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Dear Ms Gout

### **3 February 2022– 31 December 2022 Annual Ring Fencing Compliance Report**

Power and Water Corporation presents its third annual report on compliance with the Australian Electricity Regulator (AER) Ring-fencing Guideline for the regulatory period from February 3 to December 31, 2022. This report covers Power and Water's compliance with Version 3 of the Guideline. Under clause 6.17.1B of the NT NER, certain provisions of the Guideline do not apply to Power and Water. These derogations aim to ensure Power and Water can commit to arrangements promoting competition and avoid discrimination or cross-subsidisation without incurring additional costs to customers through the separation of the business.

The AER's assistance has been invaluable in helping Power and Water navigate compliance with the modified Guideline. Their guidance has allowed Power and Water to test interpretations and compliance activities against AER obligations and to keep the AER informed and updated on time frames for addressing areas of non-compliance. Power and Water is committed to working with the AER to achieve practical compliance in the areas where non-compliance remains. KPMG was engaged to undertake an independent assessment based on the agreed approach with the AER, which recognised the improvements towards better compliance. KPMG also supports the opportunities for improvement outlined in Power and Water's report.

Power and Water recognises the need to continue to mature its compliance management frameworks to better align with AER obligations and is confident that greater progress will be demonstrated in the next reporting period. If you have any queries regarding the attached, please contact Anna McGill, Senior Regulation Analyst on [REDACTED]

[REDACTED]  
John Pease  
Acting Chief Executive Officer

24 April 2023



# Annual Ring-Fencing Compliance Report

**AER Ring-fencing Guideline**

3 February 2022 to 31 December 2022

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# 1 Introduction

## 1.1 Background

On 1 December 2016 the Australian Energy Regulator (AER) published the AER Ring-Fencing Guideline - Electricity Distribution (Guideline), Version 1. The Guideline was developed as a requirement under Chapter 6, part H of the National Electricity Rules (NER). Version 2 of the Guideline was released in October 2017, and distribution network service providers (DNSPs) were required to fully comply with the obligations set out in it by 1 January 2018.

The AER released its version of the Guideline (Version 3) on 3 November 2021. The Guideline was developed as a requirement under rule 6.17.2 of the NER and is binding on all DNSPs. The Guideline aims to:

- Promote the National Electricity Objective by providing for the accounting and functional separation of the provision of direct control services by the DNSPs from the provision of other services by them, or by their affiliated entities (i.e. prevent cross-subsidisation and discrimination); and
- Promote competition in the provision of contestable electricity services.

In 2016 the NER commenced operation in the Northern Territory via the NT NER Modification Regulations (NT NER). To assist with the transition of regulation under the Northern Territory Utilities Commission to the AER, Power and Water Corporation (Power and Water) as the DNSP was not required to comply with the Guideline and the obligations as set out in Chapter 6 of the NT NER until 1 July 2019.

Due to the nature of the broad operations of Power and Water, not all Guideline provisions apply. Rule 6.17.1B of the NT NER outlines the clauses of the Guideline that have been derogated. Further information on the application of the Guideline in the Northern Territory is outlined in Section 2 of this report.

This will be Power and Water's third annual compliance report pursuant to the Guideline since submitting its first in October 2020 for the period 1 July 2019 to 30 June 2020. As outlined in this compliance Report, Power and Water has continued to make progress towards achieving compliance with the Guideline.

This report has been prepared having regards to the requirements set out in Clause 6.2.1 of the AER Electricity Distribution Ring-fencing Guideline – Compliance reporting best practice manual (Version 3, 3 February 2022), however will be for the period 3 February 2022 to 31 December 2022 to allow Version 3 of the Guideline to be reported against.

## 1.2 Purpose

Clause 6.2.1 of the Guideline requires Power and Water to prepare an annual ring-fencing compliance report, each calendar year. The annual report must, for the calendar year to which it relates, identify and describe:

- the measures Power and Water has taken to ensure compliance with its obligations under the Guideline;
- any breaches of the Guideline by Power and Water, or which otherwise relate to Power and Water;
- all other services provided by Power and Water in accordance with clause 3.1 of the Guideline; and
- the purpose of all transactions between Power and Water and a related electricity service provider.

Clause 6.2.2 requires the annual report to be submitted to the AER within 4 months of the end of the reporting period. Version 3 of Guideline has changed the reporting period for annual compliance reports from a regulatory year to a calendar year. Noting that Power and Water's last compliance report was for the period 1 July 2020 to 2 February 2022 to accommodate the transitional arrangements are provided by clause 7.2 of the Guideline and the effective end of the effective date for Version 2 of the Guidelines; this compliance report period will be from 3 February 2022 to 31 December 2022 to report compliance against Version 3 of the Guideline.

This will be Power and Water's third annual compliance report under the Guideline obligations set out in clause 6.2. Throughout the reporting period, Power and Water has been in regular contact with the AER providing updates on its progress against the improvement roadmap outlined in its first Annual Report and Independent Assessment and re enforced in its second.

Power and Water has continued to engage with the AER throughout 2022 on several outstanding compliance issues which were identified in its first and second compliance report. These compliance issues have been acknowledged by the AER as giving rise to a relatively low level of potential harm to the competitive market and consumer. The AER has confirmed that subject to Power and Water continuing to implement recommendations contained in the Independent Assessment, and continuing to update the AER on its progress, no further action would be taken in relation to those compliance issues.

In satisfying Power and Water's obligations under the Guideline, and with the agreement of the AER, this report represents Power and Water's annual ring-fencing compliance report for the reporting period 3 February 2022 to 31 December 2022.

This annual compliance report is accompanied by an independent assessment of compliance conducted by KPMG, a suitably qualified independent authority (Annexure A).

## 2 Ring-fencing applied in the NT

### 2.1 Overview

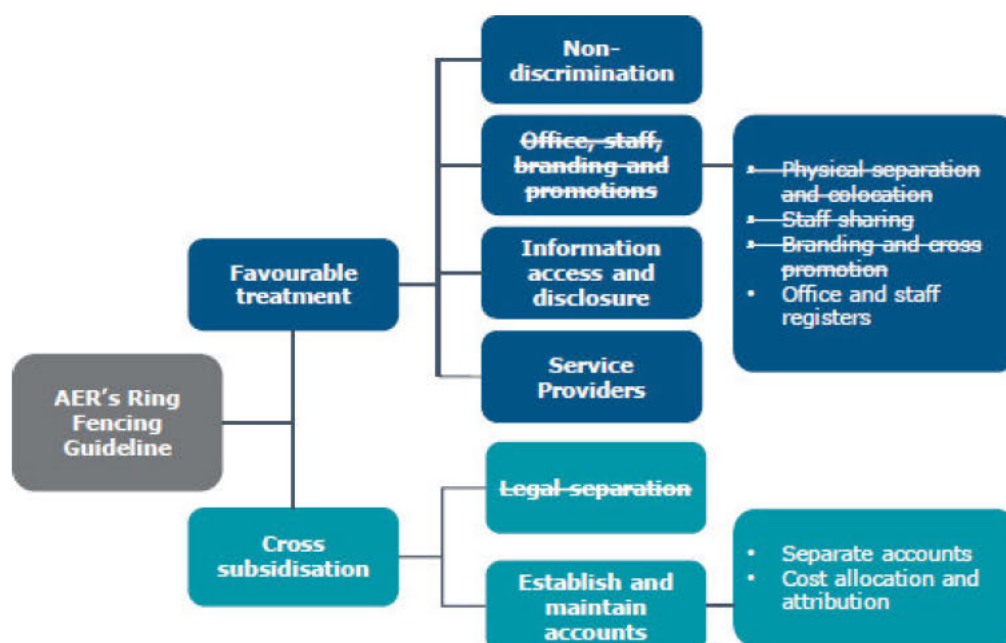
Power and Water is a multi-disciplined organisation, with part of its business operating as a DNSP regulated by the AER under the NT NER, and a much broader spectrum of electricity services outside of the DNSP activity governed by the Northern Territory Utilities Commission under the *Electricity Reform Act 2000*. Consequently, Power and Water faces unique challenges as it is governed by dual ring-fencing instruments; the AER's Guideline, and the Northern Territory Utilities Commission and Electricity Ring-Fencing Code (UC Code). While recent changes introduced by the Northern Territory Utilities Commission have minimised the level of overlap and duplication between the two instruments, Power and Water nevertheless operates in a complex regulatory environment.

In respect of Power and Water's obligations to the AER under the NT NER, the application of the Guideline for Power and Water is also limited by several derogations provided under the NT NER (clause 6.17.1B). These derogations modify, and in some instances remove, several requirements that apply to other DNSPs governed by the NER. For example, there is no obligation for Power and Water to:

- legally separate other services from its distribution services; and
- functionally separate its other distribution services or other electricity services from its distribution services.

The diagram below outlines the modified NT framework under the Guideline.

Diagram 1: Modified NT ring-fencing framework under the Guideline



In addition to the derogations enforced by the NT NER, there are several definition changes that are to be considered when applying the Guideline in the Northern Territory. These include the following references:

- "non-distribution services" must be regarded as a reference to "other services" (cl. NT NER 6.17.1B(b))
- "affiliated entities" (in cl. 3.2.1(a) of the Guideline) must be regarded as a reference to "related electricity service providers" (NT NER 6.17.1B(c))
- "affiliated entities" (in cl. 6.2.1(B)(iv) of the Guideline) must be regarded as a reference to "related electricity service providers" (NT NER 6.17.1Bd)).

While legal and functional separation does not apply, the Guideline still requires Power and Water to identify those entities or areas of the organisation that could be considered a related electricity service provider (RESP).

## 2.2 Compliance strategy by Guideline element

Power and Water recognises that risk and compliance management is an integral part of good governance and management. Power and Water is committed to implementing an integrated risk and compliance management approach across the whole organisation that; supports the realisation of Power and Water's strategic objectives, maintains a culture of integrity, compliance and ethical behaviour, while effectively managing Power and Water's strategic and operational risks.

Risk and compliance management forms an integral part of Power and Water's strategic and operational planning processes, to ensure legal, regulatory and commercial compliance obligations are systematically identified, captured and managed through an enterprise wide compliance obligations register with assigned accountabilities. Obligations are risk assessed and managed through application of Power and Water's risk management framework.

Outlined below is Power and Water's approach to ensuring compliance with the Guideline.

## 2.2.1 Prevention of cross subsidies

### Legal separation

Due to the nature of the broad operations of Power and Water, not all of the Guideline provisions apply. Under rule 6.17.1B(a)(3) of the NT NER, clause 3.1 Legal Separation of the Guideline currently has no effect in the NT.

### Establish and maintain accounts

Power and Water maintains appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP, its affiliated entities (or RESPs), and integrated electricity services.

Power and Water reviewed and updated its internal Accounting Procedures and controls to improve its compliance with Version 3 of the Guideline in November 2021, the procedures were subsequently approved in January 2022. During the year, Power and Water allocated or attributed costs to distribution services in a manner that is consistent with the Cost Allocation Principles and its approved CAM as approved by the AER and in accordance 3.2 of the Guideline such that:

- It is able to establish and maintain a separate set of financial accounts and reports in respect of each Prescribed Business (System Controller Business);
- It prepares the financial accounts and reports in accordance with the Accounting Procedures as approved by the Northern Territory Utilities Commission under the Code,
- Internal Accounting Procedures ensure that the nature of transactions between Power and Water and its RESPs are appropriate; and
- Attributed costs are allocated to distribution services in a manner that is consistent with the Cost Allocation Principles and its approved Cost Allocation Methodology (CAM), as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services.

## 2.2.2 Functional separation

Whilst functional separation of staff does not apply to Power and Water under the derogations granted under rule 6.17.1B(a)(3), the Guideline has a requirement to not disclose ring-fenced information except in specified circumstances. This creates challenges not only from a system perspective but in circumstances where common staff are used to deliver services or support.

Given the nature of the services provided under a separate form of regulatory oversight or as a community service obligation, and that competition for these services is unlikely to emerge, the risk of discrimination in sharing information is very low relative to the benefits that could be derived from the promotion of efficiencies or the avoidance of costs through the sharing of ring-fenced information and by default, the staff involved in the management of that information in the delivery of services. It is considered there is a relatively low level of potential harm to competitive market and consumers as a result.



## Obligation not to discriminate

Power and Water takes its obligation not to discriminate in favour of its affiliates (or RESPs) seriously. This has been demonstrated through mandatory online training, and new standard terms and conditions in contracts, established in August 2021. The new standard terms and conditions are used with any new or varied agreement with service providers for use with both external entities and related parties to ensure that comparable terms are provided to entities, and that service providers comply with the AER Guideline. In December 2021, Power and Water applied for a waiver for clause 4.4.1(a), seeking a waiver only for existing contracts that may be subject to renewal or variation before 31 December 2022. Power and Water committed to implementing compliant arrangements for these existing contracts (i.e. inserting Guideline compliant clauses into the contracts) following the waiver period. Power and Water used the additional time to develop a pragmatic approach for managing the legacy issues and avoid and/or mitigate the need for legal advice on individual contracts.

As a result, the [AER published its decision on 17 May 2022](#), noting its position that should the AER not wave Power and Water's obligation to comply with clause 4.4.1(a), the potential compliance costs to Power and Water outweigh any benefit to consumers from requiring compliance with these obligations. Further, the AER stated that granting a waiver for these two clauses (from 17 May 2022 to, Clause 4.2.4: until 30 June 2024 and Clause 4.4.1(a) until 31 December 2022) promotes the National Electricity Objectives, by creating efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers.

Following this, Power and Water have continued to implement new standard terms and conditions for new and varied contract. While Power and Water has made efforts towards this commitment, the current market is not favourable to initiate variations to existing contracts (other than extensions of period). This is due to supply chain issues and COVID-19, where suppliers/vendors are leveraging the opportunity to negotiate an increase in agreed prices, which has caused additional strain on Power and Water's financial position. In order to mitigate this issue, in December 2022 a notice to comply with AER ring-fencing guidelines was sent to any remaining legacy suppliers and vendors who had not yet completed a variation of contract (other than extensions of period). Power and Water continue to use the new standard terms and conditions for any new or varied contracts with the appropriate AER Ring-fencing clause embedded.

## Offices, staff, branding and promotions

Due to the nature of the broad operations of Power and Water, not all of the Guideline provisions apply.

Under rule 6.17.1B(a)(3) of the NT NER, clauses 4.2.1 Physical separation /co-location, 4.2.2 Staff sharing, and 4.2.3 Branding and cross-promotion of the Guideline currently have no effect in the NT.

Although the office and staff sharing provisions have been derogated by the NT NER, the obligation to maintain a register of staff and office sharing activities in accordance with clause 4.2.4 remains. In December 2021 Power and Water applied to the AER for a waiver pursuant to clause 5.2 from complying with the obligation to maintain and publish a register given the substantive obligation does not apply. In May 2022 the AER granted a waiver to Power and Water in respect of clause 4.2.4. The AER considered the granting of the waiver was likely to be consistent with the National Electricity Objective, and was unlikely to give rise to the potential for cross-subsidisation and discrimination. The waiver was granted until 30 June 2024.

## Information access and disclosure

Power and Water deploys confidentiality collateral to ensure staff are aware of the requirement to use ring-fenced information only for its intended use and not to provide it to affiliated entities.

The Guideline introduces further requirements on how ring-fenced information can be shared, especially with a RESP.

Power and Water engaged in communications with the AER prior to NT Guideline commencement in July 2019, regarding the interpretation and application of clause 4.3.3. Further to this exchange, the AER confirmed that:

- The intent of the Guideline is to prevent a RESP (an affiliate or part of a DNSP offering contestable electricity services) from gaining an advantage either by accessing ring-fenced information or obtaining exclusive access to information not available to competitors of a DNSP's RESP.
- Power and Water's provision of contestable electricity services (including negotiated or unregulated distribution services) from within the Power and Water legal entity, would need to be done in compliance with information access and disclosure requirements in the Guideline.
- The Guideline does not prevent staff of Power and Water from accessing information about non-electricity services (e.g. water services). This information is not ring-fenced information.
- The exemption in clause 4.3.3(c) of the Guideline allows the sharing of ring-fenced information within its business as a DNSP if this is necessary to provide its distribution services, its transmission services, or its other services. This was consistent with Power and Water's proposed interpretation.
- Clause 4.3.4 of the Guideline continues to apply to Power and Water where the disclosure is not necessary to enable Power and Water to provide its distribution services, its transmission services, or its other services. That is, where a DNSP shares ring-fenced information with a RESP, the DNSP must provide access to that ring-fenced information to other legal entities on an equal basis (excluding to certain permitted circumstances under 4.3.3).

Power and Water has published and maintains an Information Sharing Protocol and Information Sharing Register on its website. The Information Sharing Protocol outlines the process of when Ring-fenced Information is requested and disclosed, who it can be provided to, the assessment made to disclose it and the consequential process if Power and Water receives a request from any third party to share such information as required under 4.3.4 of the Guideline.

Power and Water has issued information requests from its RESPs and Part RESPs which are set out in Appendix 2. Although the Information requests are required to be published in the Information Sharing Register under the Guideline, Power and Water will not be publishing these information requests as prescribed in the Guideline. The unique position of the energy market in the Northern Territory means that although these services fall within the definition of contestable services, there are not competing services. Accordingly to publish these information requests on the Information Sharing Register would create confusion and increase the administration required by Power and Water in responding to repeated information requests which are not from competing services. Power and Water has formally notified the AER of this ongoing breach in accordance with Clause 6.3 of the Guideline. Power and Water will publish high level descriptions of the Information requests as part of its annual compliance reports.

### 2.2.3 Waivers

Section 5 of the Guideline allows for DNSPs to seek a waiver of obligation under Section 3.1, 4.2 and/or 4.4.1(a) of the Guideline if certain conditions are met.

Power and Water has established and maintains a Waiver Register (including any variations) granted by the AER on its website. In November 2021 Power and Water, pursuant to clause 5.2 of the Guideline, applied for a waiver from three clauses of the Guideline:

- 4.2.4 – publication of office and staff register;
- 4.4.1(a) – ring-fenced information protection in new agreements (as far as it relates to contracts which may be renewed or varied – we have developed these clauses for new agreements); and
- 6.2.3 (a new clause under version 3 of the Guidelines) relating to the requirements for a distribution network service provider to maintain and keep a register of regulated stand-alone power systems.

On 17 May 2022 the AER published its decision in response of the application for a waiver of compliance for clauses 4.2.4 and 4.4.1(a). In granting the waivers for clause 4.2.4 until 30 June 2024, and 4.4.1(a) until 31 December 2022, the AER found that on balance, it considered that if it did not waive Power and Water’s obligation to comply with these clauses, the potential compliance costs outweigh any benefit to consumers from requiring compliance with these obligations.

In respect of Clause 6.2.3, the AER noted that while a waiver could not be issued as there is no provision in the Guideline to do so. They considered it unlikely for there to be any benefit to consumers or the market in requiring Power and Water to report on stand-alone power systems. The AER confirmed it did not intend to pursue compliance action against Power and Water for being in breach of their obligations under this clause at that time, however it would re visit its decision should there be changes in the market that warrant a re-assessment of the situation.

## 2.3 Application to different categories of services

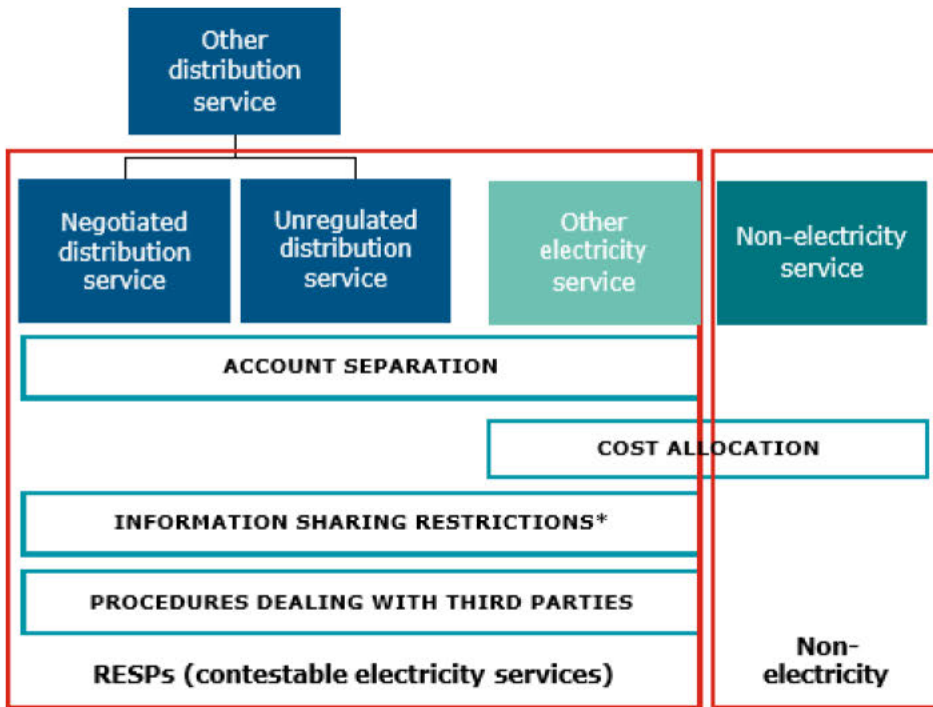
Power and Water currently provides multi-utility services across the NT, and as such not all of Power and Water’s electricity service activities are regulated by the AER. The application of the Guideline must be considered in the context of all the services Power and Water provides across its business. The Guideline includes derogations removing legal and functional separation requirements and as a result, does not preclude the centralisation of functions or the use of common staff or systems. In particular:

- Requirements to functionally and legally separate do not apply – the sharing of staff, premises, and co-branding in the delivery of services is permitted
- Power and Water’s non-electricity services (e.g. water services and gas) are not captured as RESPs, and the AER has confirmed that the restrictions on the disclosure of confidential information are not relevant to the extent information is shared for the purposes of providing those services (the UC Code requirement regarding cost allocation will apply).

The Guideline still places obligations on Power and Water in respect of compliance and reporting and sharing of information, particularly with respect to electricity services.

The following diagram identifies how the Guideline’s obligations apply to Power and Water’s RESPs and non-electricity services.

Diagram 2: Ring fencing obligations by service classification in the Northern Territory



\* The AER, in communications with Power and Water in 2019, confirmed that:

*To the extent that Power and Water offers non-electricity services, we agree with Power and Water's view that restrictions on disclosure of confidential information under clause 4.3 of the Guideline are not relevant. Staff providing these services can be considered to be part of the DNSP for the purpose of clause 4.3.3 of the Guideline, as they are not required to be legally separated. Clause 4.3.3 states that "A DNSP must not disclose confidential information to any person, including a related electricity service provider [RESP] ..."*

## 2.4 Related electricity service providers (RESPs)

Under the Guideline, Power and Water's obligations are focussed toward areas of its business that could be considered RESPs. The Guideline captures other distribution services and other electricity services under the definition of contestable electricity services, and therefore lines of business, or affiliated entities providing these services are treated as RESPs. While the definition refers to "contestable" services, it is in fact neutral as to whether or not the other distribution service or other electricity service is provided in a competitive market or whether there is the potential for such a market to develop.

Power and Water's direct control services (standard control services and alternative control services) and non-electricity services (e.g. water) are excluded from the definition of contestable electricity services and are not captured as RESPs, although the UC Code requirement regarding cost allocation will apply. Power and Water will also need to have regard to obligations under the UC Code with respect to information sharing (subject to exemptions), where considering the disclosure of information to those carrying out other distribution and other electricity services (i.e. those services defined as contestable electricity services).

The Guideline requires Power and Water to:

- Establish and maintain internal accounting procedures so the activities of, and transactions with, RESPs are identifiable and able to be reported upon request

- Apply appropriate cost allocation and attribution between distribution services and other services (i.e. other electricity and non-electricity).
- Not discriminate in favour of a RESP
- Keep ring-fenced information confidential and limit information disclosure and sharing, including with its RESPs.

When identifying the service activities that constitute a RESP for Power and Water in the context of the Guideline, it is important to understand that the following definitions are key:

- In relation to a DNSP, an RESP includes:
  - an affiliated entity of the DNSP; and
  - the part of the DNSP,

that provides contestable electricity services but excludes a part of an affiliated entity that provides direct control services.

This applies the concept of a RESP to areas of Power and Water as the DNSP and its affiliates [e.g. related legal entities such as Indigenous Essential Services Pty Ltd (IES)] that provide contestable electricity services.

- Contestable electricity services mean:
  - other distribution services; and
  - other electricity services.
- Other electricity services mean:
  - services for the supply of electricity or that are necessary or incidental to the supply of electricity, other than transmission services; or
  - distribution services.
- Other distribution services mean:
  - distribution services other than direct control services. This captures negotiated and unregulated distribution services but excludes standard control services and alternative control services as these are direct control services.

## 2.5 Other services

As a multi-utility entity, Power and Water transmits and distributes electricity, and provides water and sewerage services across the Northern Territory.

Power and Water:

- Owns and operates regulated, unregulated, and isolated transmission and distribution network infrastructure.
- Acts as the system controller in the Northern Territory and is responsible for real time operations, operations planning, power system technical assessments, incident reviews, and operational and technical regulatory reporting for the market.
- Provides water services to 18 major and minor urban centres and 72 remote communities across the Northern Territory, operating and maintaining water and sewerage mains.
- Supports remote communities across the Northern Territory with electricity, water, and sewerage services under its not-for-profit subsidiary, IES. IES also provides infill and headworks for major projects for the Department of Territory Families, Housing and Communities under the Remote Housing Program.

To identify areas of Power and Water that could be considered as a RESP and consistent with the definition of a RESP in the Guideline, it is important to understand:

- the services that Power and Water provides across its entire portfolio.
- the entities, business units or teams involved in the provision of those services.

Appendix 1 identifies the:

- services currently provided by Power and Water as a multi-utility.
- classification of distribution services applied by the AER to Power and Water in the current regulatory period. This reflects the classification outlined in the AER's Framework and Approach and confirmed in the AER's Final Decision. It is noted that Power and Water accepted the AER's proposed classification through the determination process.
- likely regulatory treatment of the other services it provides (other electricity and non-electricity). Although the AER does not classify services that it does not regulate, the NT Guideline defines these services for the purposes of ring-fencing.
- the primary operational areas involved in the provision of contestable electricity services and those involved in the provision of non-electricity services.

## 2.6 Transactions with RESPs

Clause 6.2.1(b)iv requires DNSPs to report the purpose of all transactions between the DNSP and its RESPs.

Power and Water transacts with Indigenous Essential Services Pty Ltd (IES). IES is a not-for-profit subsidiary of Power and Water. Transactions between Power and Water and IES are originated using work orders and purchase requisitions. Each work order or purchase requisition has the chart of accounts values that identify the transacting entity and are processed through the Enterprise Resource Platform (ERP) system. This is also applicable to all other RESPs.

Transactions are categorised within Power and Water's systems by cost types as either; Labour; Material; Contractor; Maintenance and transmission; Administration; Fleet; Network Overheads; Corporate Overheads; Dividend Payment; or Other.

# 3 Measures to ensure compliance

Power and Water submitted its second compliance report in May 2022 for the reporting period 1 July 2021 through to 2 February 2022 which reflected the significant steps and progress taken by Power and Water to implement its roadmap and enhance its ring-fencing compliance.

## 3.1 Overall compliance statement

Throughout reporting period 3 February 2022 to 31 December 2022, Power and Water worked to establish and strengthen compliance measures and controls as described in 3.4 controls of this report in order to comply with the obligations of the Guideline in accordance with the plan and timeframes outlined in its progress report provided to the AER in May 2021.

Power and Water considers it has complied with the AER Ring-fencing Guideline obligations for the reporting period 3 February 2022 to 31 December 2023 with the exception of breaches reported to the AER as set out in section 3.3 of this report.

Power and Water is committed to maturing its compliance framework, and building on the work undertaken to date. The compliance measures put in place by Power and Water as relevant to the obligations in the Guideline are discussed in this Ring-fencing compliance report.

3.4 of this report provides a full set of controls and measures that Power and Water has in place to support its compliance with the Guideline.

### 3.2 Uplift of ring-fencing compliance management framework

Power and Water is in early stages of adopting the NT NER and as such, we are on a journey to maturing its compliance management framework to better align with the obligations at a national level. Power and Water is committed to evolving its activities to achieve the desired future state, as well as adapting to changes in the business and its operating environment to ensure effective compliance with relevant regulatory obligations.

Power and Water undertook the following activities during the reporting period as part of its ongoing commitment to maturing its compliance with obligations under the Guideline. In undertaking this work, Power and Water was cognisant of the development of Version 3 of the Guideline, and sought to align materials produced with the expected variations in Version 3 of the Guideline:

- Training and awareness raising – continued to raise awareness of ring fencing obligation throughout the senior leadership group, and the development and role of out of a more comprehensive training package which provides more targeted examples of particular roles and functions performed within Power and Water;
- Finalised and issued its RESP and Part RESP information requests;
- Protection of Ring-Fenced Information – Power and Water reviewed and refreshed its Information Sharing Protocol during the reporting period. In addition to revising the content, the Protocol, Register and application form were separated into separate documents for improved accessibility. In addition to this, an internal procedure has been developed for the management of ring-fenced information internally. In addition to this, Power and Water have commenced an audit of the Ring-fenced information request for information with a final report issued in February 2023.
- Compliance Framework and Breach Reporting – Power and Water has undertaken a review of controls in place against the Guideline, identifying control weaknesses and developing a plan to improve compliance. This has informed the update of the enterprise compliance framework and configuration of ICT system specifications for reporting and managing breaches.

### 3.3 Breaches

Clause 6.2.1(b)ii of the Guideline requires DNSPs to report any breaches of the Guideline by the DNSP, or which otherwise relate to the DNSP. For the 3 February 2022 to 31 December 2022 reporting period, the following breaches were recorded and reported under current jurisdictional requirements.

Breach Number	Clause of Guideline breached	Breach start date	Breach end-date
INC - 145	4.1 Obligation to not discriminate and 4.4 Service Providers	1 July 2019	17 May 2022
Nature of breach		Cause of breach	
During this reporting period, Power and Water has not achieved full compliance with		<b>Note: obligation waived from 17 May 2022 to 31 December 2022.</b>	

<ol style="list-style-type: none"> <li>1. Relevant standard terms and conditions in Power and Water’s contracts as required by 4.1; and</li> <li>2. Ensuring that any new or varied agreement with service providers requires compliance with relevant standard terms and conditions as required by 4.4.1(a)</li> </ol>	<p>A review identified the need to update Power and Water’s standard terms and conditions in contracts with service providers to ensure compliance with 4.1 of the Guideline and to ensure any new or varied agreement with service providers requires compliance with relevant standard terms and conditions.</p>
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Potential impact of breach (on customers and/or contestable market)	Remediation action taken
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<p>Power and Water have assessed the impact of the breach in accordance with the AER best practice manual as having a relatively low level of potential harm on competitive market &amp; consumers.</p>	<p>Power and Water have undertaken an impact assessment and consulted with the AER to determine the best course of action. AER agreed that a waiver application would allow time to implement a longer-term approach to existing contracts.</p> <p>Power and Water updated the Standard contract suite to reflect ring-fencing requirements and updated Power and Water's webpage and intranet - Aug 2021.</p> <p>Developed an external facing ring-fencing information sheet for services providers, published on the internet - Aug 2021.</p> <p>Developed an internal ring-fencing explanatory guide of Power and Water services and their treatment under the Guideline - Nov 2021.</p> <p>Applied for a waiver from the AER in November 2021 to allow time to determine a pragmatic approach for implementing grandfathering arrangements for contracts requiring renewal or variation.</p> <p>The AER issued a waiver for compliance with 4.4.1 (Conduct of service providers) on 17 May 2022 with a 31 December 2022 expiry.</p>
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Date breach identified	Method of identification	Other past breaches of this obligation	Any other relevant information
20 November 2020	External Audit	-	-

Breach Number	Clause of Guideline breached	Breach start date	Breach end-date
INC - 575	4.2.4 office and staff register	3 February 2022	17 May 2022

Nature of breach	Cause of breach
<p>Under clause 4.2.4 power and water is required to maintain an office and staff register which has not occurred within the reporting period.</p>	<p><b>Note: obligation waived from 17 May 2022 to 30 June 2024.</b></p> <p>Prior to the waiver being granted, for the period between 3 February 2022 to 17 May 2022 ,Power and Water did not maintain an office and staff register even though it is</p>



	not subject to the office and staff sharing obligations under the NT modified requirements of the Guideline.		
<b>Potential impact of breach (on customers and/or contestable market)</b>	<b>Remediation action taken</b>		
Compliance with this obligation would result in an inefficient use of resource, as restrictions around physical separation and staff sharing do not apply and would not deliver any customer benefits. The impact assessment is low.	Power and Water engaged with the AER and applied for a waiver. The AER published its <a href="#">decision to waive this obligation</a> on 17 May 2022 which expires on 30 June 2024.		
<b>Date breach identified</b>	<b>Method of identification</b>	<b>Other past breaches of this obligation</b>	<b>Any other relevant information</b>
30/10/2021	Discussion with AER	-	-

<b>Breach Number</b>	<b>Clause of Guideline breached</b>	<b>Breach start date</b>	<b>Breach end-date</b>
INC - 86	4.3.1 Obligation to Protect ring-fenced information and 4.3.2 Obligation not to disclose ring-fenced information	4 March 2022	4 March 2022

<b>Nature of breach</b>	<b>Cause of breach</b>
<p>Through the unintended disclosure of 22 residential customer email addresses to other residential customers without consent from the relevant customers, we have:</p> <ol style="list-style-type: none"> <li>1. failed to protect ring-fenced information thereby breaching clause 4.3.1; and</li> <li>2. disclosed ring-fenced information without explicit informed consent thereby breaching clause 4.3.2.</li> </ol>	Human error has been identified as the root cause of this incident, in setting up a meeting with the impacted customers for a one off customer engagement process, the organiser unintentionally sent the invite to all residential customers participating in the meeting without their emails being blind copied in accordance with existing work practices.

<b>Potential impact of breach (on customers and/or contestable market)</b>	<b>Remediation action taken</b>		
This incident involved 22 residential customers participating in a customer engagement forum receiving each other's email addresses, and was assessed as having a non-material impact on customers and/or contestable market	Attempts were made to recall the invite within five minutes of the invitation being sent, however the meeting invite could not be recalled. The meeting was cancelled and all 22 residential customers were individually emailed and advised of the error, and advised that no additional personal information was disclosed.		
<b>Date breach identified</b>	<b>Method of identification</b>	<b>Other past breaches of this obligation</b>	<b>Any other relevant information</b>
4/03/2022	Identified internally by the meeting organiser immediately after the meeting invite was sent.	There are four events (I22607, I22060, I22063 and I23989) of non-compliance with 4.3.2 Protection of confidential information of Guideline V2 under the previous reporting period. All four non-	This incident is also a breach of the Information Act (NT) and

		<p>compliance events involve the inadvertent provision of customers meter data to new retailers as they transfer. All incidents involved one customer and one retailer and were assessed as having a non-material impact on customers and/or contestable market, as new retailers have visibility of customer loads once they become responsible for a customer.</p> <p>The circumstances of these previous breaches are substantially different to the current breach being reported, and Power and Water have not identified any trend in the root cause.</p>	<p>the NT Information Commissioner has also been notified of the Incident.</p>
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Breach Number	Clause of Guideline breached	Breach start date	Breach end-date
INC - 190	4.3.2 Disclosure of information	29 November 2021	18 May 2022
Nature of breach		Cause of breach	
<p>Unintended disclosure of the AER ring-fenced information</p> <p>A market participant (Sun Cable employee) was provided with access to Power and Water systems and data for a period of 170 days (5.5 months), which was found to be non-compliant with Clause 4.2 of the AER Ring Fencing Guideline, which requires Power and Water to not disclose ring-fenced information to other legal entities.</p>		<p>Management identified a data security incident on 18/05/2022 which involved an employee of Sun Cable Pty Ltd, not employed by Power and Water or engaged with Power and Water under contract, who has been granted access to Power and Water's local area network (LAN). A request to grant the Sun Cable employee access was raised and approved within the Developer Services team in November 2021 and subsequently actioned by the ICT service desk. The incident was identified when the Sun Cable employee requested a copy of a web-enabled mapping application that contains asset location and management information</p>	
Potential impact of breach (on customers and/or contestable market)		Remediation action taken	
<p>This incident involves one energy market participant who was granted access to Power and Water systems for a period of 170 days, which contained electricity network asset location and management information (ring-fenced information). There is no evidence the information was used to gain competitive advantage, nor is there any evident impact to the competitive market. The impact assessment of this breach is low.</p>		<p>Management immediately terminated the Sun Cable employee's access and has advised the Sun Cable employee that there will be no further access without a specific agreement in place. An Integrity Officer was assigned to investigate the circumstances leading to the incident, along with assessment of any non-compliance. The Integrity officer also conducted a review of training records and confirmed that the employees involved in raising access for the Sun Cable employee had completed training on ring-fencing.</p> <p>Power and Water have continued to raise awareness of ring fencing obligation throughout the</p>	

		<p>senior leadership group. A more comprehensive training package has been rolled out which provides more targeted examples of particular roles and functions performed within Power and Water.</p> <p>Management intend to review and improve processes for giving access to Power and Water systems and ensure robust verifications are in place for contractors and others who are not direct employees.</p>	
Date breach identified	Method of identification	Other past breaches of this obligation	Any other relevant information
18/052022	Management review	-	-
Breach Number	Clause of Guideline breached	Breach start date	Breach end-date
INC - 576	4.3.4(b) Obligation to publish on the Information Register the RESP and Part RESP Information requests.	3 Feb 2022	ongoing
Nature of breach	Cause of breach		
Information requests made by our internal RESPS and Part RESPs has not been published on Power and Water's Information Register	Publication of the Information requests in accordance with clause 4.3.4 is likely to create confusion particularly given there are no contestable service providers to who the information can be shared on an equitable basis.		
Potential impact of breach (on customers and/or contestable market)	Remediation action taken		
Non-compliance with the obligation to publish on the information register has little or no impact on customers and/or the contestable market since the business unit activities inadvertently captured by the definition of contestable electricity service posed little or no threat to competition. This is due to a lack of competition in these areas and PWC being a provider of last resort for these services, as mandated in its ministerially imposed network licence conditions.	Power and Water has issued information requests from its RESPs and Part RESPs which are set out in Appendix 2. Although the information requests are required to be published in the Information Sharing Register under the Guideline, Power and Water will not be publishing these information requests as prescribed in the Guideline. The unique position of the energy market in the Northern Territory means that although these services fall within the definition of contestable services, there are no competing services. Accordingly to publish these information requests on the Information Sharing Register would create confusion and increase the administration required by Power and Water in responding to repeated information requests which are not from contestable services. Power and Water has formally notified the AER of this ongoing breach in accordance with Clauses 6.3 of the Guideline. Power and Water		

		will publish high level descriptions of the information requests as part of its annual compliance reports.	
Date breach identified	Method of identification	Other past breaches of this obligation	Any other relevant information
18/10/2022	Discussion with AER	None	None

Breach Number	Clause of Guideline breached	Breach start date	Breach end-date
INC - 147	6.1 maintaining compliance	1 July 2019	Ongoing

Nature of breach	Cause of breach
During this reporting period, Power and Water has not achieved full compliance with establishing or maintaining an appropriate control environment to ensure compliance with the guideline as required by clause 6.1.	A review identified that Power and Water's breach register, procedure and obligation register were not set-up to record breaches against AER ring-fencing obligations and that ring-fencing training had not been delivered to employees.

Potential impact of breach (on customers and/or contestable market)	Remediation action taken
Power and Water have assessed the impact of the breach in accordance with the AER best practice manual as having a relatively low level of potential harm on competitive market & consumers.	Further to the remediation report for the previous reporting period, Power and Water have continued to raise awareness of ring fencing obligation throughout the senior leadership group. A more comprehensive training package has been rolled out which provides more targeted examples of particular roles and functions performed within Power and Water.

Date breach identified	Method of identification	Other past breaches of this obligation	Any other relevant information
20 November 2020	External Audit	-	-

Breach Number	Clause of Guideline breached	Breach start date	Breach end-date
INC - 577	6.2.3 regulated stand-alone power systems reporting requirements	3 Feb 2022	Ongoing

Nature of breach	Cause of breach
Power and Water is required to maintain and publish a register for Stand Alone Power Stations.	Failure to maintain and publish a register for Stand Alone Power Stations.

Potential impact of breach (on customers and/or contestable market)	Remediation action taken
The potential impact of breach on customers and/or contestable market in relation to non-compliance with Stand-alone Power Systems obligations requiring PWC to maintain and publish a register is believed to be minimal, as PWC does not feel compliance with this obligation benefits customers or the contestable market. PWC considers that	Power and Water have engaged with AER and in November 2021 submitted a request for a waiver from compliance with the obligation. The AER provided response on 30 May 2022 advising that while there is no provision for the AER to waive this obligation, it would not take action at this time.

complying with reporting requirements would result in additional compliance costs without delivering any associated benefit to customers, given that there are no restrictions on SAPS ownership in the NT. PWC does not anticipate any competition impacts (real or perceived) in this regard and believes it delivers cost savings to customers by reducing the need to comply with irrelevant obligations under the NT NER modifications, clause 6.17.1B.

Noting that the AER may change its position on this in the future. The status of this matter will be reported annually via the Ring-fencing compliance report.

Date breach identified	Method of identification	Other past breaches of this obligation	Any other relevant information
29 November 2021	Power and Water identified this issue when planning the change from Version 2 of the Guideline to Version 3.	-	-

### 3.4 Compliance controls and measures

Power and Water's has identified all applicable obligations that apply and assigned Accountable and Responsible Managers who have operational control over the activity or work area where each of the relevant applicable obligations arise. Where controls exist they have been assigned to applicable obligations in the Guideline to which they primarily apply. In the absence of specific and/or documented controls in place to address Guideline requirements improvement measures have been identified and are outlined below.

Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
3.1 Legal separation	There are no completed improvement measures related this obligation.	Power and Water has been provided with derogation in relation to this obligation under 6.17.1B (a) of the NT NER	Not applicable	There are no open improvement measures related this obligation.	Not applicable
3.2.1 Separate accounts	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	Power and Water has the following Preventative controls <ul style="list-style-type: none"> <li>• Cost Allocation Methodology (CAM) as approved by the AER</li> <li>• Cost Allocation Management Program and Principles.</li> <li>• Accounting and Cost Allocation Procedure</li> <li>• AER Ring Fencing Information Sharing Protocol published on the website</li> </ul>	Effective	There are no open improvement measures related this obligation.	Compliant
3.2.2 Cost allocation and attribution	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	Power and Water has the following Preventative controls <ul style="list-style-type: none"> <li>• Cost Allocation Methodology (CAM) as approved by the AER</li> <li>• Cost Allocation Management Program and Principles.</li> <li>• Accounting and Cost Allocation Procedure</li> <li>• AER Ring Fencing Information Sharing Protocol published on the website</li> </ul> Detective control <ul style="list-style-type: none"> <li>• Cost Allocation Model reviewed and validated annually by an external regulatory consultant.</li> </ul>	Effective	There are no open improvement measures related this obligation.	Compliant
4.1 Obligation to not discriminate (B and C)	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	Power and Water has the following Preventative controls <ul style="list-style-type: none"> <li>• PWC's AER Ring-fencing website (external facing)</li> <li>• PWC's AER ring fencing guidelines Fact Sheet (external facing)</li> <li>• Mandatory online training on AER ring fencing in ELMO system</li> <li>• AER Ring-Fencing Explanatory Guide (internal facing) that outlines the assessment of contestable services.</li> <li>• AER ring fencing guidelines Fact Sheet (internal facing)</li> <li>• Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER ring fencing guidelines.</li> </ul>	Requires Improvement	Power and Water's planned improvements to control effectiveness include <ul style="list-style-type: none"> <li>• Impacted team to attend AER Ring-Fencing training, information awareness sessions. (AERRF20-06.b)</li> <li>• Embedding changes and ensure updated templates and documents are used in all new contracts, at renewal and variations of contracts moving forward. (AERRF20-06.c)</li> <li>• Once the relevant existing contracts have been updated to adhere to the Guideline requirements, communicate to and execute updated contracts with impacted stakeholders/supplier (AERRF20-04)</li> </ul>	Non-compliant

Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"> <li>Contracts with external service providers that include standard terms and conditions.</li> <li>Procurement templates approved by Legal for the use of all procurement activities. Enterprise electronic document management system, Content Manager 9, has access restrictions on sensitive records</li> </ul> <p>Detective controls</p> <ul style="list-style-type: none"> <li>Governance Team undertakes a process compliance checklist for procurement activities.</li> </ul>			
4.2.1 Physical separation / co-location	There are no completed improvement measures related this obligation.	Power and Water has been provided with derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable	There are no open improvement measures related this obligation.	Not applicable
4.2.2 Staff sharing	There are no completed improvement measures related this obligation.	Power and Water has been provided with derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable	There are no open improvement measures related this obligation.	Not applicable
4.2.3 Branding and cross-promotion	There are no completed improvement measures related this obligation.	Power and Water has been provided with derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable	There are no open improvement measures related this obligation.	Not applicable
4.2.4 Office and staff registers	Power and Water engaged with the AER and applied for a waiver. The AER published its decision to waive this obligation on 17 May 2022.	<p>Power and Water has been provided with a waiver in relation to this obligation on 17 May 2022.</p> <p>Preventative controls</p> <ul style="list-style-type: none"> <li>Proactive engagement with the AER around change in obligations</li> <li>Letter of no action from AER</li> </ul> <p>Detective control</p> <ul style="list-style-type: none"> <li>Periodic reviews of market to identify any changes that may warrant revisit of decision on waiver.</li> </ul>	Not applicable	<p><i>Note: obligation waived from 17 May 2022 to 31 December 2022</i></p> <p>There are no open improvement measures related this obligation.</p>	Non-compliant between 3 February 2022 and 17 May 2022.
4.3.1 Protection of ring-fenced information	<p>Power and Water has</p> <ul style="list-style-type: none"> <li>Ensured definitions of confidential information is considered in implementation of new systems/projects (AERRF20-13)</li> <li>Conducted a review of internal processes within the Records Management team to identify gaps and implement changes ensuring controls are in place to monitor non-compliance</li> </ul>	<p>Power and Water has</p> <p>Preventative controls</p> <ul style="list-style-type: none"> <li>AER Ring-fencing website (external facing)</li> <li>AER ring fencing guidelines Fact Sheet (external facing)</li> <li>Mandatory online training on AER ring fencing in ELMO system</li> <li>AER Ring Fencing Information Sharing Protocol published on the website</li> <li>Requests for Information for related electricity service providers (RESP) procedure</li> </ul>	Requires Improvement	<p>Power and Water's planned improvements to control effectiveness include</p> <ul style="list-style-type: none"> <li>Developing procedures in relation to quality assurance reviews to be performed in the customer experience area; this will include: definitions and treatment of confidential information, and an understanding who has access to types of information. (AERRF20-20)</li> <li>Implementing Meter to Cash project to achieve visibility and audit trail, and assist with improvement of systems. (AERRF20-21)</li> </ul>	Non-compliant

Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
	<p>with the Guideline. Relevant procedures and work instructions have been updated. (AERRF20-14)</p> <ul style="list-style-type: none"> <li>Conducted a review of the T3.03 EA Application Catalogue to ensure document is refreshed and up to date. (AERRF20-15)</li> <li>Conducted a review of the Data classification register to ensure register is refreshed and up to date. (AERRF20-16)</li> <li>Conducted a review of the various business unit access to ICT systems environment and process map to ensure document is refreshed and up to date. (AERRF20-17)</li> <li>Recruited a Quality Assurance role in the customer experience team. (AERRF20-19)</li> </ul>	<ul style="list-style-type: none"> <li>Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER ring fencing guidelines.</li> <li>Contracts with external service providers that include standard terms and conditions</li> <li>Records and Information Management Function responsible for the protection of confidential information administering an Information Management Standard, a request for Information Procedure and an Electronic Document Management System with access controls around confidential information.</li> <li>Established process for Data delivery during settlements.</li> <li>Metering team responsible for the Security of metering data procedure which includes, password protection for interval meters, System for meter reads and secure front end.</li> <li>Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy.</li> <li>Customer Experience and Operations on boarding process which includes a briefing on ring-fencing</li> </ul> <p>Detective controls</p> <ul style="list-style-type: none"> <li>Operational Audit program for metering operations</li> <li>Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement reports from various systems for cross verification</li> </ul> <p>Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access audit of Retail Management System.</p>		<ul style="list-style-type: none"> <li>Implementing a Meter Data Management system (as part of the Meter to Cash project) which aims to improve automation and reduce manual data entry. (AERRF20-22)</li> <li>Conducting a review and ensure Metering team's compliance with Protection of confidential information and Disclosure of information clauses, to the extent of Metering team's accountability. (AERRF20-23)</li> <li>Implement the Market Interaction Enablement program simultaneously with the Meter to Cash project, which once complete will require all information to pass through this program. (AERRF20-24)</li> </ul>	
4.3.2 Disclosure of information	<p>Power and Water has</p> <ul style="list-style-type: none"> <li>Implemented improvements in training and on boarding process, knowledge base and work instruments in the customer experience and operations area. (AERRF20-26)</li> <li>Finalised and implemented training for impacted Metering team members with outputs used as an ongoing induction tool. (AERRF20-27)</li> <li>Established monthly user audits of the Retail Management System and other relevant systems. (RY2021.3)</li> </ul>	<p>Power and Water has</p> <p>Preventative controls</p> <ul style="list-style-type: none"> <li>AER Ring-fencing website (external facing)</li> <li>AER ring fencing guidelines Fact Sheet (external facing)</li> <li>Mandatory online training on AER ring fencing in ELMO system</li> <li>Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER ring fencing guidelines.</li> <li>Contracts with external service providers that include standard terms and conditions</li> <li>Access to metering data procedure</li> <li>Third Party Access request for data procedure</li> <li>Delivery of metering data procedure</li> </ul>	Requires Improvement	<p>Power and Water's planned improvements to control effectiveness include</p> <ul style="list-style-type: none"> <li>review and improve processes for giving access to Power and Water systems and ensure robust verifications are in place for contractors and others who are not direct employees.</li> <li>Implement the Market Interaction Enablement program simultaneously with the Meter to Cash project, which once complete will require all information to pass through this program. (AERRF20-24).</li> </ul>	Non-compliant



Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"> <li>Records and Information Management Function responsible for the protection of confidential information administering an Information Management Standard, a request for Information Procedure and an Electronic Document Management System with access controls around confidential information.</li> <li>Business to Business Procedure which outlines interactions between Power and Water and Jacana.</li> <li>ICT System Retail management system with access controls</li> </ul> <p>Detective controls</p> <ul style="list-style-type: none"> <li>Operational Audit program for metering operations</li> <li>Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement reports from various systems for cross verification Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access audit of Retail Management System</li> </ul>		<ul style="list-style-type: none"> <li>A review of Business to Business procedures to include retailers other than Jacana Energy will be undertaken as part of broader Capability Uplift project (AERRF20-25)</li> </ul>	
4.3.3 Sharing of information	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has</p> <p>Preventative controls</p> <ul style="list-style-type: none"> <li>AER Ring-fencing website (external facing)</li> <li>AER ring fencing guidelines Fact Sheet (external facing)</li> <li>Mandatory online training on AER ring fencing in ELMO system</li> <li>AER Ring Fencing Information Sharing Protocol published on the website</li> <li>AER Ring fencing Guideline Accounting and Cost Allocation Procedures</li> <li>Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER ring fencing guidelines.</li> <li>Contracts with external service providers that include standard terms and conditions</li> <li>Metering team responsible for the access to metering data procedure, third party access request for data procedure and delivery of metering data procedure.</li> <li>Business to Business Procedure which outlines interactions between Power and Water and Jacana.</li> </ul> <p>ICT System Retail management system with access controls</p> <p>Detective controls</p> <ul style="list-style-type: none"> <li>Operational Audit program for metering operations</li> </ul>	Requires Improvement	Power and Water has 2 planned improvements to control effectiveness listed above 4.3.2 that also improve controls for this obligation.	Compliant

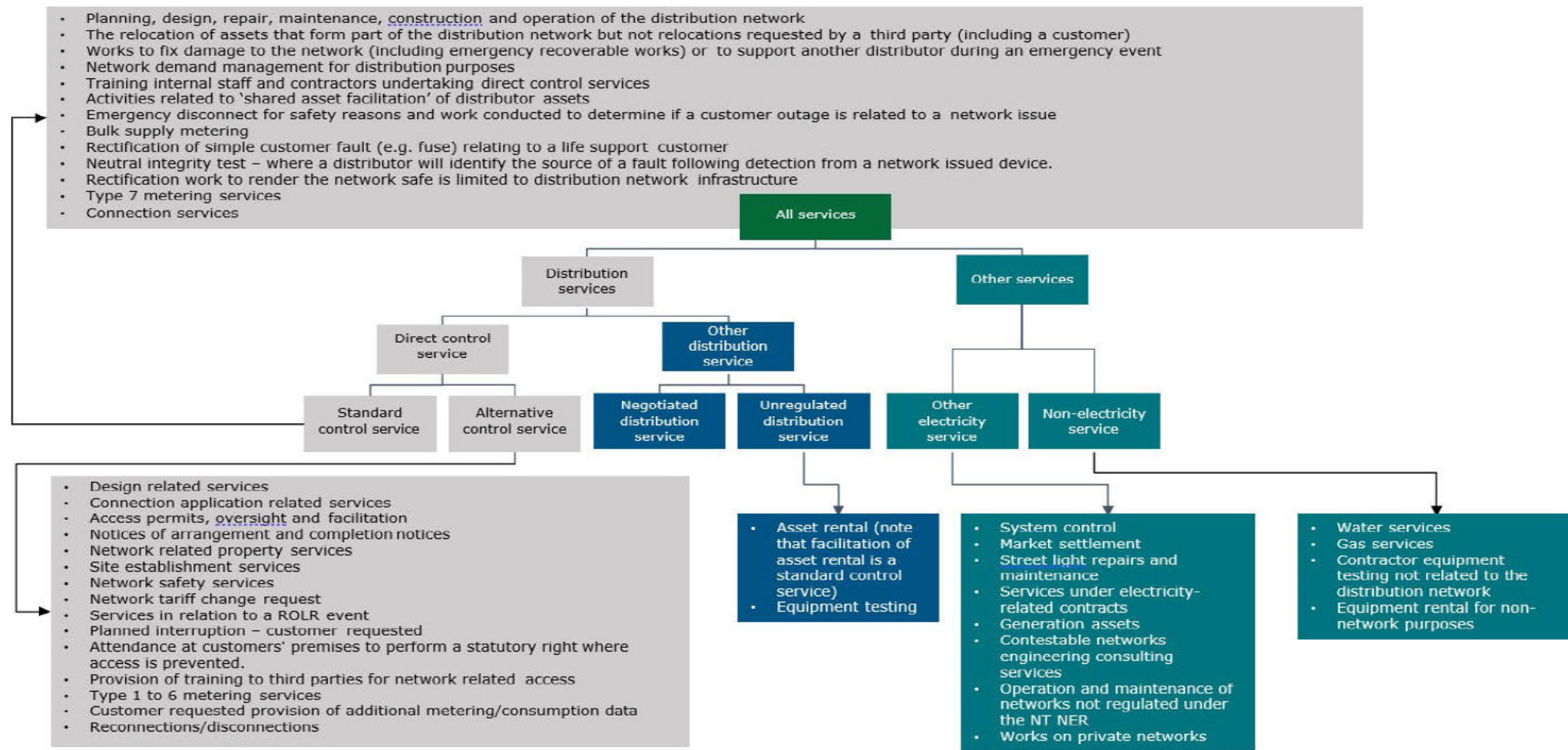
Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"> <li>Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement reports from various systems for cross verification</li> <li>Customer Experience and Operations Billing Specialists responsible for checking information disclosed.</li> </ul>			
4.3.4 Information register	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has Preventative controls</p> <ul style="list-style-type: none"> <li>AER Ring-fencing website (external facing)</li> <li>Mandatory online training on AER ring fencing in ELMO system</li> <li>AER Ring Fencing Information Sharing Protocol published on the website.</li> </ul>	Effective	There are no open improvement measures related this obligation as Power and Water's non-compliance with clause 4.3.4 is limited to those information requests from its RESPs. It is Power and Water's position that while these information requests are required to be published in the Information Sharing Register under the Guideline, these services are not competing services, given the unique position of the energy market in the Northern Territory Accordingly, to publish these information requests on the Information Sharing Register would create confusion and increase the administration required by Power and Water in responding to repeated information requests which are not from contestable services. Power and Water has formally notified the AER of this ongoing breach in accordance with Clauses 6.3 of the Guideline. Power and Water will publish high level descriptions of the information requests as part of its annual compliance reports fall within the definition of contestable services, there are no competing services. Accordingly to publish these information requests on the Information Sharing Register would create confusion and increase the administration required by Power and Water in responding to repeated information requests which are not from contestable services. Power and Water has formally notified the AER of this ongoing breach in accordance with Clauses 6.3 of the Guideline. Power and Water will publish high level descriptions of the information requests as part of its annual compliance reports	Non-compliant
4.4 Service providers	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has Preventative controls</p> <ul style="list-style-type: none"> <li>Standard conditions of contract suite with contract clauses to ensure compliance with AER ring fencing guidelines</li> <li>Contracts with external service providers that include standard terms and conditions</li> </ul>	Requires Improvement	<p><i>Note: obligation waived from 17 May 2022 to 31 December 2022</i></p> <p>Power and Water's planned improvements to control effectiveness include</p>	Non-compliant between 3 February 2022 and 17 May 2022.

Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"> <li>AER Ring-fencing website (external facing)</li> <li>AER ring fencing guidelines Fact Sheet (external facing)</li> <li>Mandatory online training on AER ring fencing in ELMO system</li> <li>AER Ring-Fencing Explanatory Guide (internal facing) outlines that the assessment of contestable services</li> <li>AER ring fencing guidelines Fact Sheet (internal facing)</li> <li>Procurement templates approved by Legal for the use of all procurement activities.</li> <li>Enterprise electronic document management system, Content Manager 9, has access restrictions on sensitive records.</li> </ul> <p>Detective controls</p> <ul style="list-style-type: none"> <li>Governance Team undertakes a process compliance checklist for procurement activities.</li> </ul>		<ul style="list-style-type: none"> <li>Training, information awareness sessions and embedding changes, ensuring updated templates and documents are used in all new contracts, at renewal and variations of contracts moving forward. (AERRF20-05)</li> </ul>	
5 Waivers	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has</p> <p>Preventative controls</p> <ul style="list-style-type: none"> <li>Under the derogations in place for the NT, the waivers have not been actively developed however a waiver register and procedure is in place.</li> <li>A ring-fencing Waiver Register outlines all waivers and is published on the Power and Water's ring-fencing webpage.</li> <li>A ring-fencing Waiver Register procedure outline the process for maintaining the register.</li> </ul>	Effective	There are no open improvement measures related this obligation.	Compliant
6.1 Maintaining compliance	Power and Water have undertaken an Internal Audit of the Enterprise Compliance Framework. Improvements identified will be addressed in the review and update of the framework.	<p>Power and Water has</p> <p>Preventative controls</p> <ul style="list-style-type: none"> <li>Compliance Obligation Register that outlines controls including procedures for maintaining compliance with the guideline against each area of responsibility.</li> <li>General compliance training for all responsible managers to include AER Ring-Fencing breach definitions in training delivered by Compliance team.</li> <li>On boarding process which includes training on ring-fencing obligations delivered via the ELMO System and completion rates monitored via system reporting.</li> </ul> <p>Detective controls</p> <ul style="list-style-type: none"> <li>Periodic compliance review process of guideline obligations, outlined in the compliance obligation management procedure.</li> </ul>	Requires Improvement	<p>Power and Water's planned improvements to control effectiveness include a management review of the enterprise compliance framework to align to the new International Standard ISO 37301 Compliance Management Systems. The framework update will address a number of improvements identified through Internal Audits and independent assessments as follows.</p> <p>Establishing a management plan for continuous improvement of ring-fencing controls, that will include a processes for verifying controls and undertaking periodic attestations in line with AER reporting period. This plan and processes will be implemented in parallel with existing second line assurance activities (RY2021.5) (AERRF20-39) (RY2021.2) (RY2021.1).</p> <ul style="list-style-type: none"> <li>Implement improvements to non-compliance management process, which includes undertaking a materiality</li> </ul>	Non-compliant

Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"> <li>Periodic compliance attestation process of current levels of compliance and control effectiveness outlined in the compliance attestation procedure.</li> </ul> <p>Corrective controls</p> <p>Non-compliance reporting procedure and system that captures and monitors reported non-compliance, outlines steps for reporting and requirements for investigation and corrective action.</p>		<p>assessment of potential instances, and communication of lessons learnt. (RY2021.4)</p> <ul style="list-style-type: none"> <li>Develop and deliver targeted training with real-life scenarios to uplift education and compliance. (RY2021.6)</li> </ul>	
6.2 Compliance reporting	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has</p> <p>Preventative controls</p> <ul style="list-style-type: none"> <li>Compliance reporting template designed to report compliance with the Guideline in line with the compliance reporting best practice manual.</li> <li>Compliance Obligation Register that outlines controls, control effectiveness and levels of compliance for each guideline element against each area of responsibility. This register is used to produce reports on levels of compliance and control effectiveness.</li> </ul> <p>Detective controls</p> <ul style="list-style-type: none"> <li>Periodic compliance review process of guideline obligations, outlined in the compliance obligation management procedure to determine levels of compliance and control effectiveness for reporting.</li> </ul> <p>Corrective controls</p> <ul style="list-style-type: none"> <li>Non-compliance reporting procedure and system that captures and monitors reported non-compliance for the purpose of reporting to management and the AER.</li> </ul>	Requires Improvement	<p>Power and Water's planned improvements to control effectiveness include</p> <ul style="list-style-type: none"> <li>Finalising the development of an annual compliance report procedure, which includes processes to incorporate report extracts from across the business, and compilation of data for completion of the report. (AERRF20-40)</li> </ul>	Compliant
6.2.3	Power and Water have proactively engaged with the AER to communicate the challenges of compliance with this requirement.	<p>Power and Water have engaged with AER and in November 2021 submitted a request for a waiver from compliance with the obligation. The AER provided response on 30 May 2022 advising that while there is no provision for the AER to waive this obligation, it would not take action at this time. Noting that the AER may change its position on this in the future. The status of this matter will be reported annually via the Ring-fencing compliance report.</p> <p>Preventative controls</p> <ul style="list-style-type: none"> <li>Proactive engagement with the AER around change in obligations</li> <li>Letter of no action from AER</li> </ul>	Requires Improvement	<p><b>Note: Power and Water received a 'No action' letter from AER on 30 May 2022.</b></p> <p>There are no open improvement measures related this obligation.</p>	Non-compliant but Power and Water have received a 'no action' letter from AER

Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		Detective control <ul style="list-style-type: none"> <li>Periodic reviews of market to identify any changes that may warrant a review of the applicability of a waiver.</li> </ul>			
6.4 Complaints and investigations	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	Corrective controls <ul style="list-style-type: none"> <li>Regulation, Economics and Pricing engage regularly with the AER and are responsible for responding to a complaint or concern the AER raises about compliance with this Guideline.</li> <li>The non-compliance reporting procedure is applied in situations where the complaint or concern results in a breach.</li> </ul>	Effective	There are no open improvement measures related this obligation.	Compliant

# Appendix 1 - Existing Power and Water service classification and Guideline treatment



## Appendix 2 - Information requests

The embedded document outlines Power and Waters approach to compliance with the information sharing register obligations, under clause 4.3.4 of the AER's ring-fencing guideline.



Ltr to AER  
notification of Breac



Record number: D2022/114893  
Container number: F2022/1100

Rowena Park  
General Manager  
Compliance and Enforcement  
Australian Energy Regulator  
By Email: [ringfencing@aer.gov.au](mailto:ringfencing@aer.gov.au)

Dear Ms Park

## **AER Ring-fencing Guideline - breaches of reportable obligations**

I refer to our letter of 3 October 2022, discussions with Australian Electricity Regulator (AER) senior offices on 18 October, and subsequent correspondence from AER senior staff on 10 November.

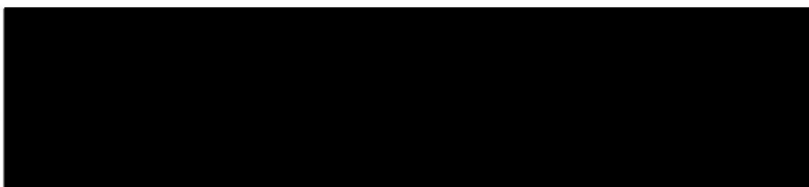
We would like to thank the AER for its support of a pragmatic approach to Power and Water's compliance with the information sharing register obligations under clause 4.3.4 of the AER's Ring Fencing Guideline (the **Guideline**). The AER has acknowledged that the energy market in the Northern Territory is unique, and that Power and Water faces no competition in its role as market operator, and very limited competition in other services. Provided that Power and Water allow high level descriptions of the information to be published in its annual compliance reports, the AER has agreed that we may still achieve the intent of clause 4.3.4, albeit with less detail and regularity.

That said, it is recognized that the obligation to publish information requests on the information register pursuant to clause 4.3.4 cannot be waived, and that the above agreed position will likely constitute an ongoing breach of clause 4.3.4. Accordingly, and pursuant to clause 6.3 of the Guideline, PWC hereby provides notice that Power and Water has not published the details of the requests received under 4.3.3(a) of the Guideline and included at Attachment A.

As has been discussed with AER officers, we have not published the details of the information requests as required by clause 4.3.4(b) of the guideline due to the confusion likely to be created. Power and Water proposes to publish high level descriptions of the requests as part of its annual compliance reports which we consider appropriately meets the intent of clause 4.3. As this will be an ongoing breach, it will be identified in our annual ring fencing compliance report, however we do not intend to notify the AER again of the breach unless there is a material change in circumstances.

Further details of the breach in the form required by the AER Ring-fencing Guideline breach reporting template at Attachment B.

Yours sincerely





# Indigenous Essential Services Pty Ltd

## INFORMATION DISCLOSURE REQUEST

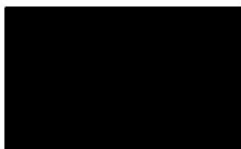
Australian Energy Regulator's

Electricity Ringfencing Guideline- Distribution (AER Ring-fencing Guideline)

### Clause 4.3.2(h)

1. Power and Water Corporation (ABN) (PWC) is a Government Owned Corporation under the Northern Territory Government Owned Corporations Act 2001.
2. PWC provides a range of electricity, water, sewerage and gas services in the Northern Territory.
3. When providing services relating to or connected with the distribution of electricity to customers connected to the **Local Electricity Systems**, PWC is a *Distribution Network Service Provider* (DNSP) for the purpose of the AER Ringfencing Guideline.
4. In this notice, PWC in its capacity as a DNSP is referred to as **PWC DNSP**.
5. Indigenous Essential Services Pty Ltd (ABN 50 105 269 636) "IES" is a subsidiary of PWC and is consequently an *affiliated entity* of **PWC DNSP**
6. IES carries out activities and provides a range of services to remote communities within the Northern Territory including the provision of electricity services to remote areas of the Northern Territory which are not part of the **Local Electricity Systems** and which are *contestable electricity services* for the purposes of the AER Ring-fencing Guideline.
7. Consequent upon paragraph 6, IES is or has the potential to be a *Related Electricity Service Provider* (RESP) of PWC DNSP, for the purposes of the AER Ringfencing Guideline.
8. PWC DNSP holds information, including information relating to the provision of services by IES, which is *ringfenced information* for the purposes of the AER Ringfencing Guideline and which must be kept confidential by PWC DNPS unless a RESP has requested PWC DNSP to disclose that information to the RESP. The nature and scope of this information is broadly described in Annexure A
9. IES, in its capacity as a RESP, requests PWC DNSP to disclose on an ongoing basis the information referred to in paragraph 8 which is relevant to or related to the provision of services by, and or the activities of, IES.

Signed by:



Jenifer Moore, Senior Manager Enterprise Strategy, Planning and Strategic Projects

For and on behalf of IES Pty Ltd

Dated 14/12/22

Accepted and Approved for disclosure

Djuna Pollard, Chief Executive Officer

PWC DNSP

Dated

**Use of Terms:**

All italicised terms in the request have the same meaning as in the AER Ring-fencing Guideline.

Local Electricity Systems means the Local Electricity Systems declared for the purpose of section 9 of the *NATIONAL ELECTRICITY (NORTHERN TERRITORY) (NATIONAL UNIFORM LEGISLATION) ACT 2015 and set out in Schedule 2 to that Act.*

## Annexure A

Information necessary for the provision of reliable electricity services to remote communities throughout the Northern Territory. The Information requested is information which relates to and enables the following, non-exclusive activities:

- a. the effective management of the assets including asset optimisation and repair and
- b. maintenance programs taking into account whole of life costs;
- c. the efficient financial management, through a coordinated approach to least cost
- d. provision of Services ensuring value for money consideration, works programming and repair and
- e. maintenance programs;
- f. to support regional development; and
- g. to support Aboriginal employment and training.

# Power and Water Corporation Related Electricity Service Providers

## INFORMATION DISCLOSURE REQUEST

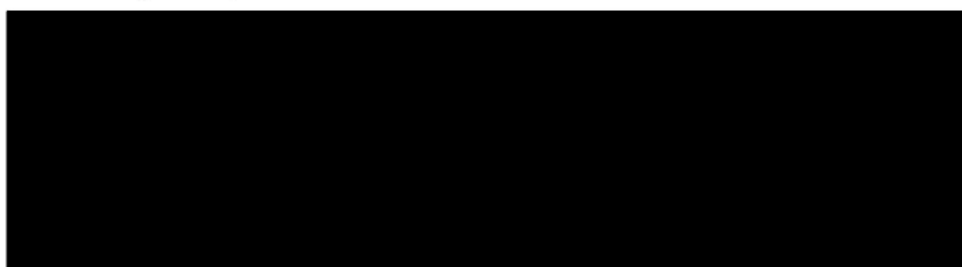
Australian Energy Regulator's

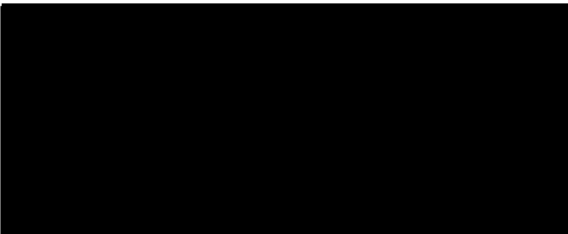
Electricity Ring-fencing Guideline- Distribution (AER Ring-fencing Guideline)

### Clause 4.3.2(h)

1. Power and Water Corporation (ABN) (PWC) is a Government Owned Corporation under the Northern Territory *Government Owned Corporations Act 2001*.
2. PWC is a multi-utility which provides a range of electricity, water, sewerage and gas services in the Northern Territory.
3. When providing services relating to or connected with the distribution of electricity to customers connected to the **Local Electricity Systems**, PWC is a *Distribution Network Service Provider* (DNSP) for the purpose of the AER Ring-fencing Guideline.
4. In this notice, PWC in its capacity as a DNSP is referred to as **PWC DNSP**.
5. To deliver the range of services identified on paragraph 2, Power and Water has established the Business units specified in Column 1 of the Table in Annexure A (the Table) which carry out the functions specified in Column 2 of the Table, through the activities described in Column 3 of the Table.,
6. Consequent upon paragraph 5, the business units are, or have the potential to be a *Related Electricity Service Provider* (RESP) of PWC DNSP, for the purposes of the AER Ring-fencing Guideline.
7. PWC DNSP holds information, including information relating to functions and activities referred to in paragraph 5s the Table, which is ring fenced information for the purposes of the AER Ring-fencing Guideline and which must be kept confidential by PWC DNPS unless a RESP has requested PWC DNSP to disclose that information to the RESP. The nature and scope of this information is broadly described in Column 4 of the Table in Annexure A.
8. Each Business Unit specified in the Table in its capacity as a RESP, requests PWC DNSP to disclose on an ongoing basis the information referred to in paragraph 7 which is relevant to or related to the provision of services by, and or the activities of the relevant RESP.

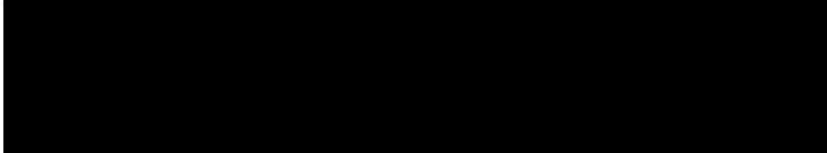
Signed by:





Michael Besselink, Executive General Manager Core Operations  
For and on behalf of Core Operations

14/11/2022



For and on behalf of Power Services

14/12/2022

**Accepted and Approved for disclosure:**

Djuna Pollard, Chief Executive officer

PWC DNSP

/ /

**Use of Terms:**

All italicised terms in the request have the same meaning as in the AER Ring-fencing Guideline.

Local Electricity Systems means the Local Electricity Systems declared for the purpose of section 9 of the *NATIONAL ELECTRICITY (NORTHERN TERRITORY) (NATIONAL UNIFORM LEGISLATION) ACT 2015* and set out in Schedule 2 to that Act.



Power Services	NT Electricity Market	<ul style="list-style-type: none"> <li>• Market settlement</li> </ul>	
	Strategy and Planning	<ul style="list-style-type: none"> <li>• Development and planning</li> <li>• Program delivery</li> <li>• Engineering</li> </ul>	<p>The exploration on methods of analysing electric vehicle charging data</p> <p>Information to support applications for connection of batteries</p> <p>Summary of Distribution Energy Resource's (DER) Forecast</p> <p>All types of non-public network quality information</p>
	Business Management	<ul style="list-style-type: none"> <li>• Admin &amp; Inventory</li> <li>• Management and Project accountant</li> <li>• Work practices facilitation</li> </ul>	<p>Network asset loading downstream of zone substations</p> <p>Customer and consumer numbers</p> <p>PV system applications</p>
	Asset Management	<ul style="list-style-type: none"> <li>• Network planning and design</li> <li>• Business improvement</li> </ul>	
	Service Delivery	<ul style="list-style-type: none"> <li>• Job planning and scheduling</li> <li>• Field services network performance and underground</li> <li>• Test and protection, substation and metering</li> <li>• Field services network performance and underground</li> <li>• Remote electricity services, for generation and electrical</li> </ul>	

## Contact

[PNRegulationGroup.PWC@powerwater.com.au](mailto:PNRegulationGroup.PWC@powerwater.com.au)

[powerwater.com.au](http://powerwater.com.au)

**PowerWater**



# Independent Reasonable Assurance Report

To the Directors of Power and Water Corporation

## Conclusion

In our opinion, Power and Water Corporation's (Power and Water) Statement of Compliance that the entity has, with the exception of breaches identified, complied with version three of the Ring-fencing Guideline published by the Australian Energy Regulator (AER) on 3 November 2021, under the National Electricity Rules as in force in the Northern Territory (NT NER) as at 22 December 2021, clause 6.17.1 and derogations under clause 6.17.1B ('Derogated Guideline') is, in all material respects, fairly presented for the regulatory period 3 February 2022 to 31 December 2022.

## Emphasis of Matter – Breaches of Ring-fencing guideline

Without qualifying our conclusion, we draw attention to section 3.3 of Power and Water's Electricity Ring-fencing Annual Compliance Report ("Annual Compliance Report"), which describes the breaches identified in the regulatory period 3 February 2022 to 31 December 2022.

### *Breach of Clause 4.1 of the Ring-fencing Guideline – Obligation to not discriminate and Clause 4.4 Service providers*

Power and Water has not included standard terms and conditions as required by Clause 4.1 and ensured all new or varied contracts include relevant standard terms and conditions required by Clause 4.4.1(a) (existing contracts which may be renewed or varied).

Power and Water consulted with the AER and applied for a waiver of Clause 4.4.1(a). The breach ceased on the 17 May 2022 when a waiver was granted by the Australian Energy Regulator which expired on the 31 December 2022.

### *Breach of Clause 4.2.4 of the Ring-fencing Guideline – Office and staff registers*

Power and Water have not maintained and published office and staff registers as required by Clause 4.2.4 of the guideline. Power and Water consulted with the AER and applied for a waiver for this obligation. The breach ceased on the 17 May 2022 when a waiver was granted by the AER.





## **Emphasis of Matter – Breaches of Ring-fencing guideline (continued)**

### *Breach of Clause 4.3.1 of the Ring-fencing Guideline – Protection of ring-fenced information and Clause 4.3.2 Disclosure of information*

Clause 4.3.1 (a) of the Ring-fencing Guideline requires a Distributed Network Service Provider (DNSP) to keep Ring-fencing information confidential and Clause 4.3.2 of the Ring-fencing Guideline requires a DNSP to not disclose ring-fenced information to any person. These clauses were breached by Power and Water when residential customers' email addresses were mistakenly sent without consent to other residential customers.

### *Breach of Clause 4.3.2 of the Ring-fencing Guideline – Disclosure of information*

Clause 4.3.2 of the Ring-fencing Guideline requires a DNSP to not disclose ring-fenced information to any person, including a related electricity service provider, unless it is in accordance with Clauses 4.3.2 (a) – 4.3.2 (h). A market participant's employee was granted access to ring-fenced information for a period of 170 days which is in breach of Clause 4.3.2. The breach was identified and rectified on 18 May 2022.

### *Breach of Clause 4.3.4(b) of the Ring-fencing Guideline – Information register*

The Ring-fencing Guideline requires that Power and Water maintain and publish an information register as required by Clause 4.3.4(b). The information requests made by Power and Water internal related electricity service providers (RESPs) and part RESPs has not been maintained and published on Power and Water's information register. This breach remains ongoing at reporting date.

### *Breach of Clause 6.1 of the Ring-fencing Guideline – Maintaining compliance*

Clause 6.1 of the Ring-fencing Guideline requires a DNSP establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline.

By virtue of the breaches above Power and Water has not maintained appropriate internal procedures to comply with the Guideline.

### *Breach of Clause 6.2.3 of the Ring-fencing Guideline – Regulated stand-alone power system reporting*

The Ring-fencing Guideline requires Power and Water maintain and publish a register for stand-alone power systems. Power and Water has neither maintained nor published such a register. Power and Water has consulted with the AER and the AER has responded that no action will be taken at this time while AER's position may alter in the future.



## **Emphasis of Matter – Breaches of Ring-fencing guideline (continued)**

### **Information subject to Assurance**

The information subject to assurance is Power and Water's Statement of Compliance for the regulatory period 3 February 2022 to 31 December 2022, as set out in section 3.1 of Power and Water's Annual Compliance Report prepared in accordance with version three of the Ring-fencing Guideline published by the AER on 3 November 2021, under the NT NER as at 22 December 2021, clause 6.17.1 and derogations under clause 6.17.1B (Statement of Compliance).

### **Scope**

The scope of our reasonable assurance engagement is whether Power and Water's Statement of Compliance that the entity has, with the exception of breaches identified and reported to the AER, complied with the Ring-fencing Guideline published by the Australian Energy Regulator on 17 October 2017 under the NT NER as at 22 December 2021, clause 6.17.1 and derogations under 6.17.1B is, in all material respects, fairly presented for the regulatory period 3 February 2022 to 31 December 2022.

This Statement of Compliance accompanies our report, for the purpose of reporting to the Directors of Power and Water 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 Power and Water's Statement of Compliance that the entity has, with the exception of the breaches identified and reported to the AER, complied with the Ring-fencing Guideline;
- considered internal controls implemented to meet the compliance requirements of the Ring-fencing Guideline; however, we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possesses 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 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 Power and Water's Statement of Compliance when it exists.
- Instances of misstatement in Power and Water's Statement of Compliance 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 Power and Water's compliance with the requirements of 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 Power and Water's Statement of Compliance 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 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 Power and Water 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 Statement of Compliance 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 Power and Water and the AER, or for any purpose other than 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 Guideline;
- identification of risks that threaten the compliance with the Ring-fencing Guideline from being met;
- monitoring ongoing compliance; and
- preparing an Annual Compliance Report and providing a Statement of Compliance 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 Power and Water's Statement of Compliance with the Ring-fencing Guideline, for the period 3 February 2022 to 31 December 2022 and to issue an assurance report that includes our conclusion.

## Our Independence and Quality Control

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

KPMG  
Darwin  
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 of Power and Water Corporation's (Power and Water) compliance activities with the relevant requirements of the Ring-fencing version three Guideline (Guideline) published by the AER on 3 November 2021, under the National Electricity rules as in force in the Northern Territory as at 22 December 2021, clause 6.17.1 and derogations under clause 6.17.1B for the regulatory 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 Power and Water's overall compliance with the Guideline:

- read the Ring-fencing Annual Compliance Statement to check that Power and Water's overall compliance measures and internal controls for Ring-fencing had been documented for the purposes of this audit;
- conducted interviews and inquires to obtain an understanding of changes to the regulatory business activities and related compliance management approach;
- inspected supporting evidence which included policies, procedures and practices undertaken to embed Ring-fencing compliance measures during the regulatory period; and
- performed sample testing (where considered appropriate) to test effectiveness of the compliance measures for the regulatory period.



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

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
<b>3 Prevention of cross subsidies</b>			
<b>3.1 Legal Separation</b>	Power and Water has been provided with derogation in relation to this obligation under clause 6.17.1B(a) of the NT NER. For this reason, no further work has been performed by KPMG.		
<b>3.2.1 Separate Accounts</b> <b>3.2.2 Cost allocation and attribution</b>	<p>Power and Water has the following Preventative controls</p> <ul style="list-style-type: none"> <li>• Cost Allocation Methodology (CAM) as approved by the AER</li> <li>• Cost Allocation Management Program and Principles</li> <li>• Accounting and Cost Allocation Procedure</li> <li>• AER Ring-fencing Information Sharing Protocol published on the website</li> </ul> <p>Detective control</p> <ul style="list-style-type: none"> <li>• Cost Allocation Model reviewed and validated annually by an external regulatory consultant.</li> </ul>	<ul style="list-style-type: none"> <li>• We obtained and inspected the Cost Allocation Methodology (CAM) approved by the AER to verify its existence</li> <li>• Obtained an understanding of the CAM to check the CAM applied is consistent to that approved by the AER</li> <li>• Inquired with management if any changes were made to the CAM</li> <li>• Inspected the cost allocation accounting procedure manual and performed the following:               <ul style="list-style-type: none"> <li>○ Inspected the journals that were prepared according to the AER approved CAM</li> <li>○ Inspected a CAM journal sample to ensure journals were appropriately approved</li> </ul> </li> <li>• Accessed Power and Water's Ring-fencing website to sight the publication of its information sharing protocol</li> </ul>	<p>Status: Compliant</p> <p>Per the inspection of the sample of the applied monthly CAM journals processed, controls were operating effectively.</p> <p>On 28 October 2022, KPMG issued review reports (Estimated Historical Financial Information and the Non-Financial Information) and Agreed-upon procedures report (Actual Financial Data) report for the 12-month period ended 30 June 2022, in connection with our review and agreed upon procedures of the Power and Water Electricity Distribution RINs.</p> <p>Based on our inquiries of management and walkthrough performed no changes to the AER approved CAM post 30 June 2022 were identified.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
<b>4 Functional Separation</b> 4.1 Obligation to not discriminate (B and C)	<p>Power and Water has the following: Preventative controls:</p> <ul style="list-style-type: none"> <li>PWC's AER Ring-fencing website (external facing)</li> <li>PWC's AER Ring-fencing guidelines Fact Sheet (external facing)</li> <li>Mandatory online training on AER Ring-fencing in ELMO system</li> <li>AER Ring-fencing Explanatory Guide (internal facing) outlines the assessment of contestable services</li> <li>AER Ring-fencing guidelines Fact Sheet (internal facing)</li> <li>Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER Ring-fencing guidelines</li> <li>Contracts with external service providers that include standard terms and conditions</li> <li>Procurement templates approved by Legal for the use of all procurement activities</li> <li>Enterprise electronic document management system, content manager 9, has access restrictions on sensitive records</li> </ul> <p>Detective controls:</p> <ul style="list-style-type: none"> <li>Governance Team undertake a process</li> </ul>	<ul style="list-style-type: none"> <li>Accessed Power and Water's Ring-fencing website to sight the publication of Ring-fencing guidelines / protocols</li> <li>Inspected Power and Water's online training portal (ELMO) for Ring-fencing training materials in place, assessed training content relating to Ring-fencing guidelines and training completion records across Power and Water for the reporting period</li> <li>Obtained and inspected Power and Water's internal facing guideline for assessment of contestable services</li> <li>Inspected a sample of procurements from 3 February 2022 to 31 December 2022 to check:               <ul style="list-style-type: none"> <li>the Conditions of Contract is being used in new procurement contract terms</li> <li>standard procurement templates were used</li> <li>compliance checklists completed</li> </ul> </li> <li>Obtained an understanding on restricting access to procurement documentation in Content Manager and inspected a sample of Content Manager folders to check restricted access</li> </ul>	<p>Status: Non-compliant</p> <p><b>Staff training compliance</b></p> <p>Inspection of the mandatory training completion records showed that 83% of staff completed the annual Ring-fencing training module.</p> <p>We noted from inquiries that 17% of staff did not complete the training module due to staff movements within the organisation.</p> <p>New and more comprehensive training has been developed and deployment commenced from 20 December 2022 onwards.</p> <p><b>Procurement sample outcomes</b></p> <p>Power and Water have applied for a waiver from Clause 4.4.1(a), conduct of service providers, to allow time to determine a pragmatic approach for implementing grandfathering arrangements for contracts requiring renewal or variation. The waiver was granted on 17 May 2022 with expiry on 31 December 2022.</p> <p>User access to procurement documents is managed by approval process. For the sample of user access controls inspected, we were able to inspect access controls were operating effectively.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	compliance checklist for procurement activities.		
4.2.1 Physical separation / co-location	Power and Water Corporation has been provided with derogation in relation to this obligation under clause 6.17.1B(a) of the NT NER. For this reason, no further work has been performed by KPMG.		
4.2.2 Staff sharing	Power and Water Corporation has been provided with derogation in relation to this obligation under clause 6.17.1B(a) of the NT NER. For this reason, no further work has been performed by KPMG.		
4.2.3 Branding and cross-promotion	Power and Water Corporation has been provided with derogation in relation to this obligation under clause 6.17.1B(a) of the NT NER. For this reason, no further work has been performed by KPMG.		
4.2.4 Office and staff registers	<p>Power and Water has the following: Preventative controls:</p> <ul style="list-style-type: none"> <li>• AER Ring-fencing website (external facing)</li> <li>• Mandatory online training on AER Ring-fencing in ELMO system</li> <li>• AER Ring-fencing Staff and Office sharing Register published on the website.</li> <li>• Established process for reviewing, updating, and maintaining the accuracy of information contained in the staff and office sharing register</li> </ul>	<ul style="list-style-type: none"> <li>• Inspected Power and Water's Ring-fencing website to verify accessibility of Ring-fencing guidelines / protocols</li> <li>• Inspected ELMO for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period</li> <li>• Inspected Power and Water's staff and office sharing register to verify it is published on the website and established process to maintain the register</li> </ul>	<p>Status: Non-compliant between 3 February 2022 and 17 May 2022.</p> <p><b>Staff training compliance</b></p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p><b>Staff and office sharing register</b></p> <p>Staff and office sharing register is kept on Power and Water's website, however we note there had been no records captured in the Register as a result of the derogation of clause 4.2.2. Consequently, AER has granted a waiver to Power and Water for Clause 4.2.4 on 17 May 2022.</p>



Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
<p>4.3.1 Protection of ring-fenced information</p>	<p>Power and Water has the following Preventative controls:</p> <ul style="list-style-type: none"> <li>• PWC’s AER Ring-fencing website (external facing)</li> <li>• PWC’s AER Ring-fencing guidelines Fact Sheet (external facing)</li> <li>• Mandatory online training on AER Ring-fencing in ELMO system</li> <li>• AER Ring-fencing Information Sharing Protocol published on the website</li> <li>• Requests for information for related electricity service providers procedure</li> <li>• Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER Ring-fencing guidelines</li> <li>• Contracts with external service providers that include standard terms and conditions</li> <li>• Records and Information Management Function responsible for the protection of confidential information administering an Information Management Standard, a request for Information Procedure and an Electronic Document Management System with access controls around confidential information</li> <li>• Established process for Data delivery during settlements</li> </ul>	<ul style="list-style-type: none"> <li>• Inspected Power and Water’s Ring-fencing website to verify accessibility of Ring-fencing guidelines / protocols</li> <li>• Inspected ELMO for Ring-fencing training materials in place, assessed training content related to Ring-fencing guidelines and training completion records across Power and Water for the reporting period</li> <li>• Inspected a sample of procurements from 3 February 2022 to 31 December 2022 to check: <ul style="list-style-type: none"> <li>○ the Conditions of Contract is being used in new procurement contract terms</li> <li>○ standard procurement templates were used</li> <li>○ compliance checklists completed</li> </ul> </li> <li>• Obtained an understanding on access controls which relate to Ring-fencing requirements for the Retail Management System (RMS) and inspected a sample of users from RMS to check restricted access</li> <li>• Obtained an understanding and inspected a sample on manual controls over Power and Water Electronic Document Management System (EDMS) which relate to Ring-fencing requirements from the daily movement reports maintained by the Records and Information Management Unit to check restricted access</li> <li>• Obtained an understanding over management processes on monthly metering data sent to retailers (i.e., Jacana Energy and Rimfire) via Message Queue (managed by Northern Territory Government)</li> </ul>	<p>Status: Non-compliant</p> <p><b>Staff training compliance</b></p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p><b>Procurement sample outcomes</b></p> <p>Refer to procurement sample outcomes listed under clause 4.1 above.</p> <p><b>RMS Access control sample outcomes</b></p> <p>From the sample selected and inspected for user access control checking, we did not identify any exceptions.</p> <p><b>EDMS</b></p> <p>From the sample selected, user access controls over the EDMS (also known as TRIM) are operating effectively. Our checking indicated cross verification was conducted by the Records and Information Management Unit which includes daily movement reports.</p> <p>No exceptions were noted.</p> <p><b>Metering control sample outcomes</b></p> <p>From the sample selected, the review process for MV90 reports which are conducted by the Northern Territory Electricity System and Market Operator (‘NTESMO’) are operating effectively. No exceptions were noted.</p> <p><b>Periodic review of ring-fenced procurement population.</b></p> <p>Refer to <b>Recommendation #8</b> in Appendix B</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> <li>Metering team responsible for the security of metering data procedure which includes, password protection for interval meters, system for meter reads and secure front end</li> <li>Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy</li> <li>Customer Experience and Operations on boarding process which includes a briefing on Ring-fencing</li> </ul> <p>Detective controls:</p> <ul style="list-style-type: none"> <li>Operational Audit program for metering operations</li> <li>Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement reports from various systems for cross verification</li> <li>Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access audit of Retail Management System</li> </ul>	<ul style="list-style-type: none"> <li>Inspected a sample to ascertain that monthly metering data is sent to specific retailers (i.e., Jacana Energy and Rimfire) as part of their Ring-fencing protocols</li> <li>Obtained an understanding of a bi-annual review of RMS users with the customer experience team to check that the design of restricted access is working as intended</li> <li>Obtained an understanding over management process for remediation actions undertaken in the event of a breach of customer meter data</li> <li>Inspected a sample to check restricted access for specific users via the daily movement reports from the Records and Information Management Unit</li> <li>Inspected the presentation slides as part of the Customer experience "On-Boarding Presentation" to ensure that the information within highlights requirements about Ring-fencing</li> <li>Obtained an understanding over management controls to comprehend password protection requirements within MV90 system that relate to metering</li> <li>Obtained an understanding over user account creation within MV90 system for controls that relate to metering</li> <li>Obtained an understanding over the front-end platform within MV90 system for access controls that relate to metering</li> <li>Inspected the operational audit program</li> </ul>	

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
4.3.2 Disclosure of information	<p>Power and Water has the following Preventative controls:</p> <ul style="list-style-type: none"> <li>AER Ring-fencing website (external facing)</li> <li>AER Ring-fencing guidelines Fact Sheet (external facing)</li> <li>Mandatory online training on AER Ring-fencing in ELMO system</li> <li>Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER Ring-fencing guidelines</li> <li>Contracts with external service providers that include standard terms and conditions</li> <li>Access to metering data procedure</li> <li>Third Party Access request for data procedure</li> <li>Delivery of metering data procedure</li> <li>Records and Information Management Function responsible for the protection of confidential information administering an</li> </ul>	<p>undertaken by the metering team for restriction of MV90 access controls that relate to metering</p> <ul style="list-style-type: none"> <li>Inspected a sample for evidence of review by Northern Territory Electricity System and Market Operator (NTESMO) to check restricted access that relate to metering</li> </ul>	
	<p>Power and Water has the following Preventative controls:</p> <ul style="list-style-type: none"> <li>AER Ring-fencing website (external facing)</li> <li>AER Ring-fencing guidelines Fact Sheet (external facing)</li> <li>Mandatory online training on AER Ring-fencing in ELMO system</li> <li>Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER Ring-fencing guidelines</li> <li>Contracts with external service providers that include standard terms and conditions</li> <li>Access to metering data procedure</li> <li>Third Party Access request for data procedure</li> <li>Delivery of metering data procedure</li> <li>Records and Information Management Function responsible for the protection of confidential information administering an</li> </ul>	<ul style="list-style-type: none"> <li>Inspected Power and Water's Ring-fencing website to check for accessibility of Ring-fencing guidelines / protocols</li> <li>Inspected Power and Water's online training portal (ELMO) for Ring-fencing training materials in place, assessed training content related to Ring-fencing guidelines and training completion records across Power and Water for the reporting period</li> <li>Inspected a sample of procurements from 3 February 2022 to 31 December 2022 to check: <ul style="list-style-type: none"> <li>the Conditions of Contract is being used in new procurement contract terms</li> <li>standard procurement templates were used</li> <li>compliance checklists completed</li> </ul> </li> <li>Obtained an understanding on access controls which relate to Ring-fencing requirements for RMS and inspected a sample of users from RMS to check restricted access</li> <li>Obtained an understanding on access controls which relate to Ring-fencing requirements from the daily movement reports from Records and Information Management Unit</li> </ul>	<p>Status: Non-compliant</p> <p><b>Staff training compliance</b></p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>Specific Customer Experience "On-Boarding Presentation" is delivered to new staff which highlight clauses / requirements for Ring-fencing.</p> <p><b>Procurement sample outcomes</b></p> <p>Refer to procurement sample outcomes listed under clause 4.1 above.</p> <p><b>RMS Access control sample outcomes</b></p> <p>Refer to outcome under clause 4.3.1 above.</p> <p><b>Metering control sample outcomes</b></p> <p>Refer to outcome under clause 4.3.1 above.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>Information Management Standard, a request for Information Procedure and an Electronic Document Management System with access controls around confidential information.</p> <ul style="list-style-type: none"> <li>Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy.</li> <li>ICT System Retail management system with access controls</li> </ul> <p>Detective controls:</p> <ul style="list-style-type: none"> <li>Operational Audit program for metering operations</li> <li>Operational Audit of users in the retail management system and other systems</li> <li>Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement reports from various systems for cross verification</li> <li>Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access audit of Retail Management System</li> </ul>	<ul style="list-style-type: none"> <li>Obtained an understanding on monthly metering data sent to retailers (i.e., Jacana Energy and Rimfire) via Message Queue (managed by the Northern Territory Government)</li> <li>Inspected a sample of controls surrounding management processes to check that monthly metering data are sent to specific retailers (i.e., Jacana Energy and Rimfire) as part of their Ring-fencing protocols</li> <li>Obtained an understanding of a bi-annual review of RMS users with the customer experience team to check that the design of restricted access is working as intended</li> <li>Obtained an understanding for remediation actions undertaken in the event of a breach of customer meter data</li> <li>Obtained an understanding for operational audit program for metering operations to understand continuous improvement efforts by Power and Water</li> <li>Inspected a sample of daily movement reports from Records and Information Management Unit to check restricted access</li> <li>Inspected the presentation slides as part of the Customer experience "On-Boarding Presentation" to ensure that the information within highlight particular clauses / requirements of Ring-fencing</li> <li>Obtained an understanding over management access controls to check password protection requirements within MV90 system that relate to</li> </ul>	

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
4.3.3 Sharing of information	<p>Power and Water has the following Preventative controls:</p> <ul style="list-style-type: none"> <li>• AER Ring-fencing website (external facing)</li> <li>• AER Ring-fencing guidelines Fact Sheet (external facing)</li> <li>• Mandatory online training on AER Ring-fencing in ELMO system</li> <li>• AER Ring-fencing Information Sharing Protocol published on the website</li> <li>• AER Ring-fencing Guideline Accounting and Cost Allocation Procedures</li> <li>• Standard Conditions of Contract Suite</li> </ul>	<p>metering</p> <ul style="list-style-type: none"> <li>• Obtained an understanding over user account creation within MV90 system for access controls that relate to metering</li> <li>• Obtained an understanding over the secure front-end platform within MV90 system for access controls that relate to metering</li> <li>• Inspected a sample of the monthly operational audit programs undertaken by the metering team for restriction of MV90 access controls that relate to metering</li> <li>• Inspected a sample for evidence of review by NTEMISO to check restricted access that relate to metering</li> </ul>	<p>Status: Compliant</p> <p><b>Staff training compliance</b></p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>Specific Customer Experience “On-Boarding Presentation” is delivered to new staff which highlight clauses / requirements for Ring-fencing.</p> <p><b>Procurement sample outcomes</b></p> <p>Refer to procurement sample outcomes listed under clause 4.1 above.</p> <p><b>RMS Access control sample outcomes</b></p> <p>Refer to outcome under clause 4.3.1 above.</p> <p><b>Metering control sample outcomes</b></p>
		<ul style="list-style-type: none"> <li>• Inspected Power and Water’s Ring-fencing website to check accessibility of Ring-fencing guidelines / protocols</li> <li>• Inspected ELMO for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period</li> <li>• Inspected Power and Water’s Information Sharing Protocols is accessible on their website</li> <li>• Inspected a sample of procurements from 3 February 2022 to 31 December 2022 to check: <ul style="list-style-type: none"> <li>o the Conditions of Contract is being used in new procurement contract terms</li> <li>o standard procurement templates were used</li> </ul> </li> </ul>	

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>with contract clauses to ensure compliance with AER Ring-fencing guidelines</p> <ul style="list-style-type: none"> <li>Contracts with external service providers that include standard terms and conditions</li> <li>Metering team responsible for the access to metering data procedure, third party access request for data procedure and delivery of metering data procedure</li> <li>Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy</li> <li>ICT System Retail management system with access controls</li> </ul> <p>Detective controls:</p> <ul style="list-style-type: none"> <li>Operational Audit program for metering operations</li> <li>Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement reports from various systems for cross verification</li> <li>Customer Experience and Operations Billing Specialists responsible for checking information disclosed</li> </ul>	<ul style="list-style-type: none"> <li>o compliance checklists completed</li> <li>Obtained an understanding on access controls which relate to Ring-fencing requirements for RMS and inspected a sample of users from RMS to check restricted access</li> <li>Obtained an understanding on access controls which relate to Ring-fencing requirements from the daily movement reports from Records Management Unit</li> <li>Obtained an understanding on monthly metering data sent to retailers (i.e., Jacana Energy and Rimfire) via Message Queue (managed by Northern Territory Government)</li> <li>Inspected a sample to ascertain that monthly metering data is sent to specific retailers (i.e., Jacana Energy and Rimfire) as part of their Ring-fencing protocols</li> <li>Obtained an understanding of a bi-annual review of RMS users with the customer experience team to check that the design of restricted access is working as intended</li> <li>Obtained an understanding for remediation actions undertaken in the event of a breach of customer meter data</li> <li>Obtained an understanding for operational audit program for metering operations to understand continuous improvement efforts by Power and Water</li> <li>Inspected a sample to check restricted access for specific users via the daily movement reports from the Records and Information Management</li> </ul>	<p>Refer to outcome under clause 4.3.1 above.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
		<p>Unit</p> <ul style="list-style-type: none"> <li>Inspected the presentation slides as part of the Customer experience "On-Boarding Presentation" to ensure that the information within highlight particular clauses / requirements of Ring-fencing</li> <li>Obtained an understanding over management controls to comprehend password protection requirements within MV90 system that relate to metering</li> <li>Obtained an understanding over user account creation within MV90 system for access controls that relate to metering</li> <li>Obtained an understanding over the secure front-end platform within MV90 system for access controls that relate to metering</li> <li>Inspected a sample of the monthly operational audit programs undertaken by the metering team for restriction of MV90 access controls that relate to metering</li> <li>Inspected a sample for evidence of review by NTESMO to check restricted access that relate to metering</li> </ul>	
4.3.4 Information register	<p>Power and Water has the following Preventative controls:</p> <ul style="list-style-type: none"> <li>AER Ring-fencing website (external facing)</li> <li>Mandatory online training on AER Ring-fencing in ELMO system</li> </ul>	<ul style="list-style-type: none"> <li>Inspected Power and Water's Ring-fencing website to check accessibility of Ring-fencing guidelines / protocols</li> <li>Inspected ELMO for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for</li> </ul>	<p>Status: Non-compliant  <b>Office and Staff Register</b>  Refer to outcome listed under clause 4.2.4 above.  <b>Information Sharing register</b>  Although Power and Water has an information</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
4.4 Service providers	<ul style="list-style-type: none"> <li>AER Ring-fencing Information Sharing Protocol published on the website</li> </ul> <p>Power and Water has the following: Preventative controls:</p> <ul style="list-style-type: none"> <li>Standard conditions of contract suite with contract clauses to ensure compliance with AER Ring-fencing guidelines</li> <li>Contracts with external service providers that include standard terms and conditions</li> <li>AER Ring-fencing website (external facing)</li> <li>AER Ring-fencing guidelines Fact Sheet (external facing)</li> <li>Mandatory online training on AER Ring-fencing in ELMO system</li> <li>AER Ring-fencing Explanatory Guide (internal facing) outlines that the assessment of contestable services</li> <li>AER Ring-fencing guidelines Fact Sheet (internal facing)</li> <li>Procurement templates approved by Legal for the use of all procurement activities.</li> <li>Enterprise electronic document</li> </ul>	<p>the reporting period</p> <ul style="list-style-type: none"> <li>Inspected Power and Water's Information Sharing Protocols is accessible on their website</li> </ul> <ul style="list-style-type: none"> <li>Selected a sample of procurements from 3 February 2022 to 31 December 2022 to check: <ul style="list-style-type: none"> <li>the Conditions of Contract is being used in new procurement contract terms</li> <li>standard procurement templates were used</li> <li>compliance checklists completed</li> </ul> </li> <li>Inspected Power and Water's Ring-fencing website to check accessibility of Ring-fencing guidelines / protocols</li> <li>Inspected ELMO for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period</li> <li>Inspected Power and Water's Information Sharing Protocols to check that it is accessible on their website</li> </ul>	<p>sharing register on its website, these information requests are not published. The breach is indicated as INC-576 in their annual ring-fencing compliance report. The AER is informed in this regard.</p> <p>Status: Non-compliant between 3 February 2022 and 17 May 2022</p> <p><b>Procurement sample outcomes</b></p> <p>Refer to procurement sample outcomes listed under clause 4.1 above</p> <p><b>Staff training compliance</b></p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p>



Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>management system, Content Manager 9, has access restrictions on sensitive records</p> <p>Detective controls:</p> <ul style="list-style-type: none"> <li>Governance Team undertakes a process compliance checklist for procurement activities</li> </ul>		
<b>5 Waivers</b>			
5 Waivers	<p>Power and Water has the following: Preventative controls:</p> <ul style="list-style-type: none"> <li>Under the derogations in place for the NT, the waivers have not been actively developed however a waiver register and procedure is in place</li> <li>A Ring-fencing Waiver Register outlines all waivers and is published on the Power and Water's Ring-fencing webpage</li> <li>A Ring-fencing Waiver Register procedure outline the process for maintaining the register</li> </ul>	<ul style="list-style-type: none"> <li>Inspected Power and Water's procedure document to establish and maintain the waiver register and inspected the waiver register</li> <li>Inspected Power and Water's Ring-fencing website to check accessibility of Ring-fencing guidelines / protocols</li> <li>Inspected waiver application and supporting documentation to ensure all relevant information and materials support the application</li> </ul>	<p>Status: Compliant</p> <p>We note that waivers were obtained in the reporting period for these Clauses:</p> <ul style="list-style-type: none"> <li>4.2.4 Office and staff registers on 17 May 2022 with an expiry on 30 June 2024.</li> <li>4.4.1(a) Conduct of service providers on 17 May 2022 with an expiry on 31 December 2022.</li> </ul>
<b>6 Compliance and Enforcement</b>			
6.1 Maintaining compliance	<p>Power and Water has the following: Preventative controls:</p> <ul style="list-style-type: none"> <li>Compliance Obligation Register that outlines controls including procedures for maintaining compliance with the</li> </ul>	<ul style="list-style-type: none"> <li>We have obtained and inspected the obligation register which outlines the controls with the respective risk owners</li> <li>Inspected the list of attendees for the general compliance training and compared to listing of</li> </ul>	<p>Status: Non-compliant</p> <p><b>Staff training compliance</b></p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>In addition to the mandatory training listed in</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>guideline against each area of responsibility</p> <ul style="list-style-type: none"> <li>General compliance training for all responsible managers to include AER Ring-Fencing breach definitions in training delivered by Compliance team</li> <li>On boarding process which includes training on Ring-fencing obligations delivered via the ELMO System and completion rates monitored via system reporting</li> </ul> <p>Detective controls:</p> <ul style="list-style-type: none"> <li>Periodic compliance review process of guideline obligations outlined in the compliance obligation management procedure</li> <li>Periodic compliance attestation process of current levels of compliance and control effectiveness outlined in the compliance attestation procedure</li> </ul> <p>Corrective controls:</p> <ul style="list-style-type: none"> <li>Non-compliance reporting procedure and system that captures and monitors reported non-compliance, outlines steps for reporting and requirements for investigation and corrective action</li> </ul>	<p>employees to verify that this list comprises of all employees and management</p> <ul style="list-style-type: none"> <li>Inspected ELMO for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period</li> <li>Obtained an understanding on the Health Environment Risk Compliance Safety (HERCS) system for monitoring of non-compliance</li> <li>Obtain and inspect the annual compliance reports declared by managers as part of the Ring-fencing compliance obligations by the business unit. This is performed to evidence the compliance attestation process</li> </ul>	<p>ELMO we inspected above, Power and Water also delivered general Ring-fencing training in person to its Management group.</p> <p><b>Periodic compliance attestation process and compliance control effectiveness</b></p> <p>Through the inspection of the annual compliance reports declared by managers, we have noted that the control is performed annually for the period between 1 July 2021 till 30 June 2022.</p> <p>The remaining 6 months of the regulatory period did not have any attestation declarations.</p> <p>Per prior year, we have noted that the declarations and controls are not inspected, or checked by the compliance function within Power and Water. Refer to <a href="#">Recommendation #1</a> in Appendix B.</p> <p><b>Management plan in relation to Ring-fencing</b></p> <p>Refer to <a href="#">Recommendation #5</a> in Appendix B</p> <p><b>Compliance procedural documents are not updated timely</b></p> <p>Refer to <a href="#">Recommendation #7</a> in Appendix B</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
6.2 Compliance reporting	<p>Power and Water has the following: Preventative controls:</p> <ul style="list-style-type: none"> <li>Compliance reporting template designed to report compliance with the Guideline in line with the compliance reporting best practice manual</li> <li>Compliance Obligation Register that outlines controls, control effectiveness and levels of compliance for each guideline element against each area of responsibility. This register is used to produce reports on levels of compliance and control effectiveness</li> </ul> <p>Detective controls:</p> <ul style="list-style-type: none"> <li>Periodic compliance review process of guideline obligations outlined in the compliance obligation management procedure to determine levels of compliance and control effectiveness for reporting</li> </ul> <p>Corrective controls:</p> <ul style="list-style-type: none"> <li>Non-compliance reporting procedure and system that captures and monitors reported non-compliance for the purpose of reporting to management and the AER</li> </ul>	<ul style="list-style-type: none"> <li>Obtained Power and Water's compliance report to the AER and inspected the report for compliance</li> <li>Inspected the obligation register which outlines the controls with the respective risk owners</li> <li>Inspected the list of attendees for the general compliance training and compared to listing of employees to verify that this list comprises of all employees and management</li> <li>Inspected ELMO for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period</li> <li>Obtained an understanding on Promapp system and the HERCS system for monitoring of non-compliances</li> </ul>	<p>Status: Compliant</p> <p><b>Staff training compliance</b></p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p><b>Periodic compliance attestation process and compliance control effectiveness</b></p> <p>Refer to outcome reported under clause 6.1</p> <p>Refer to <b>Recommendation #1</b> in Appendix B</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
6.2.3 Regulated stand-alone power system reporting requirements	<p>Power and Water Corporation has been provided with a letter of no action in relation to this obligation 17 May 2022.</p> <p>Preventative controls:</p> <ul style="list-style-type: none"> <li>Proactive engagement with the AER around change in obligations</li> <li>Letter of no action from AER</li> </ul> <p>Detective control:</p> <ul style="list-style-type: none"> <li>Periodic reviews of market to identify any changes that may warrant</li> </ul>	<ul style="list-style-type: none"> <li>Inspected the correspondence for letter of no action from the AER</li> <li>Performed inquiries with the Senior Regulation Analyst and Risk and Compliance Principal to understand decision by AER</li> </ul>	<p>Status: Non-compliant but Power and Water have received a 'no action' letter from AER</p> <p>Power and Water applied for a waiver for Clause 6.2.3 on November 2021. A response was provided by AER on 17 May 2022 indicating that a waiver was not granted but no compliance action will be taken against Power and Water. This may change in the future if AER re-visits its decision if re-assessments are performed in the future.</p>
6.4 Complaints and investigations	<p>Power and Water has the following</p> <p>Corrective controls:</p> <ul style="list-style-type: none"> <li>Regulation, Economics and Pricing engage regularly with the AER and are responsible for responding to a complaint or concern the AER raises about compliance with this Guideline</li> </ul> <p>The non-compliance reporting procedure is applied in situations where the complaint or concern results in a breach.</p>	<ul style="list-style-type: none"> <li>Performed inquiries with the Senior Regulation Analyst and Risk and Compliance Principal to understand if there were any complaints made during the regulatory period</li> <li>Corroborated inquiries by reviewing the correspondence to/from the AER</li> </ul>	<p>Status: Compliant</p> <p>No complaints were noted from the procedures performed.</p>

## Appendix B - Summary of performance improvement observations

In this section, we present additional details on performance improvement observations in relation to Power and Water's compliance activities for the regulatory period 3 February 2022 to 31 December 2022 (RY2022). This information has been provided at the request of the AER.

In addition, we have also included the status for the prior period (RY2021) performance improvement observations.

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	RY2021 Recommendation	RY2022 Status and Management Responses
1	<p><b>Periodic compliance attestation process</b></p> <p>The current attestation process is completed annually every 30 June to align with Power and Water's financial year end. Version 3 of the Ring-fencing Guideline changes the reporting period to a calendar year, therefore we recommend for management to complete an additional compliance attestation process in December to align with the Ring-fencing regulatory year.</p>	<p>This was not implemented in the reporting period.</p> <p>Status: Open</p> <p><b>Management response</b></p> <p>Management acknowledge this additional attestation has not been implemented as planned, this is due to stretched compliance resource capacity. Management have since resolved resourcing capacity, and engaged a resource on as 12 month basis that will have a focus on uplifting guideline compliance controls.</p> <p>Management commit to completing the additional attestation in-line with the next reporting period, before 30 April 2024.</p> <p><b>Accountable owner</b></p> <p>John Pease – Deputy Chief Executive</p>
2	<p><b>Periodic reviews of Ring-fencing controls</b></p> <p>With Ring-fencing controls being identified and implemented across Power and Water, we recommend a formal review process be performed and managed by the Compliance team to ensure controls are in place, operating effectively and are relevant to Ring-fencing.</p>	<p>This was implemented in the reporting period. We observed that the detective control that demonstrates the monitoring and review for the compliance obligations is done through Health Environment Risk Compliance Safety (HERC) system with a risk rating, risk review frequency.</p> <p>Status: Closed</p>

No	RY2021 Recommendation	RY2022 Status and Management Responses
3	<p><b>Periodic review of RMS</b></p> <p>Periodic internal reviews of system user access for RMS is recommended to strengthen policy and procedural compliance, and root causes of incidents are identified and dealt with in an appropriate manner.</p>	<p>This was implemented in the reporting period. We observed the detective control for the customer experience and operations quality assurance officer responsible for undertaking user access audit of retail management systems was fully implemented across for RY2022.</p> <p>Status: Closed</p>
4	<p><b>Breach identification assessment process</b></p> <p>Management performed an internal review into Ring-fencing controls during the regulatory period and have implemented improvement actions within the Promapp system in response to findings identified.</p> <p>However, we recommend management develop a formal documented process for assessing findings or potential instances of non-compliance that could result in a breach of the Ring-fencing guidelines. This will enable management to document breaches or potential breaches to assess materiality, remediation actions and will assist with timely reporting to the AER, where relevant.</p> <p>Where a breach does occur, we further recommend management assess the breach for lessons learnt and share that with relevant staff.</p>	<p>This was implemented in the reporting period. We note that breaches are no longer added on Promapp system for the reporting period, breaches are added on the Health Environment Risk Compliance Safety system instead.</p> <p>Status: Closed</p>
5	<p><b>Management plan in relation to Ring-fencing</b></p> <p>We acknowledge Management's efforts to date in implementing controls relating to Ring-fencing and embedding these controls in the annual attestation process.</p> <p>While there has been progress with implementing Ring-fencing controls, further maturity is required within the business to uplift Ring-fencing compliance.</p> <p>We recommend implementing a management plan to further identify and implement Ring-fencing controls which will promote and support the training provided to staff.</p>	<p>This was not implemented in the reporting period. This is the same for RY2022.</p> <p>Status: Open</p> <p><b>Management response</b></p> <p>Management acknowledge this management plan has not been implemented as planned, this is due to stretched compliance resource capacity. Management have since resolved resourcing capacity, and engaged a resource on as 12 month basis that will have a focus on uplifting guideline compliance controls.</p> <p>Management commit to designing a whole of PWC Management plan in relation to Ring-fencing, in-line with the next reporting</p>

No	RY2021 Recommendation	RY2022 Status and Management Responses
6	<p><b>Targeted training to provide to Ring-fenced areas</b></p> <p>Acknowledging Power and Water’s efforts to deliver Ring-fencing training to staff over the regulatory period, further targeted practical training is required for the relevant areas within Power and Water.</p> <p>We recommend target training with real-life scenarios be delivered to relevant areas within Power and Water to uplift education and compliance within the organisation.</p>	<p>period, before 31 May 2023.</p> <p><b>Accountable owner</b></p> <p>John Pease – Deputy Chief Executive</p> <p>This was implemented in the reporting period.</p> <p>Status: Closed</p>

**Recommendations identified in the 2022 Reporting Year:**

No	RY2022 Recommendation	Management’s responses
7	<p><b>Compliance Procedural Documents reviews are not timely</b></p> <p>We observed that there were three compliance procedural documents for Power and Water’s ring-fencing processes were not reviewed timely. These three procedural documents are:</p> <ul style="list-style-type: none"> <li>[1] Compliance obligations Management procedure, next review date 21 June 2022</li> <li>[2] Code of conduct, next review date 1 February 2019</li> <li>[3] Maintenance of AER RF Registers procedure, next review date 27 June 2022</li> </ul> <p>We recommend that Power and Water conduct timely reviews to ensure that these documents are updated as there is reliance by employees throughout the organisation to educate themselves on ring-fencing purposes.</p>	<p><b>Management response</b></p> <p>Management acknowledge that periodic review of key compliance documents has not occurred in a timely manner and accept the finding. Management commit to completing the review of the identified documents within the next reporting period, before 30 December 2023.</p> <p><b>Accountable owner</b></p> <p>John Pease – Deputy Chief Executive</p>



No	RY2022 Recommendation	Management's responses
8	<p><b>Periodic review of ring-fenced procurement population</b></p> <p>We observed that the procurement population was subject to multiple revisions based on the review by multiple business segments and risk owners.</p> <p>Periodic internal reviews for the completeness of the procurement population relating to ring fencing is recommended to strengthen procedural compliance in relation to restricted procurement access controls.</p>	<p><b>Management response</b></p> <p>Several of the initial and subsequent samples selected for testing were not subject to the Ring Fencing Guidelines. This resulted in multiple revisions to the samples to provide a reasonable number of samples (that were subject to the Ring Fencing Guidelines) to be tested.</p> <p>Management commit to include an extra field in our data sets, to identify if the procurement was subject to Ring Fencing Guidelines, which will enable better identification of relevant procurement samples for future audits.</p> <p><b>Accountable owner</b> Graciano Chatikobo – Chief Financial Officer</p>