



Independent Reasonable Assurance Report

To the Directors of Endeavour Energy

Conclusion

In our opinion, Endeavour Energy's Compliance Statement that the entity has, with the exception of the matters identified in Section 1 of the Ring-fencing Annual Compliance Report, complied with the Ring-fencing Guideline published by the Australian Energy Regulator on 3 November 2021 is, in all material respects, fairly presented for the calendar year ended 31 December 2022.

Emphasis of Matter – Breaches of the Ring-fencing Guideline and matter requiring clarification on the definition of marketing

Without qualifying our conclusion, we draw attention to Section 1 of Endeavour Energy's Ring-fencing Annual Compliance Report ("Annual Compliance Report"), which describes:

- the breaches identified and reported to the Australian Energy Regulator (AER) relating to the calendar year ended 31 December 2022 and
- an area of clarification required on the definition of marketing as it relates to corporate communications roles and social media in general.

Breach of 4.3.3(d) of the Ring-fencing Guideline – Information Sharing Protocol

The Ring-fencing Guideline requires that a distributor establish an information sharing protocol that sets out how and when it will make ring-fenced information available to legal entities and make that protocol publicly available on its website.

- During the prior year assessment process, KPMG identified and Endeavour Energy notified the AER that the Information Sharing Protocol was not available on the Endeavour Energy website for a period of time during the calendar year ended 31 December 2022.

Breach of 4.3.1 of the Ring-fencing Guideline – Protection of ring-fenced information

The Ring-fencing Guideline requires that a distributor must keep ring-fenced information confidential.

- During the current year assessment process, KPMG identified and Endeavour Energy notified the AER that one Ausconnex staff retained access to their Endeavour Energy emails and shared corporate drives for a period of time post transfer to Ausconnex.

Matter requiring clarification on the definition of marketing as it relates to corporate communications roles and social media in general

The Ring-fencing Guideline requires that a distributor 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. There is no clear definition of marketing in the Ring-fencing Guideline.

- Endeavour Energy has identified and disclosed in its Annual Compliance Report an area of clarification required on the definition of marketing as it relates to corporate communications roles and social media in general. Endeavour Energy intends to clarify its approach in this regard in 2023 to ensure its ring-fencing approach remains compliant and is also appropriately aligned to the organisational design and risk appetite of the business.

Scope

The subject of our assurance engagement is whether Endeavour Energy's Compliance Statement that the entity has, with the exception of the matters identified in Section 1 of the Annual Compliance Report, complied with the Ring-fencing Guideline published by the AER on 3 November 2021 is, in all material respects, fairly presented for the calendar year ended 31 December 2022.

This Compliance Statement accompanies our report, for the purpose of reporting to the Directors of Endeavour Energy and the AER.

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 risk of material misstatements in Endeavour Energy's Compliance Statement that the entity has, with the exception of the matters reported in Section 1 of the Annual Compliance Report, complied with the Ring-fencing Guideline;
- considered internal controls implemented to meet the compliance requirements; 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 Performed, Observations and Findings

In Appendix A, we provide an overview of the key procedures, observations and findings in relation to each of the Ring-fencing Guideline requirements. This overview is provided at the request of the AER to provide greater transparency over the work we performed. Our conclusion is not modified in this respect.

In Appendix B, we have summarised performance improvement observations. Our conclusion is not modified in respect of these observations.

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 Endeavour Energy's Compliance Statement when it exists.

- Instances of misstatement in Endeavour Energy's Compliance Statement 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 Endeavour Energy's compliance with the Ring-fencing Guideline.

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 Endeavour Energy's Compliance Statement may occur and not be detected.
- A reasonable assurance engagement for the calendar year ended 31 December 2022 does not provide assurance on whether compliance with the compliance requirements of the Ring-fencing Guideline will continue in the future.

Use of this Assurance Report and Matters Relating to Electronic Publication

This report has been prepared for the Directors of Endeavour Energy and the AER for the purpose of compliance with the Ring-fencing Guideline and may not be suitable for another purpose.

We understand that the AER intends to publicly release our assurance report via its website. The AER is responsible for the integrity of AER's website where our report is presented alongside the Annual Compliance Report. We have not been engaged to report on the integrity of the AER's website. This report refers only to the Compliance Statement and does not provide an opinion on any other information which may have been hyperlinked to/from the Annual Compliance Report. If users of the Annual Compliance Report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the Annual Compliance Report to confirm the information contained in this website version of the Annual Compliance Report.

We disclaim any assumption of responsibility for any reliance on this report, or the Annual Compliance Report to which it relates to any person other than the Directors of Endeavour Energy and the AER, or for any purpose other than that for which it was prepared.



Management's Responsibility

Management is responsible for:

- the compliance activities undertaken to meet the requirements of the Ring-fencing Guideline;
- identification of the risks that threaten the compliance with the Ring-fencing Guideline from being met and identifying, designing and implementing controls which will mitigate those risks and monitor ongoing compliance; and
- preparing an Annual Compliance Report and providing a Compliance Statement with respect to the outcome of the evaluation of the compliance activity against the Ring-fencing Guideline, which accompanies this Independent Assurance Report.

Our Responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to Endeavour Energy's Compliance Statement with the Ring-fencing Guideline, for the calendar year ended 31 December 2022 and to issue an assurance report that includes our conclusion.

Our Independence and Quality Management

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Management 1 to design, implement and operate a system of quality management.



KPMG

Sydney

28 April 2023



Appendix A: Summary of procedures performed, observations and findings

In this section, we present an overview of key procedures performed, observations and findings as part of our reasonable assurance engagement in respect Endeavour Energy's compliance activities with the relevant requirements of the Ring-fencing Guideline for the calendar year ended 31 December 2022.

This information should not be construed as providing an opinion or conclusion on the separate compliance activities noted, nor that the aggregation thereof modifies our conclusion reported in the Independent Reasonable Assurance Report.

We performed the following general procedures to assess Endeavour Energy's overall compliance with the Ring-fencing Guideline:

- Read the Annual Compliance Report to obtain an understanding of Endeavour Energy's overall compliance strategy, measures and internal controls for Ring-fencing;
- Conducted interviews and inspected supporting evidence which included policies, procedures and practices undertaken to obtain an understanding of Endeavor Energy's approach to Ring-fencing compliance and related regulatory business activities.
- Read correspondence with the AER for the calendar year ended 31 December 2022 to understand the AER's response to breaches reported during the year.

During the performance of these procedures and follow up on prior period observations, we identified that the following company policy documents were in the process of being reviewed and had not yet been updated to reflect the adoption of the Ring-fencing Guideline 2021 (v3):

- GMM0001- *Producing Advertisements, Communication and Promotional Materials (last review date January 2017)*
- Company Policy 14.1- *Advertising, Communication and Promotional Materials (last review date January 2018)*
- GMM0003 – *Purchase, Use and Issue of Branded Promotional Products (last review date August 2017)*

As a result, the documents above still reference the Ring-fencing Guideline 2016 (v1).

We recommend the review of the documents above be finalised during 2023 (PIO 2021-1). Refer to **Appendix B** for an update on prior period recommendations.



The following table provides a summary of procedures, observations and findings for each Ring-fencing guideline requirement:

Compliance requirement	Management Controls	Procedures performed	Observations / findings
Legal Separation			
3.1(a) A Distribution Network Service Provider (DNSP) must be a legal entity.	<ul style="list-style-type: none"> Endeavour Energy and Ausconnex have separate Australian Business Numbers (ABNs) (RF.3.001). A clearly defined Legal Entity structure for the Endeavour Energy Group has been established (RF.3.002). 	<ul style="list-style-type: none"> Performed an ASIC search on Endeavour Energy and Ausconnex using their ABNs. 	<ul style="list-style-type: none"> The DNSP organisation (Network Operating Partnership (NOP); Endeavour Energy) is a legal entity and separate from the organisation's unregulated business (Network Unregulated Partnership (NUP); Ausconnex). Endeavour Energy and Ausconnex are separate legal entities based on their active ABN numbers.
3.1(b) Subject to this clause 3.1, a DNSP may provide distribution services and transmission services, but must not provide other services.	<ul style="list-style-type: none"> Endeavour Energy's Distribution Licence under the Electricity Supply Act 1995 (NSW) is current (RF.3.003) Endeavour Energy's corporate website directs customers to find an Accredited Service Provider (ASP) for Contestable Works (RF.0.002) Contractual arrangements between Endeavour Energy and Ausconnex are formally defined in a Business Support Agreement signed by both parties (RF.0.003) 	<ul style="list-style-type: none"> We read Endeavour Energy's prior and current year Annual Ring-fencing compliance reports and enquired of management to gain an understanding of the scope of services provided by the entity and past waivers for non-distribution services to assess the nature of services provided. Obtained and inspected Endeavour Energy's Distribution Licence under the Electricity Supply Act 1995 (NSW) dated 14 June 2017 	<ul style="list-style-type: none"> Other services reported in the waiver granted by the AER to Endeavour Energy in December 2017 have since been reclassified to standard control services. One new waiver was granted during the period but at the date of this report is not yet being utilised. No instances of Endeavour Energy providing "other services" that would be considered restricted under the Guideline were identified through CAM sample testing performed (refer to the "Cost



Compliance requirement	Management Controls	Procedures performed	Observations / findings
		and related Minister's Variations dated 5 February 2019 and 23 September 2022. <ul style="list-style-type: none"> Inspected Endeavour Energy's corporate website and checked the existence of content regarding where to find an ASP for contestable works. Obtained and inspected the Business Support Agreement between Endeavour Energy and Ausconnex to ascertain that corporate services and asset sharing contractual arrangements have been defined, are in place, and are consistent with this obligation. 	Allocation and Attribution" section below for a description of testing performed).
Establish and maintain accounts			
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.	<ul style="list-style-type: none"> Separate Financial and Accounting records are maintained separately for Endeavour Energy and Ausconnex (RF.3.004) An annual review of the Accounting for Ausconnex Guideline that demonstrates the nature and extent of transactions between Endeavour Energy and Ausconnex (RF.0.004). Annual Regulatory Information Notices and Financial Statements are audited by an external third party annually (RF.3.005) 	<ul style="list-style-type: none"> Obtained evidence on a sample basis of management's monthly review of financial results compared to budget/forecast, which separately identifies Endeavour Energy and Ausconnex. Inspected the Accounting for Ausconnex internal procedure document to check that it has been reviewed during the 	Refer to Appendix B (PIO 2021-2) for an update on prior period recommendations.



Compliance requirement	Management Controls	Procedures performed	Observations / findings
		calendar year. <ul style="list-style-type: none"> • Obtained an understanding of how transactions are maintained separately through enquiry with management and inspection of underlying systems and documentation. • Inspected a sample of monthly reconciliations of intercompany transactions and invoices to Ausconnex. • Checked the monthly intercompany transactions sampled matched the transaction categories disclosed in Endeavour Energy’s Compliance Report. • Obtained the audited financial statements and Regulatory Information Notices of Endeavour Energy for the year ended 30 June 2022, which were accompanied by unqualified audit reports. 	
Cost Allocation and Attribution			
3.2.2(a) A DNSP must allocate or attribute costs to distribution services in a manner that is consistent with the Cost Allocation Principles and its	<ul style="list-style-type: none"> • All costs are attributed in accordance with the accounting for Ausconnex Guideline, which supports Endeavour Energy’s approved Cost Allocation Methodology. The procedure is clearly documented and reviewed annually (RF.3.006). 	<ul style="list-style-type: none"> • Inspected Endeavour Energy’s CAM and checked that it addresses the attribution of costs between distribution and non-distribution services, was approved by the AER in March 2018 and is published on the 	No instances of inappropriate cost allocation were identified through sample testing performed. Refer to Appendix B (PIO 2021-2) for an update on prior period recommendations.



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>approved CAM, as if the Cost Allocation Principles and CAM otherwise applied</p> <p>3.2.2(b) A DNSP must only 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>	<ul style="list-style-type: none"> Endeavour Energy’s Cost Allocation Methodology (CAM) is approved by the AER for the relevant regulatory period and published on the corporate website (RF.3.007). 	<p>Endeavour Energy website.</p> <ul style="list-style-type: none"> Inspected the Accounting for Ausconnex Guideline for alignment of cost allocation principles between distribution and non-distribution services and checked that it aligns with Endeavour Energy’s approved CAM. Sampled transactions throughout the year ended 31 December 2022, to assess whether they had been allocated in accordance with Endeavour Energy’s CAM. Performed a walkthrough of the monthly indirect cost allocation process and sample tested a selection of months for evidence of review by management. 	
<p>3.2.2(c) A DNSP must establish, maintain and keep records that demonstrate how it meets the obligations in clauses 3.2.2(a) and 3.2.2(b), and must not allocate or attribute other costs to the distribution services it provides.</p>		<ul style="list-style-type: none"> Performed a walkthrough of the monthly intercompany billing to Ausconnex and sample tested a selection of monthly Ausconnex invoices for evidence of review by management and agreed the sample to supporting calculations and financial data. 	



Compliance requirement	Management Controls	Procedures performed	Observations / findings
Obligations to not discriminate			
<p>4.1(b) A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a 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 level entity); and/or</p> <p>ii) contestable electricity services by any other legal entity.</p>	<ul style="list-style-type: none"> Mandatory eLearning Training is deployed to all permanent employees of Endeavour Energy and Ausconnex on an as needed basis. A risk assessment is conducted annually to assess whether training is required (RF.0.005). A training compliance report is generated and monitored for completion rates post-training deployment for a period of three months with reporting sent to Executive Leadership Team Members for follow up (RF.0.006). A ring-fencing intranet site is maintained to support employee awareness of Ring-fencing obligations (RF.0.001). 	<ul style="list-style-type: none"> Inspected the online training materials and training completion records for the year ended 31 December 2022 in order to ascertain the completion rate of ring-fencing training during the compliance period. This included comparisons to HR records of new starters during the period. For the one Endeavour Energy employee seconded to Ausconnex during the current year, we checked that Competing Fairly 3.0 training, which includes Ring-fencing requirements had been completed. Inspected the Ring-fencing intranet site for evidence of existence of online materials such as FAQs, SharePoint links to procedures and guidelines, past Breach Alerts, access to training and access to subject matter experts. 	<p>Refer to Appendix B (PIO 2021-3) for an update on prior period recommendations.</p>
<p>4.1(c) Without limiting its scope, clause 4.1(b) requires a DNSP to:</p> <p>i) in dealing or offering to deal with a related electricity service provider, treat the</p>			



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>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</p>			



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>(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>4.1. (d) A DNSP must not discriminate (either directly or indirectly) between any two legal entities, in connection with the supply of contestable</p>			



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>electricity services by those legal entities, on the basis of the use by one or both of those legal entities of assets owned, operated or otherwise controlled (in whole or in part) by the DNSP.</p>			
Offices, staff, branding and promotions			
<p>4.2.1(a) Subject to this clause 4.2.1, in providing direct control services, a DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.</p>	<ul style="list-style-type: none"> • A current rental agreement is in place between Endeavour Energy and Ausconnex for lease of office and workshop space (RF.4.005). • Ausconnex maintain separate physical locations from Endeavour Energy staff providing Direct Control Services (RF4.006). • The Office Sharing Register is maintained on a quarterly basis and published on Endeavour Energy’s corporate website no later than 15 January, 15 April, 15 July and 15 October each year (RF.4.007) • Ausconnex physical access reviews are carried out monthly (RF.4.008). • Quarterly site inspections are carried out at the Ausconnex office locations (RF.4.009). 	<ul style="list-style-type: none"> • Inspected the current rental agreement between Endeavour Energy and Ausconnex for the lease of the Hoxton Park Transformer Workshop and the Glendenning Central Logistics Facility. • Inquired with management as to the physical location of Ausconnex sites to check that they are in separate physical locations to Endeavour Energy. • Conducted a site visit to the Endeavour Energy head office and discussed with management to understand the process for restricting physical access to high risk areas within the head office by visiting Ausconnex employees. • Conducted a site visit to the 	<p>Physical separation</p> <p>Based on our observations during our site visits, we have provided updates on and continue to make some performance improvement recommendations in respect of the physical separation. Refer to Appendix B (PIO 2021-4) for an update on prior period recommendations.</p> <p>Physical access reviews</p> <p>Refer to Appendix B (PIO 2021-5) for an update on prior period recommendations.</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
		<p>Ausconnex head office to check the physical separation of Endeavour Energy Central Logistics and Ausconnex staff within the office space.</p> <ul style="list-style-type: none"> • Conducted a site visit to Hoxton Park and obtained management’s formal site risk assessment in relation to the sharing of the Hoxton Park Field Service Centre office location by Ausconnex staff whilst renovations were being undertaken on the Ausconnex office space within the Transformer Workshop. • Inspected the quarterly Endeavour Energy Office Sharing registers and checked that the most recent version of the Office Sharing Register is readily available on the corporate website and aligned with the requirements contained within the Ring-fencing Guideline. • Tested the physical access provisioned for a sample of Ausconnex new starters during the period, to check that physical access restrictions were appropriate based on their roles. 	



Compliance requirement	Management Controls	Procedures performed	Observations / findings
		<ul style="list-style-type: none"> Selected a sample of monthly Ausconnex physical access reviews. Where discrepancies were identified by the review, determined whether these were addressed appropriately. Inspected evidence for a sample of quarterly site inspections to check that the site inspection was performed by Regulatory Assurance team and enquired of management as to the findings of the inspection. 	
<p>4.2.2(a) Subject to this clause 4.2.2, 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>	<ul style="list-style-type: none"> The staff sharing register is maintained on a quarterly basis and published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year (RF.4.010). A Staff Sharing Flowchart has been established to assess the application of ring-fencing clauses 4.2.2(a), (b), and (d) (RF.4.011). Implementation of the Staff Segment Definitions to classify positions according to the nature of services being provided, access to information and the ability to discriminate within the context of their role (RF.4.012). 	<ul style="list-style-type: none"> Inspected the quarterly Endeavour Energy registers and checked that the most recent version of the Staff Sharing Register is readily available on the corporate website and aligned with the requirements contained within the Ring-fencing Guideline. Enquired of management to understand the process taken to review the Staff Sharing Register on a quarterly basis or as needed basis due to changes in the organisational structure and/or the Ring-fencing Guideline and inspected evidence of the process in operation for a 	<p><i>Matter requiring clarification – Definition of marketing as it relates to corporate communications roles and social media</i></p> <p>During the course of our procedures, it came to our attention that a new role of Corporate Communications Manager - Growth had been established in January 2022. This role is responsible for supporting growth strategy and future growth opportunities within the Customer and Strategy Division, which includes both Endeavour Energy and Ausconnex.</p> <p>Endeavour Energy has not reported this role on the staff</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
		<p>sample of quarters.</p> <ul style="list-style-type: none"> Inspected the Staff Sharing Flowchart and checked that it is aligned to the requirements contained within the Ring-fencing Guideline. Inspected the Staff Sharing Segment Definitions document to check that all branches are included within the classification. This document includes a colour coding system that enables the categorisation of roles according to the nature of services being provided, access to electricity information, and ability to discriminate. 	<p>sharing register as it has classified the role as an engagement role and a corporate service falling under Clause 4.2.2(b)(i)(c) of the Guideline. The staff relocates to Ausconnex head offices one day a fortnight and maintains separate email accounts for Endeavour Energy and Ausconnex. The staff's salary is cost allocated to the Ausconnex business based on the one day a fortnight time allocation.</p> <p>We consider the distinction between a corporate communications role being a marketing or general administrative role to be judgmental in nature.</p> <p>Endeavour Energy has identified and disclosed in its Annual Compliance Report an area of clarification required on the definition of marketing as it relates to corporate communications roles and social media in general.</p> <p>We recommend that Endeavour Energy engage with the AER to seek clarification on the definition of marketing and the application of that definition to this role</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
			(Refer Appendix B PIO 2022-1). Quarterly Staff Sharing Register review Refer to Appendix B (PIO 2021-6) for an update on prior period recommendations.
<p>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 act in manner that is contrary to the DNSP's obligations under this guideline.</p>	<ul style="list-style-type: none"> The At-Risk Incentive/Reward Scheme for Contract Staff includes no remuneration, incentive or other benefit to staff to act in a manner that is contrary to Endeavour Energy's regulatory obligations (RF.4.013). Endeavour Energy's Enterprise Bargaining Agreement (EBA) includes no remuneration, incentive or other benefit to staff to act in a manner that is contrary to Endeavour Energy's regulatory obligations (RF.4.014). 	<ul style="list-style-type: none"> Enquired of management to understand whether standard employment agreements exist and contain standard clauses on incentives and compliance obligations. Obtained and read company procedure GHR7001 Performance Review and Career Planning Inspected the standard contract, EBA and at risk incentive/reward schemes, and checked that there are no remuneration, incentives or other benefits (financial or otherwise) observed in the contract or at risk incentive/reward schemes to give members of staff an incentive to act in a manner that is contrary to the Ring-fencing Guideline. Selected the one Ausconnex secondment contract relevant to the calendar year to check 	<p>None.</p>

Compliance requirement	Management Controls	Procedures performed	Observations / findings
		<p>alignment with the obligations of the Ring-fencing Guideline, including an explicit requirement to comply with Endeavour Energy's Ring-fenced information requirements.</p>	
<p>4.2.3(a) A DNSP:</p> <p>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 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</p>	<ul style="list-style-type: none"> • Endeavour Energy has Advertising and Promotional Materials policies and procedures to control the promotion of the Affiliated Entity's service - Company procedures GMM0003 and GMM0001 and Company Policy 14.1 • Endeavour Energy branding is independent and separate from Ausconnex. Brand Guidelines for each entity have been established and documented (RF.4.015) • Separate brand collateral, website and social media platforms have been established and implemented for Ausconnex (RF.4.016) • Separate uniforms, personal protective equipment, identification cards and vehicle signage with the Ausconnex logo have been implemented (RF.4.017) • A quarterly review of Ausconnex and Endeavour Energy websites and social media platforms is conducted to ensure compliance with the guideline (RF.4.018) 	<ul style="list-style-type: none"> • Inspected Company Procedures GMM0001 and GMM0003 and Company Policy 14.1 to check that the production of communication materials and requirements comply with Ring-fencing Guideline. • Inspected the Endeavour Energy and Ausconnex Brand Guidelines to check that they are separate. • Accessed the Endeavour Energy and Ausconnex websites to check for separate branding and identify any cross advertisement. • Remained vigilant during site inspections of the Endeavour Energy and Ausconnex head offices to identify any instances of cross-promotion or branding. • Enquired of Ausconnex staff during site visits to understand how shared staff are 	<p>Refer to Appendix B PIO 2021-1 for an update on prior period recommendations in relation to Company Procedures GMM0001 and GMM0003 and Company Policy 14.1.</p> <p><i>Breach identified as a subsequent event for calendar year ended 31 December 2022 and reported by Endeavour Energy to the AER post 31 December 2022</i></p> <p>Endeavour Energy identified and notified the AER that an Endeavour Energy employee posted on a social media platform mentioning both Endeavour Energy and Ausconnex in the same post with an accompanying photograph with both brands identified. Whilst this matter was identified and relates to the period subsequent to 31 December 2022, Endeavour Energy has reported the breach in its Annual Compliance</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>that are not direct control services together (including by way of cross-advertisement or cross-promotion);</p> <p>iii) must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</p>		<p>supported by measures that assist them in complying with the obligations contained under clause 4.2.3 of the Guideline.</p> <ul style="list-style-type: none"> Inspected evidence of management’s quarterly review of social media and website platforms. 	<p>Report for completeness. Our opinion on page 1 of this report does not refer to this breach, as it does not relate to the calendar year ended 31 December 2022.</p>
<p>Office and staff registers</p>			
<p>4.2.4(a) A DNSP must establish, maintain and keep a register that identifies:</p> <p>i. the 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</p> <p>ii. the staff positions (including a description of the roles, functions and duties) of those staff positions to</p>	<ul style="list-style-type: none"> The Office Sharing Register is maintained on a quarterly basis and published on Endeavour Energy’s corporate website no later than 15 January, 15 April, 15 July and 15 October each year (RF.4.007) The Staff Sharing Register is maintained on a quarterly basis and published on Endeavour Energy’s corporate website no later than 15 January, 15 April, 15 July and 15 October each year (RF.4.010). 	<ul style="list-style-type: none"> Inspected the quarterly Endeavour Energy Office Sharing registers and checked that the most recent version of the Office Sharing Register is readily available on the corporate website and aligned with the requirements contained within the Ring-fencing Guideline. Inspected the Staff Sharing Register published on the Endeavour Energy website to determine whether it complies with the Ring-Fencing Guideline and is up to date. 	<p>Refer to Appendix B (PIO 2021-6) for an update on prior period recommendations in relation to Staff Sharing Registers.</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>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);</p> <p>iii. the staff positions referred to in clause 4.2.4(a)ii which are held, or have been held within the previous three months, by a member of staff whose access to electricity information ceased upon, or in the 12 months prior to, commencing in that position, and the dates on which that member of staff commenced to hold and (if applicable) ceased to hold that position.</p>		<ul style="list-style-type: none"> Enquired of management to understand the process taken to review the Staff Sharing Register on a quarterly basis or as needed due to changes in the organisational structure and/or the Ring-fencing Guideline. 	
<p>4.2.4(b) No later than 15 January, 15 April, 15 July, and 15</p>			



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>October each year, a DNSP must publish, on its website, an updated version of each of the registers referred to in clause 4.2.4(a). The DNSP must ensure that the information published in each updated version is current to the end of the calendar month that is immediately prior to the required publication date for that updated version under this clause 4.2.4(b).</p>			
Information access and disclosure			
<p>4.3.1 Subject to this clause 4.3, a DNSP must:</p> <p>a) keep ring-fenced information confidential; and</p> <p>b) only use ring-fenced information for the purpose for which it was acquired or generated.</p>	<ul style="list-style-type: none"> • Implementation of Company Procedure GAM1100 Electricity Information Requests outlines the process for managing electricity information request from both internal and external entities as well as support the Information Sharing Protocol and Approach published on the corporate website (RF.0.007) • Identity Access Management software provisions role-based access as per defined security definitions for ring-fencing (RF.4.001). • User access reviews are carried out in accordance with Endeavour Energy's ICT Security Calendar (RF.4.004). 	<ul style="list-style-type: none"> • Compared Company Procedure GAM1100 Electricity Information Requests to the Ring-Fencing Guideline • Tested on a sample basis the information segregations and enforcements in restricting access to: <ul style="list-style-type: none"> ○ Endeavour Energy ring-fenced information within the SAP system by Ausconnex staff 	<p><i>Breach identified during the assessment process for calendar year ended 31 December 2022 and related to the calendar year ended 31 December 2022 but reported by Endeavour Energy to the AER post 31 December 2022</i></p> <p>During the current year assessment process, KPMG identified and Endeavour Energy notified the AER that one Ausconnex staff retained access to their Endeavour</p>

Compliance requirement	Management Controls	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> Utilising Data Loss Prevention software to identify, monitor and prevent the release of sensitive information outside of Endeavour Energy in accordance with licence requirements (RF.0.009). <p>Physical access reviews are considered a key control to prevent ring-fenced information breaches. Refer to section 4.2.1(a) above for procedures performed, observations and findings on physical access reviews.</p>	<ul style="list-style-type: none"> Endeavour Energy shared drives by Ausconnex staff by: <ul style="list-style-type: none"> sampling access provided to Ausconnex new starters (including secondments and transfers from Endeavour Energy) during the calendar year. sampling periodic user access reviews performed SAP and Endeavour Energy shared drives. Tested a sample of Endeavour Energy employees in shared roles or at shared office locations where the business has assessed that the user should have no or limited access to ring-fenced information and obtained evidence that SAP and network access was appropriately provisioned. Performed a walkthrough to gain an understanding of the Data Loss Prevention software functionality as it applies to Ring-fencing. 	<p>Energy emails and shared corporate drives for a period of time post transfer to Ausconnex.</p> <p>Refer to the continuous improvement opportunity identified in Appendix B (PIO 2021-12) to align ongoing monitoring activities to focus on areas of past breaches, including staff secondments and related IT access controls.</p> <p>Endeavour Energy employee access controls for employees in shared roles or at shared office locations</p> <p>Sample testing performed of IT access granted to at-risk Endeavour Energy employees in shared roles or at shared locations where access to electricity information is noted to be limited or disallowed did not indicate any inappropriate access granted.</p> <p>During testing, we observed that access to electricity information for these employees is controlled via access change management controls (i.e., by raising a ticket in Endeavour Energy’s ticketing system and obtaining business</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
			<p>line manager approval) on an individual employee basis. There is no system-restricted segregation of duty enforced in the SAP system applicable to Ring-fencing for Endeavour Energy employees.</p> <p>We recommend that Endeavour Energy consider further defining SAP roles and network folders that contain electricity information and establish monitoring controls to review the access of those Endeavour Energy staff in shared roles and at shared office locations against this list of SAP roles and network folders on a regular basis. (Refer Appendix B PIO 2022-2).</p>
<p>4.3.2 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</p>	<ul style="list-style-type: none"> Implementation of Company Procedure GAM1100 Electricity Information Requests outlines the process for managing electricity information request from both internal and external entities as well as support the Information Sharing Protocol and Approach published on the corporate website (RF.0.007) 	<ul style="list-style-type: none"> Compared Company Procedure GAM1100 Electricity Information Requests to the Ring-Fencing Guideline Refer to other procedures performed in 4.3.1 above. 	<p>Refer to breach under clause 4.3.1 above.</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>customer, or prospective customer, to whom the ring-fenced 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 or 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, contestable electricity services, or other</p>			



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>services to the customer or potential customer;</p> <p>(e) the disclosure is solely for the purpose of providing assistance to the extent necessary to respond to any event (such as an emergency) that is beyond a 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 or 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;</p> <p>(h) a related electricity service provider of the DNSP has requested</p>			



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>the disclosure and the DNSP complies with clause 4.3.4 in relation to ring-fenced information; or</p> <p>(i) another legal entity, other than a related electricity service provider of the DNSP, has requested the disclosure.</p>			
<p>4.3.3(a) Subject to clause 4.1(c)iv and to this clause 4.3.3, where a DNSP shares ring-fenced information with a related electricity service provider, or where ring-fenced information that a DNSP has disclosed under clause 4.3.2(f) is then disclosed by any person to a related electricity service provider of the DNSP, the DNSP must provide access to that ring-fenced information (including the derived information) to other legal entities on an</p>	<ul style="list-style-type: none"> Implementation of Company Procedure GAM1100 Electricity Information Requests outlines the process for managing electricity information request from both internal and external entities as well as support the Information Sharing Protocol and Approach published on the corporate website (RF.0.007) Endeavour Energy’s Information Sharing Protocol an Approach is available on the corporate website and outlines how information may be accessed (RF.4.002). 	<ul style="list-style-type: none"> Compared Company Procedure GAM1100 Electricity Information Requests to the Ring-Fencing Guideline Inspected Endeavour Energy’s website to check whether the Information Sharing Protocol and Approach is published. 	<p><i>Breach identified by KPMG during the compliance assessment process for the calendar year ended 31 December 2021 and reported by Endeavour Energy to the AER during the calendar year ended 31 December 2022</i></p> <ul style="list-style-type: none"> The Information Sharing Protocol was not available on the Endeavour Energy website at the time of KPMG’s inspection. Management advised that the Information Sharing Protocol was inadvertently removed from the website on 15 July 2021. The Information Sharing Protocol was reestablished on the Endeavour Energy website prior to the issuance of the 31 December 2021 Annual Compliance Report resulting in



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>equal basis.</p> <p>4.3.3(d) Without limiting clause 4.3.3(a), a DNSP must establish an information sharing protocol that sets how and when it will make the information referred to in clause 4.3.3(a) available to legal entities and must make that protocol publicly available on its website.</p>			<p>it not being available for a period of time during the year ended 31 December 2022.</p> <p>Refer to Appendix B (PIO 2021-7) for an update on prior period recommendations.</p>
<p>4.3.3(e) Where a DNSP discloses information referred to in clause 4.3.3(a) to any other legal entity under this clause 4.3.3, it must do so on terms and conditions that require the other legal entity to comply with clause 4.3.1 and 4.3.2(a) to (d) in relation to that information as if the other legal entity was a DNSP.</p>			



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>4.3.4(a) A DNSP must establish, maintain and keep a register of all:</p> <ul style="list-style-type: none"> i. related electricity service providers; ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; <p>who request access to information identified in clause 4.3.3(a), and must make the register publicly available on its website.</p> <p>4.3.4(b) For each related electricity service provider or other legal entity that has requested that a DNSP provide access to information identified in clause 4.3.3(a), the DNSP's information register must:</p> <ul style="list-style-type: none"> i. identify the kind of information requested 	<ul style="list-style-type: none"> • Implementation of Company Procedure GAM1100 Electricity Information Requests outlines the process for managing electricity information request from both internal and external entities as well as support the Information Sharing Protocol and Approach published on the corporate website (RF.0.007) • Information Sharing Register is maintained on a quarterly basis and published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year (RF.4.003). 	<ul style="list-style-type: none"> • Inspected the quarterly Endeavour Energy Information Sharing registers and checked that the most recent version of the Information Sharing Register is readily available on the corporate website and aligned with the requirements contained within the Ring-fencing Guideline. • Selected a sample of information requests raised in the Network Data Requests mailbox by other legal entities and checked these against the Information Sharing Register to test accuracy of the register. <p>For each sample selected, inspected supporting documentation to assess the process in place to appropriately record and respond to these on a timely basis.</p>	<p>Refer to Appendix B (PIO 2021-8) for an update on prior period recommendations.</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>by the related electricity service provider or other legal entity; and</p> <p>ii. describe the kind of information requested by the related electricity service provider or other 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>			
Service Providers			
<p>4.4.1.(a) A DNSP 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>	<ul style="list-style-type: none"> • Endeavour Energy has standard terms and conditions that reflect the requirements of the Ring-fencing Guideline. New or varied contracts that deviate from these standard terms and conditions require approval (RF.4.019). 	<ul style="list-style-type: none"> • Inspected the standard contract templates to check whether the terms and conditions included Ring-fencing obligations in accordance with the Guideline. • Held discussions with management to understand the process in place to approve variations to standard contract terms and conditions. • Selected a sample of new or varied contracts executed during the year to check for 	<p>Refer to Appendix B (PIO 2021-9) for an update on prior period recommendations.</p> <p>No instances of inappropriate removal of Ring-fencing clauses from service provider agreements were identified through sample testing performed.</p> <p>The standard terms and conditions have not been updated in the current period to reflect the change to complying with version 3 of the Ring-fencing Guideline published by the AER on 3</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.1 of this Guideline; and</p> <p>ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP;</p> <p>as if the service provider was the DNSP.</p> <p>4.4.1 (b) A DNSP 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>inclusion of Ring-fencing obligations in accordance with the Ring-fencing guideline.</p>	<p>November 2021. Refer Appendix B PIO 2022-3.</p>
Waivers register			
<p>5.7 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</p>	<ul style="list-style-type: none"> Implementation of Company Procedure GRG0013 addresses compliance reporting requirements in line with the obligations set up in the Ring-fencing Guideline (RF.0.008). The Waiver Register is updated on a quarterly basis and published on Endeavour Energy’s corporate website no later than 15 January, 15 	<ul style="list-style-type: none"> Inspected Company procedure GRG0013 - Compliance Reporting outlining the waiver process. Held discussions with management to understand the process for periodic review 	<p>Refer to Appendix B (PIO 2021-10) for an update on prior period recommendations.</p>

Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>AER under clause 5 of this Guideline, and must make the register publicly available on its website.</p> <p>5.7 b) The register established under clause 5.7(a) must include:</p> <ul style="list-style-type: none"> i. 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; <p>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>April, 15 July and 15 October each year (RF.5.001).</p>	<p>of approved waivers.</p> <ul style="list-style-type: none"> • Performed a search of the AER website to identify any active Endeavour Energy waivers during the reporting period. • Inspected the quarterly Endeavour Energy Waiver Registers and checked that the most recent version of the Waiver Register is readily available on the corporate website and aligned with the requirements contained within the Ring-fencing Guideline. 	
Maintaining Compliance			
<p>6.1 A DNSP must establish and maintain appropriate internal</p>	<ul style="list-style-type: none"> • Implementation of Company Procedure GRG0013 addresses compliance reporting requirements in line with the obligations set up 	<ul style="list-style-type: none"> • Inspected Company procedure GRG0013 - Compliance Reporting, to check that it 	<p>Refer to Appendix B (PIO 2021-11) for an update on prior period recommendations in relation to</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>procedures to ensure it complies with its obligations under this Guideline. The AER may require the DNSP to demonstrate the adequacy of these procedures upon reasonable notice. However, any statement made or assurance given by the AER concerning the adequacy of the DNSP's compliance procedures does not affect the DNSP's obligations under this Guideline.</p>	<p>in the Ring-fencing Guideline (RF.0.008).</p> <ul style="list-style-type: none"> An annual attestation is completed via Compliance Management Framework Matrix by Endeavour Energy's key Branch Managers and Executive Leadership Team members (RF.6.001). Endeavour Energy maintains a dedicated ring-fencing email account to monitor inquiries, and correspondence relating to breaches or potential breaches or communication from employees or the Regulator (RF.6.002). A ring-fencing inquiry register has been established to track and monitor inquiries, responses and investigations and any follow-up actions (RF.6.011). A regular update on Ring-fencing compliance is provided to the Board's Regulatory Committee (RF.6.003) Endeavour Energy's Risk Management and Compliance Framework is overseen by the Audit and Risk Committee (ARC) of the Board (RF.6.004) A regulatory reporting calendar is generated and monitored for compliance with all mandatory reporting obligations including Ring-fencing (RF.6.009) 	<p>outlines requirements for identification, assessment, investigation and action to correct any breaches of the Ring-fencing Guideline.</p> <ul style="list-style-type: none"> Inspected the Compliance Management Framework Matrix and checked annual attestations were completed by the relevant Branch Managers and Executive Leadership Team members. Inspected correspondence to the Ring-fencing mailbox to evidence that the mailbox is actively used. Inspected the log of inquiries and matters raised via the dedicated mailbox to assess the implementation of management's tracking and reporting process. Inspected minutes of the Board's Regulatory Committee during the compliance year ended 31 December 2022. Inspected evidence of the monitoring of Endeavour Energy's Risk Management and Compliance Framework by the Audit and Risk Committee. Obtained Endeavour Energy's 	<p>annual compliance attestations.</p> <p>Refer to Appendix B (PIO 2021-12) for an update on prior period recommendations in relation to the implementation of a targeted compliance testing program.</p>

Compliance requirement	Management Controls	Procedures performed	Observations / findings
Reporting			
<p>6.2.1 a) A DNSP must prepare an annual Ring-fencing compliance report each calendar 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 calendar year to which the report relates:</p> <p>i. the measures the DNSP has taken to ensure</p>	<ul style="list-style-type: none"> Endeavour Energy’s annual submission of the Ring-fencing Compliance Report to the Australian Energy Regulator is submitted on time and accompanied by an assessment of compliance by a suitably qualified independent authority (RF.6.005) 	<ul style="list-style-type: none"> Obtained and reviewed Endeavour Energy’s Ring-fencing Annual Compliance Report for the calendar year ended 31 December 2022 to determine whether the report addresses compliance obligations contained under clause 6.2.1 of the Ring-fencing Guideline. 	<ul style="list-style-type: none"> The Endeavour Energy Ring-fencing Annual Compliance Report for the calendar year ended 31 December 2022 addresses the requirements under clause 6.2.1 of the Ring-fencing Guideline. This independent assessment report will be attached to the Endeavour Energy Ring-fencing Annual Compliance Report for the year ended 31 December 2022.



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>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>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</p>			



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>of compliance with each provision of this Guideline (except clauses 6.2.2 and 6.3) by a suitably qualified independent authority.</p>			
<p>6.2.3 (a) A DNSP must establish, maintain and keep a register that identifies for each standalone power system used by the DNSP to provide other services:</p> <ul style="list-style-type: none"> i. the local government area in which the stand-alone power system is deployed; ii. the number of premises served by the standalone power system; iii. the maximum demand, in KW, served by the stand-alone power system; 	<ul style="list-style-type: none"> • Endeavour Energy keeps a register that identifies each Regulated Stand-alone Power System and updates the register on a quarterly basis. The register is published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year (RF.6.008). 	<ul style="list-style-type: none"> • Inspected the quarterly Endeavour Energy SAPS register and checked that the most recent version of the SAPS Register is readily available on the corporate website and aligned with the requirements contained within the Ring-fencing Guideline. 	<ul style="list-style-type: none"> • There were no SAPS deployed by Endeavour Energy during the compliance period. As such, the SAPS register is blank.



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>iv. the aggregated annual average energy consumption, in kWh, of the premises served by the stand-alone power system;</p> <p>v. the revenue earned by the DNSP for providing other services by means of the standalone power system in the current calendar year; and</p> <p>vi. whether the DNSP has made a request, in writing, for the supply of the other services by another legal entity (other than an affiliated entity of the DNSP).</p>			
<p>6.2.3 (b) No later than 15 January, 15 April, 15 July, and 15 October each year, a DNSP must publish, on its website, an updated version of each of the registers referred to in clause 6.2.3(a). The DNSP must ensure that the information published in each updated version is current to the end of the calendar month that is</p>			



Compliance requirement	Management Controls	Procedures performed	Observations / findings
immediately prior to the required publication date for that updated version under this clause 6.2.3(b).			



Appendix B: Summary of performance improvement observations

In this section, we present additional details on performance improvement observations in relation Endeavour Energy’s compliance activities for the calendar year ended 31 December 2022, as well as improvements implemented during the year which were raised in the compliance period from 1 July 2020 to 31 December 2021. This information has been provided at the request of the AER.

This information should not be construed as providing an opinion or conclusion on the separate compliance activities noted, nor that the aggregation thereof modifies our opinion or conclusion reported in the Independent Reasonable Assurance Report.

Update on prior period improvement opportunities

PIO Ref	Clause	Prior period Recommendation	Status at 31 December 2022
2021-1	Various	<p>We recommend the following company policy documents are reviewed in conjunction with the adoption of the Ring-fencing Guideline 2021 (v3) during the 2022 compliance period:</p> <ul style="list-style-type: none"> GMM0001- <i>Producing Advertisements, Communication and Promotional Materials (last review date January 2017)</i> Company Policy 14.1- <i>Advertising, Communication and Promotional Materials (last review date January 2018)</i> GMM0003 – <i>Purchase, Use and Issue of Branded Promotional Products (last review date August 2017)</i> GAM1100 – <i>Electricity Information Requests (last review date December 2017)</i> 	<p>In Progress</p> <p>During the period, GAM1100 was reviewed and updated during the year ended 31 December 2022.</p> <p>GMM0001, Company Policy 14.1, and GMM0003 are in the process of being reviewed and have not yet been updated to reflect the adoption of the Ring-fencing Guideline 2021 (v3).</p> <p>As a result, these documents still reference the Ring-fencing Guideline 2016 (v1).</p> <p>We recommend the review of the documents above be finalised during 2023.</p>
2021-2	3.2.1(a) 3.2.2(a)	<p>Whilst both the Accounting for Ausconnex internal procedure document and the CAM document remain relevant at a principle level, the documents should be updated to reflect the use of the SAP accounting system and be made specific to post-ERP implementation process controls.</p>	<p>Accounting for Ausconnex – Closed</p> <p>The Accounting for Ausconnex internal procedure document was updated during the calendar year to reflect the use of the SAP accounting system and made specific to post-ERP implementation process controls.</p> <p>Cost Allocation Methodology – In Progress</p> <p>The internal CAM process document was updated, finalised and approved on 14 March 2023 to reflect the</p>



PIO Ref	Clause	Prior period Recommendation	Status at 31 December 2022
			<p>change in ERP from Ellipse to SAP which occurred on 30 September 2021.</p> <p>The external CAM approved by the AER has not been updated since March 2018 and still refers to Ellipse and related financial controls within that system. Whilst the CAM document remains relevant in principle, the document should be updated to reflect the use of the SAP accounting system and be made specific to post-ERP implementation process controls.</p> <p>Management have advised that the external CAM document will be reviewed in parallel with the 2024-29 Reset and outcome of Renewable Energy Zone bid.</p>
2021-3	4.1(b) and (c)	<p>Training contents should be updated to include scenario-based learnings that highlight the root causes of these breaches and resulting impacts to staff involved and Endeavour Energy's compliance with the Ring-fencing Guideline.</p> <p>In addition, management should consider taking a targeted, risk-based approach to training, including consideration of:</p> <ul style="list-style-type: none"> • tailoring training modules and contents to specific audiences based on employee roles • extending training requirements to at-risk contractors, targeted around specific direct control services and breach scenarios. <p>aligning training completion monitoring activities to the revised population of impacted staff and contractors.</p>	<p>Closed</p> <p>We observed action taken against our prior year PIO such as:</p> <ul style="list-style-type: none"> • the inclusion of scenario-based content specific to employee roles and • the extension of training enrolment to Alliance Partner and Agency Temp Contractors in addition to permanent field and office-based staff. <p>Annual Ring-fencing compliance refresher training (Competing Fairly 3.0) was rolled out in December 2022.</p> <p>Enrolled staff have three months to complete the training, resulting in the monitoring of Competing Fairly 3.0 completion rates taking place during the calendar year ending 31 December 2023.</p> <p>As part of our subsequent event procedures, we inspected evidence of system-generated reminders as well as manual reminders sent from Executive Leadership Team members to their teams regarding training non-completion.</p>

PIO Ref	Clause	Prior period Recommendation	Status at 31 December 2022
2021-4	4.2.1 (a)	<p>Based on our site visits to the Glendenning and Huntingwood offices, we recommend that management continue:</p> <ul style="list-style-type: none"> • monitoring the Glendenning shared office arrangement for appropriateness • consider implementing a formal site risk assessment process on at least an annual basis, which includes consideration of physical site layouts, shared staff arrangements and history of breaches • consider incorporating elements such as visual aids (e.g. posters) with messaging on the practical 'dos and don'ts' in common access areas to remind employees of the physical separation requirements in the Ring-fencing Guideline. <p>In addition, we understand that management is in the process of identifying and relocating to a new head office location. We recommend that, as part of this process, management consider how to appropriately restrict access to higher risk areas and employees that have access to confidential information in an open plan work environment.</p>	<p>In progress</p> <p>There have been no significant changes to physical controls and/or other elements such as visual aids in common access areas at the Endeavour Energy head office given the planned and upcoming relocation to a new head office location at Parramatta Square.</p> <p>We understand through discussions with management that the business is in the process of considering how to appropriately restrict access to higher risk areas and employees that have access to ring-fenced information in an open plan work environment.</p> <p>We understand formal site risk assessments are being undertaken on an as needed basis when there is a request to amend the Office Sharing Register. In addition, Ausconnex site visits have been performed during the current year as part of the Regulatory Assurance team's monitoring process.</p> <p>We recommend that management:</p> <ul style="list-style-type: none"> • continue monitoring the Glendenning shared office arrangement for appropriateness • consider implementing a formal site risk assessment process on at least an annual basis, which includes consideration of physical site layouts, shared staff arrangements and history of breaches • formally document the results of the site inspections performed by the Regulatory Assurance team, including a summary of observations, overall conclusions reached and improvement opportunities and/or remedial actions identified.



PIO Ref	Clause	Prior period Recommendation	Status at 31 December 2022
2021-5	4.2.1(a)	We recommend that management implement a systematic process for completing and evidencing monthly physical access reviews.	<p>Closed</p> <p>Based on sample testing performed in the current period, we observed that evidence was maintained of the monthly physical access reviews performed, including investigation of discrepancies by management, which resulted in no changes to physical access being required.</p>
2021-6	4.2.2(a)	We recommend that management consider formalising the quarterly review to document and evidence steps undertaken to check the completeness and accuracy of the Staff Sharing Register.	<p>Closed</p> <p>We observed that management implemented the Staff Sharing Register Process “Quick Card” to formalise the quarterly review process and document the review performed to update the Staff Sharing Register.</p>
2021-7	4.3.3(d)	We recommend that Endeavour Energy update the Information Sharing Protocol to clearly define the process by which Ausconnex and other legal entities can apply for access to the confidential information.	<p>Closed</p> <p>We inspected the revised Information Sharing Protocol and Approach which was updated in July 2022, noting it clearly defines the process by which Ausconnex and other legal entities can apply for access to information.</p>
2021-8	4.3.4(a)	Management should consider implementing a systematic process for recording, tracking and responding in a timely manner to the requestors.	<p>Closed</p> <p>During the current period, the data governance and reporting team has implemented a revised process for recording, tracking and responding to requests. During sample testing performed, we observed improved response times to information requests.</p>
2021-9	4.4.1(a)	We recommend that management consider establishing a systematic and formalised process approving the removal of Ring-fencing obligations from third party contract terms and conditions.	<p>Closed</p> <p>We observed action against our prior period recommendation that a process be developed for tracking contract deviations from standard terms and conditions and related risk assessments associated with the removal of Ring-fencing obligations from those deviated terms and conditions.</p> <p>In March 2023, a workplace instruction was approved that</p>



PIO Ref	Clause	Prior period Recommendation	Status at 31 December 2022
			provides a framework to support the Supply Chain team in applying a consistent corporate response to the application of Ring-fencing clauses to procurement and purchasing activities.
2021-10	5.7	Management should consider providing clear disclosure on its website to reflect that there were no active waivers.	<p>Closed</p> <p>During the compliance period, Endeavour Energy updated their website to explicitly state that there were no current active waivers in line with our prior period recommendation.</p> <p>The current waiver register has been updated to reflect the Class Waiver to provide RERT Services via voltage management granted in December 2022.</p>
2021-11	6.1	We recommend that management consider opportunities to further automate annual compliance attestation processes.	<p>Closed – solution to be implemented in 2023</p> <p>Annual compliance attestations are completed in an excel-based matrix that is maintained by the Regulatory Assurance team. During the current compliance year, the business approved the implementation and commenced activities with an intention to implement Compliance Management Software in 2023.</p> <p>Despite 2022 attestations being completed in Excel this prior period recommendation has been closed based on the action taken by management in the current period to progress to an automated solution.</p>
2021-12	4.3.1 6.1	As a result of the number of breaches identified in the current period, we recommend that management consider implementing a targeted compliance testing plan to monitor controls implemented to address previous breaches.	<p>Closed – continuous improvement opportunities exist</p> <p>We acknowledge the targeted compliance testing program undertaken by management in the current period in response to our prior period finding.</p> <p>During the current period, our testing continued to identify instances of non-compliance that were undetected by management’s monitoring processes, in particular in relation to protection of ring-fenced information. As a</p>



PIO Ref	Clause	Prior period Recommendation	Status at 31 December 2022
			result, we recommend that management continue to refine ongoing monitoring activities, with a focus on staff secondment and related IT access controls.



Summary of performance improvement observations for the compliance period from 1 January to 31 December 2022

KPMG has discussed the PIOs below with Endeavour Energy management. Endeavour Energy has advised that it acknowledges the findings below and is committed to efficiently meeting its ring-fencing obligations. Therefore, the observations and PIOs below will be given the requisite attention upon broader consultation with specific functional areas of the business.

PIO Ref	Clause	Observation	Recommendation
2022-1	4.2.2(a)	<p>During the course of our procedures, it came to our attention that a new role of Corporate Communications Manager - Growth had been established in January 2022. This role is responsible for supporting growth strategy and future growth opportunities within the Customer and Strategy Division, which includes both Endeavour Energy and Ausconnex.</p> <p>Endeavour Energy has not reported this role on the staff sharing register as it has classified the role as an engagement role and a corporate service falling under Clause 4.2.2(b)(i)(c) of the Guideline. The staff relocates to Ausconnex head offices one day a fortnight and maintains separate email accounts for Endeavour Energy and Ausconnex. The staff's salary is cost allocated to the Ausconnex business based on the one day a fortnight time allocation.</p> <p>We consider the distinction between a corporate communications role being a marketing or general administrative role to be judgmental in nature.</p> <p>Endeavour Energy has identified and disclosed in its Annual Compliance Report an area of clarification required on the definition of marketing as it relates to corporate communications roles and social media in general.</p>	<p>We recommend that Endeavour Energy engage with the AER to seek clarification on the definition of marketing and the application of that definition to this role.</p>
2022-2	4.3.1	<p>During testing, we observed that access to electricity information for these employees is controlled via access change management controls (i.e., by raising a ticket in</p>	<p>We recommend that Endeavour Energy consider further defining SAP roles and network folders that contain electricity information and establish monitoring controls to review the</p>



PIO Ref	Clause	Observation	Recommendation
		Endeavour Energy's ticketing system and obtaining business line manager approval) on an individual employee basis. There is no system-restricted segregation of duty enforced in the SAP system applicable to Ring-fencing for Endeavour Energy employees.	access of those Endeavour Energy staff in shared roles and at shared office locations against this list of SAP roles and network folders on a regular basis.
2022-3	4.4.1(a)	Endeavour Energy's standard terms and conditions have not been updated in the current period to reflect the change to complying with version 3 of the Ring-fencing Guideline published by the AER on 3 November 2021.	We recommend that management update its standard terms and conditions to reflect the latest Ring-fencing Guideline that Endeavour Energy is required to comply with.