



Annual Compliance Report

Electricity Transmission Ring-Fencing Guideline

2023

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1. Overview

Clause 6A.21.1 of the National Electricity Rules (Rules) requires ElectraNet to comply with Transmission Ring Fencing Guideline the Australian Energy Regulator (AER) makes from time to time in accordance with clause 6A.21.2 of the Rules.

On 1 March 2023 the AER published Version 4 of the Transmission Ring Fencing Guideline (the Guideline). The Guideline requires ElectraNet to prepare a ring-fencing compliance report each calendar year and submit it to the AER by 30 April the following year (the Report).

This Report has been prepared in accordance with clause 6.2 of the Guideline and provisions as outlined in the Compliance Reporting Best Practice Manual.

This Report covers the period to 31 December 2023 (the Period). Consistent with clause 6.2.1(b) of the Guideline it identifies and describes:

- the measures ElectraNet has taken to ensure compliance with its obligations under the Guideline – this is addressed in chapter 2;
- any breaches of this Guideline by ElectraNet, or which otherwise relate to ElectraNet – this is addressed in chapter 3;
- all other services provided by ElectraNet in accordance with clause 3.1 of the Guideline – this is addressed in chapter 4; and
- the purpose of transactions between ElectraNet and affiliated entities – this is addressed in chapter 5.

Consistent with the best practice manual ElectraNet:

- reports on specific measures, areas of the business, or challenges, rather than describing compliance measures in general, vague, or abstract terms;
- reports on specific areas of the business that carry greater likelihood of breaches of the Guideline, or which have experienced previous breaches over the course of the regulatory year;
- avoids jargon and technical language where possible and keep compliance reporting clear and as 'plain English' as possible; and
- is as succinct as possible.

As required by clause 6.2.1(c) of the Guideline, it is accompanied by an assessment of compliance by independent authority Ernst & Young (EY).

2. Measures to ensure compliance

In June 2023 ElectraNet engaged KPMG to provide an independent review of the then current state of the organisation in light of the Guideline. KPMG's engagement was in two parts:

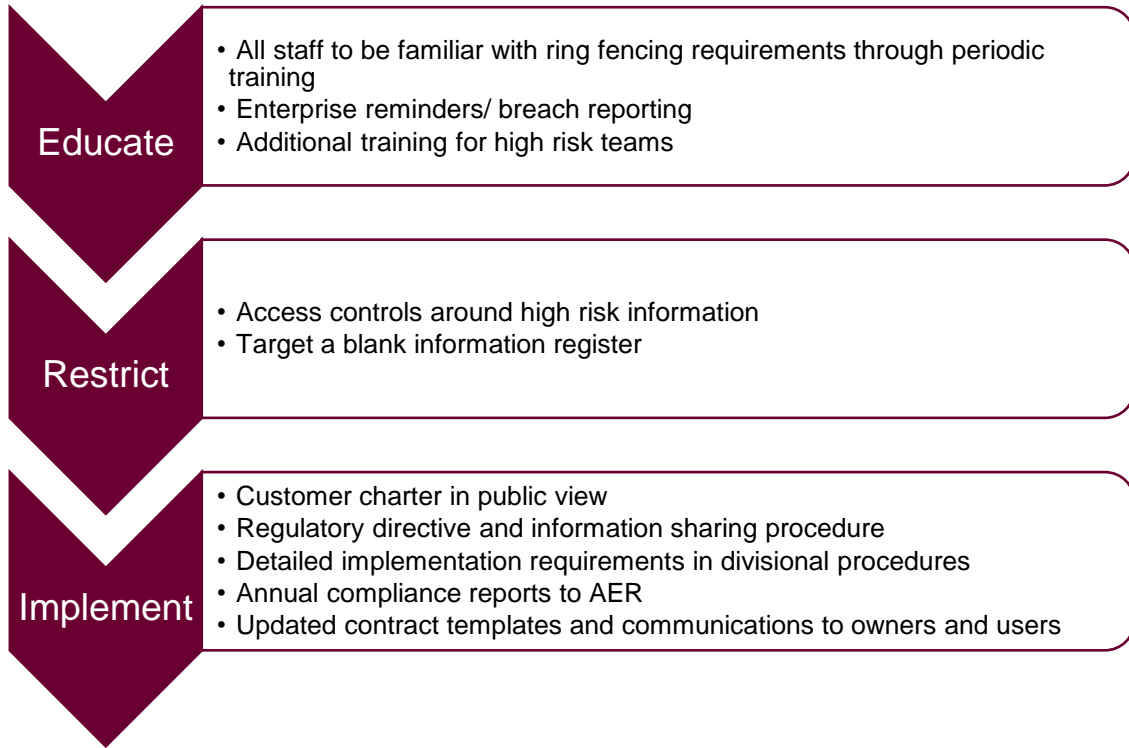
1. Establish compliance benchmark criteria against version 4 of the Guideline and identify risk of breaches highlighting current areas of non-and/or partial compliance; and
2. Identify the necessary controls and provide recommendations for an appropriate management system to ensure compliance.

KPMG's approach to the second stage of the project reflected the AER's Compliance Reporting Best Practice Manual, in particular the notion that ElectraNet should give more focus to safeguards in high-risk areas of the business.

Building on KPMG’s work and its own analysis, ElectraNet concluded that:

1. It was already largely compliant with the cross-subsidy requirements of the Guideline (which are substantially similar to the requirements of preceding guidelines); and
2. The non-discrimination aspects of the Guideline would require the most focus, in particular as they relate to the use of ring-fenced information.

Following this, ElectraNet developed the following three stage approach to compliance with the Guideline.



As the above figure shows, ElectraNet’s approach to compliance with the guideline is in three parts:

- educate;
- restrict; and
- implement.

These three areas are summarised below. Some of the activities discussed have been implemented or finalised in early 2024, after the reporting period for this report and consistent with the guideline taking effect on 1 March 2024.

These activities have been included for context as they lay the foundation for ElectraNet’s approach and highlight key compliance focus areas.

The appendices include detail of controls implemented during 2023 and those defined in preparation for 2024.

2.1. Educate

ElectraNet has taken a ‘two tiered’ approach to educating staff in relation to ring-fencing.

All staff are required to complete ring-fencing familiarisation and compliance training. This is administered through ElectraNet’s online training platform similar to cyber security training. The training will be repeated for all new starters and annual refresher training to ensure the familiarity is retained.

The training focusses on:

- what it means to be a regulated business subject to ring-fencing requirements,
- what individual staff members need to know and what to look out for to remain compliant, and
- how to raise concerns or report breaches within the business.

While ElectraNet was designing its approach to ring-fencing compliance, including during KPMG's review, consideration was given to identifying teams more prone to encountering ring-fencing issues. That is, teams whose responsibilities and activities made it more likely that the ring-fencing guideline would need to be considered. Teams identified through this process were denoted 'High Risk' teams.

High Risk teams were provided with deep dive training workshops, led by the Regulatory team.¹ These workshops focussed on developing an understanding of:

- what ring-fencing means for each team individually;
- the way each team might need to change the way it does things; and
- what information should each team gather for future compliance reporting.

These workshops will be repeated on a needs basis depending partly on the rate of staff turnover in relevant teams.

The all-staff familiarisation training was rolled out to the business in March 2024. The deep dive workshops for High Risk teams were conducted in January and February 2024.

2.2. Restrict

ElectraNet is making continued efforts to restrict the use of, and access to, ring-fenced information by people within the business who are involved in non-regulated transmission services.

The 'restrict' step is being implemented in three stages.

First, through the deep dive training discussed above, people with day-to-day involvement in non-regulated transmission services have been trained in the meaning of ring-fenced information and been instructed not to access it for non-regulated purposes. This is reflected in a newly established internal procedure relating to information access.

Second, staff have been instructed not to share ring-fenced information within the business for any purpose other than that for which it was gathered. Any uncertainty is directed to the Regulatory team for discussion and resolution.

Third, IT access controls are under development. These will become more practical as ElectraNet moves to a role-based access approach as part of its ongoing implementation of cyber security requirements. In the interim early steps have been taken.

These steps reflect ElectraNet's preference that the information register relating to disclosure of ring-fenced information to a Related Electricity Service Provider (RESP) remains blank with no exceptions.

ElectraNet's preferred position is that the RESP limits its activities to public information. This is supplemented by a preference to publish information that may be useful to any party seeking to provide non-regulated transmission services in South Australia (notably constructing connection assets).

¹ They are also required to complete the familiarisation training.

ElectraNet’s vision is to *Energise South Australia’s Renewable Energy Future*. It is wholly consistent with this to facilitate connection to the network by all interested parties and, therefore, to make information relevant to connections public wherever possible.² The Transmission Annual Planning Report is a key vehicle for ElectraNet to publish relevant information.

2.3. Implementation

ElectraNet’s implementation of the above approach includes publication of a customer charter (outside the reporting period). This document is intended to give assurance to connecting parties that ElectraNet will neither cross subsidise its non-regulated activities nor discriminate against those intending to choose others to provide contestable services. It also sets out relevant service levels that connecting parties and others can expect to receive from ElectraNet, in part to help distinguish between the persistent desire from connecting parties for things to be done quickly and the potential that delay is a means of discrimination.

Internal procedures have been prepared reflecting the efforts described and individual teams will consider the need to amend procedural documents and work instructions within their own teams.

2.4. Transition Period Measures

For the period from 1st March to 31st December 2023, ElectraNet ensured compliance with the following compulsory clauses, which took immediate effect under the Guideline:

clause 3.1 (c)

clause 4.4.1(a)

clauses 6.2.1- 6.2.2, and

clause 6.3.

Measures ElectraNet have taken to ensure compliance with clause 3.1(c) include review of existing BESS contracts by the legal and regulatory teams, noting the existing contract for Dalrymple would require a waiver or transfer of ownership from ElectraNet to another legal entity on renewal.

ElectraNet’s Ring-fencing directive and procedures have been updated to reflect the prohibition of access by another legal entity to use ElectraNet’s energy storage devices, with training documents completed, and rolled out in March 2024 .

Measures ElectraNet have taken to ensure compliance with 4.4.1(a) include a review of existing service provider contracts by the legal, regulatory, and communications teams.

That review showed that, contracts that were in place before 1 March 2023 and which relate to services which would enable or assist ElectraNet to provide prescribed transmission services, contain a clause requiring the service provider to comply with all applicable laws. In most cases, they require the service provider to comply with any obligation or requirement which a law places on ElectraNet as though it had been placed on the service provider. ElectraNet considers that this clause meets the obligations of the Guideline.

ElectraNet further considered the standard terms of contracts in light of the Guideline during 2023 and reached the view that it would be better practice and more reflective of industry norms for contracts to refer to ring-fencing explicitly.

From October 2023, the standard terms were changed, and a process was initiated to ensure that contracts and/ or amendments that fall within the scope of the Guideline on which negotiations commenced from that time onwards make explicit reference to ring-fencing obligations. This

² There are limits to the information that can be published, such as security and confidentiality concerns. In a case where information cannot be published for this type of reason it will also not be available to the RESP..

process has been identified in the assurance report as an area where improvements can be made. This will be reviewed and implemented by 30 June 2024.

A special update was also provided to contractors at ElectraNet's contractor forum in November 2023 explaining the new ring-fencing obligations applicable to them.

The appendices contain information in relation to Ring-fencing compliance during 2023:

- Appendix A: Summary of compliance controls ElectraNet has implemented during the regulatory year.
- Appendix B: Summary of compliance controls defined in preparation for version 4 of the Guideline, with the bulk implemented during 2024 regulatory year.

3. Breaches of the Guideline

ElectraNet did not commit a breach of Version 4 of the Guideline during the reporting period.

Further, ElectraNet did not commit a breach of Version 3 of the Electricity Transmission Ring Fencing Guideline during the reporting period.

4. Other services

The Guideline defines 'other services' as "services other than transmission services".

ElectraNet did not provide 'other services' during the reporting period.

5. Purpose of transactions with affiliated entities

ElectraNet Pty Ltd's affiliated entity comprises its wholly owned subsidiary, ElectraNet Transmission Investments Pty Ltd (ETI).

The nature of transactions between the entities includes the following:

- Maintenance – activities performed to maintain the transmission network and can be either corrective or preventative in nature.
- Design and Construction – activities performed to design and build network transmission assets.

6. Independent Compliance Assessment

ElectraNet's independent compliance assessment was prepared by EY and is attached.



Appendices

Appendix A - Compliance Measures

Table A6.1 – Compliance Controls ElectraNet has implemented during the regulatory year.

Clause	Control Type	Control Detail
3.1(c)	Preventative	Review existing BESS agreement and ensure waiver application or transfer to affiliate arranged on contract renewal (2030).
4.4.1 (a)	Preventative	Service provider contract templates used by Legal and Procurement updated to include ring-fencing clause.
	Preventative	Ad-hoc ring-fencing communications issued to service providers.
6.2	Preventative	Regulatory Reporting calendar established and monitored.
	Detective	Independent assessment of compliance.
6.3	Detective	Regulation team email address set up for queries and breach reporting.
	Detective	Documented procedure included in the Ring-fencing directive and procedures.
	Detective	Any breach or potential breach monitored and investigated by the regulation team.
	Detective	Actual breaches to be reported to the Australian Energy Regulator (AER) by the regulation team.

Appendix B - Efforts to ensure compliance.

Table B6.2 – Controls that underpin ring-fencing compliance at ElectraNet.

Control	Type	Description	3.1	3.2.1	3.2.2	4.1	4.2	4.2.1	4.2.2	4.2.3	4.2.4	4.2.5	4.3	4.4.1	5.7	6.1	6.2.1	6.3
Ring-fencing Directive	Preventative	The directive establishes the standard for electricity transmission ring-fencing compliance. It communicates what is required of staff and service providers acting on behalf of ElectraNet.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ring-fencing Procedure	Preventative	The procedure outlines ElectraNet's ring-fencing procedures and is designed to ensure that conduct of those acting on behalf of ElectraNet is appropriate and in accordance with the Rules.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ring-fencing Training Module (Online)	Preventative	Online training available online for all staff to complete during the year. Online training to ensure awareness and basic understanding or ring-fencing compliance requirement and staff obligations in respect of the Guideline.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ring-fencing Deep Dive Training (In Person)	Preventative	Deep dive training available to key staff identified as high risk i.e., those that work in the RESP or with the RESP on a day-to-day basis. Training provided periodically through the year to capture onboarding of new starters or those on leave.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Control	Type	Description	3.1	3.2.1	3.2.2	4.1	4.2	4.2.1	4.2.2	4.2.3	4.2.4	4.2.5	4.3	4.4.1	5.7	6.1	6.2.1	6.3
Compliance Attestations	Detective	Managers periodically attest to the compliance status of the obligations, including whether or not a breach has occurred during the reporting period.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Assessment of Compliance	Detective	This engagement is in accordance with section 6.2.1(c). It verifies what is reported in the annual compliance report and serves as a mechanism to detect any weaknesses in controls that would lead to non-compliance.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Table 6.3 - Compliance controls defined in preparation for version 4 of the Guideline (2024 implementation).

Clause	Control Type	Control Detail
3.1(a)	Preventative	Maintain Australian Company status of the TNSP
	Preventative	Ensure Transmission Licence is valid and current
3.1(b)	Preventative	Review existing shared asset contracts to ensure there are no shared assets leased that could prejudice provision of prescribed transmission services.
	Preventative	Prior to signing new contracts for shared assets, check to ensure it is transmission service and there is no material prejudice.
	Preventative	Documented procedure in place for review of shared asset services.
	Preventative	Ring-fencing training provided to business development staff to ensure any new services being developed are transmission services only.
	n/a	Metering Services analysis undertaken to determine service status (Negotiated Service).
3.1(c)	Preventative	Review existing BESS agreement and ensure waiver application or transfer to affiliate arranged on contract renewal (2030).
3.2.1(a)	Preventative	Maintain internal accounting procedures that electronically separate ETI from ElectraNet accounts. Document the procedure for financial transfers between the entities, such as shared cost allocations.
3.2.2(a)(b)	Preventative	Summarise the purpose of transactions with ETI, in the Annual Ring-fencing Compliance report.
	Preventative	Apply the CAM monthly, quarterly, and annually as required by accounting practices. Ensure contestable service business units receive appropriate allocation of shared costs.
3.2.2(c)	Preventative	The guideline allows the AER to request information, via a regulatory information instrument, about internal accounting procedures and transactions between ElectraNet and affiliated entities such as ETI. It is appropriate to use Australian accounting standards for these records.
	Preventative	Periodic attestation from Management that the CAM was followed, and other costs were not attributed to transmission services.
4.1(a)-(b)	Preventative	Documented procedure in place to prevent discrimination
	Preventative	Non-discrimination included in ring-fencing training provided to all staff online and in detail in deep dive training to high-risk staff.
4.1(c)(i)	Preventative	Ring-fencing training includes appropriate examples including do's and don'ts on dealing with the RESP
	Detective	Annual review of training attendance

Clause	Control Type	Control Detail
4.1(c)(ii)(iii)	Preventative	Establishment of Customer Charter including commitment to customers and approaches to connection application and management of outages ensuring equivalence in like circumstances.
	Preventative	Review Transmission Connection Agreement terms for outages to ensure equivalence in like circumstances or similar terms.
4.1(c)(iv)	Preventative	Online ring-fencing training for all staff includes information sharing examples.
	Preventative	Deep dive ring-fencing training includes confidential information and cross references other controls already in place including customer privacy/commercial in confidence and ElectraNet's use of information directive and procedure.
4.2.1(a) (b)	Corrective	Review and identification of ICT systems containing ring-fenced information and access.
	Preventative	RESP staff separate from prescribed services staff.
	Preventative	RESP staff access limited.
	Preventative	Folder access restricted for RESP Bid and project work.
	Preventative	Documented procedure in place to cover quarantining of information.
	Preventative	Ring-fencing training covers protection of ring-fenced information.
	Detective	RESP and staff dealing with RESP to report breaches to regulation email
4.2.2	Preventative	Documented procedure which covers the disclosure of information to a RESP including examples of exemptions.
	Preventative	Ring-fencing training covers disclosure of ring-fenced information and allowable disclosures i.e. exemptions.
4.2.3	Preventative	Documented procedure including in the information sharing protocol.
	Preventative	Ring-fencing training includes appropriate examples including do's and don'ts on dealing with the RESP.
4.2.4	Detective	Information sharing register published on ElectraNet's external website and periodically reviewed for accuracy.
	Preventative	Regulation team perform quarterly review of registers.
4.3 (a),(b)	n/a	ElectraNet do not have marketing staff for prescribed services.
4.4.1(a),(b)	Preventative	Service provider contract templates used by Legal and Procurement updated to include ring-fencing clause. Review of process in this area to be completed by 30 June 2024.
	Preventative	Ad-hoc ring-fencing communications issued to service providers.

Clause	Control Type	Control Detail
5.7(a)	Detective	Waiver register published on ElectraNet's external website and periodically reviewed for accuracy.
	Preventative	Regulation team perform quarterly review of registers.
6.1	Preventative	Ad-hoc ring-fencing communications issued to staff.
	Preventative	Ring-fencing directive and procedures documenting allowable behaviours published on internal website.
	Corrective	Controls reviewed and updated following external audit action items and/or non-compliance.
	Preventative	Controls reviewed and updated following regulatory changes.
	Preventative	Regulation team issue ring-fencing compliance awareness materials.
	Preventative	Ring-fencing training program developed and implemented.
	Preventative	Regulation team email address established for queries, information sharing requests and breach reporting.
	Detective	Training compliance report generated and reviewed periodically.
6.2.1	Preventative	Regulatory Reporting calendar established and monitored.
	Detective	Periodic review of systems, training and registers.
	Detective	Periodic review of RESP Business, as supplier of contestable services.
	Detective	Independent assessment of compliance.
6.3	Detective	Regulation team email address set up for queries and breach reporting.
	Detective	Documented procedure included in the Ring-fencing directive and procedures.
	Detective	Any breach or potential breach monitored and investigated by the regulation team.
	Detective	Actual breaches to be reported to the regulatory by the regulation team.
6.4	Preventative	Documented complaints resolution policy available on external website.

