



# Independent Reasonable Assurance Report

To the Directors of Jemena Electricity Networks (Vic) Ltd

## Conclusion

In our opinion, Jemena Electricity Networks (Vic) Ltd's ("JEN") Overall Compliance Statement that the entity has complied with the Ring-fencing Guidelines published by the Australian Energy Regulator ("AER") on 3 November 2021 ("Ring-fencing Guidelines") is, in all material respects, fairly presented for the period 3 February 2022 to 31 December 2022 ("regulatory period").

## Information subject to Assurance

The information subject to assurance is JEN's Overall Compliance Statement for the regulatory period 3 February 2022 to 31 December 2022, as set out in section 1 of JEN's Annual Compliance Report prepared in accordance with the Ring-fencing Guidelines published by the AER on 3 November 2021 ("Overall Compliance Statement").

## Scope

The subject of our reasonable assurance engagement is whether JEN's Overall Compliance Statement that the entity has complied with the Ring-fencing Guidelines published by the AER on 3 November 2021 is, in all material respects, fairly presented for the regulatory period 3 February 2022 to 31 December 2022. This Overall Compliance Statement accompanies our report, for the purpose of reporting to the Directors of JEN 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 judgement to plan our procedures and assess the risk of material misstatement in JEN's Overall Compliance Statement that the entity has complied with the Ring-fencing Guidelines;
- considered internal controls implemented to meet the compliance requirements of the Ring-fencing Guidelines; however, we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.



## Summary of procedures performed, findings and observations

In Appendix A, we provide an overview of the key procedures, observations and findings in relation to each of the Ring-fencing Guideline's 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 JEN's Overall Compliance Statement when it exists.
- Instances of misstatement in JEN's Overall 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 JEN's compliance with the requirements of the Ring-fencing Guidelines.

## Inherent limitations

- Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or material misstatement in JEN's Overall Compliance Statement may occur and not be detected.
- A reasonable assurance engagement for the regulatory period 3 February 2022 to 31 December 2022 does not provide assurance on whether compliance with the requirements of the Ring-fencing Guidelines 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 JEN and the AER for the purpose of compliance with the Ring-fencing Guidelines 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 Overall 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 JEN and the AER, or for any other purpose other than that for which it was prepared.



## Management's responsibility

Management is responsible for:

- the compliance activities including identifying, designing and implementing controls to meet the requirements of the Ring-fencing Guidelines;
- identification of the risks that threaten JEN's compliance with the Ring-fencing Guidelines from being met;
- monitoring ongoing compliance; and
- preparing an Annual Compliance Report and providing an Overall Compliance Statement with respect to the outcome of the evaluation of the compliance activity against the Ring-fencing Guidelines, which accompanies this Independent Assurance Report.

## Our responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to JEN's Overall Compliance Statement with the Ring-fencing Guidelines for the regulatory period 3 February 2022 to 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

Gordon Sangster

Partner

Melbourne

27 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 of JEN’s compliance activities with the relevant requirements of the Ring-fencing Guideline (Version 3) for the period 3 February 2022 to 31 December 2022 (regulatory period).

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 JEN’s overall compliance with the Guideline:

1. We obtained JEN’s Electricity Ring-fencing Compliance Manual (Compliance Manual) and performed the following:
  - reviewed changes to the Compliance Manual made by management during the period 3 February 2022 to 31 December 2022 (regulatory period); and
  - updated our initial assessment on whether the Compliance Manual adequately addressed the requirements of the Guideline.
2. We considered whether certain pre-existing systems, policies and procedures within the SGSP (Australia) Assets Pty Ltd (“SGSPAA”) business had been appropriately updated to reflect obligations arising from the Ring-fencing Guideline, and where relevant, improvement actions implemented by management during the current regulatory period. This included sighting the policies as well as considering information we had reviewed as part of our audit procedures in connection with the financial and regulatory audits of SGSPAA and JEN. The systems, policies and procedures considered included:
  - Jemena Code of Conduct
  - Contracting and Procurement Entity Procedure
  - Fleet Asset Class Strategy
  - Procurement Policy
  - JEN’s Compliance and Risk System (JCARS)
  - Organisation Framework Design document
  - Secondment Procedure
  - Asset Management Strategy
  - Contractor Management Procedure
3. We reviewed minutes of board meetings of SGSPAA and its committees and made inquiries of management to inform our understanding of management’s approach to Ring-fencing compliance and to identify Related Electricity Service Provider’s (“RESP”) related transactions and risks of non-compliance with the Ring-fencing Guideline.



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

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>3 Prevention of cross subsidies</b>			
<b>3.1 Legal Separation</b>	<ul style="list-style-type: none"> <li>Electricity Ring Fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Organisation Framework Design and associated assessment templates</li> <li>Contracting and Procurement Entity Procedure</li> <li>JEN is established as a separate registered Australian Business with a distinct ABN</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We assessed the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We assessed the legal entity status of JEN and RESP affiliate (Ovida).</li> <li>During our independent audit in connection with the regulatory information templates of JEN prepared under the AER's Regulatory Information Notices (RINs) for the 12-month period ended 30 June 2022, we tested a sample of Opex and Capex projects undertaken by JEN and assessed the nature of services provided.</li> </ul>	<p>The Ovida brand has been established as the brand of JEN's RESP. Separate entities within the broader SGSPAA group structure are established for JEN to provide regulated electricity distribution services and Ovida Pty Ltd (Ovida) for contestable electricity services.</p> <p>We performed an ABN search noting that JEN is an Australian Company located in Victoria, Australia.</p> <p>We performed an ABN search noting that Ovida is an Australian Company located in Victoria, Australia.</p> <p>From our testing of the samples selected for Opex and Capex projects, we did not identify any evidence of JEN providing "other services" which are restricted in the guideline.</p>
<b>3 Prevention of cross subsidies</b>			
<b>3.2.1 Separate Accounts</b>  <b>3.2.2 Cost Allocation</b>	<ul style="list-style-type: none"> <li>Electricity Ring Fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Contracting and Procurement Entity Procedure</li> <li>Time writing business rules and activity list codes</li> <li>Transaction Report</li> <li>Financial statement preparation and audit</li> <li>Asset Management</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We assessed the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We obtained a copy of the transaction reports (a listing of all transactions from the Enterprise Resource Planning (SAP) System) between JEN and affiliated entities for the period 1 February 2022 to 31 December 2022 and performed the following: <ul style="list-style-type: none"> <li>agreed total transaction values and outstanding balances per entity to JEN's trial balance as at and for the period 1 February 2022 to 31 December 2022; and</li> <li>compared the description of the transactions against the</li> </ul> </li> </ul>	<p>On 16 March 2023, we issued an unqualified audit report (reasonable assurance) for the 12-month period ended 31 December 2022 in connection with the financial statement audit of the SGSPAA Group.</p> <p>On 28 October 2022, we issued unqualified audit reports (reasonable and limited assurance scopes) for the 12-month period ended 30 June 2022, in connection with our audits of the JEN Electricity Distribution RINs.</p>



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
	<p>Strategy</p> <ul style="list-style-type: none"> <li>Asset Management Framework for External Engagement</li> </ul>	<p>respective trial balance accounts for accuracy and based on our knowledge of the entities and the nature of the services they provide.</p> <ul style="list-style-type: none"> <li>We inquired of management and obtained an understanding of the improvement activities implemented in relation to Zinfra’s affiliate status, including annual reviews of Zinfra proposals for the provision of contestable electricity services.</li> <li>KPMG are the independent auditors in connection with the: <ul style="list-style-type: none"> <li>financial statement audit of the SGSPAA Group for the 12-month period ended 31 December 2022; and</li> <li>regulatory information templates of JEN prepared under the AER’s Regulatory Information Notices (RINs) for the 12-month period ended 30 June 2022.</li> </ul> </li> <li>We considered the appropriateness of the SGSPAA Cost Allocation Methodology (CAM) and JEN AER Approved CAM as part of these audit engagements. Our procedures included: <ul style="list-style-type: none"> <li>walkthroughs and testing key controls for processes and activities related to cost allocation in accordance with both the SGSPAA and JEN CAMs such as cost capture and allocation principles, time writing to projects and activities, creation of purchase orders, invoice processing and payments;</li> <li>comparing cost and project allocation mapping used by JEN for cost allocation to AER definitions provided in the RIN;</li> <li>testing general IT controls over the SGSPAA SAP ERP system, as well as IT automated controls for processes related to access restrictions to create / edit project codes; and</li> <li>for a sample of costs incurred, agreeing to supporting documentation and invoices.</li> </ul> </li> </ul>	<p><b>Zinfra RESP status</b></p> <p>We observed that management’s review of Zinfra proposals did not identify any instances of Zinfra providing contestable electricity services. We noted from inquiries that management were in the process of developing a guideline for ring-fencing compliance for Zinfra. Refer to Appendix B, item B-1 for a recommendation raised.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.1</b> <b>Obligation to not discriminate</b>	<ul style="list-style-type: none"> <li>Electricity Ring-fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Asset Management Strategy</li> <li>Non-discrimination principles</li> <li>Procurement Policy</li> <li>Asset Management Framework for External Engagement</li> <li>Annual Compliance Training</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We assessed the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We obtained an understanding of the improvement activities implemented by management during the current regulatory period related to Annual Compliance training as stated within table B1-1 of the Compliance Report. <ul style="list-style-type: none"> <li>We viewed the three online training modules/videos for all staff, RESP staff and JEN-designated staff, respectively, to ascertain whether it accurately described JEN's Ring-fencing obligations with respect to non-discrimination.</li> <li>We inspected training refresher packs tailored for specific teams including relevant RESP, JEN staff, and Zinfra employees to ascertain whether ring fencing obligations were clearly articulated and understandable.</li> <li>We assessed management's assessment of SGSPAA teams that were identified as not requiring ring-fencing training.</li> </ul> </li> <li>We inspected training completion records for the period from 3 February 2022 to 31 December 2022 to ascertain the completion rate of ring-fencing training in the regulatory period.</li> <li>We sighted evidence of interactions between the Regulatory Compliance team and various departments within Jemena regarding ring-fencing compliance matters.</li> </ul>	<p>We sighted the Non-discrimination principles implemented by management between Jemena and Zinfra.</p> <p><b>Annual Compliance Training</b></p> <p>We noted that management identified teams and staff positions involved in work on the Jemena electricity network as requiring the online ring-fencing training.</p> <p>Our inspection and testing of training completion records showed that:</p> <ul style="list-style-type: none"> <li>850 SGSPAA employees (Jemena and Zinfra employees) assessed by management as requiring ring-fencing training completed online training during the regulatory period.</li> <li>Refresher training provided to Zinfra appropriately addressed the ring-fencing obligations. This was also provided to Zinfra field staff via toolbox talks.</li> <li>A formal process to monitor ring-fencing training completion has yet to be implemented.</li> </ul> <p>We have made recommendations to management regarding the training program. Refer to Appendix B, item B-7.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.2.1 Physical Separation</b>	<ul style="list-style-type: none"> <li>Electricity Ring Fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Annual Compliance Training</li> <li>Physical separation</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We assessed the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We obtained an understanding of the annual physical access improvement activities implemented by management during the current regulatory period, as stated within table B1-1 of the Compliance Report.</li> <li>We tested a sample of service requests raised in relation to RESP staff throughout the regulatory period and assessed: <ul style="list-style-type: none"> <li>whether they were approved by appropriate personnel;</li> <li>that the nature of the service request was not contradictory to the guideline obligations; and</li> <li>the appropriateness of any change of access request.</li> </ul> </li> <li>We tested internal transfers pertaining to Ovida to assess whether the Identity Management Software appropriately generated IT tasks for physical access changes in line with the ring-fencing classification and whether the transfer was approved by the Regulatory Compliance team.</li> <li>We inspected a sample of daily ring-fencing exception reports generated by the Identity Management Software to assess whether monitoring controls were operating effectively.</li> </ul>	<p><b>Physical separation</b></p> <p>No exceptions were identified based on our testing performed over:</p> <ul style="list-style-type: none"> <li>IT requests raised to the facilities team; and</li> <li>approvals of internal transfers and IT requests raised in relation to RESP staff.</li> </ul> <p><b>Annual Compliance Training</b></p> <p>We noted that the online ring-fencing modules adequately explained Jemena's obligations in ensuring physical separation between JEN-designated staff and RESP staff. Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance Training.</p>



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.2.2 Staff sharing</b>	<ul style="list-style-type: none"> <li>Electricity Ring Fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Annual Compliance Training</li> <li>Organisation Framework Design and associated assessment templates</li> <li>Secondment Procedure</li> <li>Non-discrimination principles</li> <li>Corporate Incentive plans</li> <li>Asset Management Framework for External Engagement</li> <li>Electricity Markets Guideline</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance. We also considered the appropriateness of staff roles and responsibilities that ensure compliance with staff sharing restrictions as per the Ring-fencing guidelines.</li> <li>We assessed whether incentive plans applicable to JEN staff created an incentive to contravene the obligations of the Guidelines by: <ul style="list-style-type: none"> <li>reading the terms of incentive plans;</li> <li>analysing management’s interpretation of the guideline requirements and criteria used to assess whether the incentive plans would directly incentivise JEN staff to contravene the guidelines; and</li> <li>understanding and assessing management’s control activities to review the incentive plan.</li> </ul> </li> <li>We inquired with management to obtain an understanding of the digital workflows control to facilitate intercompany staff transfers between Zinfra and Jemena, and tested a sample of transfers to check whether they were approved by the Regulatory Compliance team.</li> </ul>	<p><b>Annual Compliance Training</b></p> <p>We noted that the online ring-fencing modules adequately explained Jemena’s obligations regarding staff sharing between JEN and Ovida.</p> <p>Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance Training.</p> <p><b>Identity Management Software</b></p> <p>We noted that the identity management software is used to facilitate internal transfers via a workflow, and ring-fencing classifications within the software identifies staff roles that are shared. Refer to section 4.2.1 above for procedures performed.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.2.3 Branding and Cross Promotion</b>	<ul style="list-style-type: none"> <li>• Electricity Ring Fencing Compliance Manual</li> <li>• Jemena Code of Conduct</li> <li>• Annual Compliance Training</li> <li>• Fleet Asset Class Strategy</li> <li>• Asset Management Strategy</li> <li>• Checklist for publishing content on internet and intranet</li> <li>• Brand separation</li> <li>• Electricity Markets Guideline</li> </ul>	<ul style="list-style-type: none"> <li>• We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> <li>• We assessed JEN’s branding and promotion protocols to determine whether they complied with the Ring-fencing Guideline including:               <ul style="list-style-type: none"> <li>• Accessing JEN’s and Ovida’s websites to identify any cross advertisement; and</li> <li>• Considering whether during the course of our financial statement and regulatory audits of the SGSPAA group and JEN, whether we had identified any cross advertisement or promotion.</li> </ul> </li> </ul>	<p><b>Brand separation</b></p> <p>We did not identify any instances of cross branding or cross advertisement from our review of the websites of Jemena and Ovida. Management advised that there are no dual branded vehicles or offices and Ovida does not utilise a fleet.</p> <p>Through the course of our financial statement and regulatory audits of the SGSPAA group and JEN, we did not identify instances of cross-branding or promotion, e.g., on invoices sampled as part of our testing, emails correspondence received, contracts inspected.</p> <p><b>Annual Compliance Training</b></p> <p>We have assessed annual compliance training and noted that the training adequately explained Jemena’s obligations with regards to cross-branding and cross-promotion between Jemena and Ovida.</p> <p>Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance Training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.2.4 Office and staff registers</b>	<ul style="list-style-type: none"> <li>Electricity Ring Fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Staff register</li> <li>Office register</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements, and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We obtained copies of the staff register that were effective during the regulatory period and inquired with management and assessed the changes made to the shared roles disclosed in the staff register during the regulatory period (as stated in Table B1–1 of JEN’s compliance report).</li> <li>We assessed JEN’s process for reviewing and updating the staff sharing register.</li> <li>We obtained copies of the office register that were effective during the regulatory period and checked that they were prepared accurately based on our knowledge of JEN.</li> <li>We assessed JEN’s process for reviewing and updating the office register.</li> </ul>	<p><b>Staff register</b></p> <ul style="list-style-type: none"> <li>We noted that the staff register was updated quarterly in line with the requirements of the Ring-fencing Guideline, and published on Jemena’s external website.</li> <li>No issues were noted with respect to our sample testing of shared role descriptions in the published staff register.</li> </ul> <p><b>Office register</b></p> <ul style="list-style-type: none"> <li>We noted that the office register was updated quarterly in line with the requirements of the Ring-fencing Guideline, and published on Jemena’s external website.</li> </ul>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.3 Information access and disclosure</b>	<ul style="list-style-type: none"> <li>• Electricity Ring-fencing Compliance Manual</li> <li>• Jemena Code of Conduct</li> <li>• Annual Compliance Training</li> <li>• Secondment Procedure</li> <li>• JEN Information Sharing protocol</li> <li>• Procurement Policy</li> <li>• Physical separation</li> <li>• Checklist for publishing content on internet and intranet</li> <li>• Asset Management Framework for External Engagement</li> <li>• Electricity Markets Guideline</li> </ul>	<ul style="list-style-type: none"> <li>• We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> <li>• We assessed JEN's overall approach to restricting access to confidential information through:               <ul style="list-style-type: none"> <li>• making inquiries of management including the Regulatory Compliance Manager; and</li> <li>• testing General IT Controls in place within the SAP system to prevent system access to JEN Confidential Information by RESP staff.</li> </ul> </li> <li>• We obtained an understanding of the annual information access improvement activities implemented by management in the current regulatory period as stated within table B1-1 of the Compliance Report.</li> <li>• We performed walkthroughs and tested a sample of Ovida (RESP) staff to sight whether they were able to access JEN confidential areas within the ECMS (shared directories) and SAP systems.</li> <li>• We tested a sample of service requests raised in relation to RESP staff throughout the regulatory period and assessed:               <ul style="list-style-type: none"> <li>• whether they were approved by appropriate personnel;</li> <li>• that the nature of the service request was not contradictory to the guideline obligations; and</li> <li>• the appropriateness of any change of access requests.</li> </ul> </li> </ul>	<p><b>Electricity Ring-fencing Compliance Manual</b></p> <p>We inspected management's ring-fencing compliance manual that was updated in April 2022 and noted that it sets out compliance controls in relation to instances where there are internal staff transfers from JEN to Ovida (RESP), as stated within table B1-1 of the Compliance Report.</p> <p><b>JEN Information Sharing protocol</b></p> <p>We observed that there were no information sharing requests in the regulatory period.</p> <p><b>Annual Compliance Training</b></p> <p>We noted that the online ring-fencing modules adequately explained Jemena's obligations in protecting confidential JEN information. Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance Training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
		<ul style="list-style-type: none"> <li>We tested internal transfers pertaining to Ovida to assess whether the Identity Management Software appropriately generated IT tasks for information access changes in line with the ring-fencing classification, and whether the transfer was approved by the Regulatory Compliance team.</li> <li>We checked that the information sharing protocol and information register was accessible on Jemena’s website and that it was consistent with our observations and inquiries.</li> </ul>	
<b>4 Functional Separation</b>			
<b>4.4.1 Service providers conduct</b>	<ul style="list-style-type: none"> <li>Electricity Ring-fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Procurement Policy</li> <li>Non-discrimination principles</li> <li>Annual Compliance Training</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> </ul>	<p>We sighted the Non-discrimination principles implemented by management between Jemena and Zinfra.</p> <p><b>Annual Compliance Training</b> Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance Training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>5 Waivers</b>			
<b>5.7 Waiver Register</b>	<ul style="list-style-type: none"> <li>Electricity Ring Fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Waiver register</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We considered the completeness of JEN's unregulated activities for which waivers are required having regard to our knowledge obtained as part of our audit of JEN's financial statements and regulatory reporting templates.</li> <li>We accessed JEN's external website and sighted that the waiver register was publicly available.</li> <li>We made inquiries with management to understand whether a waiver was required for JGN's (JEN affiliate) involvement in the Western Sydney Green Gas Trial (as stated within table B1-1 of the Compliance Report).</li> </ul>	<p><b>Waiver Register</b></p> <ul style="list-style-type: none"> <li>We accessed the waiver registers on Jemena's website and noted that the updated waiver had been published.</li> <li>We noted that no waivers were required for the regulatory period.</li> </ul> <p><b>JGN Western Sydney Green Gas Trial</b></p> <p>Management's annual review of scope changes to the JGN Green Gas Trial indicated that there were no changes which required notification to the AER.</p>



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>6 Compliance and Enforcement</b>			
<b>6 Compliance</b>	<ul style="list-style-type: none"> <li>Electricity Ring-fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Regulated stand-alone power system ("SAPS") register</li> <li>Compliance Reporting (Jemena's Compliance and Risk System)</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We obtained copies of the SAPS register that were effective during the regulatory period and checked that they were prepared accurately based on our knowledge of JEN.</li> <li>We accessed JEN's external website and sighted that the SAPS register was publicly available.</li> <li>We obtained and inspected the internal documents relating to JEN's compliance with the Ring-fencing Guideline including JEN's Annual Compliance Report and considered it as part of preparing this independent assurance report.</li> <li>We considered the adequacy of JEN's breach management and reporting policies and procedures.</li> <li>During the course of our financial statement and regulatory audits of the SGSPAA group and JEN, we attended all quarterly SGSPAA Audit and Compliance Committee meetings and observed that compliance matters were regularly raised to the attention of the committee and received due consideration.</li> </ul>	<p><b>SAPS Register</b></p> <ul style="list-style-type: none"> <li>We accessed the SAPS Register on Jemena's website and noted that the updated register had been published.</li> <li>We noted that JEN did not provide any services as a SAPS Resource Provider for the regulatory period.</li> </ul> <p><b>Breach reporting</b></p> <p>There were no breaches identified and reported to the AER for the regulatory period 3 February 2022 to 31 December 2022.</p> <p>Refer to section 5.7 above for information on measures implemented by JEN to ensure compliance with the AER's request pertaining to the JGN trial.</p>



## Appendix B – Summary of performance improvement observations

In this section, we present additional details on performance improvement observations in relation to JEN’s compliance activities for the regulatory period 3 February 2022 to 31 December 2022 (regulatory period). In addition, we present details on performance improvement observations implemented during the regulatory period which were raised to management in the 2019, 2020 and 2021 compliance years ending 31 December 2019, 31 December 2020, and 2 February 2022 respectively. 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.

No.	RY2019 Recommendation	Status as at 31 December 2022	Management’s responses
<b>B-1</b>	<p><b>Zinfra affiliate RESP status</b></p> <p>While management has implemented controls to monitor Zinfra’s activities on an ongoing basis, we recommend management:</p> <ul style="list-style-type: none"> <li>• Explore opportunities to implement an “Early warning control” by training key Zinfra personnel on Ring-fencing requirements in order to identify any potential activities that could impact Zinfra’s status; and</li> <li>• Formalise a long-term sustainable policy that clearly articulates the accountabilities and responsibilities of Zinfra’s and JEN’s management to monitor compliance.</li> </ul>	<p><b>Partially Complete / Deferred</b></p> <p>We understand that management was in the process of creating a guideline pertaining to Zinfra’s compliance with ring-fencing, where this has been temporarily paused in 2022 as the business strategy impacting JEN’s RESP business was yet to be finalised.</p> <p>We acknowledge that management intends to formalise a guideline on Zinfra’s responsibilities in relation to ring-fencing once the business strategy has been finalised.</p>	<p>Management were in the final stages of formalising a policy which articulated the accountabilities and responsibilities of Zinfra however a change in business strategy impacting our RESP business has resulted in the need to defer implementation.</p> <p>Management have worked closely with Zinfra throughout CY22 to ensure compliance is monitored, including training key staff to identify potential activities that could impact Zinfra’s status. Management will continue this approach until a revised RESP strategy has been finalised.</p>



No.	RY2019 Recommendation	Status as at 31 December 2022	Management's responses
B-2	<p><b>Service providers conduct</b></p> <p>Management confirmed that compliance training is also provided to the leadership of the JEN Operations Team at Zinfra and the JEN designated staff at Zinfra. We recommend management formalise training plans for Zinfra employees as part of the compliance manual updates on Annual Compliance Training.</p>	<p><b>Complete</b></p> <p>Management have performed an assessment of training needs against SGSPAA positions and have formally monitored training completion status on an annual basis.</p> <p>In relation to Zinfra field staff, we note that management have assessed that field staff are not required to complete the training as these staff do not have the opportunity to use ring-fenced information to discriminate in their day-to-day roles. Further noted that management have also provided training refreshers during the period to other Zinfra staff which covers the appropriate ring-fencing obligations.</p>	N/A

No.	RY2020 Recommendation	Status as at 31 December 2022	Management's responses
<b>B-3</b>	<p><b>Overall compliance measures</b></p> <p>Based on our inspection of compliance documents, we noted that the following policies and procedures were not subject to the standard periodic review either every one or every two years.</p> <ul style="list-style-type: none"> <li>• Procurement Policy</li> <li>• Organisation framework</li> <li>• Contracting and Procuring Entity policy</li> <li>• Asset Class Strategy</li> <li>• Asset Management Strategy</li> <li>• Secondment Procedure</li> </ul> <p>We understand from management that reviews of policies and procedures were undertaken where triggers for changes were identified, however we recommend that management:</p> <ul style="list-style-type: none"> <li>• Implement controls to ensure that ring-fencing policies and procedures are reviewed by the relevant personnel periodically; and</li> <li>• Ensure that the policy or procedure document includes the date of last review.</li> </ul>	<p><b>Partially Complete / Deferred</b></p> <p>We noted that management have updated its Ring-fencing Controls Testing Plan to ensure that ring-fencing policies and procedures are reviewed and updated periodically.</p> <p>However, we understand that management has yet to undertake a formal review of policies and procedures as there was a change in the business strategy impacting JEN's RESP business. We acknowledge that management intends on undertaking a formal review of policies and procedures once the business strategy is finalised.</p> <p>We continue to recommend that management implement the review of the ring-fencing policies and procedures in accordance with the Ring-fencing Controls Testing Plan. This is to ensure that the policies and procedures remain up to date with any new ring-fencing obligations.</p>	<p>In April 2022, management updated the Ring-fencing Testing Plan and JCARS to include scheduled reviews of ring-fencing policies and procedures.</p> <p>On becoming aware of the change in business strategy, management determined that the scheduled reviews required during 2022 should be deferred until the change in business strategy had been finalised.</p>

No.	RY2021 Recommendation	Status as at 31 December 2022	Management's responses
<b>B-4</b>	<p><b>Disclosure of confidential electricity information</b></p> <p>Training facilitated to JEN designated staff adequately addresses the obligation requirements in relation to protection and disclosure of confidential electricity information.</p> <p>We recommend that management explore opportunities to reinforce knowledge of information disclosure requirements with JEN staff. For example, management could undertake a phishing exercise whereby phishing emails are periodically issued to JEN staff, prompting the staff member to (inappropriately) share confidential electricity information.</p>	<p><b>Partially Complete / Deferred</b></p> <p>We acknowledge that management have provided training refreshers to its staff during the period to reinforce knowledge of information disclosure requirements.</p> <p>We note that management have yet to implement any training reinforcement activities, for example, issuance of phishing emails to JEN staff, due to the change in business strategy impacting JEN's RESP business. We understand that management intends to explore and implement these reinforcement activities upon finalisation of the business strategy.</p>	<p>Management intended to implement training effectiveness testing however a change in business strategy impacting our RESP business has resulted in the need to defer implementation as current training materials will require updating depending on the direction of the future strategy.</p>
<b>B-5</b>	<p><b>Implementation of Access Review Controls</b></p> <p>Management have updated its compliance testing plan within JCARS to include periodic reviews of RESP staff access permissions to the Enterprise Resource Planning system, SAP. Management have also documented a formal Ring-fencing Controls Testing Plan.</p> <p>We recommend that management implement the review of SAP access checks in accordance with the design of the review as stipulated within JCARS and the approved Ring-fencing Controls Testing Plan. This will help ensure that access reviews performed are consistent with management's controls testing framework.</p>	<p><b>Complete</b></p> <p>Management have updated the Ring-fencing Controls Testing Plan and JCARS in April 2022 to ensure appropriate quality assurance activities are undertaken and can be demonstrated.</p> <p>We noted that management have performed the access checks in accordance with the design of the review with no issues identified.</p>	<p>N/A</p>

No.	RY2021 Recommendation	Status as at 31 December 2022	Management's responses
<b>B-6</b>	<p><b>Protection of Confidential Information</b></p> <p>Management have implemented an Identity Management Software which generates automatic IT tasks for access permissions based on a ring-fencing classification assigned to staff positions.</p> <p>In relation to transfers from JEN to Ovida, we recommend that management perform a review of all access permissions held by JEN employees prior to their transfer into Ovida. This will enable management to consider completeness of access permissions which require modification upon transfer into Ovida. For example, management could create an assessment checklist to manage and document its review of access changes.</p>	<p><b>Complete</b></p> <p>Management have updated the Ring-fencing Compliance Manual to include compliance controls in relation to instances where there are internal staff transfers from JEN to Ovida in April 2022.</p>	<p>N/A</p>
<b>B-7</b>	<p><b>Annual Compliance Training</b></p> <p>In relation to monitoring ring-fencing training completion, we recommend that management:</p> <ul style="list-style-type: none"> <li>• review the overall training completion rate at different points during the regulatory year (for example, bi-annually);</li> <li>• implement a process to investigate incomplete training records in order to ensure that training is completed by staff identified as requiring ring-fencing training within a certain timeframe; and</li> <li>• formalise the above monitoring activities within the compliance plan.</li> </ul>	<p><b>Partially Complete / Deferred</b></p> <p>We noted that management have yet to implement a formal process to monitor ring-fencing training completion as there was a change in business strategy impacting JEN's RESP business.</p> <p>We acknowledge that management intends to formalise a process upon finalisation of the business strategy.</p>	<p>Management intended to implement a formal process to monitor ring-fencing training however a change in business strategy impacting our RESP business has resulted in the need to defer implementation as current training materials will require updating depending on the direction of the future strategy.</p>