



United Energy Distribution

Ring-Fencing Guideline

Compliance Report

31 December 2019

Table of Contents

- 1. Executive Summary3
- 2. Independent Assurance Report to the Directors of United Energy5
- 3. Detailed Audit Findings7

1. Executive Summary

1.1 Introduction

The Australian Energy Regulator (the "AER") published the Electricity Distribution Ring-Fencing Guideline on 30 November 2016 under the National Electricity Rules (the "NER") with amendments made on 17 October 2017 (the "Guideline"). The Guideline requires functional separation of regulated and competitive business activities to promote competition in the provision of contestable electricity services.

Under clause 6.2.1c of the Guideline, Deloitte has been engaged per the engagement letter between United Energy Distribution Pty Limited ("United Energy" and Deloitte dated 22 November 2019 as the qualified independent authority to provide reasonable assurance that United Energy's Ring-Fencing Annual Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline, in all material respects, for the period from 1 January 2019 to 31 December 2019.

1.2 Summary of Findings

The following table summarises observations and recommendations against the Obligations where an exception was identified. The rating of each Obligation has been applied in accordance with *Section 1.3*.

No.	Guideline Obligation	Results of Testing	Recommendations	Rating	Material Breach
1.	4.2.4 (b) Office and staff registers	<p>Staff sharing register updating:</p> <p>Per clause 4.2.4 of the guideline, the DNSP must establish, maintain and keep a register that identified the nature of the position of its members of staff to which it has not applied clause 4.2.2(a).</p> <p>From our testing performed we identified one Powercor employee (Powercor is an affiliate entity) whose employment role is dedicated to Beon's Health and Safety function, who has access to both Powercor and United Energy offices. The employee was not included in the staff sharing register for the year ended 31 December 2019.</p> <p>Whilst we note that United Energy's staff sharing register includes the broader role of GM People, Culture and Legal (inclusive of Health and Safety), the staff sharing register lacks the additional detail of other shared staff roles at a more granular level.</p> <p>This non-material breach has been recognised in the United Energy Ring-fencing Compliance Report for the year ended 31 December 2019.</p>	<p>We recommend that management update the register for staff sharing and includes names and roles throughout the Group at a detailed level to ensure the register is complete and accurate. We understand that management are in the process of completing this comprehensive review and update.</p> <p>We recommend that this register is published on the website as soon as practical.</p>	Exception	No

1.3 Rating Applied

The ratings applied to the results of our testing are defined below based on Deloitte's interpretation of the Guideline. The evaluation of the results of our tests as they relate to the Obligations is based on applying our professional judgement and considering the available facts and circumstances.

No Exception	Requirements of the Obligation have been met with no or only minor improvement opportunities. Any findings noted are considered minor and require routine efforts to correct in the normal course of business.
Exception	The requirements of the Obligation have not been fully met. Findings noted require remedial action.

2. Independent Assurance Report to the Directors of United Energy

Opinion

We have undertaken a reasonable assurance engagement on whether United Energy Distribution Pty Limited's ("United Energy") Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Ring-Fencing Guideline - Electricity Distribution (the "Guideline") as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 January 2019 to 31 December 2019. The Ring-Fencing Compliance Report will accompany our report, for the purpose of reporting to the Australian Energy Regulator ("AER").

In our opinion, United Energy's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 January 2019 to 31 December 2019.

Basis for Opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* ("ASAE 3100") issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management of United Energy

United Energy management are responsible for:

- a) Providing a statement with respect to the outcome of the evaluation of the compliance activity against the requirements of the Guideline, which accompanies this independent assurance report.
- b) Identifying risks that threaten the 6.2.1b of the Guideline identified above being met;
- c) Identifying suitable compliance requirements in the Guideline as required by the AER; and
- d) Identifying, designing and implementing controls to enable the requirements of the Guideline to be met and to monitor ongoing compliance.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on whether United Energy's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 January 2019 to 31 December 2019. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether United Energy's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 January 2019 to 31 December 2019.

An assurance engagement to report on United Energy's Ring-Fencing Compliance Report involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the requirements of the Guideline. The procedures selected depend on our judgement, including the identification and assessment of risks of material misstatement in the Ring-Fencing Compliance Report, as evaluated against 6.2.1b of the Guideline.

Our procedures included, but were not limited to:

- Inquiring with United Energy personnel about controls are in place to allow United Energy to comply with the Obligations;
- On a sample basis, observing the control being performed, and/or inspecting documentation to evidence the design, implementation and effectiveness of the controls;
- Inquiring with management whether they are compliant with the Obligations and corroborating our inquiry with the results of our procedures.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or exception with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the period from 1 January 2019 to 31 December 2019 does not provide assurance on whether compliance with the Guideline will continue in the future.

Restricted Use

This report has been prepared for use by United Energy for the purpose of meeting the reporting requirements to the AER. We disclaim any assumption of responsibility for any reliance on this report to any person other than United Energy, or for any purpose other than that for which it was prepared. However, we understand that a copy of the report has been requested by AER. We agree that a copy of the report may be provided to AER for their information in connection with this purpose but, as will be made clear in the report, only on the basis that we accept no duty, responsibility or liability to any party, other than you, in connection with the report or this engagement.

It is our understanding that the AER may publish a copy of our report on their website. We do not accept responsibility for the electronic presentation of our report on the AER's website. The security and controls over information on the web site is not evaluated or addressed by the independent auditor. The examination of the controls over the electronic presentation of the Ring-fencing Compliance Report on the AER's web site is beyond the scope of this engagement.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Samuel Vorwerg

Partner

Chartered Accountant

Melbourne, 30 April 2020

3. Detailed Audit Findings

The descriptions of the tests of compliance that were performed, findings relating to the tests of compliance or particular aspects of the engagement, our recommendations and conclusion of whether there has been a breach of the requirements of the Guideline are described below.

The rating of each Obligation has been applied in accordance with *Section 1.3*.

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
1.	Legal separation	3.1 (a)	A DNSP must be a legal entity.	<p>Discussions held with:</p> <ul style="list-style-type: none"> Regulatory Analyst <p>Key Control:</p> <ul style="list-style-type: none"> United Energy is an entity with a registered Australian Business Number (ABN) which is distinct from its affiliated entities that provide "other services" <p>Information Obtained:</p> <ul style="list-style-type: none"> ASIC ABN Search Distribution Network service provider Licence <p>Test Performed:</p> <ul style="list-style-type: none"> We performed a search of the ASIC register for United Energy Distribution Holdings Pty Limited's ABN to confirm if they are separate legal entities. We cross checked the registered ABN against the Distribution Network Services Provider Licence. 	Based on the testing performed we have not identified any matters of exception against the obligation.	None noted.	No Exception
2.	Legal separation	3.1 (b)	A DNSP may provide distribution services and transmission services but must not provide other services.	<p>Discussions held with:</p> <ul style="list-style-type: none"> Financial Controller Senior Finance Business Partner – Corporate and Regulatory <p>Key Controls:</p> <ul style="list-style-type: none"> United Energy is an entity with a registered Australian Business Number (ABN) which is distinct from its affiliated entities that provide "other services" 	Based on the testing performed we have not identified any matters of exception against the obligation.	None noted.	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
				<ul style="list-style-type: none"> • A monthly review of general ledger accounts is performed by the finance and attestation is provided by the Financial Controller that no breaches in this requirement have occurred <p>Other compliance measures:</p> <ul style="list-style-type: none"> • A waiver was obtained from the AER in relation to unclassified services that are provided by the DSNP <p>Information Obtained:</p> <ul style="list-style-type: none"> • Audited financial statements for United Energy for the year ended 31 December 2019 • General ledger information recording revenue generated in the period by the DSNP • AER approved waiver detailing unclassified services that may be provided by the DSNPs <p>Test Performed:</p> <ul style="list-style-type: none"> • We have performed a review of the nature of each revenue stream recorded in the United Energy financial statements and assessed whether they relate to distribution services • For "other services" revenue generated, we assessed whether the waiver approved by the AER included the services provided. 			
3.	Separate accounts	3.2.1 (a)	A DSNP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between	<p>Discussions held with:</p> <ul style="list-style-type: none"> • Financial Controller • Senior Finance Business Partner – Corporate and Regulatory <p>Key Controls:</p> <ul style="list-style-type: none"> • A separate general ledger is maintained for United Energy and its affiliates with separate general ledger accounts for transaction between affiliates 	Based on the testing performed we have not identified any matters of exception against the obligation.	None noted.	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			the DNSP and its affiliated entities.	<ul style="list-style-type: none"> A monthly review of general ledger accounts is performed by the finance and attestation is provided by the Financial Controller that no breaches in this requirement have occurred <p>Information Obtained:</p> <ul style="list-style-type: none"> Corporate Service agreements between United Energy and their affiliates Audited financial statements for United Energy Pty Ltd for the year ended 31 December 2019 Balance sheet reconciliations and monthly attestation by Financial Controller <p>Test Performed:</p> <ul style="list-style-type: none"> We performed a process walk through to understand the key controls in place to maintain separate accounts and be able to demonstrate the extent of transactions between United Energy and its affiliates We tested the design and operating effectiveness testing of the monthly attestation provided by the Financial Controller We reconciled the affiliate transactions disclosure in the Compliance report to underlying accounting records to assess accuracy. 			
4.	Cost allocation and attribution	3.2.2 (a), (b) (c)	<p>A DNSP must allocate or attribute costs to distribution services:</p> <p>- in a manner that is consistent with the Cost Allocation Principles and its approved CAM, as if</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Financial Controller Senior Finance Business Partner – Corporate and Regulatory <p>Key Controls:</p> <ul style="list-style-type: none"> Costs are allocated using approved profit centres and activity codes within the ERP system (SAP) in line with the AER approved United 	Based on the testing performed we have not identified any matters of exception against the obligation.	None noted.	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			<p>the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services. - and must not allocate or attribute other costs to the distribution services it provides.</p> <p>A DNSP must establish, maintain and keep records that demonstrate how it meets cost allocation and attribution obligations</p>	<p>Energy's Cost Allocation Methodology (CAM)</p> <ul style="list-style-type: none"> A quarterly review of cost attribution is performed by the finance team and attestation provided by the Financial Controller that this has been performed and whether any breaches have been identified <p>Information Obtained:</p> <ul style="list-style-type: none"> United Energy Cost Allocation Method Quarterly Financial Controller attestation of cost attribution Transactions with affiliates data <p>Test Performed:</p> <ul style="list-style-type: none"> We performed a process walk through to understand the key controls in place to ensure costs are allocated accurately and in line with CAM We obtained and reviewed the CAM, noting it addresses the allocation of costs between distribution services and non-distribution services We tested the design and operating effectiveness of the quarterly review of the cost attribution attestation Tested the balances disclosed for transactions with affiliates in the compliance report for completeness and accuracy and consistency to the audited financial statement information 			
5.	Obligation not to discriminate	4.1(b)	<p>A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Regulatory Analyst Team Leader Engineering and Consulting Manager Customer Requests 	<p>Based on the testing performed we have not identified any matters of exception against the obligation.</p> <p>However, in relation to Ringfencing training we observed the following:</p>	<p>Non-completion increases the risk of inadvertent breaches of the guideline and we recommend that controls to monitor training completion are strengthened.</p>	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			<p>competitor (or potential competitor) of a related electricity service provider in connection with the provision of:</p> <p>i. 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>Key Controls:</p> <ul style="list-style-type: none"> • Approval of project costs and scheduling so that contestable services are not prioritised over direct control services • Annual review of ring-fencing obligations by each Responsible Manager and General Manager and declaration of any breaches/no breaches occurring in relevant area of the business • Mandatory training of United Energy staff on the ring-fencing requirements is performed: <ul style="list-style-type: none"> - On initial adoption of the guideline in the year ended 31 December 2018 - For new employees on joining United Energy. - Refresher training on a bi-annual basis (refresher training is scheduled to be completed in the year ending 31 December 2020). <p>Information Obtained:</p> <ul style="list-style-type: none"> • Training materials • Listing of customer projects • Annual declaration by General Managers <p>Test Performed:</p> <ul style="list-style-type: none"> • We tested the operating effectiveness testing of the project approvals • We have obtained and reviewed the General Manager’s annual compliance declaration • We reviewed the training material and noted that the training included the requirement not discriminate • We performed sample testing of training attendance register to assess wither it was accurate. 	<ul style="list-style-type: none"> • Approximately 22% of employees in the business have not completed the required ring-fencing training as at 31 December 2018 and 2019 in accordance with the DNSP’s ring fencing policy. • The Governance team responsible for reviewing training attendance confirmed that employees had been followed up during the 12-month period ended 31 December 2019 however they were not able to confirm the reason for non-completion of the mandatory training. <p>Ringfencing training for employees of the Group is a key preventative control. We have concluded that this is an area for improvement however have not identified any breaches of the guideline in relation to the control and have therefore concluded that it is not an exception (consistent with the definition in Section 1.3).</p>		

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
6.	Offices, staff, branding and promotions	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>Discussions held with:</p> <ul style="list-style-type: none"> Senior Facilities Specialist <p>Key Controls:</p> <ul style="list-style-type: none"> United Energy have a separate office in Pinewood which has physical access restrictions in place United Energy also share the CitiPower/ Powercor office in Market Street, Melbourne, which Beon staff are physically restricted from accessing certain floors of United Energy office using the Gallagher security system (through electronic access cards and security doors) For the Market Street office, on a monthly basis, the Operations Manager Facility Management Services, performs a review of physical access restriction to identify any Beon Staff who have inappropriate access An office sharing register is maintained by United Energy <p>Information Obtained:</p> <ul style="list-style-type: none"> Gallagher security system access listings to the United Energy office Affiliate employee listings Staff and office sharing register <p>Test Performed:</p> <ul style="list-style-type: none"> We tested the design and operating effectiveness of the monthly review control of physical access of the Market Street building We tested a sample of Beon staff and reviewed the physical access restrictions for United Energy Pinewood building We reviewed the office sharing register for completeness and accuracy and sighted evidence of 	<p>Based on the testing performed we identified that:</p> <ul style="list-style-type: none"> Affiliated staff are appropriately restricted from certain levels of the United Energy office There are 4 locations which are shared with affiliates and these have been recorded on the staff and office sharing register <p>We noted in the 31 December 2018 audit the following exception:</p> <ul style="list-style-type: none"> The Market Street office of CitiPower/ Powercor is not included on the Office sharing register for United Energy. <p>The above has been appropriately included in staff and office sharing register during the 31 December 2019 period.</p>	None noted.	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
				the annual review performed in the period.			
7.	Staff sharing	4.2.2(a)	A DNSP must 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 related electricity service provider.	<p>Discussions held with:</p> <ul style="list-style-type: none"> Regulatory Analyst <p>Key Control:</p> <ul style="list-style-type: none"> An annual review is performed by the Regulatory Analyst for any changes to job description or new roles to ensure that any shared staff are identified, and that shared staff are not in breach of the ring-fencing requirements <p>Information Obtained:</p> <ul style="list-style-type: none"> Staff and office sharing register Sample of Employee contracts <p>Test Performed:</p> <ul style="list-style-type: none"> We tested the design and operating effectiveness of the annual review of the staff sharing arrangements We tested a sample of staff to review their role description in order to assess whether they are involved in provision of direct control services and contestable electricity services and if so that appropriate safeguards are in place We noted that all staff identified as "shared" were included in the register of shared staff. 	<p>Based on our controls testing performed we identified that:</p> <ul style="list-style-type: none"> One Powercor employee performing services for Beon had access to the United Energy office and was not included in the staff sharing register. Refer to item 1 of Section 2.1. <p>A non-material breach has been recognised in the United Energy Ring fencing Compliance Report for the year ended 31 December 2019.</p>	We recommend that management perform a comprehensive review of shared roles and provide a more detailed disclosure of roles within the United Energy staff sharing register.	Exception
8.	Staff sharing	4.2.2(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	<p>Discussions held with:</p> <ul style="list-style-type: none"> Regulatory Analyst Remuneration & Benefits Specialist Payroll Manager Business Performance Management 	Based on the testing performed we have not identified any matters of exception against the obligation.	None noted.	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			<p>act in manner that is contrary to the DNSP's obligations under this Guideline.</p>	<p>Key Control:</p> <ul style="list-style-type: none"> On an annual basis the Head of business performance management reviews the remuneration, incentives and other benefits of staff working for United Energy to ensure that these do not incentivise them to breach the ring-fencing requirements <p>Information obtained:</p> <ul style="list-style-type: none"> 2020 KPIs by Business Unit presentation pack Sample of Employee KPIs for 2019 <p>Test Performed:</p> <ul style="list-style-type: none"> We tested the design and operating effectiveness of the annual review of the KPIs performed in the period We tested a sample of employees to review the incentives included in the employee contracts did not incentivise United Energy staff to breach their obligations under the Ring-fencing guideline. 			
9.	Branding and cross-promotion	4.2.3(a)	<p>A DNSP: i. must use branding for its direct control services that is independent and separate from the branding used by a related electricity service provider for contestable electricity services, such that a reasonable person would not infer from the respective branding that the</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Manager Customer relations Contact Centre Manager Marketing and Community Partnership Manager <p>Key Controls:</p> <ul style="list-style-type: none"> Contact centre scripts are utilised for scenarios where a customer requests contestable electricity services Phone calls to contact centre are monitored to detect any instances of cross-promotion. A monthly attestation is provided that this occurred and whether any breaches identified were reported 	Based on the testing performed we have not identified any matters of exception against the obligation.	None noted.	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			<p>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>ii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</p>	<ul style="list-style-type: none"> • An Annual review of the United Energy website and social media content for any inappropriate co-branding or cross promotion • Mandatory training on the ring-fencing requirements is completed annually <p>Information Obtained:</p> <ul style="list-style-type: none"> • Monthly attestation of call centre monitoring • Sample of customer calls • Training materials <p>Test Performed:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the annual review of the website and social media content. • We tested the design and operating effectiveness of monthly attestation for the monitoring of contact centre phone calls • We inspected the United Energy website and social media for evidence of promotion of contestable service provider Beon • We listened to a sample of customer calls (faults and connections) to identify any branding of cross-promotion. • We reviewed the training content and it covered the branding and cross-promotion requirements. 			

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
10.	Office and staff registers	4.2.4 (a), (b)	A DNSP must establish, maintain and keep a register that identifies: (a) the classes of offices to which it has not applied; and (b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff and must make the register publicly available on its website.	Discussions held with: <ul style="list-style-type: none"> Regulatory Analyst Key Control: <ul style="list-style-type: none"> Annual review of the Staff and Office sharing register is publicly available on the website Information Obtained: <ul style="list-style-type: none"> Staff and office sharing register Test Performed: <ul style="list-style-type: none"> We reviewed the staff and office register to determine whether it included the required information and was publicly available on its website. 	Based on the testing period we have not identified any matters of exception against this obligation.	None noted.	No Exception
11.	Protection of confidential information	4.3.2 (a) (b)	A DNSP must: (a) keep confidential information confidential (b) only use confidential information for the purpose for which it was acquired or generated	Discussions held with: <ul style="list-style-type: none"> IT Assurance Manager IT Customer Service Key Controls: <ul style="list-style-type: none"> Beon staff are restricted from accessing confidential electricity information through IT access controls A monthly review of IT user access is performed by the system owner to monitor any inappropriate access to systems for Beon staff A six monthly IT security review of all user access to the systems Information Obtained: <ul style="list-style-type: none"> Information sharing protocol Listing of affiliate employees Listing of IT access of systems containing confidential information 	Based on the testing period we have not identified any matters of exception against this obligation.	Consistent with our prior year audit, we have identified the following areas for improvement to the control environment: <ul style="list-style-type: none"> United Energy has a service agreement with Zinfra (an affiliate entity) for the construction, maintenance and operation of its distribution network. Zinfra employees have access to IT systems that have confidential information and have unrestricted access to the United Energy offices. Zinfra does not perform any contestable works within the United Energy distribution area (only work on behalf of United Energy's customers). However, we note that this is not specifically included in the service contract with Zinfra. We note that the standard ring-	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
				<p>Test Performed:</p> <ul style="list-style-type: none"> We tested the operating effectiveness of IT access controls We obtained an IT user access listing for all United Energy systems that contain confidential information and compared to listing of affiliate employees to determine whether there is any inappropriate access. 		<p>fencing clause is included in this contract mitigating this risk.</p> <p>We recommend that United Energy amend the service contract with Zinfra to contractually restrict them from performing any contestable services within the United Energy Network.</p>	
12.	Disclosure of information	4.3.3 (a)-(g)	<p>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</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Regulatory Analyst IT Assurance Manager IT Customer Service <p>Key Controls:</p> <ul style="list-style-type: none"> Information sharing protocol and information sharing register is publicly available Beon staff are restricted through IT access controls from confidential information Monthly review of IT user access to monitor any inappropriate access to systems for Beon staff Bi-annual review of IT user access for any inappropriate access to systems by Beon staff <p>Information Obtained:</p> <ul style="list-style-type: none"> Information sharing protocol Information sharing register Affiliate employee listings <p>Test Performed:</p> <ul style="list-style-type: none"> We tested the design operating effectiveness of IT access controls We obtained an IT user access listing for all United Energy systems that contain confidential information and compared to listing of affiliate employees to 	Based on the testing period we have not identified any matters of exception against this obligation.	We have identified an area for improvement to the control environment in section 4.3.2(a) (b) above.	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			<p>services from other legal entities); (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; (e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider in response to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control; (f) the disclosure is solely for the purposes of research by a legal entity other than a related electricity service provider of the DNSP (g) a related electricity service</p>	<p>determine whether there is any inappropriate access</p> <ul style="list-style-type: none"> • We have reviewed the information sharing protocol for consistency with the requirements of the Ring-fencing guideline • We sighted the information register is publicly available on the United Energy website. 			

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			<p>provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p>				
13.	Sharing of information	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, or where confidential information that a DNSP has disclosed under clause 4.3.3(f) is then disclosed by any person to a related electricity service provider of the DNSP, the DNSP must provide access to that confidential information (including the derived information) to other legal entities on an equal basis.</p> <p>(b) A DNSP is only required by clause 4.3.4(a) to provide information to a legal entity where: i. the legal entity has requested that it be included on the information register in respect of</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Regulatory Analyst IT Assurance Manager <p>Key Control:</p> <ul style="list-style-type: none"> Information sharing protocol and information sharing register is publicly available <p>Information Obtained:</p> <ul style="list-style-type: none"> Information sharing protocol Information sharing register <p>Test Performed:</p> <ul style="list-style-type: none"> We have reviewed the information sharing protocol for consistency with the requirements of the Ring-fencing guideline We sighted the information register is publicly available on the United Energy website We made enquiry of the Regulatory Analyst and confirmed that there was no information requested in the period. 	Based on the testing performed we have not identified any matters of exception against the obligation.	We have identified an area for improvement to the control environment in section 4.3.2(a) (b) above	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			<p>information of that kind; and</p> <p>ii. the legal entity is competing, or is seeking to compete, with the DNSP, or a related electricity service provider of the DNSP, in relation to the provision of contestable electricity services.</p> <p>(c) A DNSP is not required by clause 4.3.4(a) to provide information to a legal entity where the DNSP has disclosed the information in the circumstances set out in clauses 4.3.3(a) to (e).</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 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</p>				

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			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 .				
14.	Information register	4.3.5 (a) - (c)	<p>(a) A DNSP must establish, maintain and keep a register of all:</p> <p>i. related electricity service providers;</p> <p>ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP;</p> <p>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> <p>i. identify the kind of information requested by the legal entity;</p> <p>and</p> <p>ii. describe the kind of</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Regulatory Analyst IT Assurance Manager <p>Key Control:</p> <ul style="list-style-type: none"> Information sharing protocol and information sharing register is publicly available <p>Information Obtained:</p> <ul style="list-style-type: none"> Information sharing protocol Information sharing register <p>Test Performed:</p> <ul style="list-style-type: none"> We have reviewed the information sharing protocol for consistency with the requirements of the Ring-fencing guideline We sighted the information register is publicly available on the United Energy website We made enquiry of the Regulatory Analyst and confirmed that there was no information requested in the period. 	<p>Based on the testing performed we have not identified any matters of exception against the obligation noting the following:</p> <ul style="list-style-type: none"> United Energy has established and maintained an information sharing protocol and information sharing register Based on enquiries we noted that no such information had been requested. 	None noted.	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			<p>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> <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>				
15.	Conduct of service providers	4.4.1 (a)(b)	<p>A DNSP: (a) must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with:</p> <p>i. clauses 4.1, 4.2.1,</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Procurement Specialist <p>Key Control(s):</p> <ul style="list-style-type: none"> The standard terms and conditions for UE supply contracts have been amended to include compliance with ring-fencing requirements. These standard terms and conditions are included in all new and amended contracts for suppliers involved in the provision of direct control services Work orders include ring-fencing specific clauses. Decision matrix provided to procurement staff to apply in contract negotiations 	<p>Based on the testing performed we have not identified any matters of exception against the obligation.</p> <p>A prior year observation highlighted that there was not a clear understanding amongst the procurement team around when the standard ring-fencing terms and conditions must be included in a contract.</p> <p>We note that during the 31 December 2019 period, management developed and implemented a decision-making framework to apply in procurement contract negotiations to identify when</p>	None noted.	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			<p>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. A DNSP: (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.</p>	<p>Information Obtained:</p> <ul style="list-style-type: none"> Standard term and conditions Sample of new and revised supplier contacts entered in the period Decision matrix <p>Test Performed:</p> <ul style="list-style-type: none"> We selected a sample of suppliers with new contracts entered into in the period to determine whether the Standard Terms and Conditions attached to the contract or work order contained the requirement to comply with ring-fencing Guideline. 	<p>a contract with a supplier requires the clause.</p> <p>We also note that where supplier contracts could not be altered, ring-fencing clauses were included in purchase and work orders.</p>		
16.	Waiver register	5.7 (a)	<p>A DNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) and must make the register publicly available on its website.</p> <p>The register established under clause 5.7(a) must include: i. the description of the conduct to which the waiver or interim</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Regulatory Analyst <p>Key Control:</p> <ul style="list-style-type: none"> Waiver register is maintained and publicly available <p>Information Obtained:</p> <ul style="list-style-type: none"> Waiver register Ring-fencing Compliance Procedure <p>Test Performed:</p> <ul style="list-style-type: none"> We sighted that the waiver register is publicly available on United Energy’s website We cross-checked the details contained on the waiver register against the waiver decisions published on the AER website. 	<p>Based on the testing performed we have not identified any matters of exception against the obligation.</p>	None noted.	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			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				
17.	Maintaining compliance	6.1	A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline.	<p>Discussions held with:</p> <ul style="list-style-type: none"> Regulatory Analyst <p>Key Control(s):</p> <ul style="list-style-type: none"> General Manager Annual Compliance review and declaration Mandatory training on the ring-fencing requirements <p>Information Obtained:</p> <ul style="list-style-type: none"> General Manager Annual Compliance review and declaration Training materials <p>Test Performed:</p> <ul style="list-style-type: none"> We have obtained and reviewed the General Manager annual compliance declarations We reviewed the training material and the attendance register. 	Based on the testing performed we have not identified any matters of exception against the obligation.	We identified an opportunity for improvement to the control environment in relation to the completion of training. This is documented at reference 4.1(b).	No Exception
18.	Annual compliance report	6.2.1 (a), (b) (c)	A DNSP must prepare an annual ring-fencing compliance report each regulatory year.	<p>Discussions held with:</p> <ul style="list-style-type: none"> Regulatory Analyst <p>Key Control(s):</p> <ul style="list-style-type: none"> Ring-fencing compliance report Deloitte has been engaged as the independent authority to assess 	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> United Energy have prepared a compliance report that is consistent with the requirements 	None noted.	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			<p>The annual compliance report must identify and describe, in respect of the regulatory year to which the report relates:</p> <p>i. 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; and</p> <p>iii. all other services provided by the DNSP in accordance with clause 3.1; and</p> <p>iv. the purpose of all transactions between the DNSP and an affiliated entity.</p> <p>The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.</p>	<p>United Energy's compliance with the Guideline</p> <p>Information Obtained:</p> <ul style="list-style-type: none"> United Energy Ring-fencing Compliance report <p>Test Performed:</p> <ul style="list-style-type: none"> We reviewed the draft annual ring-fencing compliance report to assess whether it includes all required information required and that the disclosures are consistent with our expectation based on the reasonable assurance procedures performed. 	<p>of the AER Electricity Distribution Ring-Fencing Guideline – Compliance reporting best practice manual.</p> <ul style="list-style-type: none"> The compliance report is accompanied by an assessment of compliance by a suitably qualified independent authority. 		
19.	Compliance breaches	6.3	<p>A DNSP must notify the AER in writing within 5 (five) business days of becoming aware of a material breach of</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Regulatory Analyst <p>Key Control(s):</p> <ul style="list-style-type: none"> Mandatory training on the ring-fencing requirements 	<p>Based on the testing performed we have identified the following:</p> <ul style="list-style-type: none"> United Energy has a mailbox for breaches identified within the business so that they can be reported to the regulatory team on a timely basis. 	<p>We recommend that:</p> <ul style="list-style-type: none"> A documented policy is prepared which outlines the reporting requirement and procedures where a potential breach is identified. This procedure should be consistent 	No Exception

No.	Category	Ref.	Guideline Obligation	Key Controls and Testing	Results of testing	Recommendation	Rating
			<p>its obligations under this Guideline.</p>	<ul style="list-style-type: none"> • A breach register is maintained and updated by the Regulations team • General Manager Annual Compliance review and declaration • A mailbox is maintained by the Regulations team for CitiPower/Powercor to report any potential breaches <p>Information Obtained:</p> <ul style="list-style-type: none"> • Training materials • Breach register • General Manager Annual Compliance review and declaration • Email correspondence received in the mailbox in the period <p>Test Performed:</p> <ul style="list-style-type: none"> • We obtained redacted copies of all emails sent to the ring-fencing mailbox and reviewed the email correspondence received during the year • We reviewed and assessed the breach register • We obtained and reviewed the General Manager Annual Compliance review and declarations • We reviewed the training content and confirmed that this did include the process for reporting breaches through the ring-fencing inbox which is monitored by the regulations team. 	<ul style="list-style-type: none"> • United Energy has implemented controls to ensure that staff are aware of the obligation to report breaches. <p>Consistent with our findings in the prior year we identified that:</p> <ul style="list-style-type: none"> • There continues to be no documented formal policy for reporting breaches to the compliance team. • The materiality guidance adopted by the business is not consistent with the AER compliance manual; therefore, inconsistent assessments may be made in relation to the materiality of breaches identified. Based on the results of our procedures, this inconsistency did not result in them not reporting material breaches. • The training materials presented to the Group did not contain a clear process for the reporting of breaches. • There is presently limited information on reporting breaches/suspected breaches on the intranet. 	<p>across the business and the policy publicly available to all staff members to access on the intranet.</p> <ul style="list-style-type: none"> • The compliance team implement monthly meetings inclusive of other independent stakeholders within the business to discuss and review: <ul style="list-style-type: none"> - Breaches identified and whether they are material - Agree on an appropriate course of action to investigate potential breaches and resolve - Design and effectiveness of compliance controls. 	