



Independent Reasonable Assurance Report

To the Directors of Icon Distribution Investments Ltd and Jemena Networks (ACT) Pty Ltd

Conclusion

In our opinion, Icon Distribution Investments Ltd and Jemena Networks (ACT) Pty Ltd's ("Evoenergy") Statement of Compliance that the entity, with the exception of breaches set out in the emphasis of matter paragraph below, has complied with version 3 of the Ring-fencing Guidelines published by the Australian Energy Regulator ("AER") on 3 November 2021 ("Ring-fencing Guidelines") is, in all material respects, fairly presented for the period 3 February 2022 to 31 December 2022 ("regulatory period").

Emphasis of Matter

Without qualifying our conclusion, we draw attention to section 5.6 and 5.7 of Evoenergy's Ring-fencing Annual Compliance Report ("Annual Compliance Report"), which describes the breaches identified in the regulatory period 3 February 2022 to 31 December 2022.

Breaches of Clause 4.2.4 of the Ring-fencing Guideline – Office and staff registers

The Ring-fencing Guideline requires Evoenergy to maintain and publish staff and office registers and publish an updated version of the registers on its website on a quarterly basis, no later than 15 January, 15 April, 15 July and 15 October each year.

Evoenergy did not maintain or publish an updated version of its staff register on its website by 15 October despite a staff position ceasing to exist in July 2022.

Evoenergy did not maintain or publish an updated version of its office register on its website by April, 15 July or 15 October, despite certain offices no longer meeting the requirement for inclusion in the office register following divestment of its interest in a Related Electricity Service Provider (Contestable Business Unit).

Breaches of Clause 6.2.3 of the Ring-fencing Guideline – Regulated Stand-Alone Project Systems (SAPS)

The Ring-fencing Guideline requires Evoenergy to maintain and publish its SAPS register and publish an updated version of the registers on its website on a quarterly basis, no later than 15 January, 15 April, 15 July and 15 October each year.

We identified a breach of clause 6.2.3 of the Guidelines as Evoenergy as certain information in the SAPS register published in January 2022 may have been incorrect. We noted Evoenergy had not effectively reviewed or updated the SAPS register with up-to-date information throughout the regulatory period.

Scope

The subject of our reasonable assurance engagement is whether Evoenergy's Statement of Compliance that the entity has complied with the Ring-fencing Guidelines published by the Australian Energy Regulator on 3 November 2021, as set out on page 3 of the Annual Compliance Report is, in all material respects, fairly presented for the regulatory period ended 31 December 2022. This Statement of Compliance accompanies our report, for the purpose of reporting to the Directors of Icon Distribution Investments Ltd and Jemena Networks (ACT) Pty Ltd and the AER.

Basis of 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 misstatements in Evoenergy's Statement of Compliance;
- considered internal controls implemented to meet the compliance requirements of the Ring-fencing Guidelines; however, we do not express a conclusion on their effectiveness; and
- ensured that the engagement team 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 Evoenergy's Statement of Compliance when it exists.
- Instances of misstatement in Evoenergy'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 Evoenergy's compliance with the requirements of the Ring-fencing Guidelines.

Inherent limitations

- Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error, or material misstatement in Evoenergy's Statement of Compliance may occur and not be detected.
- A reasonable assurance engagement for the regulatory period ended 31 December 2022 does not provide assurance on whether compliance with the requirements of the Ring-fencing Guidelines will continue in the future.



Use of this assurance report and matters relating to electronic publication

This report has been prepared for the Directors of Icon Distribution Investments Ltd and Jemena Networks (ACT) Pty Ltd and the AER for the purpose of compliance with the Ring-fencing Guidelines and may not be suitable for another purpose.

We understand that the AER intends to publicly release our assurance report via its website. The AER is responsible for the integrity of AER's website where our report is presented alongside the Annual Compliance Report. We have not been engaged to report on the integrity of the AER's website. This report refers only to the 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 Icon Distribution Investments Ltd and Jemena Networks (ACT) Pty Ltd 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 Guidelines;
- identification of risks that threaten the compliance with the Ring-fencing Guidelines 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 Guidelines, which accompanies this Independent Assurance Report.

Our responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to Evoenergy's Statement of Compliance with the Ring-fencing Guidelines, for the regulatory period ended 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

Vicky Carlson
Partner
Melbourne
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 Evoenergy’s compliance activities with the relevant requirements of the Ring-fencing Guideline for the regulatory period 2 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 Evoenergy’s overall compliance with the Guideline:

- Read the Ring-fencing Annual Compliance Statement to confirm that Evoenergy’s overall compliance measures and internal controls for Ring-fencing had been documented for the purposes of this assessment.
- Conducted inquiries 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	Management Controls and information provided	Procedures performed	Observations / findings
3 Prevention of cross subsidies			
3.1 Legal Separation and provision of other services	<ul style="list-style-type: none"> • Organisation Legal structure • Classification of Services Flowchart • Evoenergy is established as a separate registered Australian business with a distinct ABN. 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. • We assessed the legal entity status of Evoenergy and its Related Electricity Service Provider (RESP) affiliates, ActewAGL Retail (AAR), Ovida Pty Ltd and Smart Renewables Pty Ltd. • During our independent audit in connection with the regulatory information templates of Evoenergy prepared under the AER's Regulatory Information Notices (RINs) for the regulatory year ended 30 June 2022, we tested a sample of Opex and Capex projects undertaken by Evoenergy and assessed the nature of services provided. 	<p>The Evoenergy brand has been established for the Distribution Network Service Provider (DNSP) to provide direct control services. The ActewAGL brand has been established to provide contestable electricity services.</p> <p>We performed an ABN search noting that Evoenergy and its RESPs, ActewAGL Retail, Ovida Pty Ltd and Smart Renewables Pty Ltd have separate active ABNs.</p>
3 Prevention of cross subsidies			
3.2.1 Separate Accounts 3.2.2 Cost Allocation	<ul style="list-style-type: none"> • Intercompany and Related Party Accounting Policy • Cost Allocation Flowchart • AER decision – ActewAGL Distribution (Evoenergy) Cost Allocation Methodology • Preparation and audit of Evoenergy Electricity Distribution Regulatory Information Notices (RINs) • Corporate Ring-fencing Guide 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately addressed ring-fencing requirements. • KPMG are the independent auditors in connection with Evoenergy's Electricity Distribution RINs prepared for the regulatory year ended 30 June 2022. • We considered the appropriateness of Evoenergy's approved Cost Allocation Methodology (CAM) as part of the RIN audit engagement for the 12-month period ending 30 June 2022. • We made inquiries of management, performed a walkthrough and tested a sample of cost allocation drivers to assess whether the drivers were being calculated 	<p>On 31 October 2022, KPMG issued unqualified audit reports (reasonable and limited assurance scopes) for the 12-month period ended 30 June 2022, in connection with our audits of the Evoenergy Electricity Distribution RINs.</p> <p>Based on our inquiries of management and walkthrough performed no changes to the CAM post 30 June 2022 were identified.</p>

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Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
		consistent with the Evoenergy AER-approved CAM for the reporting year ended 31 December 2022.	
4 Functional Separation			
4.1 Obligation to not discriminate	<ul style="list-style-type: none"> • Procurement Guidelines • Obligation not to Discriminate Flowchart • Ring-fencing Fact Sheet • Ring-fencing Staff Information Manual • Annual compliance training 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. • We inspected the ring-fencing online training module provided to staff within AAD and AAR to ascertain whether it accurately described Evoenergy’s ring-fencing obligations, including the non-discrimination obligation. • We reviewed the procurement guidelines to ascertain whether the non-discrimination obligation was appropriately included. • We selected a sample of contracts Evoenergy entered into with service providers during the regulatory period and checked whether ring-fencing clauses were included within the contracts. 	<p>Annual Compliance Training</p> <p>Our inspection training records showed that the annual ring-fencing training module appropriately included non-discrimination obligations.</p> <p>Contract with service providers</p> <p>We noted that contracts Evoenergy entered into with service providers during the regulatory period included ring-fencing clauses.</p> <p>We further noted that the procurement guidelines include a clause on ring-fencing which covered non-discrimination obligations.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.2.1 Physical Separation	<ul style="list-style-type: none"> • Security Pass and ID Card Procedure • Physical Separation and Staff Sharing Flowchart • Staff register • Ring-fencing Staff Information Manual • Annual compliance training • Corporate Ring-fencing Guide 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. • We inspected the population of access permissions to Evoenergy’s ring-fenced offices (Fyshwick Building D and Greenway) throughout the regulatory period to assess whether any RESP staff had access to the ring-fenced offices. • We made inquiries with the Regulatory team and HR to determine whether there were any staff transfers or secondments between Evoenergy and its RESPs during the regulatory period. • We inspected the staff register to determine the positions that were shared across entities. 	<p>Staff transfers</p> <p>With the exception of Corporate Services staff, there were no staff transfers or secondments from Evoenergy (DNSP) into RESPs during the regulatory period.</p> <p>Annual Compliance Training</p> <p>We noted that the online ring-fencing modules adequately explained Evoenergy’s obligations in ensuring physical separation between itself and RESP staff. Refer to section 4.1 above for procedures performed, observations and findings on the Annual compliance training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.2.2 Staff sharing	<ul style="list-style-type: none"> Staff Register Physical Separation and Staff Sharing Flowchart Ring-fencing Staff Information Manual Personal Performance Development Plans Annual compliance training Corporate Ring-fencing Guide 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We considered the appropriateness of staff roles and responsibilities, in line with our understanding of the business structure, that ensure compliance with staff sharing restrictions as per the Ring-fencing guidelines. We selected a sample of Evoenergy Personal Performance Development Plans (PPDP) to check whether the goal setting criteria creates an incentive for staff to contravene ring-fencing obligations. We made inquiries with HR to obtain an understanding of the staff sharing and secondment processes. 	<p>Personal Performance Development Plans</p> <p>No incentive for Evoenergy staff to contravene the guidelines was observed in review of staff incentive plans.</p> <p>Secondments</p> <p>We noted that AAD do not engage in secondments between Evoenergy and its RESPs. We confirmed with HR that there were no staff secondments from Evoenergy to its RESPs in the regulatory period.</p> <p>We noted Evoenergy has a quarterly control to check on staff transfers and secondments with the HR team. Management was unable to provide evidence of the control being effective for all quarters. We have made a recommendation to management in this regard. Refer to Appendix B-1 and B-3.</p> <p>Annual Compliance Training</p> <p>We noted that the online ring-fencing module adequately explained Evoenergy's obligations regarding staff sharing between Evoenergy and its RESPs.</p> <p>Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.2.3 Branding and Cross Promotion	<ul style="list-style-type: none"> • Branding and Cross Promotion Flowchart • Organisation legal structure • Ring-fencing Staff Information Manual • Annual Compliance Training • Corporate Ring-fencing Guide 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. • We accessed the websites of Evoenergy and its RESPs to determine if there were any instances of cross-advertisement or cross-promotion. • We made inquiries with management regarding the functional separation of the Evoenergy and ActewAGL marketing teams. 	<p>Brand separation</p> <p>We did not identify any instances of cross branding or cross advertisement from our review of the websites of Evoenergy and the RESPs.</p> <p>Annual Compliance Training</p> <p>We noted that the online ring-fencing module adequately explained Evoenergy’s obligations regarding branding and cross promotion.</p> <p>Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.2.4 Office and staff registers	<ul style="list-style-type: none"> Staff register Office register Annual compliance training ARIA Compliance and Risk Management Database 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We obtained a copy of the staff register published on Evoenergy's website and inspected the register to check it contained the nature of the position of staff, the description of their role, functions and duties and the applicable exemptions under the Ring-fencing Guidelines. We further checked for accuracy of information mentioned in the staff register. We obtained a copy of the office register published on Evoenergy's website and checked whether the register was prepared accurately and updated appropriately based on our inquiries with management and physical separation testing. We checked a sample of access reports to Velocity and Oracle system as well as a sample of physical access to ring-fenced offices to ensure there were no RESP staff having access to Evoenergy information or Evoenergy ring-fenced offices. We assessed Evoenergy's process for reviewing and updating the staff register. 	<p>Breach</p> <p>Clause 4.2.4(b) of the Ring-fencing Guidelines requires a DNSP to publish the staff and office register on its website no later than 15 January, 15 April, 15 July and 15 October each year and ensure that the information published in each updated version is current.</p> <p>We noted that the staff position for GM ActewAGL New Energy ceased to exist in July 2022 and this was not subsequently updated in the staff register on Evoenergy's website until 31st March 2023.</p> <p>We have made a recommendation to management in this regard. Refer to Appendix C-1</p> <p>Staff and office register</p> <p>No issues were noted with respect to our testing of shared role descriptions in the published staff register.</p> <p>We noted that management were unable to provide evidence that timely reviews were undertaken for the staff and office registers published on its websites. We further noted that Evoenergy did not ensure the staff registers on its website were published on a quarterly basis as required by the guidelines.</p> <p>We have made a recommendation to management in this regard. Refer to Appendix B-6 and B-8.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.3 Information access and disclosure	<ul style="list-style-type: none"> Confidential Information Flowchart Information Sharing Procedure Information Sharing Protocol Information Register Information Request form Register Inclusion Form Listed Legal Entities Disclosing confidential information Fact Sheet Ring-fencing Staff Information Manual Annual Compliance training Corporate Ring-fencing Guide System access controls 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We assessed Evoenergy's overall approach to restricting access to confidential information by making inquiries with the Regulatory Compliance team. We inspected annual access permission reports for the Velocity and Oracle system to assess whether RESP staff had access to ring-fenced information throughout the regulatory period. We obtained an understanding of management's process to perform periodic reviews of staff access permissions to the Velocity system. We inspected the Information Register on Evoenergy's website and performed inquiries to understand the process for updating the Information register. 	<p>From our testing of access permissions, we did not note any instances of RESP staff having access to Evoenergy platforms within Velocity and Oracle systems.</p> <p>We understand that management performs a quarterly review of Velocity and Oracle access permissions. KPMG did not see evidence of such across all quarters during the regulatory period. We have made a recommendation to management regarding this. Refer to Appendix B-1.</p> <p>Information Register</p> <p>Management advised there was no request made from RESP to access ring-fenced information during the regulatory period.</p> <p>Annual Compliance Training</p> <p>We noted that the online ring-fencing modules adequately explained Evoenergy's obligations in protecting confidential electricity information. Refer to section 4.1b above for procedures performed, observations and findings on the Annual Compliance training.</p> <p>Potential breach</p> <p>We noted Evoenergy identified an instance where a joint supplier list was shared between the DNSP and RESP during the reporting year. We understand based on management's assessment and discussion with AER, the matter was concluded as not being a breach.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.4.1 Service providers conduct	<ul style="list-style-type: none"> Conduct of Service Providers Flowchart Ring-fencing Fact Sheet Procurement Guidelines Corporate Ring-fencing Guide 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We selected a sample of contracts Evoenergy entered into with service providers during the regulatory period to assess whether ring-fencing clauses were included within the contracts. 	<p>From our testing of contracts with service providers, we noted ring-fencing clauses were included within the contracts.</p>
5 Waivers			
5.7 Waiver	<ul style="list-style-type: none"> Waiver Register Ring-fencing Staff Information Manual ARIA Compliance and Risk Management Database 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We considered the completeness of Evoenergy's unregulated activities for which waivers are required based on our knowledge obtained as part of our audit of the regulatory reporting templates (RINs) and through inquiries with management. We accessed Evoenergy's website to sight whether the waiver register was published. 	<p>We observed that the current waiver register was published on Evoenergy's website.</p> <p>We noted that a waiver was in place until 30 June 2024 in relation to clause 3.1(b) to allow Evoenergy to own and operate its:</p> <ul style="list-style-type: none"> natural gas distribution pipelines located in ACT and the Queanbeyan-Palerang council area in ACT; and natural gas distribution pipelines located in the Nowra network in the Shoalhaven local government area in the NSW south coast.

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
6 Compliance and Enforcement			
6 Compliance	<ul style="list-style-type: none"> • ARIA Compliance and Risk Management Database • Compliance Management Manual • Incident Management Manual 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. • We inspected the internal documents relating to Evoenergy’s compliance with the Ring-fencing Guideline, including Evoenergy’s Annual Compliance Report, and considered it as part of preparing this independent assurance report. • We considered the adequacy of Evoenergy’s breach management and reporting policies and procedures. • We selected a sample of inquiries from Evoenergy’s ring-fencing inquiries register to assess whether ring-fencing matters were appropriately addressed. • We inspected Evoenergy’s policies to ensure appropriate internal procedures were in place to monitor ring-fencing training completion. 	<p>Potential breach</p> <p>Management inquired with the AER regarding a potential breach in relation to clause 4.3.2 and 4.3.3. Based on our inquiries, we understand that AER agreed that Evoenergy did not need to report the incident as a breach and an email highlighting Evoenergy’s actions will suffice. We sighted to management’s email to the AER noting the soft controls implemented (Ring-Fencing Awareness training) and hard controls (IT barrier) to ensure access permission to ring-fenced information is secured.</p> <p>Monitoring Compliance</p> <p>We inspected internal correspondence and noted that Evoenergy had addressed matters raised via the ring-fencing mailbox in a timely manner.</p> <p>We noted that all inquiries tested were appropriately addressed in line with the ring-fencing guidelines.</p> <p>We noted 93% completion of ring-fencing training across Evoenergy employees. We have made a recommendation to management regarding appropriate follow-up actions for staff who were unable to complete ring-fencing trainings due to various circumstances. Refer Appendix B-9.</p>



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<p>6.2.3 Regulated stand-alone power systems reporting (RSAP)</p>	<ul style="list-style-type: none"> SAPS register 	<ul style="list-style-type: none"> We inquired on the policy and procedures in place for maintaining and updating the SAPS register. We performed inquiries to assess completeness and accuracy of information in the SAPS register. 	<p>Clause 6.2.3(b) of the Ring-guidelines requires a DNSP to publish an updated version of the SAPS register on its website no later than 15 January, 15 April, 15 July and 15 October each year.</p> <p>We noted Evoenergy’s SAPS register published on its website was dated 15 January 2022. (Refer to Evoenergy’s Compliance Report where the breach is outlined in section 5.7)</p> <p>Based on our inquiries, management have identified the number of premises and annual consumption data mentioned in the regulated SAPS register published on Evoenergy’s may be incorrect. Management were in the process of reviewing this data to validate and update the information included in the SAPS register.</p> <p>We further noted management did not have policy and procedures in place for updating the SAPS register. We have made a recommendation to management in this regard. Refer to Appendix B-6 and B-8.</p>



Appendix B – Summary of performance improvement observations

In this section, we present additional updates on the performance improvement observations for RY2021 along with details on performance improvement observations in relation to Evoenergy’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.

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.

S. No	RY2021 Recommendation	Management’s responses	RY2022 Update/Follow-up	RY2022 Management Response
B-1	<p>Periodic reviews of information access and physical access controls</p> <p>The IT function perform spot checks and at times, annual reviews, of access permissions for systems containing confidential information as well as access card permissions to ring-fenced offices.</p> <p>We recommend that management develop a formal compliance testing plan to test access permissions of RESP staff to Evoenergy’s secured systems and secured office locations. This should include formalising testing of access permissions through ARIA and articulating responsible owners, scope of testing, due dates and frequency of each control. Implementing such a process will assist management in ensuring that compliance is monitored on a timely basis, as well as providing evidence of compliance in future periods.</p> <p>Management have advised they have implemented action items within ARIA post the regulatory period which include performing bi-annual checks of user accesses to Evoenergy systems.</p>	<p>Management acknowledge the recommendation of a Compliance Testing Plan. This is to be assigned, coordinated and managed through Evoenergy’s internal Action, Risks, Incidents and Audits (ARIA) system and implemented by 30 September 2022.</p> <p>Management have implemented the Action of regular review of user access permissions to Evoenergy systems within the subsequent regulatory period.</p>	<p>RY 2022 Update</p> <p>Evoenergy has implemented a Compliance Manual with effect from November 2022 which includes a breach assessment matrix.</p> <p>Evoenergy has also set up action plans within ARIA for periodic checks to ensure monitoring and compliance with ring-fencing obligations.</p> <p>RY 2022 Recommendation</p> <p>Please refer to B-6.</p>	<p>Management acknowledge the recommendation and will implement by 30 June 2023</p>

S. No	RY2021 Recommendation	Management's responses	RY2022 Update/Follow-up	RY2022 Management Response
<p>B-2</p>	<p>Staff sharing procedure</p> <p>Secondments between Evoenergy and RESP entities are not permissible. However, we understand secondments of Corporate Services staff are permissible and did occur during the regulatory period.</p> <p>We recommend that management formalise a secondment policy which clearly articulates the types of secondments that are offered by the business and the process of facilitating a secondment, including approvals. This will assist with providing clarity of the internal processes in place to assist with ring-fencing compliance with regard to staff sharing.</p>	<p>Management acknowledge the recommendation with an action to develop and implement a secondment policy by 30 September 2022. This is to be assigned, coordinated and managed through Evoenergy's internal Action, Risks, Incidents and Audits (ARIA) System.</p>	<p>RY 2022 Update</p> <p>We acknowledge that management has set up action plans within ARIA for quarterly checks on secondments between Evoenergy and RESP entities in order to monitor and comply with ring-fencing obligations.</p> <p>We understand that action plans set up within ARIA are manual processes which are tagged to calendar reminders in order to initiate action. We did not see evidence of checks being performed at each quarter in a timely manner.</p> <p>RY 2022 Recommendation</p> <p>We recommend that management formalise a secondment policy which clearly articulates the types of secondments that are offered by the business and the process of facilitating a secondment, including approvals.</p> <p>Please also refer B-6.</p>	<p>Management acknowledge the recommendation and will implement by 30 June 2023</p>

S. No	RY2021 Recommendation	Management's responses	RY2022 Update/Follow-up	RY2022 Management Response
<p>B-3</p>	<p>Maintenance of Staff Register</p> <p>The staff register is generally updated following an inquiry or notification of staff movements made to the Regulatory team. We recommend management formalise the review of staff movements/register through ARIA and articulate responsible owners, scope of testing, due dates and frequency (including incorporating this control as part of a formalised compliance testing plan, refer recommendation 1). This will assist management in ensuring that compliance is monitored on a timely basis, as well as providing evidence of compliance in future periods. Management have advised they implemented action items within ARIA post the regulatory period which includes reporting on staff movements within the business on a quarterly basis.</p>	<p>Management acknowledge the recommendation of a Compliance Testing Plan with implementation by 30 September 2022, refer recommendation 1 - management response. Management have implemented the Action of regular review of user access permissions to Evoenergy systems within the subsequent regulatory period.</p>	<p>RY2022 Update</p> <p>We acknowledge an action plan has been set up in ARIA for periodic checks with responsible parties to generate a report which identifies intra/intercompany transfers or promotions between Evoenergy and RESPs.</p> <p>RY 2022 Recommendation</p> <p>We recommend management to articulate the frequency, scope of testing, action plan and stipulated timelines for review of staff register within the Compliance Manual.</p> <p>Please also refer B-6.</p>	<p>Management acknowledge the recommendation. Following completion of the audit, Management have implemented controls to monitor compliance with ringfencing guideline 4.2.4.</p>
<p>B-4</p>	<p>Breach identification and assessment process</p> <p>Management performed an internal review into ring-fencing controls during the regulatory year and have implemented improvement actions within the ARIA 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>Management acknowledge the recommendation with an action to develop and implement a Compliance Manual to compliment the referenced material in place i.e., staff information Ring-Fencing Manual, referenced documented procedures and ARIA by 30 September 2022. This is to be assigned, coordinated and managed through Evoenergy's internal Action, Risks, Incidents and Audits (ARIA) System. Management notes this to be underway, seen through Matrix development and captured through ARIA actions.</p>	<p>RY2022 Update</p> <p>Completed.</p> <p>Evoenergy has implemented a Compliance Manual with effect from November 2022 which includes a breach assessment matrix.</p>	<p>Noted and the control is in place.</p>

S. No	RY2021 Recommendation	Management's responses	RY2022 Update/Follow-up	RY2022 Management Response
B-5	<p>Identification of Related Electricity Service Providers</p> <p>We recommend that management develop a procedure which describes the process for ensuring timely identification of RESPs, including identification of RESPs of Evoenergy, the ring-fencing obligations relevant to each RESP and the controls in place to ensure compliance in relation to RESPs.</p>	<p>Management acknowledge the recommendation for the regular assessment of RESP obligations with an action to develop and implement a procedure by 30 September 2022. This is to be assigned, coordinated and managed through Evoenergy's internal Action, Risks, Incidents and Audits (ARIA) System.</p>	<p>RY 2022 Update</p> <p>We noted that Evoenergy had set up an action plan within ARIA for timely identification of RESPs.</p> <p>RY 2022 Recommendation</p> <p>Please also refer to B-6</p>	<p>Noted and the control is in place.</p>

<p>B-6</p>	<p>Overall Compliance Framework</p> <p>We acknowledge management have a staff information ring fencing manual and specific documented procedures on key obligations as well as the ARIA system to manage compliance with ring fencing obligations.</p> <p>However, we noted there was no overall ring-fencing compliance framework documented.</p> <p>We recommend that management develop and maintain a compliance manual, which includes a compliance matrix, to capture controls and measures implemented by management and the corresponding ring-fencing obligations which they address. This would aid management in assessing and demonstrating the adequacy of the current control environment, identification of an appropriate compliance testing plan (refer recommendation 1), and ensuring all stakeholders have a consistent understanding of the application of controls across the organisation.</p>	<p>Management acknowledge the recommendation with an action to develop and implement a Compliance Manual by 30 September 2022. This will complement the referenced material in place i.e., staff information Ring-Fencing Manual, referenced documented procedures and ARIA. This is to be assigned, coordinated and managed through Evoenergy’s internal Action, Risks, Incidents and Audits (ARIA) System. Management notes this to be underway with implementation by 30 September 2022.</p>	<p>RY2022 Update</p> <p>Evoenergy has put a Compliance Manual in place with effect from November 2022 which lists out the responsible parties for each ring-fencing clause .</p> <p>Evoenergy has also developed a breach assessment matrix which presents the potential breaches identified through the ring-fencing mailbox.</p> <p>Evoenergy has set up action plans within ARIA for periodic checks to ensure monitoring and compliance with ring-fencing obligations</p> <p>RY 2022 Recommendation</p> <p>We recommend the management enhance the Compliance Manual to include a compliance matrix which captures detailed controls and measures being implemented by management and the corresponding ring-fencing obligations they address.</p> <p>We further recommend management to enhance the Compliance Plan by including a mechanism to monitor and follow-up on ARIA action plans and ensure timely completion and compliance with ring-fencing guidelines.</p>	<p>Management acknowledge the recommendation and will implement by 30 June 2023</p>
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<p>B-7</p>	<p>Ring-fencing Compliance Documents</p> <p>From our inspection of ring-fencing compliance documents, we noted there was inconsistent information regarding the establishment of the 'New Energy' affiliated entity, which had been contemplated but not incorporated.</p> <p>While we noted that the compliance documents aligned to the ring-fencing obligations in principle, we recommend that management review and update internal ring-fencing documents to be accurate and consistent with the organisation legal structure and business operations.</p>	<p>Management acknowledge the recommendation and will complete a review of internal documentation by 30 September 2022. This is to be assigned, coordinated and managed through Evoenergy's internal Action, Risks, Incidents and Audits (ARIA) System.</p>	<p>RY2022 Update</p> <p>Evoenergy has put a Compliance Manual in place with effect from November 2022. The next review for the Compliance Manual has been set out for November 2024.</p> <p>From our inspection of ring-fencing compliance documents, we noted the group structure within Ring-fencing Staff Information Manual was not updated when compared to the group structure provided by the legal team.</p> <p>RY 2022 Recommendation</p> <p>We recommend that management review and update compliance documents on more regular basis and implement a mechanism for periodic checks with other source information across the organisation.</p>	<p>Management acknowledge the recommendation and will implement by 30 June 2023</p>
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S. No	RY2022 Recommendation	Management's responses
B-8	<p>Periodic review of all registers (Office, Staff, RSAP, Waiver Registers)</p> <p>We recommend management develop a formal control testing plan to review the registers published on its website through ARIA on a quarterly basis and articulating responsible owner, scope of testing and due dates. Implementing such a process will assist management in ensuring that compliance is monitored on a timely basis, as well as providing evidence of compliance in future periods. Such control will also ensure that the registers published on Evoenergy's website are up-to-date.</p> <p>We further recommend management to consider use of AER's best practice templates for all registers published on its website.</p>	<p>Management acknowledge the recommendation noting controls are in place to monitor compliance with ringfencing guideline 4.2.4.</p>
B-9	<p>Annual Compliance Training</p> <p>We note that Evoenergy conducted mandatory Annual Compliance Training on Ring-fencing Guidelines in March 2022.</p> <p>We recommend management implement and action a policy surrounding employees who were unable to complete such training.</p> <p>We further recommend management to implement a mechanism in place to monitor, follow-up and potential disciplinary actions for non-compliance with ring-fencing training.</p>	<p>Management will implement improved training processes</p>