



2023 Annual Ring-fencing Compliance Report

April 2024



Empowering South Australia

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1. Introduction

SA Power Networks' 2023 Annual Ring-fencing Compliance Report provides details of the actions that we have undertaken to ensure compliance with the Australian Energy Regulator's (AER's) Ring-fencing Guideline dated November 2021 (Guideline). This report covers the period from 1 January 2023 to 31 December 2023. Deloitte were engaged to independently assess our ring-fencing compliance over this period.

We have largely retained the same format as the last report, updating information and compliance actions where developments have occurred. In some areas there have been no changes and we restate the same information provided in previous reports, where still relevant, for completeness.

SA Power Networks reported one breach of the Guideline related to activities during the 2023 period. Further detail is provided in Section 2.

Section 3 of this Annual Ring-fencing Compliance Report (Report) summarises prior period compliance findings, recommendations and actions taken.

Throughout this Report, there are references to documents that have been created or already existed prior to 1 January 2018, that support ring-fencing compliance. The references align with those in Appendix A, which appear as '[alphabetic reference].[document number]'. Appendix A provides a brief description of each document referred to.

1.1. Key Interpretations

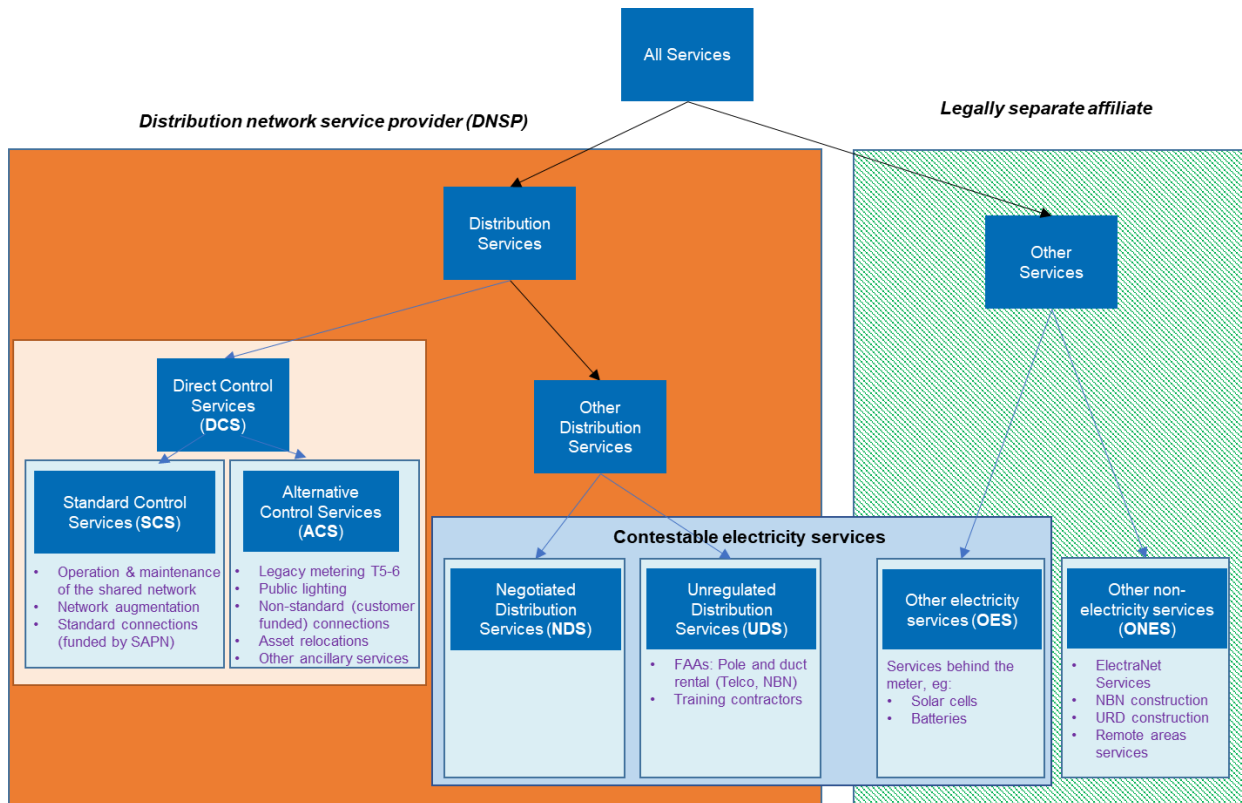
Compliance implementation was guided by our general interpretations of the guideline, as follows:

1. Only services provided in connection with our own distribution network are distribution services—work on, or for, other networks must therefore be undertaken by our affiliates (except where an exemption applies under the Guideline).
2. If an affiliate provides services on our behalf, we must ensure it complies with ring-fencing obligations just as any service provider must. However, where an affiliate undertakes work for a different party, ring-fencing does not apply to the affiliate; except to the extent that the affiliates' provision of services to the other party affects its relationship with us.¹
3. Staff involved in providing our direct control services may also be involved in the provision of services by our affiliate, subject to meeting certain conditions:
 - The roles and activities of any shared staff must accord with one of the exclusions listed in the Guideline; or
 - The services in question are 'other non-electricity services'², typically construction, maintenance and infrastructure services provided to customers that are not connected to our distribution network and include property developers and other electricity and telecommunications utilities. For the avoidance of doubt, where any of our affiliate's customers provide electricity services, our affiliate is providing an input to these services and is not providing services direct to their customers—that is, our affiliate is not providing electricity services in these circumstances. Figure 1 overlays a non-exhaustive list of these and other services that we provide, onto the diagram from the AER's Explanatory Statement.

¹ If our affiliate provides services to a party other than SA Power Networks, we must ensure our affiliate is not using SA Power Networks' regulated funds to cross-subsidise its activities.

² AER, *Electricity distribution ring-fencing guideline – Explanatory statement*, November 2016, Figure 1, page 14.

Figure 1 - Mapping ring-fencing to distribution services



SA Power Networks does not provide any Negotiated Distribution Services.

2. 2023 compliance

SA Power Networks reported one breach of section 3.1 (b) the Guideline for the 2023 compliance period, related to the provision of ‘Other Services’.

SA Power Networks had a waiver in place, enabling it to continue to provide maintenance and construction services (other services) in accordance with an ongoing contract that was executed prior to the commencement of the AER's 2017 Ring-fencing Guideline. This waiver expired on 30 June 2023.

The contract provides the customer with a unilateral and automatic right to exercise options to extend the contract term. Delays at the customers end has resulted in the customer exercising a further option to extend the contract beyond 30 June 2023. An extension of the Ring-fencing Waiver was not obtained prior to further work being undertaken under this contact. The work under this contract is completed by our affiliate Enerven, however the contract continues to be between SA Power Networks and the customer.

This breach was identified in preparing our 2023 annual ring-fencing compliance report and reported to the AER on 19 April 2024.

3. Summary of prior year findings and actions

During the prior reporting period, 1 January 2022 to 31 December 2022, SA Power Networks reported only one minor breach, where an employee inadvertently shared a ‘post’ from our Related Electricity Service Provider (Enerven) on LinkedIn, using the SA Power Networks’ LinkedIn account profile. The following actions were taken to ensure further breaches of this nature do not occur:

1. Ring-fencing obligations were reinforced with the employee involved;
2. We reviewed access and permissions to post social media updates on behalf of the organisation; and
3. Ring-fencing refresher sessions were conducted with all employees with access to SA Power Networks' digital communications accounts.

We also note as part of our 2018/19 compliance report, Deloitte recommended that hard controls be implemented in our SAP and Non-SAP systems. SA Power Networks proposed an IT project to strengthen controls in our SAP and Non-SAP systems as part of our 2020-25 distribution determination process. This was approved in the AER's Final Decision in June 2020.

SAP Access Controls

Following the implementation of separate company codes in our SAP system in April 2022, SA Power Networks commenced a project to close out all open Enerven work orders and transition them to the new Enerven company code. The project to close out all open Enerven work orders and transition them to the new Enerven company code was completed in September 2023, with associated Enerven staff access updated to restrict access to the Enerven company code.

We note that some Enerven staff have retained access to the SA Power Networks company code to enable them to complete regulated work on behalf of SA Power Networks, where this work has been awarded to Enerven. This access is provided in accordance with section 4.3.2 (c) of the Ring-fencing guideline, where the Enerven employees are only accessing the necessary information to complete regulated work. This access will continue to be formally reviewed on a quarterly basis, with an individual's access removed where it is no longer required to support regulated functions.

We continued to monitor access throughout 2023, with no instances detected of Enerven staff accessing ring-fenced information other than in accordance with the Guideline.

Non-SAP Access Controls

As part of the project to review controls for non-SAP applications, SA Power Networks completed an internal audit of ring-fencing compliance for non-SAP environment applications in November 2022. The objective of this internal audit was to ensure SA Power Networks non-SAP environment applications are compliant with the Guideline requirements. The audit did not find any breaches, however a number of recommendations were suggested to improve controls for non-SAP applications. These included the following:

- Enhance current Data Governance guidelines to allow for ring-fenced sensitive data rules;
- Implement and configure Microsoft Data Loss Protection (DLP) to identify potentially sensitive ring-fenced data; and
- Investigate and establish a link between our IIQ and ServiceNow applications to clearly identify non-SAP ring-fencing requirements and automate notification to system owners and administrators as required.

A project to investigate and implement recommendations from this audit is underway. Changes are expected to be implemented as appropriate over the remaining 2020-25 regulatory control period.

4. Compliance measures and actions undertaken in 2023

Key internal documents related to our ongoing compliance program are summarised at the end of this Report in Appendix A alongside each Guideline obligation.

Information provided in this Report is not exhaustive, but provides some detail on ongoing key compliance controls, in addition to those already provided above.

4.1. Additional information on compliance measures

4.1.1. Training and awareness activities

Ring-fencing training (Appendix A, G.1) is mandatory for all new SA Power Networks Group staff (including Enerven). The training highlights the Guideline obligations, including a high-level overview of each section, and provides some examples and case studies. Refresher training will also be progressively introduced for select employees.

Quick Reference Guides that remind all staff of their obligations in respect to specific areas, such as staff and office sharing restrictions, branding and cross promotion obligations, and breach reporting requirements, are available on our central knowledge library.

Internal newsletter articles highlight the importance of their obligations in particular with how possible breaches in regards to office sharing restrictions, branding and cross promotion obligations can occur, and are available on our internal intranet.

4.1.2. Internal compliance reports

A compliance questionnaire (**C.2**) is issued to senior managers in all SA Power Networks departments annually. This questionnaire lists the obligations assigned to individual managers, along with reference documentation and explanatory notes where appropriate. The managers must review and complete the questionnaire, declaring they are 'compliant' (or otherwise) against each obligation. They are also asked to state their mechanism/s for compliance, and any other relevant comments including actions to address any non-compliances.

The questionnaires serve as a mechanism to remind managers of their ring-fencing obligations, and to identify areas of potential concern including risk areas; requirements for follow up conversations; and training requirements, and to highlight implemented controls.

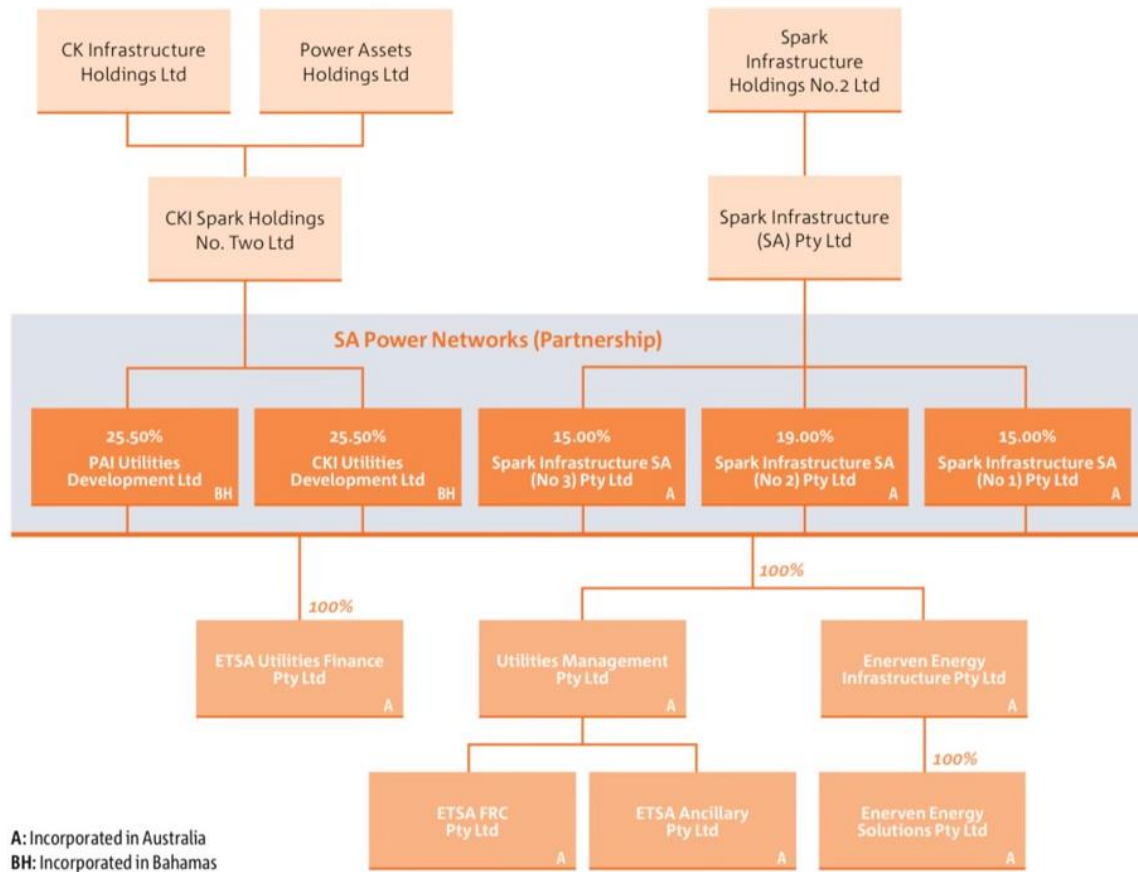
4.2. Legal Separation

The legal separation obligations in the Guideline require that SA Power Networks only provide distribution services, and prevents SA Power Networks from using regulated funds to subsidise affiliates. The obligations do not prevent affiliates from providing non-distribution services.

The SA Power Networks' partnership corporate structure, is set out in Figure 2 below.

SA Power Networks is a partnership comprising five corporate entities. The Guideline defines 'legal entity' to include a partnership. The SA Power Networks partnership is the Registered DNSP (**L.1**). All staff are employed by Utilities Management Pty Ltd (**UMPL**) subsidiary.

Figure 2: SA Power Networks Partnership corporate structure



In 2023, all non-distribution services continued to be provided through SA Power Networks’ affiliate, Enerven Energy Infrastructure Pty Ltd, excepting services provided under pre-existing contracts (refer section 4.13 Waiver register of this report).

4.3. Establish and maintain accounts

We must establish and maintain appropriate internal accounting procedures to ensure that we can demonstrate the extent and nature of transactions with our affiliates. Further, we must allocate or attribute costs in accordance with the Cost Allocation Principles our AER-approved Cost Allocation Method (CAM).

SA Power Networks’ current AER approved CAM (F.2) is effective from 1 July 2020. This CAM reflects SA Power Networks’ classification of services for the 2020-25 regulatory control period.

4.3.1. Compliance actions

To comply with the Guideline, separate financial accounts are established for our affiliate entities. Costs are attributed or allocated to regulated and unregulated activities in accordance with the CAM, which also identifies how corporate costs are allocated between each function. In addition, to ensure ring-fencing compliance we also:

- Maintain a Provision of Inter-Company Labour Services Guideline to ensure appropriate distribution of employee costs from Utilities Management Pty Ltd to distribution and non-distribution services, including transparent identification of inter-company transactions (F.3);

- Produce reports to capture the extent and nature of affiliate transactions by functional area. These reports are provided to key finance personnel on a six-monthly basis for review. The annual version of these reports is used to generate our final Affiliate Transaction Report (refer **Attachment 1**); and
- Generate half-yearly workbooks that show the direct attribution or allocation of corporate overheads between distribution and non-distribution services in accordance with SA Power Networks' CAM. Compliance is assessed by an independent external audit of the information contained in our Regulatory Accounts and associated AER Regulatory Information Notices (**RINs**)³.

4.4. Obligation to not discriminate

We must not discriminate in favour of affiliates or the customers of affiliates. This obligation applies generally, but also with specific reference to the terms and conditions, timeliness, and quality of services that we offer and provide to other parties.

4.4.1. Compliance actions

The corporate Procurement Directive (**D.2**), Procure to Pay Guideline and Strategic Sourcing Framework (**D.3**) provide business-wide direction on procurement activities, which includes engaging with any third party, including Enerven.

The Shared Services Engaging Enerven Guideline (**D.1**) provides information and advice on how to engage with Enerven when procuring goods and/or services on behalf of SA Power Networks' regulated business. The governance framework in the guideline requires multiple steps to ensure no discrimination occurs. This includes an Engagement Matrix that includes the entire procurement context, including value, market assessment, and complexity assessment.

Service agreements (**F.7**) continue to operate to provide the basis on which certain services (including corporate services) are provided.

4.5. Physical separation/co-location and staff sharing

Direct control services staff are not to be shared or co-located with the staff of affiliates where the affiliates are providing 'contestable electricity services', except where these staff:

- Do not have access to electricity information;
- Have access to electricity information but cannot use that information to engage in discriminatory conduct in performing their role;
- Only use electricity information to provide corporate services;
- Are located in a regional office; or
- Are providing assistance to another network service provider in response to an emergency or uncontrollable event.

Staff providing 'other non-electricity services' may be shared.

4.5.1. Compliance actions

Physical separation

Location sharing analysis was again conducted by the Finance and Regulation teams, using organisational data from our HR system to highlight locations where both regulated and contestable services are provided. The duties of each staff member in shared locations are assessed and whether exemptions under the

³ The allocation of the CAM for the period from 1 July 2023 to 31 December 2023 will be audited as part of our 2023/24 RIN, which will be submitted to the AER in October 2024.

Guideline apply. These shared locations and the exemptions applicable are listed in our Office Sharing Register (**R.2**).

An Office Sharing Guideline (**O.1**) and Office Sharing Quick Reference Guide (**O.2**) are maintained within the internal Quality Management System Knowledge Library, and details are provided to all staff via the training module and a corporate communication bulletin (respectively). These documents provide guidance and practical examples for staff on where they can and cannot co-locate.

Company-wide Directives and Policies are also in place, including the Ring-fencing Corporate Compliance Directive, Code of Conduct, Information Security Directive, and Information Classification and Handling Directive. There are also broader privacy considerations within the Privacy Act, which all staff must legally adhere to. For example, ring-fenced information cannot be used or disclosed for any other purpose other than the reason for which it is collected (Australian Privacy Principle 6).

The Keswick Head Office (**Head Office**) houses a number of departments. Many are corporate services, including People and Culture (eg Human Relations, Learning and Development, Change Management), Regulation, Finance, and Legal. As permitted by the Guideline (and outlined in the Explanatory Statement) certain corporate services are shared between SA Power Networks and its affiliate.

Head Office is also the location of our Customer and Community, Network Management departments, and some of our Field Services personnel. These departments have access to ring-fenced electricity information that is required to complete distribution work, including customer and network information. This information is not in the public domain and is not available to Enerven or any other visitors to Head Office.

Head Office does not permanently house any affiliate (Enerven) staff. Enerven staff have access to the building for corporate services functions, including participation in meetings. Access is restricted to the Network Operations Centre, Telecommunications Network Operations Centre, Advanced Distribution Management System administration area and Private Automatic Branch Exchange, due to the high security risk of these functions.

Staff sharing

Staff sharing analysis was again conducted in 2023. The process involved using organisational data from our HR system which detailed all staff and their positions. Analysis was conducted at the role level, considering the duties of each role and whether an exemption under the Guideline could be applied. These shared staff positions are listed in our Staff Sharing Register (**R.1**). There have been no additional positions added to the Staff Sharing Register in 2023.

A Staff Sharing Guideline (**S.2**) and Staff Sharing Quick Reference Guide (**S.3**) provide guidance and practical examples for staff on where they can and cannot be shared between the regulated business and Enerven. A Ring-fencing Directive (**S.1**) also ensures the obligations are appropriately considered and adhered to by all staff.

Area of special consideration - Procurement staff

SA Power Networks shares procurement staff with our affiliate. Specific processes and controls are in place to ensure sharing of procurement staff with Enerven does not disadvantage competitors of Enerven. These include:

- When a competitive tendering process is undertaken, the documents containing tenders from external service providers are stored in local network drives and not our SAP system, and these are locked-down such that Enerven staff do not have access to them.
- After a tendering process has concluded, rates agreed with external service providers will only be visible in SAP when required to allow SA Power Networks to transact with them. Controls, such as training and

company-wide directives, are in place to ensure that Enerven staff do not access this information other than as allowed under the Guideline. SA Power Networks implemented 'hard' access controls in SAP in April 2023, which formally restricts access to this information.

- We also have various other controls, including training, company-wide directives and policies, annual compliance questionnaires and audits in place. SA Power Networks has a number of relevant directives and guidelines we apply in managing bidding processes involving Enerven.⁴ Principally, where we identify that a competitive sourcing process should be undertaken for an activity that SA Power Networks seeks to procure, and that Enerven may be a potential bidder, the sourcing process must be undertaken in accordance with the process stipulated in the 'segregation of duties' principles within our 'Engaging Enerven Guideline'. These principles dictate that:
 - Enerven will be treated like any other supplier;
 - the Category Manager (ie procurement staff) undertaking the respective sourcing activity, where Enerven are bidding, cannot also support Enerven in their bid process; and
 - Enerven personnel, and procurement staff supporting the Enerven bidding process, will not have access to any competitors' tender responses, evaluation and/or negotiations outcomes. These procurement staff will also be located at an Enerven office for the duration of the tender process.

In 2023, procurement staff did not, in performance of their roles, functions or duties, engage in discriminatory conduct contrary to 4.1 of the Guideline.

4.6. Branding and cross-promotion

We must have independent and separate branding from our affiliates, and not advertise or promote (or cross-advertise or promote) the services of affiliates.

4.6.1. Compliance actions

The Enerven brand is independent of and does not resemble the SA Power Networks brand, ensuring that a reasonable person would not infer that SA Power Networks and Enerven are related.

Internal documentation may be co-branded, this includes operational forms and corporate directives, policies and procedures as they are not available externally. Any external marketing documentation including tender documents are not co-branded. Call centre scripts (**BC.3**) are in place to ensure that call centre staff who may receive queries about contestable services do not refer customers to Enerven.

Enerven has its own website, which is managed wholly by the Enerven Commercial Team. The Website Governance Procedure (**BC.4**) ensures SA Power Networks' website does not mention Enerven in an advertising or promotional manner. Any social media posts by SA Power Networks are managed by the Customer Engagement team. Processes are in place for any external communications, to ensure that SA Power Networks does not promote Enerven on our social media pages.

Other Branding Controls

There are several branding controls that are used where employees are shared between the regulated business and Enerven projects (where allowed under our staff sharing provisions). These include the following:

- SA Power Networks' branded vehicles are not used in delivering contestable electricity services.
- Employees (including shared employees) do not wear SA Power Networks' branded uniforms when providing contestable electricity services.

⁴ Please refer to section 4.4.1 of our Annual Ring-Fencing Compliance Report.

- Separate Enerven email addresses for individuals, teams or projects. The implementation best suited to the business context is chosen.
- Where artefacts require a branded stamp and signature to denote acceptance, an Enerven stamp will be used for Enerven projects.

4.7. Office and staff registers

We must establish, maintain and keep a register available on our website that identifies the classes of offices to which we have not applied physical separation/co-location obligations; and the nature of the positions (including a description of the roles, functions and duties) of our staff to which we have not applied staff sharing obligations.

4.7.1. Compliance actions

The process to determine appropriate office and staff sharing is described in section 4.5 above.

The registers (**R.1 & R.2**) are published on our website, and are reviewed on a quarterly basis and updated in accordance with internal procedures.

4.8. Protection of ring-fenced information

We must keep ring-fenced information confidential, and only use it for the purpose for which it was acquired or generated.

A number of our IT systems contain ring-fenced information and ensuring appropriate staff access to these systems has again been an ongoing focus area in 2023.

4.8.1. Compliance actions

The approval for any Enerven staff requesting access to critical systems is automated in the IT service request management tool to reduce the opportunity for human error. The automated approval will incorporate the detailed ring-fencing specific approval templates, and will stop the subsequent access provision process if appropriate approval is not granted via the IT service request management tool.

The IT Ring-fencing Compliance Group continued to meet regularly with key staff representing all IT teams and all IT staff are continually reminded of the importance of the process. The IT induction process for any new or transferring staff within IT now includes (in addition to the online ring-fencing training activity) a review of the IT Application Access Work Instruction and Quarterly system access review process.

Quarterly access reviews of each application containing ring-fenced information were conducted in 2023 and verified by IT Management, to ensure the process and controls are being adhered to. In the period from 1 January 2023 to 31 December 2023, there were no instances detected where staff had inappropriate access.

Following our 2018/19 report compliance report, the AER remained concerned at the lack of 'hard' IT access controls and noted Deloitte's recommendation that hard controls be implemented in our SAP and Non-SAP systems.

As detailed in section 3 above, separate 'company codes' were introduced within the SAP application for SA Power Networks and Enerven on 17 April 2022, with all prospective Enerven work set up under the Enerven company code from this time. A project to close out all open Enerven work orders and transition them to the new Enerven company code was completed in September 2023, with associated Enerven staff access updated to restrict access to the Enerven company code.

We note that some Enerven staff have retained access to the SA Power Networks company code to enable them to complete regulated work on behalf of SA Power Networks, where this work has been awarded to Enerven. This access is provided in accordance with section 4.3.2 (c) of the Ring-fencing guideline, where the Enerven employees are only accessing the necessary information to complete regulated work. This access will continue to be formally reviewed on a quarterly basis, with an individual's access removed where it is no longer required to support regulated functions.

We have continued to monitor access throughout 2023, with no instances detected of Enerven staff accessing ring-fenced information other than in accordance with the Guideline.

SA Power Networks continues to provide attestation reports to the AER on a quarterly basis confirming whether any Enerven staff have actively accessed IT applications containing ring-fenced electricity information. No exceptions were reported for the 2023 reporting period.

4.9. Disclosure of information

We must not disclose ring-fenced information to any person including Enerven, unless an exemption applies.

4.9.1. Compliance actions

Previous process controls developed, continued in 2023. These controls included:

- Staff training and Code of Conduct applicable to all staff, ensuring staff are aware of their obligation not to disclose any ring-fenced information to a third party, including Enerven.
- Updated eLearning training modules (**G.3**).
- Maintaining the Information Classification, Handling and Management Directive (**I.1**). The Information Classification and Handling Directive ensures that we have a process for classifying information to ensure it is produced, stored, distributed and destroyed in accordance with the risks related to that information. It also defines how information can be shared with external organisations, and what levels of permission need to be obtained prior to disclosing information to an external organisation. In some cases, the type of information shared may need to be included on an information register, published on the SA Power Networks website in accordance with the Guideline.
- Maintaining the Ring-fencing Requests for Information Procedure (**I.3**) which provides specific direction where third-party requests for ring-fenced information are received.
- Maintaining the Information Sharing Guideline (**I.4**) and Information Sharing Quick Reference Guide (**I.5**) which provides staff with an overview of obligations and the process that must be followed when requests for information are received from a third party, including Enerven.

Ring-fenced information is always treated in accordance with privacy obligations, however we consider Enerven as a third party, and treat their requests for ring-fenced information like any other third party. Our Customer Relations Department receives requests for ring-fenced information, these requests will be fulfilled where explicit customer consent is provided.

4.10. Sharing of information

Where we share ring-fenced information with Enerven, or where we disclose ring-fenced information to a legal entity solely for the purposes of research which is then disclosed to Enerven, we must provide access to that information (including the derived information) to other legal entities on an equal basis.

We are only required to provide information to a legal entity if they have requested to be on our information register for that information; and where they are competing or seeking to compete with Enerven in relation

to contestable electricity services. Sharing obligations do not apply if we disclose information where an exemption applies.⁵

We must establish and make available on our website an information sharing protocol, and where we disclose information we must do so on terms and conditions that require the other legal entity to comply with ‘protection of ring-fenced information’ and ‘disclosure of information’ obligations.

4.10.1. Compliance actions

We have established and published an Information Sharing Protocol (**Protocol**) (**I.8**) which sets out the process for legal entities to follow in respect of being added to our Information Register. The Protocol includes the circumstances required for a valid request, and a link to our information register request web form (**I.9**). The Information Protocol and information register request web form are located on our website, under About Us>Regulatory information.

4.11. Information register

We must establish, maintain and keep a register of all legal entities (including Enerven) who provide contestable electricity services, who request access to ring-fenced information, and must make the register publicly available on our website.

4.11.1. Compliance actions

We have developed an Information Sharing Register (**I.7**) which is published on our website. Our internal Information Sharing Procedure (**I.3**) specifies when and what details we must add information to the register. The process includes regular (daily) checking of our mailbox to ensure information requests are captured.

To date, we have received no requests from third parties to be added to our Information Register.

4.12. Conduct of service providers

We must ensure that any new or varied agreement between us and a service provider requires the service provider to not act contrary to the Guideline’s requirements. We must also not directly or indirectly encourage or incentivise a service provider to engage in conduct contrary to the Guideline.

4.12.1. Compliance actions

Formal contract amendments were issued to suppliers in 2017 which included additional clauses required by the ‘conduct of other service providers’ Guideline provisions⁶. Purchase orders were transferred to Enerven where required, and suppliers were notified of this via a letter (SP.3).

New supply agreement templates (terms and conditions) are in place for any new or amended contractual arrangements. The new templates include the obligations required by the Guideline for other service providers. For example, our standard agreement for the supply of services to SA Power Networks (**SP.1**) includes a new section 29 ‘Ring-fencing compliance’.⁷

⁵ AER Ring-fencing Guideline 4.3.3 lists the circumstances where we can disclose information without the need to provide it equally to other legal entities.

⁶ AER Ring-fencing Guideline 4.4.1, A DNSP must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with: clauses 4.1, 4.2.1, 4.2.2 and 4.3.1 of this Guideline; and clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider was the DNSP.

⁷ (a) To the extent that the Ring-Fencing Guideline applies to the provision of any Services or Goods under this Agreement, the Supplier will comply with clauses 4.4,4.2.1, 4.2.2, 4.3.3 and, in relation to the Supplier’s branding, clause 4.2.3 of the Ring-Fencing Guideline as if the reference in such clauses to “DNSP” was a reference to the Supplier.

A letter (**SP.4**) was issued to all suppliers in early 2018 providing information on our obligations under the Guideline and the role of the Procurement branch as a shared corporate service function to all parts of the SA Power Networks group, including Enerven.

4.13. Waiver register

The Guideline allows us to apply for waivers in respect of the legal and functional separation obligations. We must also establish and maintain a register of all waivers that are granted.

4.13.1. Compliance actions

SA Power Networks has a waiver register to list the waivers granted to us by the AER. Our waiver register is published on SA Power Networks' website (**W.1**). The register details the Guideline obligations to which the waiver applies, and the terms and conditions of the waiver. The register was last updated in September 2021 in respect of changes to the Construction and Maintenance Contracts waiver (refer below). SA Power Networks' Waiver Register is on the SA Power Networks website under About Us>Regulatory information.

Construction and Maintenance Contracts Waiver

In October 2017 we applied for a waiver for 'other services' (maintenance and construction contracts) for SA Power Networks' obligation to comply with clause 3.1 of the Guideline. This waiver applied pre-existing contracts that were in place prior to the commencement of the Guideline, which were not able to be novated from SA Power Networks to Enerven. The waiver was due to expire on 30 September 2018. On 3 September 2018, we lodged a waiver extension application in relation to 21 construction and maintenance contracts for which SA Power Networks have been unable to obtain a Private Binding Ruling from the Australian Taxation Office. On 28 September 2018, the AER approved a waiver extension until 30 June 2021.

In May 2021, SA Power Networks made a further application to the AER to extend the waiver granted on 28 September 2018 in respect of one of the 21 construction and maintenance contracts that was the subject of the original waiver application. The application was necessitated by the customer exercising a two-year right of extension under the original contract, as the customer has a unilateral and automatic right to exercise various options to extend the contract. The AER approved the extension of the waiver on 3 June 2021, with this waiver expiring on 30 June 2023. The AER also noted a variation to this contract on 8 September 2021, clarifying (not extending) the scope of services being provided under this contract.

The customer has continued to experience delays impacting completion of this project and has exercised their right to further extend this contract beyond 30 June 2023. An extension of the Ring-fencing Waiver was not obtained prior to further work being undertaken under this contract. The work under this contract is completed by our affiliate Enerven, however the contract continues to be between SA Power Networks and the customer. We expect the final work under this contract to be completed by 30 June 2024, however a small amount of work may be required after this date to finalise the contract works.

This is a breach of section 3.1 (b) of the Guideline, where a DNSP must not provide 'other services', and was reported to the AER on 19 April 2024.

Class Waivers

On 14 December 2022, the AER approved a class waiver to allow DNSPs to contract with AEMO to provide Reliability and Emergency Reserve Trader (RERT) services via voltage management. The class waiver exempts DNSPs from their obligations to comply with clause 4.2 of the Guideline (functional separation) in relation to the provision of RERT services via voltage management. This class waiver is effective until 15 April 2025.

SA Power Networks is not in a position to provide RERT services via voltage management to AEMO at this time. If and when we are capable of providing these services, we will notify the AER and comply with conditions of any class waiver that may be applicable at the time.

On 3 February 2023, the AER published a final decision to grant a class waiver that would enable DNSPs to lease battery capacity to third parties for batteries funded under the Commonwealth Government's Community Batteries for Household Solar Program, subject to strict controls and criteria. SA Power Networks is currently exploring opportunities as part of the Commonwealth program and will comply with the conditions of the class waiver, including updating our annual ring-fencing compliance report to include additional information as required.

Market Active Solar Trial Waiver

SA Power Networks applied for a waiver in January 2024 to partner with major energy retailers to demonstrate how distributors 'dynamic operating envelopes' (DOEs) can act in conjunction with retailer-initiated schemes that actively manage the output of a customer's solar inverter in response to market signals. This ring-fencing waiver request is limited to the provision of services under integration model 3, where the retailer control signal is sent to SA Power Networks and blended with flexible export DOE and published to the customer's inverter using SA Power Networks' existing infrastructure. The provision of a retailer's control signal under model 3 is not a direct control service or negotiated service.

A waiver for the functional separation obligations (section 4.2), is required to enable SA Power Networks to provide the services under Model 3 of the MAS trial. The waiver is proposed to apply from 1 July 2024 to 31 December 2025.

4.14. Compliance and enforcement

To ensure ongoing compliance with the Guideline, we must

- establish and maintain appropriate internal procedures, noting that the AER may require us to demonstrate the adequacy of these procedures upon reasonable notice;
- provide annual compliance reports, accompanied by an independent compliance assessment; and
- report compliance breaches in writing to the AER within 15 business days of becoming aware of a breach.

4.14.1. Compliance actions

Several internal procedures and other documents are maintained to support ring-fencing compliance. These documents are identified and referenced throughout this report, and summarised in Appendix A.

The Ring-fencing Compliance Procedure (**C.1**) provides our internal process for preparing the Annual Compliance Report, and the independent compliance assessment (**C.3**). It includes a timeline for engaging with the independent assessor, through to report completion and submission. This process is managed by the Regulation Branch.

Our Breach Management Governance Framework (**B.1**) ensures that breaches reported to Regulation Branch are appropriately considered and managed. Staff must report any potential breach of the Guideline as soon as they become aware. The Breach Reporting Quick Reference Guide (**B.2**) provides all staff with guidance including what they must do and specific contact details for Regulation staff who can advise further action as required. Breaches are reported to the AER within the required timeframe, and all breaches are reported in the annual compliance report.

5. Other services

This annual compliance report must identify and describe all other services provided by SA Power Networks in accordance with clause 3.1 of the Guideline⁸.

We note that other services are defined as services other than:

- (a) Transmission services; or
- (b) Distribution services.

For the 2023 period, SA Power Networks did not provide any other services with the exception of maintenance and construction work covered under an approved waiver until 30 June 2023. This relates to one existing construction and maintenance contract entered into prior to the 1 January 2018 ring-fencing compliance deadline. The work under this contract is completed by SA Power Networks' affiliate, Enerven. SA Power Networks was unable to obtain a Private Binding Ruling from the Australian Taxation Office to enable the contract to transfer to Enerven.

This waiver expired on 30 June 2023 however the customer has further extended the contract beyond this date. We expect the final work under this contract to be completed by 30 June 2024, however a small amount of work may be required after this date to finalise the contract works.

⁸ Section 6.2.1(b)iii of the Guideline

6. Transactions between the DNSP and affiliated entities

For the 2023 period, SA Power Networks contracted its affiliated entity, Enerven Energy Infrastructure Pty Ltd (Enerven), to perform various capital and operating works for its distribution network business where there are insufficient internal resources to complete the work within required timeframes. Services have been completed either in accordance with applicable works or service agreements between SA Power Networks and Enerven.

Transactions between SA Power Networks and Enerven are captured against individual capital and operating job/work orders in SAP, SA Power Networks' integrated business management system. These job/work orders capture costs for distinct items of work which, for example, may be job specific or program specific.

Job/work orders are assigned an SA Power Networks' functional area when created in SAP. They are assigned to one functional area only. Functional areas are the link to identify regulatory costs as they measure the costs of different lines of business for each of SA Power Networks' distribution service types.

Specific General Ledger accounts in SAP enable the reporting of individual job/work orders (transactions) generated and charged by Enerven Energy Infrastructure Pty Ltd to SA Power Networks grouped by functional area. Attachment 1 and 2 to this report summarise transactions between SA Power Networks and affiliated entities⁹.

⁹ The SAP data used to construct SA Power Networks' affiliate transaction report for the period from 1 July 2022 to 30 June 2023 is audited as part of our Regulatory Information Notice (RIN) related party reporting, as submitted to the AER annually. The data for the period from 1 July 2023 to 31 December 2023 will be audited as part of the 2023/24 RIN report.

7. Attachments

Attachment 1: CONFID Transactions between the DNSP and affiliated entities July 2022 - June 2023

Attachment 2: CONFID Transactions between the DNSP and affiliated entities July 2023 - December 2023

Attachment 3: Deloitte Independent Assessment Report

Attachment 4: Confidentiality Claim

8. Appendix A – Key SA Power Networks Ring-fencing compliance documents

Document Reference	Document Name (these are all internal SAPN documents, unless otherwise stated)	Purpose/Description
GENERAL		
G.1	Ring-fencing Training Module (eLearn), including Depot visits	Provides all staff (SA Power Networks and Enerven) with an overview of ring-fencing and associated obligations. The training is mandatory for existing and new staff.
G.2	Other training activities (Leaders presentations; Bulletin releases (QRGs); specific guidance to individual areas to address concerns / questions)	Provides further guidance to staff and managers.
G.3	Code of Conduct (and Code of Conduct eLearn training)	Provides all staff with examples of the standards of behaviour expected of them. Includes a section on confidentiality and the proper handling of information.
G.4	Ring-fencing Compliance Directive	Contains information relating to the responsibilities of all staff and contractors to appropriately adhere to the AER Ring-fencing Guideline.
LEGAL SEPARATION		
L.1	Registration and Licensing of SA Power Networks	SA Power Networks is licensed as a Distribution Network Service Provider. The license can be viewed on the ESCoSA website .
ESTABLISH AND MAINTAIN ACCOUNTS		
F.1	Consolidated Finance Blueprint	Documents financial processes incorporating changes required to comply with the Ring-fencing Guideline.
F.2	Cost Allocation Method (CAM)	Sets out the Cost Allocation Method adopted in SA Power Networks Regulatory reporting. The CAM is published on the SA Power Networks website .
F.3	Provision of Inter-Company Labour Services Guideline	Defines the accounting treatment for labour services provided between SA Power Networks' entities, including those provided to Enerven by employees that normally undertake regulated work.
F.4	Work Order Quick Reference Guide	Provides guidance to staff on how to accurately allocate their time in a range of scenarios.
F.5	INTENTIONALLY LEFT BLANK	
F.6	AER Shared Asset Guideline	Provides the rules and mechanism for shared assets.
F.7	SAPN – Enerven/Enerven - SAPN Service Agreements	Formal service agreements for supply of services between SA Power Networks and Enerven/Enerven and SA Power Networks.
F.8	Shared Assets Quick Reference Guide	Provides staff with scenarios where sharing of assets is allowed under ring-fencing (and the Shared Asset Guideline).
OBLIGATION TO NOT DISCRIMINATE		
D.1	Shared Services Engaging Enerven Guideline	Provides information and advice on how to engage with Enerven when procuring goods

Document Reference	Document Name (these are all internal SAPN documents, unless otherwise stated)	Purpose/Description
		and/or services on behalf of SA Power Networks' regulated business.
D.2	Procurement Directive	Promotes procurement practices that (among other things) maintain ethical conduct with consideration to probity and accountability.
D.3	Strategic Sourcing Framework	Provides guidance and structure for undertaking sourcing activities.
PHYSICAL SEPARATION/CO-LOCATION		
O.1	Office Sharing Guideline	General guideline to assist staff to understand their responsibilities regarding the sharing of locations/offices between SA Power Networks and Enerven.
O.2	Office Sharing Quick Reference Guide	A quick reference guide to assist staff to understand their responsibilities regarding the sharing of office locations between SA Power Networks and Enerven.
O.3/S.5	Office/Location Sharing Analysis	Data extracted from enterprise system SAP to determine and analyse locations and where they are shared.
STAFF SHARING		
S.1	Ring-fencing Directive	Directive contains information relating to the responsibilities of all SA Power Networks staff and contractors and all Enerven staff, and other third parties to appropriately follow the AER Ring-fencing guideline.
S.2	Staff Sharing Guideline	General guideline to assist staff to understand their responsibilities regarding the sharing of staff between SA Power Networks and Enerven.
S.3	Staff Sharing Quick Reference Guide	A quick reference guide to assist staff to understand their responsibilities regarding the sharing of staff between SA Power Networks and Enerven.
S.4	HR Secondment Checklist	
O.3/S.5	Staff Sharing Analysis	Data extracted from enterprise system SAP to determine and analyse staff positions and where they are shared.
S.6	Network Innovation Centre (NIC) Quick Reference Guide	
BRANDING AND CROSS-PROMOTION		
BC.1	Branding Guideline	General guideline to assist staff to understand obligations in relation to branding, advertising, and promotion/ cross-promotion.
BC.2	Branding Quick Reference Guide	A reference for staff which provides examples and case studies in relation to branding, advertising and promotion/cross-promotion.
BC.3	Customer Relations Call Centre Scripts (Updated)	Provides call centre staff with standard scripts for two scenarios: <ol style="list-style-type: none"> 1. When the call centre provide an overflow function for Enerven; and 2. When customers call to enquire about contestable services.
BC.4	Website Governance procedure	

Document Reference	Document Name (these are all internal SAPN documents, unless otherwise stated)	Purpose/Description
OFFICE AND STAFF REGISTERS		
R.1	Staff Sharing Register	Provides the nature of the positions (including a description of the roles, functions and duties) of our staff to which we have not applied staff sharing obligations due to a valid exemption.
R.2	Office Sharing Register	Provides the classes of offices to which we have not applied physical separation/co-location obligations due to a valid exemption.
INFORMATION ACCESS & DISCLOSURE		
I.1	Information Classification, Handling and Management Directive (Updated)	The purpose of this directive is to ensure that we have a process for classifying information to ensure it is produced, stored, distributed and destroyed in accordance with the risks related to that information. It also defines how information can be shared with external organisations, and what levels of permission need to be obtained prior to disclosing information to an external organisation. In some cases, the type of information shared may need to be included on an information register, published on the SA Power Networks website in accordance with the AER's ring-fencing guideline.
I.2	INTENTIONALLY LEFT BLANK	
I.3	Requests for Information Procedure	To guide SA Power Networks Group personnel employed by Utilities Management and working in the regulated business, including contractors, in the provision of ring-fenced electricity information to requestors external to SA Power Networks. This includes requests from affiliates (ie Enerven).
I.4	Information Sharing Guideline	General guidelines to assist staff in understanding responsibilities regarding the sharing of information between SA Power Networks and other entities, including our affiliate (ie Enerven).
I.5	Information Sharing Quick Reference Guide	A quick reference guide for all staff to assist in identifying information sharing obligations, exemptions, and process requirements.
I.6	Application Access Control: Work Instruction	Provides IT Service Desk staff and application owners the process to follow where staff working primarily for Enerven request access to a system containing ring-fenced information.
I.7	Information Sharing Register	The register is currently blank, but will be used to record requests to be added to the register as required.
I.8	Information Sharing Protocol	The protocol outlines the circumstances under which an entity can request to be added to the Information Sharing Register, and the process for submitting a request.
I.9	Information Sharing Web form	A form to enable third parties to submit a request to be added to our Information Register. The form is available on our website .

SERVICE PROVIDERS

Document Reference	Document Name (these are all internal SAPN documents, unless otherwise stated)	Purpose/Description
SP.1	Standard Terms and Conditions (Updated)	The terms and conditions issued for varied or new agreements now include the ring-fencing provisions that service providers must comply with.
SP.2	Supplier Contract Amendment Letter	Provides existing suppliers with information about ring-fencing and their obligations, along with resultant amendments to their contract.
SP.3	PO Transfer Notification Letter	Provides existing suppliers with information about ring-fencing and their obligations, along with resultant amendments to their purchase order/s.
SP.4	SA Power Networks' Relationship to Enerven communication	Provided suppliers information on our requirements under the Ring-fencing Guideline, and the role of the Procurement team as a shared service function to all parts of the SA Power Networks group (including Enerven).
WAIVERS		
W.1	Waiver Register	A register of waivers approved by the AER which is published on the SAPN website.
COMPLIANCE AND ENFORCEMENT		
C.1	Regulation Ring-fencing Compliance Procedure	Provides the ring-fencing procedures managed by the Regulation branch, including breach reporting, annual compliance reporting, updating of registers, and internal quarterly reporting.
C.2	Regulation Ring-fencing Annual Internal Compliance Questionnaire	Confirms obligations with General Managers and Level 3 Managers and checks for compliance and appropriate controls.
C.3	Annual Compliance Report and Independent Assessment	As required by Guideline section 6.2.
B.1	Breach Management Governance Framework	Provides the framework for breach reporting, including treatment of material breaches and the involvement of the Breach Management Committee.
B.2	Breach Reporting Quick Reference Guide	Guides staff on the breach reporting process and highlights the importance of reporting any potential breach.