

Evoenergy  
February 2022 - December 2022  
Ring-fencing Compliance Report

28 April 2023



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## 1. DOCUMENT MANAGEMENT

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### 1.1 Version Control

Date	Version	Description	Author
20/03/2023	1.0	Draft	Kiera-lee Barrett
12/04/2023	1.1	Reviewed post auditor comments	Tom Atkins
26/04/2023	1.2	Additional review post auditor comments	Jaki Roper
27/04/2023	1.3	Final review post auditor comments	Jaki Roper
28/04/2023	1.4	Final review and approval	Jaki Roper

### 1.2 Approval

Date	Name	Position	Signature
28/04/2023	Leylann Hinch	Group Manager, Strategy and Operations	Hinch, Leylann <small>Digitally signed by Hinch, Leylann Date: 2023.04.28 14:09:38 +10'00'</small>
28/04/2023	Peter Billing	General Manager	Billing, Peter <small>Digitally signed by Billing, Peter Date: 2023.04.28 14:29:36 +10'00'</small>
28/04/2023	John Knox	Chief Executive Officer	



## 2. INTRODUCTION

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### 2.1 Statement of Compliance

Evoenergy considers it has complied materially with the Australian Energy Regulator's (AER) Ring-fencing Guideline (Guideline Version 3) obligations for this regulatory period from 3 February 2022 to 31 December 2022 with the exception of two identified breaches documented in section 5.6 and 5.7 of this report.

### 2.2 Background

The Australian Energy Regulator (AER) updated the Ring-fencing Guideline (Guideline Version 3) in November 2021 with Evoenergy maintaining compliance throughout this period.

The Guideline is binding on distribution network service providers (DNSPs) and seeks to promote competition in the provision of electricity services, whilst preventing DNSPs from providing competitive advantages to its affiliates, operating in unregulated markets.

A key objective of ring-fencing is to provide a level playing field for participants in contestable electricity markets through accounting and functional separation of the provision of direct control services by DNSPs from the provision of other distribution services by them, or their affiliated entities.

Evoenergy has updated its internal ring-fencing procedure to reflect the Ring-fencing Guideline (Guideline Version 3). Additionally, Evoenergy has published its SAPS register as required to comply with the guidelines.

### 2.3 Purpose of Report

This report sets out AAD's compliance with the Guideline (Version 3) for the period 3 February 2022 – 31 December 2022 inclusive.

- the measures taken to ensure compliance with the Guideline.
- any breaches of the Guideline by AAD, or which otherwise related to AAD.
- all other services provided by AAD in accordance with the Guideline; and
- the purpose of all transactions between AAD and its affiliated entities.

Key AAD documents to ensure compliance with the Guideline are described in Appendix A.

This report is also accompanied by an independent assessment of AAD's ring fencing compliance for the period 3 February 2022 – 31 December 2022.

### 2.4 Compliance Management Framework

Compliance with the Guideline is managed in accordance with AAD's Compliance Management Manual, which sets out three lines of assurance as shown in Table 1 below.

Assurance is provided by a range of activities across organisations at three levels:

Level 1 – quality assurance – this refers to the operation and continuous or frequent monitoring of day-to-day controls embedded into work processes.

Level 2 – management assurance – this includes routine and regular line management review of risks and their treatments.

Level 3 – independent assurance – this refers to selective (risk-based) independent and objective review of systems of management or a defined scope of activity.



TABLE 1 – AAD ASSURANCE LEVELS

Assurance Level	Example Activities	Responsibility
First line	Self-assessments on effectiveness of controls and processes (e.g., procedures, processes, reporting mechanisms)	Group Managers, Section Managers & Teams
Second line	Semi-independent assurance of control effectiveness and process performance through Management Initiated Reviews and Audits	Risk and Compliance Team Environment and Technical Regulatory Compliance Team
Third line	Independent assurance through Internal Audit Program and Regulatory Audits	Internal Audit and Fraud Control Team

During the audit period, AAD has focused on developing, implementing, and communicating ring-fencing controls in response to previous opportunities for improvement.

The focus for this compliance period has been the first and third line of assurance and how managers and their teams assess ring-fencing compliance through effectiveness of controls and processes, whilst proactively engaging the Regulatory and Compliance teams across AAD to validate control health and compliance as input to the annual compliance reporting process.



### 3. COMPLIANCE MEASURES

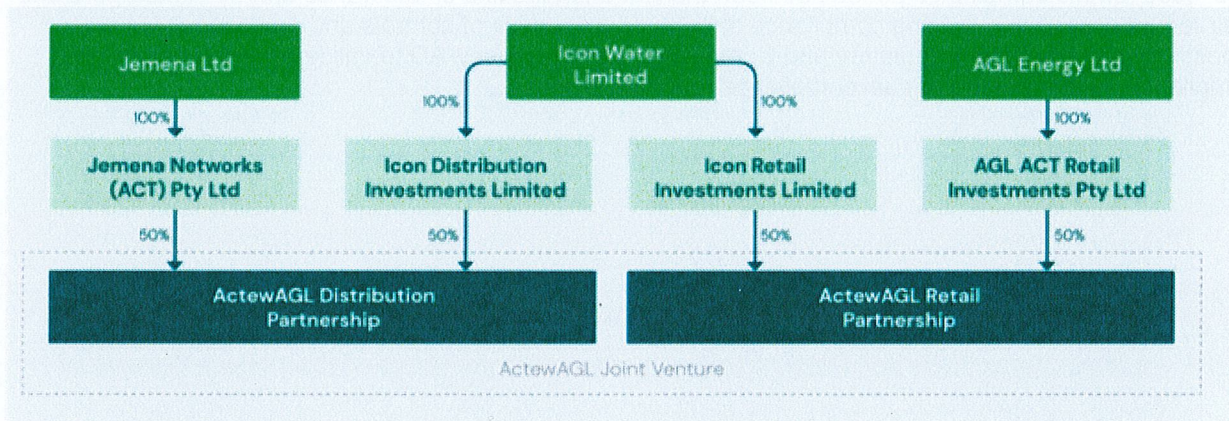
#### 3.1 Prevent cross subsidies

##### Legal Separation - Considerations

ActewAGL comprises two partnerships – the ActewAGL Distribution (AAD) partnership and the ActewAGL Retail (AAR) partnership. The AAD partnership owns and operates the ACT electricity network and owns the gas networks in the ACT, Queanbeyan and Palerang shires, and Nowra. AAR sells electricity and natural gas, along with managing customer service and marketing functions in a competitive market.

The AAD partnership is a legal entity and is the DNSP for the purposes of the Guideline. AAD is owned equally by Icon Water Ltd and Jemena Ltd via subsidiary companies. The AAR partnership is owned equally by Icon Water Limited and AGL Energy Ltd via subsidiary companies. This ownership structure is shown in Figure 1 below.

FIGURE 1 – ACTEWAGL LEGAL AND OWNERSHIP STRUCTURE



AAD comprises two business units:

- Evoenergy – which provides direct control services (and other non-electricity services under a waiver).
- Corporate Services, which provides shared corporate services.

The legal separation obligations in the Guideline prevent AAD from using regulated funds to subsidise services provided by Related Electricity Service Providers (RESPs).



## 4. SUMMARY OF PREVIOUS AUDIT FINDINGS

TABLE 2 – SUMMARY OF OBLIGATIONS AND AUDIT FINDINGS

Ring-fencing Obligation	FY19-20 Audit findings	FY20-22 Audit findings (1 <sup>st</sup> July 2020 - 31 <sup>st</sup> January 2022)
Legal separation	AAD complies with the Guideline	AAD complies with the Guideline
Establish and maintain accounts	AAD complies with the Guideline	AAD complies with the Guideline
Obligation not to discriminate	AAD complies with the Guideline	AAD complies with the Guideline
Physical separation/co-location	AAD complies with the Guideline	AAD complies with the Guideline
Staff sharing	AAD complies with the Guideline	AAD complies with the Guideline
Branding and cross-promotion	AAD complies with the Guideline	AAD complies with the Guideline
Office and staff registers	Recommendation only with action opened and completed by Evoenergy.	AAD complies with version 2 of the Guidelines
Protection of confidential information	AAD complies with the Guideline	AAD complies with the Guideline
Disclosure and sharing of information	AAD complies with the Guideline No requests received.	AAD complies with the Guideline No requests received.
Information register	AAD complies with the Guideline	AAD complies with the Guideline
Conduct of service providers	AAD complies with the Guideline	AAD complies with the Guideline
Waivers	AAD complies with the Guideline	AAD complies with the Guideline
Compliance and enforcement	Compliance achieved with delivery of refresher training to all staff. Enquiries from staff managed.	AAD complies with the Guideline
Compliance reporting	AAD complies with the Guideline	AAD complies with the Guideline



## 5. COMPLIANCE AND ENFORCEMENT

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### 5.1 February 2022 – December 2022 compliance activities

AAD has delivered targeted ringfencing training to all personnel across the Joint Venture. Online training was conducted during March 2022 for all AAD and AAR staff with information consistent with AER Ringfencing Guidelines (Guidelines Version 3).

AAD also conducted refresher training via online workshops for corporate services staff in September and October 2022. Two sessions were mandatory for staff involved in a near miss ringfencing breach and the remaining three sessions were open to all corporate services staff for optional and voluntary attendance. Information in the refresher training was consistent with AER Ring Fencing Guidelines (Version 3). Additionally, all new AAD and AAR staff complete ringfencing essentials online training as part of standard induction training.

Evoenergy's Ring Fencing Compliance and Staff Information Manual (PO0307) and online training sets out AAD's commitment to comply with the Guideline and the process for staff to make enquiries or identify potential breaches via the ring-fencing enquiry mailbox.

During the period 3 February 2022 to 31 December 2022, there were five (5) ring-fencing enquiries from Evoenergy personnel received to the ring-fencing enquiry mailbox regarding compliance with ring-fencing obligations. Each enquiry was assessed, and internal professional advice sought before responding to the enquiries to advise the appropriate form of action. Of those enquiries, all were managed to prevent potential for breach of the Ring-fencing Guideline. Evoenergy has developed a number of contingency plans (**Error! Reference source not found.**) that identify implementation requirements in the event of an electricity network event affecting Evoenergy's network. These contingency plans are a series of emergency response sub-plans or procedures that provide a guideline of identified actions that need to occur to prevent damage to the network, minimise long-term failure, control supply loss to the community and aid in the optimisation of time and cost for the asset recovery.

### 5.2 Related Electricity Service Providers (RESPs)

AAD responded to an AER query received in October 2022 regarding Ovida Pty Ltd (Ovida) and any ongoing commercial relationship as a RESP. AAD advised the AER that it does not have, and has never had, any commercial relationship with Ovida. The AER was satisfied with the response from AAD and subsequently closed the query.

### 5.3 Disclosure and sharing of information

During 3 February 2022 to 31 December 2022, AAD did not share any electricity information with a third party or RESP. No confidential information was shared by AAD and no requests for access to AAD's Information Register were received from third parties.

### 5.4 Regulated Stand-Alone Power Systems (SAPS)

During the period of 3 February 2022 to 31 December 2022, Evoenergy maintained a register on its website, as required by clause 6.2.3 of the Guidelines, capturing each regulated Stand-Alone Power System (SAP) used by Evoenergy. Evoenergy currently has two (2) Regulated Stand-Alone Power systems listed on its Register. Evoenergy note zero (0) additional SAPs under Evoenergy's network.



TABLE 3 – Evoenergy SAPs Register

SAP Identifier	Local Government Area	Number of Premises	Maximum Demand (kW)	Annual Consumption (kWh)	Revenue Earned from other Services	DNSP has requested the supply of other services by another Legal entity (Y/N)	Last update date
ACT1	Australian Capital Territory	2	2	5500	\$0	No	15 Jan 2022
ACT2	Australian Capital Territory	1	1	1380	\$0	No	15 Jan 2022

## 5.5 Potential Breach

AAD self-identified one (1) potential to breach the AER Ringfencing Guidelines (Version 3) during the compliance period with the occurrence of sharing a joint supplier list between entities as cause for potential breach and consulted directly with the AER to resolve the issue.

A discussion was held with the AER about ring-fencing in relation to joining the supplier list, AAD's hard line on compliance across the business was discussed, the 5 relevant suppliers (down from 7) in the list, ring-fenced information, the purpose of a joint supplier list, involvement of AAR staff access (x2), the actions taken by ActewAGL as soon as it became aware of the possibility of a ring-fencing breach, splitting the supplier list, hard controls (IT barrier) and soft controls (training).

The AER agreed that AAD did not need to report this as a breach of the guidelines. Evoenergy has captured its consultation with the AER regarding this matter within its internal register.

## 5.6 Breach of Clause 4.2.4(b) of Ring-Fencing Guidelines

AAD's external Ringfencing audit identified a breach of clause 4.2.4(b) given AAD had not reviewed, updated and published Staff and Office registers in 2022. AAD acknowledge both registers should have been reviewed, updated and republished at the required intervals stated in clause 4.2.4(b). AAD did not withhold new information which should have been published in any register. AAD failed to remove redundant information from the Staff Register and the Office Register.

Since identification of the breach, AAD has implemented controls to mitigate breaches of this nature in future by establishing automatic expiration of published register documents on the Evoenergy website. AAD also proposes to utilise existing systems to implement new controls which will automatically trigger a quarterly register review process in line with guideline timeframes. Further to this, AAD will consider implementation of the use of the AER's best practice templates in future review and publication of the register documents.

AAD conclude that the breach of clause 4.2.4(b) is a non-material breach of the ringfencing guidelines.

## 5.7 Breach of Clause 6.2.3 of Ring-Fencing Guidelines

AAD's external Ringfencing audit also identified a breach of clause 6.2.3 of the guidelines finding AAD has not effectively reviewed or updated the SAPS register with up-to-date information in 2022.

AAD has since implemented controls to mitigate further breaches of this nature by establishing automatic expiration of published register documents on the Evoenergy website. AAD also proposes to utilise existing systems to implement new controls which will automatically trigger a quarterly register review process in line with guideline timeframes and assist in data validation for publication of registers in future.

AAD conclude that the breach of clause 6.2.3 is a non-material breach of the ringfencing guidelines.



## 6. AAD OTHER SERVICES

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AAD has been granted a waiver to continue to own and operate its:

- Natural gas distribution pipelines located in the ACT and the Queanbeyan Palerang council area east of Canberra (ACT Gas Network) until 30 June 2024.
- Natural gas distribution pipelines located in the Nowra network in the Shoalhaven local government area on the NSW south coast (Nowra Gas Network) until 30 June 2024.



## 7. AAD TRANSACTIONS WITH RELATED ENTITIES

Table 4 sets out the transactions for services provided by affiliates to AAD and Table 5 set out transactions for services provided by AAD to its affiliates.

TABLE 4 – SERVICES PROVIDED BY AFFILIATES TO AAD

Affiliate	Overview of service provided by Affiliate	Comment
ActewAGL Retail, a partnership of AGL ACT Retail Investments Pty Ltd and Icon Retail Investments Limited	Electricity and gas retail services to Evoenergy.	No comment.
Icon Water Limited	Water and sewerage services to Evoenergy	Icon Water is the regulated monopoly provider of water and sewerage services in ACT and therefore is not subject to the procurement process.
Icon Water Limited	Reimbursement of employee-related costs for seconded employees.	No comment.
Zinfra Pty Ltd	Construction services to AAD's electricity distribution network business	No comment.
Jemena Limited	Jemena undertake works on behalf of external parties on AAD's gas network, and gift these to Evoenergy. These are recorded at fair value by Evoenergy however there is no exchange of cash.	AAD's gas network business provides an "other service" for which a waiver to comply with the Guidelines has been granted by the AER. The gas network business is subject to separate ring-fencing requirements under the National Gas (South Australia) Act 2008 (SA). This transaction has been included for completeness.
Jemena Limited	Jemena provide various management services to Evoenergy, including asset management, general management and construction management, for both routine and non-routine activities within the Gas business.	AAD's gas network business provides an "other service" for which a waiver to comply with the Guidelines has been granted by the AER. The gas network business is subject to separate ring-fencing requirements under the National Gas (South Australia) Act 2008 (SA). This transaction has been included for completeness.



TABLE 5 – SERVICES PROVIDED BY AAD TO AFFILIATES

Affiliate	Overview of service provided by AAD	Comment
ActewAGL Retail, a partnership of AGL ACT Retail Investments Pty Ltd and Icon Retail Investments Limited	Regulated electricity and gas services	Regulated service.
ActewAGL Retail, a partnership of AGL ACT Retail Investments Pty Ltd and Icon Retail Investments Limited	Warehousing services	Warehousing costs are allocated according to floor space occupied for inventory belonging to each division in accordance with Evoenergy's AER approved cost allocation method.
Icon Water Limited	Evoenergy provide dial before you dig and call centre services to Icon Water	No comment.
Icon Water Limited	AAD charges a fee to Icon Water for use of shared IT systems.	IT costs are allocated on the basis of time spent on specific divisions' requirements or usage of infrastructure in accordance with Evoenergy's AER approved cost allocation method.
Icon Water Limited	Reimbursement of employee-related costs for seconded employees.	No comment.



## APPENDIX A – AAD KEY RINGFENCING DOCUMENTS

ID	Document Name	Purpose/ Description	Relevant obligations
GENERAL			
G.1	Ring-fencing Staff Information and Compliance Manual	To provide all staff with resources for ring-fencing protocols and compliance requirements under the Guideline, where Ring-fencing protocols can be stored and accessed and breaches can be reported.	All
G.2	Ring-fencing Compliance Fact Sheet	To provide a ring-fence compliance fact sheet that stipulates the requirements for staff to comply with the guidelines. The fact sheet has a particular focus on call centre staff and technical (hot spot) staff.	All
G.3	Corporate Procedure Ring- fencing	To set out AAD's requirements to comply with the Guideline.	All
LEGAL SEPARATION			
L.1	Classification of Services Flowchart	To set out how AAD services are classified as either regulated distribution services, unregulated distribution services or other services.	3.1
SEPARATE ACCOUNTS			
A.1	Intercompany and Related Accounting Policy	To provide the intercompany and related accounting policy that sets out, the internal accounting procedures, report on transactions between the DNSP and its affiliated entities and any additional information to demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.	3.2.1
A.2	AER Decision - ActewAGL Distribution (Evoenergy) Cost Allocation Method	To set out how AAD allocates its costs between the different services that it provides. Includes information on how AAD allocates costs for services that it provides to RESPs and other affiliated entities.	3.2.2
OBLIGATION TO NOT DISCRIMINATE			
D.1	Procurement Management Manual - Phase 2 Sourcing and Selection	To provide guidance on the Sourcing and Selection phase of the procurement process.	4.1
		Includes the requirement that at least one quote must be sourced from a non-affiliated entity in order to meet the minimum market approach requirements	4.4.1
D.2	Obligation not to Discriminate Flowchart	To set out the obligations for AAD staff when interacting with RESPs and other contestable energy service providers.	4.1
OFFICES, STAFF BRANDING AND PROMOTIONS			
O.1	Security Pass and ID Card Procedure	To ensure all persons are clearly identified as being an employee of AAD or a contractor working for AAD and are provided identity cards and electronic access as appropriate to complete their duties. Sets out how the corporate team is to oversee access	4.2.1 4.2.2
O.2	Physical Separation and Staff Sharing- flowchart	To capture the physical separation and staff-sharing requirements that stipulates the requirements for staff to comply with the Guideline.	4.2.1 4.2.2
O.3	Staff Register	To provide Evoenergy's staff register via a publicly available website, identifying the nature of positions (including description of the roles, functions and duties) of its members of staff, to which staff involved in the provision or marketing of direct control services are involved in the provision or marketing of contestable electricity services by a related electricity service provider by reason of clauses 4.2.2(b)i. a, 4.2.2(b)i.b., 4.2.2(b)ii. Or 4.2.2(d) of the Guideline.	4.2.2 4.2.4
O.4	Branding and Cross-Promotion Flowchart	To capture the branding and cross-promotion requirements for Evoenergy's direct control services separately to that used by a RESP for contestable	4.2.3



		electricity services, without promoting contestable electricity services provided by a related electricity service provider other than the DNSP itself, including any exceptions as per the Guideline.	
O.5	Office Register	To provide Evoenergy's office register via a publicly available website, identifying the classes of offices to which physical separation or co-location requirements have not been applied by reason of clauses 4.2.1(b)i, or 4.2.1(b)iii.	4.2.1 4.2.4
<b>INFORMATION ACCESS AND DISCLOSURE</b>			
I.1	Confidential Information Flowchart	To provide assistance in identifying electricity information and confidential information.	4.3.2 4.3.3 4.3.4
I.2	Information Sharing Protocol	To provide the information sharing protocol via a publicly available website, that sets out how and when it will make confidential information available to RESPs and other legal entities on an equal basis.	4.3.2 4.3.3 4.3.4 4.3.5
I.3	Information Register	To provide the information register via a publicly available website, that publishes all valid requests for access to confidential information (including the kind of information requested and their description) made by RESPs and other legal entities who provide contestable electricity services.	4.3.3 4.3.4
I.4	Listed Legal Entities	To provide the record of listed legal entities via a publicly available website, involving all requests for being included on the register, the date added to the list and information types requested.	4.3.5
I.5	Information Request Form	To provide a form for legal entities seeking to apply for access to information identified on the information register, such	4.3.3
		that they can be assessed by Evoenergy for disclosure of information, and responded to with; a confirmation of whether the information request is complete and valid under the Guideline, and the timeframe and communication mechanism for the provision of information.	4.3.4 4.3.5
I.6	Register Inclusion Form	To provide a form that legal entities can use to request to be included on the information register with respect to all or specific kinds of information.	4.3.4
			4.3.5
I.7	Privacy Policy	To provide a privacy policy that sets out that confidential information is kept confidential, and that confidential information is only used for the purpose for which it was acquired or generated.	4.3.2
<b>SERVICE PROVIDERS</b>			
P.1	Ring-fencing Fact Sheet for Evoenergy Service Providers	To provide guidance to Evoenergy service providers/contractors.	4.4.1
P.2	Conduct of Service Providers Flowchart	To capture the obligations for conduct of service providers under any new or varied agreements involve, complying with clauses 4.1, 4.2.1, 4.2.2, 4.2.3 and 4.3.2 of the Guideline, and not encouraging or incentivising a service provider to engage in conduct that would go against the DNSP's obligations under clause 4 of the Guideline.	4.4.1
<b>WAIVERS</b>			
W.1	Waiver Register	To provide the waiver register via a publicly available website, that records waivers that have been successfully submitted to the AER, the description of the waiver, the terms and conditions of the waiver and its expiration date.	5.7
<b>COMPLIANCE AND ENFORCEMENT</b>			
C.1	Legal Compliance Process	To document the end-to-end process for capturing new and amended legislation relevant to ActewAGL's operations	6.1
		within the ActewAGL compliance and risk management database (ARIA) including the required monitoring of operational compliance against obligations. This document is relevant to compliance controls already in place to address compliance with existing legal obligations.	6.2 6.3

C.2	Compliance Management Manual	To provide business with tools and knowledge of practices and systems to support legislative compliance.	6.1 6.3 6.4
C.3	Incident Management Manual	Documents the process for all incident management within ActewAGL and Evoenergy	6.3
C.4	SAP's Register	Provided on Evoenergy's public accessible website; identifies each regulated stand-alone power system used by the DNSP to provide other services:	6.2.3



