. This training supported the Distribution Ring-fencing Information Protocol described in section 2.4.

Measures used to ensure compliance with specific Guideline clauses are provided in the following sections.

2.1 Obligation to establish and maintain accounts

The following is an explanation of the procedures and processes used by TasNetworks to ensure that its distribution services have been classified as set out by the AER in the current Distribution Determination and do not contravene clause 3.2 of the Guideline.

Cost capture and financial management systems

TasNetworks' chart of accounts and costing systems have been established so that both operating and capital expenditure can be separately accounted for and reported in accordance with TasNetworks' AER approved Cost Allocation Method (**CAM**) and regulatory reporting requirements.

TasNetworks' principles, processes and policies all support compliance with the CAM. This includes the processes of attributing costs directly and of allocating shared costs to categories of service.

TasNetworks' cost allocation principles and policies consider the direct allocation of costs to:

- Direct Control Distribution services;
- Regulated Transmission services;
- Unregulated Transmission services;
- Unregulated Distribution services ;
- Other Distribution services; and
- Negotiated Distribution services.

Costs that are not directly allocated to one particular service type (e.g. overhead costs) are subject to a shared allocation of costs between the following:

- Direct Control Distribution services;
- Regulated Transmission services;
- Unregulated Transmission services;
- Unregulated Distribution services;
- Other Distribution services; and
- Negotiated Distribution services.

The chart of accounts structure enables costs to be attributed directly to the categories of services provided by TasNetworks or 42-24, or automatically allocates costs between them.

When costs are incurred they are allocated to the following chart of account dimensions in the financial systems:

- responsibility centre/department/cost centre - defined as the area in the business that is responsible for the work performed;
- functional area - defined as the nature of the work being performed and is also used to identify between capital and operating expenditure as well as the type of work and associated service classification (work category); and
- cost element/General Ledger code - defined as the nature of the costs incurred such as labour or contracted services.

The above dimensions form the basis of the cost hierarchy. Each dimension is assigned to a service classification. By establishing a clear relationship between dimensions and the categories of services, the financial systems ensure that costs are correctly attributed to the relevant service.

TasNetworks has 3 main types of costs:

- directly allocated or attributable costs (such as timesheet labour, materials, fleet, invoices for contracted services or via journal such as licences fees, etc.);
- on costs for labour, materials and fleet; and

TasNetworks Ring-Fencing Compliance Report

- shared costs (allocated on the basis of causal cost allocators).

2.2 Obligation not to discriminate

Clause 4.1 of the Guideline places the obligation on the DNSP to not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider (**RESP**) in connection with the provision of:

- direct control services by the DNSP (whether to itself or to any other legal entity); and/or
- contestable electricity services by any other legal entity.

This obligation does not apply to TasNetworks as 42-24 is not engaged in the provision of contestable electricity services.

2.3 Offices, staff, branding and promotions

2.3.1 Physical separation/co-location

Clause 4.2.1(a) of the Guideline obligates the DNSP to use offices that are separate from any offices from which a RESP provides contestable electricity services.

This clause does not apply for TasNetworks as 42-24 is not engaged in the provision of contestable electricity services.

2.3.2 Staff sharing

Clause 4.2.2(a) of the Guideline obligates the DNSP to ensure that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of contestable electricity services by a RESP.

This clause does not apply to TasNetworks as 42-24 does not provide contestable electrical services.

2.3.3 Branding and cross promotion

Clause 4.2.3 (a) of the Guideline obligates the DNSP to use branding for its direct control services that is independent and separate from the branding used by a RESP for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the RESP are related.

The DNSP must not advertise or promote its direct control services and its contestable electricity services that are not direct control services together (including by way of cross-advertisement or cross-promotion).

The DNSP must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.

While this clause does not apply to TasNetworks, as 42-24 does not provide contestable electrical services, TasNetworks has enacted controls to ensure content on its website does not breach clause 4.2.3(a).

2.3.4 Office and staff registers

Clause 4.2.4 of the Guideline obligates that the DNSP must establish, maintain and keep a register that identifies the classes of offices to which it has not applied clause 4.2.1(a) by reason of clauses 4.2.1(b)i. or 4.2.1(b)iii.; and the nature of the positions (including a description of the roles, functions and duties) of its members of staff to which it has not applied clause 4.2.2(a) by reason of clauses 4.2.2(b)i.a., 4.2.2(b)i.b., 4.2.2(b)iii. Or 4.2.2(d); and must make the register publicly available on its website.

TasNetworks Ring-Fencing Compliance Report

TasNetworks' Shared Office Register details all the shared offices where TasNetworks provides direct control services and contestable electricity services as defined by the Guideline. The [Shared Office Register](#) is available on TasNetworks' external website, as per the Guideline requirements. From 1 January 2018 to 30 June 2018 TasNetworks had no shared office through which contestable electricity services were provided.

TasNetworks' Shared Staff Register details all TasNetworks shared staff providing contestable electricity services as defined by the Guideline. The [Shared Staff Register](#) is available on TasNetworks' external website, as per the Guideline requirements.

2.4 Information access and disclosure obligations

TasNetworks has developed protocols and registers in the interests of protection of confidential information (clause 4.3.2 of the Guideline), the disclosure of information (clause 4.3.3 of the Guideline), the sharing of information (clause 4.3.4 of the Guideline) and the establishment of an information sharing register (clause 4.3.5 of the Guideline).

TasNetworks has published its [Information Sharing Protocol](#) on its external website, as per clause 4.3.4(d) of the Guideline. This document sets out the process through which TasNetworks will share information, pursuant to clause 4.3.4 of the Guideline, and the disclosure of information, pursuant to clause 4.3.3 of the Guideline.

TasNetworks' Information Sharing Protocol also contains a link to our information sharing register. TasNetworks' [Information Sharing Register](#) details all the legal entities who have requested to be included on the information sharing register and any confidential information that they have requested as defined by the Guideline. TasNetworks released its information sharing register on its external website, as per the Guideline requirements.¹

To assist staff with managing information within the TasNetworks Group (including with 42-24), TasNetworks has published an internal document titled Distribution Ring-fencing Information Protocol. This document addresses clauses from the Guideline associated with information access and disclosure. Additionally, a training program was developed and has initially been delivered to those teams identified as most likely to be impacted by the information sharing requirements in the Guideline.

2.5 Conduct of service providers

TasNetworks must ensure that any new or varied agreement between TasNetworks and a service provider includes provisions which require the service provider to comply with clause 4.4.1(a) of the Guideline. TasNetworks must also not directly or indirectly encourage or incentivise a service provider to engage in conduct contrary to clause 4.4.1(b) of the Guideline.

To ensure compliance with these obligations under the Guideline, TasNetworks undertook a review of our contract template to ensure all ring-fencing obligations are clearly defined.

3. Breaches

As required by Guideline clause 6.2.1(b)ii, TasNetworks has identified the following breaches which have been reported to the AER as per clause 6.3.

¹ Currently there is nothing reported on the Register since TasNetworks does not have a related entity providing electricity services.

3.1 Bass Strait Islands

Under the Tasmanian Electricity Supply Industry Act, the responsibility for supplying and maintaining electricity to the Bass Strait Islands lies with Hydro Tasmania. Historically, Hydro Tasmania has contracted TasNetworks to provide operations and maintenance support services. Over time, these have included asset management, network design, training, back-up labour, logistics, meter data services, fleet management, provision of bespoke legacy BSI electrical manuals and the use of TasNetworks' customer service centre to facilitate fault dispatch services. However, as at the end of June 2017, TasNetworks was only providing a subset of these services, namely, provision of electrical manuals and fault dispatch services.

In September 2017, TasNetworks was granted a waiver by the AER to continue to provide these services until 30 June 2018. This was to cover the remaining period of the Hydro Tasmania-TasNetworks BSI service contract which expired April 2018. It was also provided to allow sufficient time for Hydro Tasmania to tender for and establish any new services required to fulfil its BSI obligations.

Subsequent to the completion of TasNetworks' 2017-18 ring-fencing audit, it came to light that Hydro Tasmania had retained access to the BSI electrical manuals. Further, that TasNetworks' customer service centre had received a small number of calls from BSI customers for which dispatch services were provided. Per ring-fencing obligations, the AER was immediately notified and over the course of January 2019 several meetings between the AER and TasNetworks took place. Ultimately, the AER decided that the breach was not material and no further action was deemed necessary. This was on the basis that:

- the provision of services was unlikely to have had any effect on contestable markets;
- TasNetworks was not seeking to continue to provide services to Hydro Tasmania;
- in fact, TasNetworks was only doing so, at no charge, to provide a community service to BSI residents; and
- that Hydro Tasmania was expected to finalise a new contractual arrangement with a party other than TasNetworks before financial year end.

Owing to a delay in Hydro Tasmania finalising the new contract arrangements, TasNetworks continued to provide BSI call dispatch services and access to the BSI electrical manuals until the end of the ring-fencing period.

3.2 Telecommunication contract novations

In preparation for the introduction of ring-fencing, TasNetworks identified 49 telecommunications contracts which would require novation from TasNetworks to 42-24. Owing to complex nature of the agreements and the time expected before novations could be completed, in September 2017, TasNetworks was granted a waiver to continue to provide the services until 30 June 2018.

TasNetworks identified the possibility that some of the more complicated novations might overrun the 30 June 2018 deadline. As a result, TasNetworks contacted all parties ahead of the waiver expiry and obtained verbal agreement to act as though the novations were in place whilst the documents were finalised. This included TasNetworks making necessary changes to the CAM and attendant processes to reflect proper cost allocation.

At waiver expiry, 13 contracts remained outstanding. However, owing to the pre-emptive measures put in place, expectation that contracts would soon be novated and the attendant lack of implications for the provision of contestable electricity services, TasNetworks did not submit a breach report considering the ring-fencing materiality threshold for reporting was not met.

TasNetworks Ring-Fencing Compliance Report

Despite TasNetworks continued efforts, over the course of 2018-19, little further progress on novating contracts was made. This was solely due to a lack of any incentive for counterparties to execute novation documentation. Owing to the slowed progress, TasNetworks informed the AER and sought advice on what further actions could be taken.

After initial conversations with the AER, TasNetworks lodged a breach report in March 2019. The AER responded in April 2019 informing TasNetworks that the AER considered TasNetworks to be in breach of Clause 3.1 of the Ring-Fencing Guideline. After further discussions with the AER, it was agreed that TasNetworks would submit an initial report by 31 May 2019, and quarterly thereafter, to inform the AER on the progress being made to transfer the remaining contracts.

TasNetworks submitted the initial report in May as requested. As at 30 June 2019, 12 contracts remain outstanding and TasNetworks continues to seek executed documents from contractual counterparties.

3.3 Correction of Minor Defects within Private Overhead Connections by TasNetworks Employees

One of TasNetworks' Strategic Goals is 'we care for our customers and make their experience easier'. In this respect, some of TasNetworks' overhead connection crews, when attending customer connection works, have been completing minor private electrical works, (which have not been performed by private electrical contractors) to ensure customer connection at the time rather than require multiple site visits.

Though this potential breach of clause 3.1(b) was identified outside the regulatory year for which this report covers, and is still in the process of being investigated, TasNetworks considered it prudent to include a summary of the potential breach and the preventative, detective and corrective controls and measures TasNetworks is considering taking in relation to this potential breach.

The breach was self-identified when an overhead connection crew sought guidance on the extent of private work they could perform to ensure a customer was connected in a timely manner to the distribution network. The crew was concerned that if they did not complete the work at the time, the customer would be left without supply and a further site visit would be required. In contrast the crew could complete the connection promptly and ensure the customer was connected that day. Once it was confirmed this had actually occurred, rather than being a hypothetical query, the breach was reported to the AER on 16 August 2019.

Since this potential breach of the Guideline, TasNetworks has looked for opportunities for re-education both internally and externally to support electrical contractors in understanding the work that can and cannot be performed by TasNetworks crews. We are also undertaking a review into ways to improve processes and procedures to allow for early identification of situations in the connection process with the potential for causing breaches. TasNetworks will work with the AER to find the best way to ensure customers receive the quality of connection service they expect while complying with the Guideline.

4. Other services

Clause 6.2.1(b)(iii) of the Guideline requires DNSPs to report all Other services provided by the DNSP in accordance with clause 3.1 of the Guideline. TasNetworks has been granted waivers for the provision of a number of services as detailed in 2.3 above. Excluding these, during the 2018-19 regulatory year, TasNetworks did not provide any Other services, that being services that are not transmission or distribution services.

5. Transactions with affiliated entities

TasNetworks and its affiliate 42-24 are parties to a Master Business Services Agreement under which TasNetworks provides 42-24 with:

- corporate services (which include Board, Company Secretary and General Counsel support, commercial services, financial analysis and reporting, information management, information technology and human resources);
- access to staff to perform work on behalf of 42-24; and
- access to assets for 42-24 to fulfil relevant contract obligations.

Corporate services are charged on either a fixed charge or do and charge basis. Access to staff and assets are charged based on relevant pricing principles that recover operating expenses, overheads and asset costs.

TasNetworks and 42-24 are also parties to an intercompany loan agreement, under which 42-24 is able to borrow funds from TasNetworks.

6. Waivers

6.1 Background

TasNetworks has two types of waivers, namely waivers:

- of a temporary or transitional nature, where the cost of complying immediately from the introduction of the Guideline would outweigh any benefits that would accrue in this timeframe; and
- that reflect the nature of the electricity sector in Tasmania in that there are no viable alternative providers of the service.

6.2 Temporary waivers

As part of the AER's Distribution Determination process for TasNetworks, the AER indicated during the framework and approach consultation process that it intended to re-classify a number of services. In response, and in line with the compliance strategy, TasNetworks sought a temporary waiver for these services to avoid unintended impacts and costs of separation, prior to them being reclassified as direct control services for the 2019-24 regulatory control period. This waiver was granted by the AER and was effective for the entirety of 2018-19. The waiver lapsed at the start of the new Regulatory period; 1 July 2019.

TasNetworks was also granted temporary waivers to provide:

- distribution support services on the Bass Strait Islands;
- Metering support services to Aurora Energy;
- legal separation extension; and
- Type 1-4 metering services.

These waivers were to provide added time for TasNetworks to remove itself from the provision of these services. Apart from the waiver for providing type 1-4 legacy metering services, these waivers had all expired prior to the start of the period covered by this report.

TasNetworks Ring-Fencing Compliance Report

TasNetworks sold the majority of its type 1-4 meters to another metering provider in March 2018. The few remaining meters were exchanged over time with the final meter being exchanged on 20 May 2019, prior to the end of the waiver period.

6.3 Waivers due to nature of electricity sector

In May 2019, TasNetworks sought from AER a waiver in respect to the obligations under the functional separation provisions for Aurora Pay As You Go² (APAYG) metering support services from 1 July 2019 to 30 June 2020. TasNetworks sought a waiver for the following provisions:

- 4.2.1 Physical separation/co-location;
- 4.2.2 Staff sharing;
- 4.2.3 Branding and cross-promotion;
- 4.2.4 Office and staff registers; and
- 4.4.1(a) Conduct of Service Providers

Specifically, TasNetworks sought a waiver with respect to the Guideline obligations relating to functional separation, and other obligations related to the provision of APAYG metering support services. The AER granted this waiver on 28 June 2019.

The reasoning for the waiver was that Aurora Energy indicated to TasNetworks its preference for TasNetworks to continue to provide APAYG metering support services beyond the expiry date of the then current ring-fencing waiver, which was due to expire on 30 June 2019. This was to allow Aurora Energy to fully decommission the remaining APAYG sites.

The waiver will allow TasNetworks to respond and rectify faults associated with APAYG meters outside of normal business hours, as well as provide APAYG metering support services.

The table below sets out the waivers granted to TasNetworks, and includes a description of the conduct to which the waiver applies, expiry date and clauses waived. A register of these waivers is kept up to date and made publically available via TasNetworks' website.

² Bespoke metering installations that are integrated with a payment fulfilment system that is reliant on a point of sale network where customers pre-pay for electricity to be transferred to the card operated meters.

Table 1: TasNetworks' Waiver Register

Date waiver granted and commenced	Waiver title	Applicable services / conduct to which the waiver applies	Clauses waived	Expiry date of waiver	Status	Comments
18 December 2017	Re-classification waiver	The AER granted a waiver of TasNetworks' obligation (of the clauses outlined in the subsequent column) in relation to the following services: <ul style="list-style-type: none"> • high load escorts; • public lighting and nightwatchman lights; • network safety services; • planned interruption – customer requested; • inspection services; • minor and legacy metering services; and • Network related training courses. 	4.2.1 4.2.2 4.2.3 4.2.4 4.4.1(a)	30 June 2019	Expired	The waiver allows for TasNetworks to continue providing services that will be reclassified and become direct control services in the 2019-2024 regulatory control period.
18 December 2017	Legal Separation waiver	The AER granted TasNetworks a waiver to allow TasNetworks additional time to establish an affiliated entity and transfer all contestable services to that entity.	3.1	30 June 2018	Expired	The waiver allowed TasNetworks time to ensure that the necessary due diligence processes, legal and taxation advice and statutory requirements were in place prior to the establishment of the new affiliated entity (42-24).

TasNetworks Ring-Fencing Compliance Report

18 December 2017	Type 1-4 legacy meters	The AER granted TasNetworks a waiver to allow for the provision of type 1-4 metering services for a period of 18 months as TasNetworks transitions these meters to the new Metering Provider and can exit the market completely.	4.2.1 4.2.2 4.2.3 4.2.4 4.4.1(a)	30 June 2019	Expired	
18 December 2017	Metering Support Services	The AER granted TasNetworks a waiver so that it may continue to provide temporary metering support services to Aurora Energy under contract in Tasmania.	4.2.1 4.2.2 4.2.3 4.2.4	31 May 2018	Expired	TasNetworks exited the metering support services market prior to the 31 May 2018.
18 December 2017	Distribution support services on the Bass Strait Islands (BSI)	The AER granted a waiver of TasNetworks' obligations (of the clauses outlined in the subsequent column) so that it may continue to provide operations and maintenance support services to the BSI under a previous existing contract with Hydro Tasmania.	4.2.1 4.2.2 4.2.3 4.2.4 4.4.1(a)	30 June 2018	Expired	
1 July 2019	APAYG Metering Support Services	The AER provided TasNetworks with a waiver that enables TasNetworks to continue to provide fault response support, afterhours product support and bypass or removal (for customers who use life support equipment) of APAYG systems.	4.2.1 4.2.2 4.2.3 4.2.4 4.4.1	30 June 2020	Ongoing	

Independent Reasonable Assurance Report to the Directors of TasNetworks Pty Ltd

Conclusion

In our opinion, Tasmanian Networks Pty Ltd's Ring Fencing Compliance Report, in all material respects, fairly presented throughout the period ending 30 June 2019.

Scope

The subject of our assurance engagement is whether Tasmanian Networks Pty Ltd's (TasNetworks) Ring Fencing Compliance Report (Compliance Report) regarding compliance with Ring-fencing Guideline Electricity Distribution (the Ring-fencing Guidelines) is, in all material respects, fairly presented throughout the period ending 30 June 2019. This Statement will accompany our report, for the purpose of reporting to the Directors of TasNetworks.

Basis for Our Conclusion

We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* (ASAE 3100). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with ASAE 3100 we have:

- Used our professional judgment to plan our procedures and assess the risks that may cause material non-compliance in TasNetworks' Compliance Report.
- Considered internal controls implemented to meet the Ring-fencing Guidelines; however, we do not express a conclusion on their effectiveness; and
- Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Summary of Procedures

In Appendix One to this report, is a summary of each of the Ring-Fencing Guidelines, the current compliance processes in place and details of what procedures we have performed.

How We Define Reasonable Assurance and Material Misstatement

- Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect a material misstatement in TasNetworks' Compliance Report when it exists.
- Instances of misstatement in TasNetworks' Compliance Report are considered material if,



individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the intended users taken on the basis of TasNetworks' compliance with the Ring-fencing Guidelines.

Inherent Limitations

- Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or material misstatement in TasNetworks' Compliance Report may occur and not be detected.
- A reasonable assurance engagement throughout the period ending 30 June 2019 does not provide assurance on whether compliance with the Ring Fencing Guidelines will continue in the future.

Use of this Assurance Report

This report has been prepared for the Directors of TasNetworks for the purpose of compliance with the Ring-fencing Guidelines and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of TasNetworks and the Australian Energy Regulator (AER), or for any other purpose other than that for which it was prepared.

Management's Responsibility

Management are responsible for:

- The compliance activities undertaken to meet the Ring Fencing Guidelines;
- identification of the risks that threaten the Ring Fencing Guidelines identified above being met and identifying, designing and implementing controls which will mitigate those risks and monitor ongoing compliance;
- Providing a Compliance Report with respect to the outcome of the evaluation of the compliance activity against the Ring Fencing Guidelines, which accompanies this independent assurance report; and
- Identification of the Ring Fencing Guidelines if not identified by law and regulation.



KPMG
30 October 2019

Our Responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to TasNetworks' Compliance Report with the Ring-fencing Guidelines, throughout the period ended 30 June 2019 and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.



Appendix One - Results of testing performed

Ref	Compliance Obligation	Compliance Process Description	Testing Undertaken
3.1	(a) A DNSP must be a legal entity	<p>Addressed in section 1.1 of the Compliance Report.</p> <p>New company (FortyTwo-24 Pty Ltd) has been set up and was operational on 1 July 2018.</p>	<p>KPMG reviewed FortyTwo-24 Pty Ltd's ASIC extract to verify separation accuracy.</p> <p>TasNetworks are materially compliant with the requirements of section 3.1 (a) of the Guidelines.</p>
3.1	(b) A DNSP may provide distribution services and transmission services, but must not provide other services	<p>Addressed in section 1.3 of the Compliance Report.</p> <p>Existing services provided by FortyTwo-24:</p> <ul style="list-style-type: none"> • Telecommunications • Data centre services • IT services (including infrastructure as a service) <p>The novation of telecommunications contracts and Correction of Minor Defects within Private Overhead Connections by TasNetworks have been deemed as breaches and reported accordingly (refer section 3 of the Compliance Report).</p>	<p>KPMG has reviewed all services provided by FortyTwo-24 and any breaches of these conditions. Beyond those disclosed in the Compliance Report, no additional 'other services' have been identified.</p> <p>TasNetworks have breached section 3.1 (b) and reported those breaches to the AER.</p>
3.2.1	(a) A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.	<p>Addressed in section 2.1 of the Compliance Report.</p> <p>FortyTwo-24 has a separate Ledger within SAP (TasNetworks' ERP system) to record all transactions.</p>	<p>KPMG confirmed that FortyTwo-24 has its own ledger within SAP (accounting system) to record all transactions. Separate financial statements were prepared for the year ended 30 June 2019 and audited by the Tasmanian Audit Office.</p> <p>TasNetworks are materially compliant with the requirements of section 3.2.1 of the Guidelines.</p>
3.2.2	DNSP must: (a) allocate or attribute costs to	Addressed in Section 2.1 of the Compliance Report.	KPMG has obtained and reviewed the CAM, and confirmed it addresses the allocation

Ref	Compliance Obligation	Compliance Process Description	Testing Undertaken
	<p>distribution services in a manner that is consistent with the Cost Allocation Principles and its approved CAM, as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services.</p> <p>(b) Allocate or attribute costs to distribution services in accordance with clause 3.2.2(a), and must not allocate or attribute other costs to the distribution services it provides</p> <p>(c) Establish, maintain and keep records that demonstrate how it meets the obligations in clauses 3.2.2(a) and 3.2.2(b).</p> <p>(d) A DNSP cannot apply for a waiver of the obligations set out in this clause 3.2.2.</p>	<p>TasNetworks has an internal Cost Allocation Methodology (CAM) in place. TasNetworks and FortyTwo-24 had separate cost allocation systems with the SAP General Ledger system.</p>	<p>attribution of costs between distribution and non-distribution services and that it has been approved by the AER.</p> <p>KPMG also reviewed the process that is undertaken by the Treasury and Tax Team to allocate and attribute costs across distribution and non-distribution services and confirmed it is in line with the CAM.</p> <p>The Treasury and Tax Team keep records of how the costs have been allocated within SAP. These records form the Regulatory Information Notices (RINs) which is audited by the Tasmanian Audit Office on an annual basis.</p> <p>Furthermore, FortyTwo-24 is separately audited by the Tasmanian Audit Office.</p> <p>TasNetworks are materially compliant with the requirements of section 3.2.2 of the Guidelines.</p>
4.1	<p>(b) A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of:</p> <p>if. direct control services by the DNSP (whether to itself or to any other legal entity); and / or</p> <p>ii. Contestable electricity services by any other legal entity.</p>	<p>Addressed in section 2.2 of the Compliance Report.</p> <p>This obligation does not apply to TasNetworks as FortyTwo-24 does not engage in the provision of contestable electricity services. However, the obligation is still delivered as part of the training process.</p>	<p>KPMG reviewed Ring Fencing training materials and determined that these materials describe TasNetworks obligations not to discriminate.</p> <p>KPMG reviewed that staff are given a time limit to complete the training and that overdue reminders will be sent.</p> <p>KPMG also reviewed the training listing which indicates how many staff members have completed the training, it was identified that 100 staff members have ring-fencing training that is overdue. However due to the number of staff members and the obligation not being applicable to TasNetworks, this is not</p>

Ref	Compliance Obligation	Compliance Process Description	Testing Undertaken
			<p>considered to impact on this assurance opinion.</p> <p>No conclusion on compliance as this clause is not applicable for TasNetworks.</p>
4.1	<p>(c) Without limiting its scope, clause 4.1(b) requires a DNSP to:</p> <p>if. in dealing or offering to deal with a related electricity service provider, treat the related electricity service provider as if it were not a related electricity service provider (that is, as if it had no connection or affiliation with the DNSP);</p> <p>ii. in like circumstances, deal or offer to deal with a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider on substantially the same terms and conditions;</p> <p>iii. in like circumstances, provide substantially the same quality, reliability and timeliness of service to a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider;</p> <p>iv. subject to clause 4.3.3(b), not disclose to a related electricity service provider information the DNSP has obtained through its dealings with a competitor (or potential competitor) of the related electricity service provider where the disclosure would, or would be likely to, provide an advantage to the related electricity service provider.</p>	<p>Addressed in section 2.2 of the Compliance Report.</p> <p>This obligation does not apply to TasNetworks as FortyTwo-24 does not engage in the provision of contestable electricity services. However, the obligation is still delivered as part of the training process.</p>	<p>KPMG reviewed Ring Fencing training materials and determined that these materials describe TasNetworks obligations not to discriminate.</p> <p>KPMG reviewed that staff are given a time limit to complete the training and that overdue reminders will be sent.</p> <p>KPMG also reviewed the training listing which indicates how many staff members have completed the training, it was identified that 100 staff members have ring-fencing training that is overdue. However due to the number of staff members and the obligation not being applicable to TasNetworks, this is not considered to impact on this assurance opinion.</p> <p>No conclusion on compliance as this clause is not applicable for TasNetworks.</p>

Ref	Compliance Obligation	Compliance Process Description	Testing Undertaken
4.2.1	(a) A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.	<p>Addressed in section 2.3 of the Compliance Report.</p> <p>TasNetworks are not required to abide by Clause 4.2.1(a) to have separate office locations as FortyTwo-24 does not engage in contestable electricity services.</p>	<p>KPMG inspected the Guidelines and determined that TasNetworks was exempt from complying with the requirements.</p> <p>No conclusion on compliance as this clause is not applicable for TasNetworks.</p>
4.2.2	<p>A DNSP must ensure:</p> <p>(a) that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.</p> <p>(c) The remuneration, incentives and other benefits (financial or otherwise) a DNSP provides to a member of its staff must not give the member of staff an incentive to act in manner that is contrary to the DNSP's obligations under this Guideline.</p>	<p>Addressed in section 2.3 of the Compliance Report.</p> <p>TasNetworks are not required to abide by Clause 4.2.1(a) to have separate staff, as FortyTwo-24 does not engage in contestable electricity services.</p>	<p>KPMG inspected the AER Guidelines and determined that TasNetworks was exempt from complying with the requirements.</p> <p>No conclusion on compliance as this clause is not applicable for TasNetworks.</p>
4.2.3	<p>(a) A DNSP:</p> <p>if. must use branding for its direct control services that is independent and separate from the branding used by a related electricity service provider, such that a reasonable person would not infer from the respective branding that the DNSP and the related electricity service provider are related.</p> <p>ii. Must not advertise or promote its direct control services and its contestable electricity services that are not direct control services together (including by way of cross-advertisement or cross-promotion).</p>	<p>Addressed in section 2.3 of the Compliance Report.</p> <p>This requirement does not apply to TasNetworks as FortyTwo-24 does not provide contestable electricity services. However, TasNetworks has enacted controls to ensure content on its website does not breach clause 4.2.3 (a).</p>	<p>KPMG inspected the Guidelines and determined that TasNetworks was exempt from complying with the requirements.</p> <p>KPMG inspected controls to ensure content on its website does not breach clause 4.2.3 (a).</p> <p>No conclusion on compliance as this clause is not applicable for TasNetworks.</p>

Ref	Compliance Obligation	Compliance Process Description	Testing Undertaken
	<p>iii. Must not advertise or promote services provided by a related electricity service provider.</p>		
4.2.4	<p>DNISP must establish, maintain and keep a register that identifies:</p> <p>(a) the classes of offices to which it has not applied clause 4.2.1(a) by reason of clauses 4.2.1(b)(if) or 4.2.1(b)(iii); and</p> <p>(b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff to which it has not applied clause 4.2.2(a) by reason of clauses 4.2.2(b)(if), 4.2.2(b)(iii) or 4.2.2(d); and must make the register publicly available on its website.</p>	<p>Addressed in section 2.3 of the Compliance Report.</p> <p>TasNetworks maintains shared office and staff registers on the website. Due to FortyTwo-24 not engaging in contestable electricity services, TasNetworks did not update the register.</p>	<p>KPMG reviewed the registers and noted that there were no instances recorded. TasNetworks are exempt from this requirement as FortyTwo-24 do not provide contestable electricity services.</p> <p>No conclusion on compliance as this clause is not applicable for TasNetworks.</p>
4.3.2	<p>Subject to this clause 4.3, a DNISP must:</p> <p>(a) keep confidential information confidential; and</p> <p>(b) only use confidential information for the purpose for which it was acquired or generated.</p>	<p>Addressed in section 2.4 of the Compliance Report.</p> <p>TasNetworks initiated the development of a confidential information register and information sharing protocol to ensure that information is contained and distributed correctly within TasNetworks.</p> <p>To moderate the remaining residual risks, a mitigated strategy was developed and implemented. The mitigation strategy included rolling out a training package business wide to impacted staff.</p>	<p>KPMG reviewed the Information Sharing Protocol, Information Sharing Register, and Information Distribution Protocol to confirm these documents have been developed.</p> <p>Due to FortyTwo-24 not engaging in contestable services, TasNetworks have not added any items to the register.</p> <p>KPMG reviewed Ring Fencing training materials and determined that these materials describe TasNetworks obligations in regards to confidentiality.</p> <p>KPMG reviewed that staff are given a time limit to complete the training and that overdue reminders will be sent.</p> <p>KPMG also reviewed the training listing which indicates how many staff members have completed the training, it was identified that</p>

Ref	Compliance Obligation	Compliance Process Description	Testing Undertaken
			<p>100 staff members have ring-fencing training that is overdue. This is approximately 8% of staff assigned the training. However due to the number of staff in the organisation, the roles of staff with incomplete training and in light of other controls in the Ring Fencing process this is not considered to impact on this assurance opinion.</p> <p>TasNetworks are materially compliant with the requirements of section 4.3.2 of the Guidelines.</p>
4.3.3	<p>Disclosure of information A DNSP must not disclose confidential information to any person, including a related electricity service provider, unless:</p> <p>(a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates;</p> <p>(b) the disclosure is required by, or for the purpose of complying with any law,</p> <p>(c) the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities);</p> <p>(d) the information has been requested by or on behalf of a customer, or potential customer, of another legal entity, and the disclosure is necessary to enable the legal entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer;</p>	<p>Addressed in section 2.4 of the Compliance Report.</p> <p>TasNetworks has developed an information sharing protocol which was disseminated to staff, placed on the external website and included in the in house online ring-fencing training.</p>	<p>KPMG reviewed the information sharing protocol and confirmed it had been developed, disseminated to staff through training materials and placed on the external website.</p> <p>KPMG also reviewed TasNetworks ring-fencing training materials and determined that these materials describe TasNetworks obligations in regards to confidentiality.</p> <p>TasNetworks are materially compliant with the requirements of section 4.3.3 of the Guidelines.</p>

Ref	Compliance Obligation	Compliance Process Description	Testing Undertaken
	<p>(e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider to the extent necessary to respond to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control;</p> <p>(f) the disclosure is solely for the purposes of research by a legal entity other than a related electricity service provider of the DNSP;</p> <p>(g) where another DNSP is an affiliated entity of the DNSP, the disclosure is to the part of that other DNSP that provides that other DNSP's direct control services; or</p> <p>(h) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p>		
4.3.4	<p>(a) Subject to clause 4.1(c)(iv) and to this clause 4.3.4, where a DNSP shares confidential information with a related electricity service provider, it must provide access to that confidential information (including the derived information) to other legal entities on an equal basis.</p> <p>(d) Without limiting clause 4.3.4(a), a DNSP must establish an information sharing protocol that sets how and when it will make the information referred to in clause 4.3.4(a) available to legal entities, and must make that protocol publicly</p>	<p>Addressed in section 2.4 of the Compliance Report.</p> <p>TasNetworks developed an information sharing protocol which was disseminated to staff, placed on the external website and included in the in house online ring-fencing training.</p> <p>TasNetworks also developed an information sharing register which is publically available on the external website.</p>	<p>KPMG reviewed the information sharing protocol and confirmed this had been developed, disseminated to staff through training materials and placed on the external website.</p> <p>KPMG confirmed that the information sharing register was made publicly available on the external website.</p> <p>KPMG also reviewed TasNetworks ring-fencing training materials and determined that these materials describe TasNetworks obligations in regards to confidentiality.</p>

Ref	Compliance Obligation	Compliance Process Description	Testing Undertaken
	<p>available on its website.</p> <p>(e) Where a DNSP discloses information referred to in clause 4.3.4(a) to any other legal entity under this clause 4.3.4, it must do so on terms and conditions that require the other legal entity to comply with clause 4.3.2 and 4.3.3(a) to (d) in relation to that information as if the other legal entity was a DNSP</p>		<p>TasNetworks are materially compliant with the requirements of section 4.3.4 of the Guidelines.</p>
4.3.5	<p>a) A DNSP must establish, maintain and keep a register of all legal entities (including related electricity service providers) who request access to information identified in clause 4.3.4(a), and must make the register publicly available on its website.</p> <p>(b) For each legal entity that has requested that a DNSP provide access to information identified in clause 4.3.4(a), the DNSP's information register must:</p> <ul style="list-style-type: none"> if. identify the kind of information requested by the legal entity; and ii. Describe the kind of information requested by the legal entity in sufficient detail to enable other legal entities to make an informed decision about whether to request that kind of information from the DNSP. <p>(c) A legal entity may request that the DNSP include it on the information register in relation to some or all of the kinds of information that the DNSP is required to provide under clause 4.3.4(a), and the DNSP must comply with that request.</p>	<p>Addressed in section 2.4 of the Compliance Report.</p> <p>TasNetworks also developed an information sharing register which is publicly available on the external website.</p>	<p>KPMG reviewed the information sharing register and accessed TasNetworks website to confirm it is publically available.</p> <p>TasNetworks are materially compliant with the requirements of section 4.3.5 of the Guidelines.</p>

Ref	Compliance Obligation	Compliance Process Description	Testing Undertaken
4.4.1	<p>A DNSP:</p> <p>(a) must ensure that any new or varied agreement between the DNSP and a service provider for the provision of services to the DNSP requires the service provider to comply, in providing those services, with: if. clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and ii. Clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider was the DNSP.</p> <p>(b) Must not, directly or indirectly, encourage or incentivise a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP's obligations under clause 4 of this Guideline.</p>	<p>Addressed in section 2.5 of the Compliance Report.</p> <p>TasNetworks has updated service provider contracting templates to include all requirements.</p> <p>To ensure compliance, TasNetworks undertook a review of their contract template to ensure all ring-fencing obligations were clearly defined.</p>	<p>KPMG reviewed the updated service provider contracting templates and confirmed the relevant requirements are included.</p> <p>TasNetworks updated its templates for contracting with service providers to include the requirements of the Guidelines, section 4.4.</p> <p>TasNetworks are materially compliant with the requirements of section 4.4.1 of the Guidelines.</p>
5.7	<p>(a) A DNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) granted to the DNSP by the AER under clause 5 of this Guideline, and must make the register publicly available on its website.</p> <p>(b) The register established under clause 5.7(a) must include: if. the description of the conduct to which the waiver or interim waiver applies; and ii. The terms and conditions of the waiver or interim waiver; as set out in the AER's written decision, provided by the AER to the DNSP, to grant (or vary) the waiver or interim waiver.</p>	<p>Addressed in section 6 of the Compliance Report.</p> <p>TasNetworks has established and maintained a register of all waivers granted by the AER. This register has been made publicly available on TasNetworks external website.</p> <p>The waiver register includes all appropriate detail, including: the description of the conduct to which the waiver or interim waiver applies and the terms and conditions of the waiver or interim waiver, as set out in the AER's written decision.</p>	<p>KPMG accessed TasNetworks external website and sighted that the waiver register was publically available.</p> <p>The register was then reviewed to confirm if all appropriate detail was included.</p> <p>TasNetworks are materially compliant with the requirements of section 5.7 of the Guidelines.</p>
6.1	<p>A DNSP must establish and maintain appropriate internal procedures to ensure</p>	<p>As detailed in this table, TasNetworks has developed internal procedures to meet the requirements under the ring-fencing Guideline.</p>	<p>As detailed in this table, KPMG have tested a sample of relevant processes in place to achieve compliance for the year ended 30</p>

Ref	Compliance Obligation	Compliance Process Description	Testing Undertaken
	<p>it complies with its obligations under this Guideline.</p>	<p>For those requirements TasNetworks were not yet meeting waivers have been appropriately applied for.</p>	<p>June 2019 with limited issues noted. Refer to all rows above in this table for detail of specific KPMG testing procedures over TasNetworks compliance under the Guidelines.</p> <p>KPMG also reviewed all waivers and confirmed the compliance plan has considerations to achieve full compliance going forward.</p> <p>Inspected the compliance Framework and noted that the monitoring of compliance is decentralised to department level. Each department prepares a Compliance plan for each piece of legislation. We have Inspected the Compliance plan, it covered all the requirements of the Guidelines.</p> <p>TasNetworks are materially compliant with the requirements of section 6.1 of the Guidelines.</p>
6.2.1	<p>A DNSP must:</p> <p>(a) prepare an annual ring-fencing compliance report each regulatory year in accordance with this clause 6.2.1, and submit it to the AER in accordance with clause 6.2.2.</p> <p>(b) The annual compliance report must identify and describe, in respect of the regulatory year to which the report relates:</p> <p>if. the measures the DNSP has taken to ensure compliance with its obligations under this Guideline;</p> <p>ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP;</p> <p>iii. all other services provided by the DNSP in accordance with clause 3.1; and</p>	<p>TasNetworks has prepared an annual ring-fencing Compliance Report for the period ended 30 June 2019.</p> <p>TasNetworks has engaged KPMG to perform a limited assurance engagement of the compliance report.</p>	<p>KPMG have reviewed the draft ring-fencing compliance report prepared by TasNetworks for the period ended 30 June 2019.</p> <p>TasNetworks are materially compliant with the requirements of section 6.2.1 of the Guidelines.</p>



Ref	Compliance Obligation	Compliance Process Description	Testing Undertaken
	<p>iv. The purpose of all transactions between the DNSP and an affiliated entity.</p> <p>(c) The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.</p>		
6.2.2	<p>Subject to clause 6.2.2(b), a DNSP must submit its annual compliance report to the AER within four months of the end of the regulatory year to which the compliance report relates</p>	<p>Submission of the 2018 compliance report occurred on 31/10/2018 and the planned submission date for 2019 is prior to 31/10/2019 which is within the four month timeframe.</p>	<p>KPMG noted that the 2018 compliance report was submitted on 31/10/2018 and confirmed through inquiry that TasNetworks are planning on submitting the 2019 compliance report by 31/10/2019.</p> <p>TasNetworks are materially compliant with the requirements of section 6.2.2 of the Guidelines.</p>
6.3	<p>A DNSP must notify the AER in writing within five business days of becoming aware of a material breach of its obligations under this Guideline.</p>	<p>TasNetworks has an entity wide Compliance Framework which includes as an appendix a Breach Reporting Procedure.</p> <p>Requirements of reporting breaches and timeframe of reporting in relation to ring-fencing is included in staff training materials.</p>	<p>KPMG have reviewed the breach policy and procedure.</p> <p>KPMG reviewed the training materials and confirm TasNetworks ring-fencing reporting requirements in relation to breaches is included. We also reviewed staff completion lists in relation to the training and determined that 100 staff are overdue on completing their ring-fencing training.</p> <p>TasNetworks has reported two breaches during the period and one post period end that relates to activities undertaken during the period. All breaches were appropriately reported to the AER in writing within 5 days of becoming aware of the breach.</p> <p>KPMG testing did not identify any further breaches that were not detected by TasNetworks.</p>



Ref	Compliance Obligation	Compliance Process Description	Testing Undertaken
			TasNetworks are materially compliant with the requirements of section 6.3 of the Guidelines.
7.1	<p>A DNSP must:</p> <p>(a) fully comply with each of the obligations in clauses 3 and 4 of this Guideline in respect of its existing services as soon as reasonably practicable, having regard to the likely costs of having to fully comply with those obligations any sooner but, in any event, must fully comply with those obligations by no later than 1 January 2018;</p> <p>(b) where a distribution determination applicable to a DNSP results in a change in the classification of a distribution service provided by the DNSP, and that change puts the DNSP in breach of an obligation under this Guideline, the DNSP must comply with that obligation within 12 months of the commencement date of the distribution determination</p>	<p>As detailed above TasNetworks is in compliance with each obligation in clause 3 and 4 of the Guideline except where these obligations have been determined to be not applicable of a specific breach has been reported.</p> <p>There have been no distribution determinations applicable to TasNetworks that have resulted in a change in the classification of a distribution service provided by the DNSP.</p>	<p>KPMG performed a gap analysis by matching the requirements of the Guidelines to the Compliance report for any missing disclosures and requirements not addressed by the waivers.</p> <p>As per 6.3 above, all breaches were appropriately reported to the AER in writing within 5 days of becoming aware of the breach.</p> <p>TasNetworks are materially compliant with the requirements of section 7.1 of the Guidelines.</p>