

Ring-fencing Annual Compliance Report

1 January – 31 December 2023



Contents

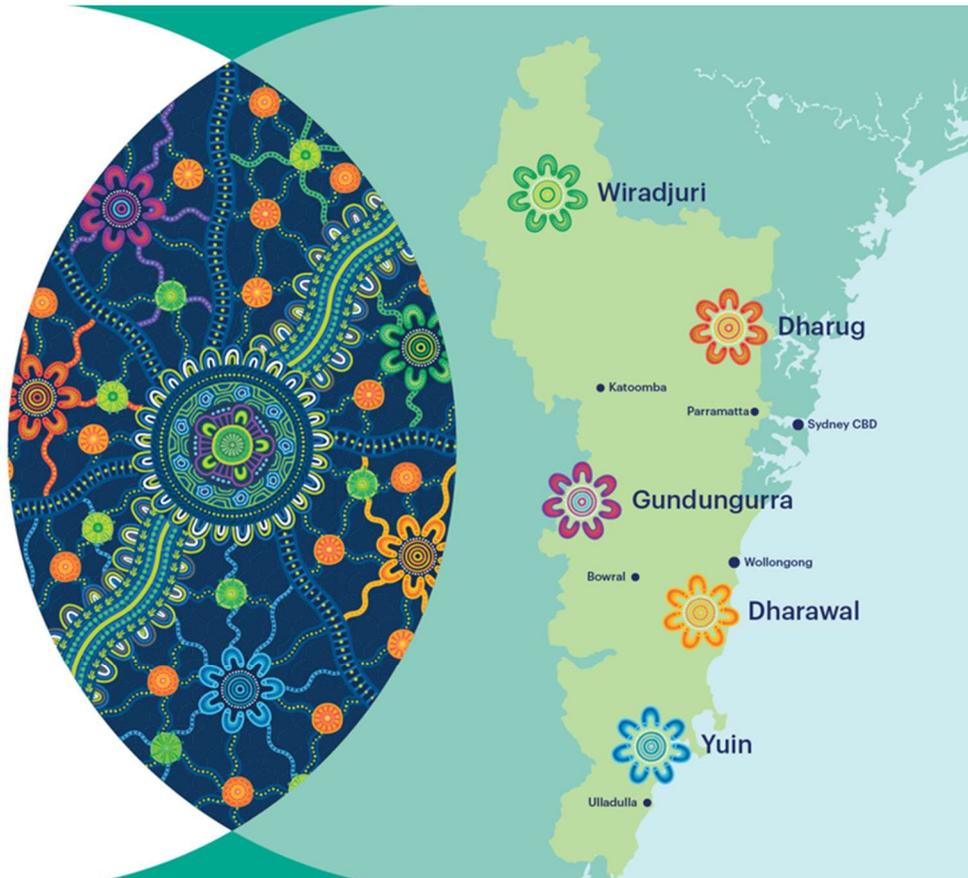
Overview	3
Introduction	4
The Guideline	4
Year in review	5
Compliance Reporting	7
Maintaining compliance	10
Registers	14
Waivers	16
Performance Improvement Observations	21
Other services provided by the DNSP	24
Transactions between the DNSP and RESP	26
Approach to Compliance	28
Independent Assessment	34



Acknowledgment of Country

Endeavour Energy acknowledges the Traditional Custodians of Country where we work - the people of the Dharug, Wiradjuri, Dharawal, Gundungurra and Yuin nations.

We recognise their continuing connection to the land, waters, and community and pay our respect to Elders, past and present.



Overview

A DNSP must prepare an annual ring-fencing compliance report each calendar year in accordance with this clause 6.2.1, and submit it to the AER in accordance with clause 6.2.2.

Endeavour Energy is a safety-focused and customer-centred business, serving over 2.7 million people living and working across Sydney's Greater West, the Blue Mountains, the Southern Highlands, Illawarra and the South Coast of NSW. Our people take great pride in being of service to our communities by efficiently distributing electricity to our customers in a way that is safe, affordable, reliable and sustainable.

Due to rapid industry changes, we are transitioning from a traditional 'poles and wires' business to a customer-centred distributed system operator where energy flows in two directions and smart meters, batteries and solar generation enable customers to generate, store and sell electricity back into the grid as we move to a clean energy future.

This report has been prepared to address Endeavour Energy's regulatory and reporting obligations under the Australian Energy Regulator's (AER) Electricity Distribution Ring-fencing Guideline (Version 3) (the **Guideline**) for the period 1 January to 31 December 2023 (the **reporting period**). Throughout this reporting period, we have sought out opportunities to learn from breaches and "near misses", improve our processes and enhance our capacity to achieve compliance in a range of circumstances.

This report identifies each ring-fencing obligation and the compliance control that applies to each obligation. We anticipate that this report will contribute to public confidence that the policy objectives of supporting competitive markets as well as providing market clarity and a level playing field for all energy service providers is being satisfied.

Compliance Statement

Other than the self-identified breaches disclosed in **Section 1** – Compliance Reporting, Endeavour Energy confirms that it has complied with the Guideline for the reporting period.

Endeavour Energy's Values



Introduction

Clause 6.2.1(b) of the Guideline sets out those matters that Endeavour Energy is required to include in this report to demonstrate compliance with the Guideline. Specifically, the compliance report must identify and describe, in respect of the period to which the report relates:

- i. the measures the Distribution Network Service Provider (**DNSP**) has taken to ensure compliance with its obligations under this Guideline;
- ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP;
- iii. all other services provided by the DNSP in accordance with clause 3.1; and
- iv. the purpose of all transactions between the DNSP and an affiliated entity.

In addition to the content of this report it must be accompanied by an assessment of compliance with each provision of the Guideline by a suitably qualified independent authority.

This report may be made public by the AER and has been prepared with the expectation that such disclosure will occur.

Endeavour Energy is required to submit this report and accompanying compliance assessment for the reporting period to the AER by 30 April 2024.

The Guideline

Clause 6.17.1 of the National Electricity Rules (**NER**) requires that all DNSPs must comply with the Guideline published by the AER.

The AER published version 3 of the Electricity Distribution Ring-fencing Guideline on 3 November 2021, and as set out in the AER's Guideline, the objective is to:

- promote the National Electricity Objective by providing for the accounting and functional separation of the provision of direct control services by DNSPs from the provision of other services by them, or by their affiliated entities; and
- promote competition in the provision of electricity services.

The Guideline imposes obligations on DNSPs targeted at, among other things:

- cross-subsidisation, with provisions that aim to prevent a DNSP from providing other services that could be cross-subsidised by its distribution services; and
- discrimination, with provisions that aim to:
 - prevent a DNSP conferring a competitive advantage on its related electricity service providers that provide contestable electricity services; and
 - ensure a DNSP handles ring-fenced information appropriately.

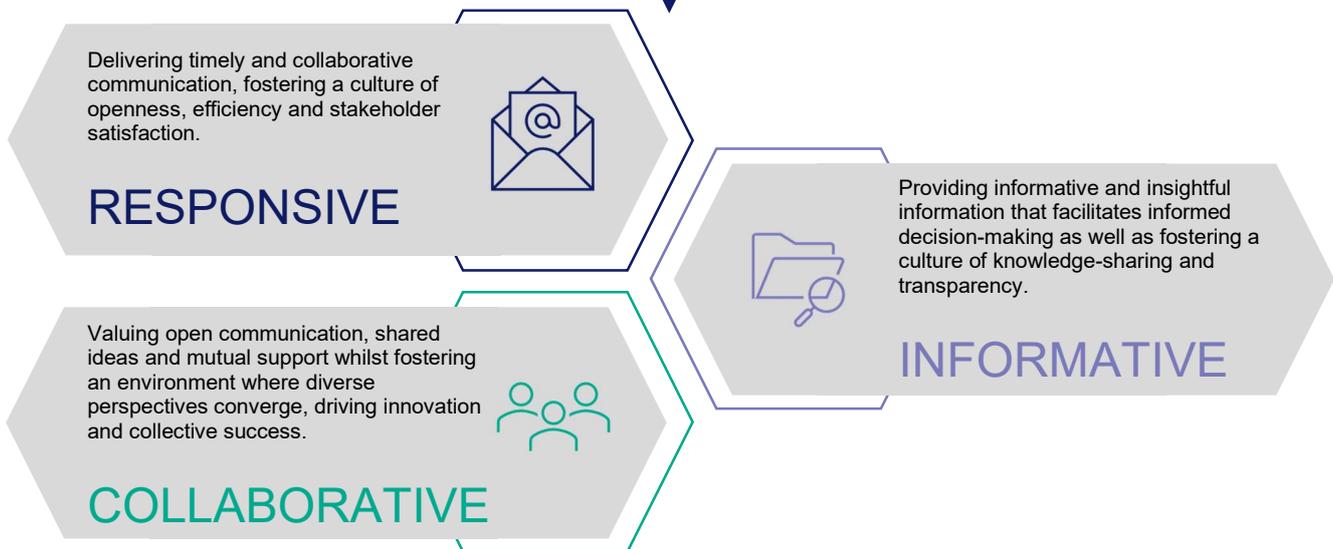
Section 2 details Endeavour Energy's compliance with the Guideline for the reporting period.

RING-FENCING COMPLIANCE

YEAR IN REVIEW 2023



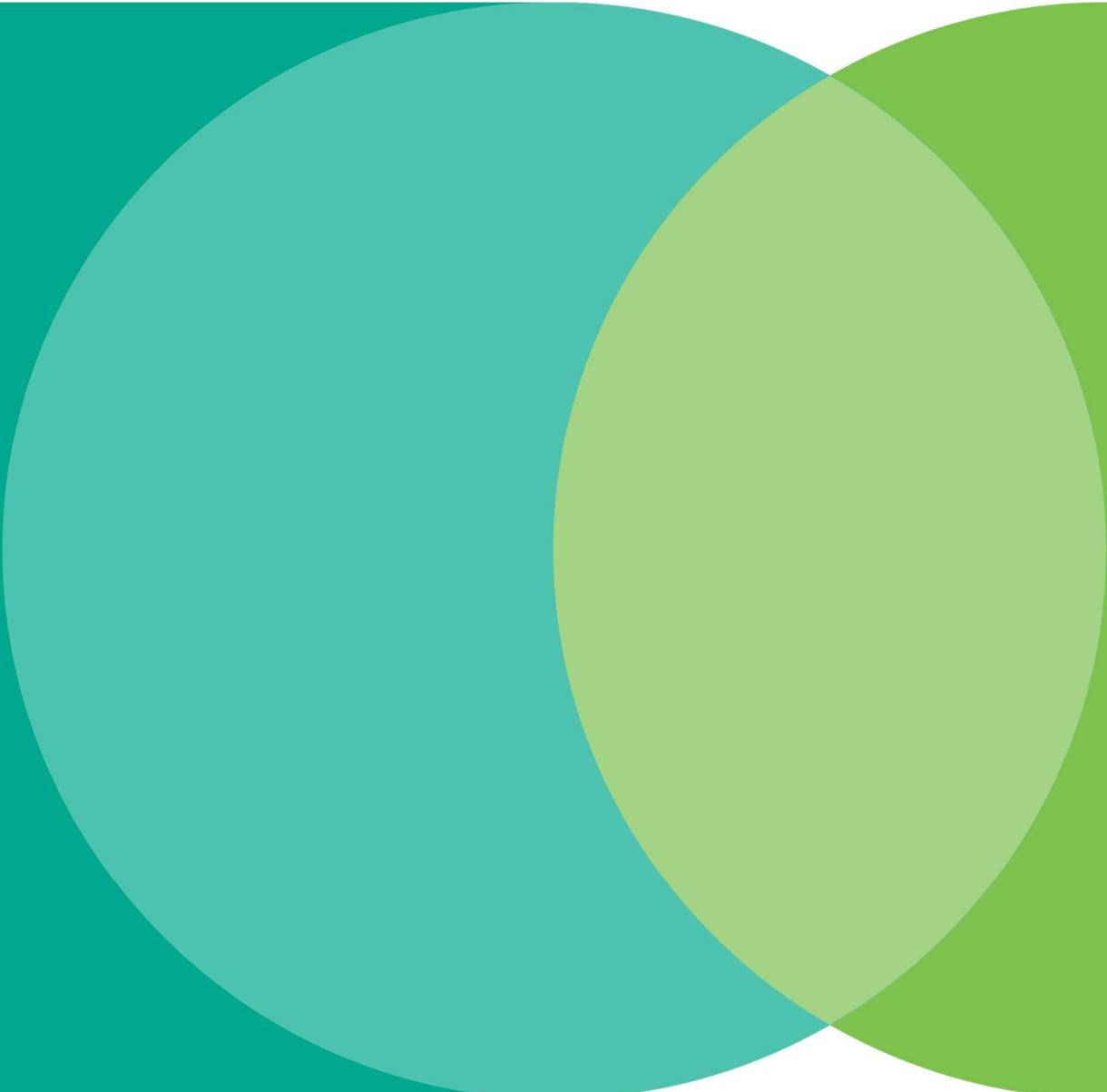
Endeavour Energy is a safety-focused and customer-centred business, and our staff take great pride in being of service to our communities. We're continually working with our customers, stakeholders and regulators to adapt to rapid changes in our industry and enormous growth across our network.



Endeavour Energy's regulatory compliance activities operate within a regulatory framework to facilitate uniform, clear and unambiguous compliance and reporting requirements. This framework and approach to compliance is intended to support the management of regulatory obligations, implementation of compliance activities and demonstration of compliance.

Section 1

Compliance Reporting



Compliance Reporting

Endeavour Energy's Compliance Improvement Program

As part of the Regulatory Assurance Compliance Improvement Program, a targeted Compliance Testing Program (CTP) was implemented in FY21-22 to address each identified breach, or improvement opportunity. This CTP outlines corrective actions to address issues as well as assess and manage ongoing compliance risks.

The Regulatory Assurance team has:

- identified and assessed compliance risks;
- developed and implemented a comprehensive testing program;
- established effective controls; and
- provided ongoing monitoring and evaluation of the targeted program.

Since the implementation of the CTP, considerable uplift has been demonstrated. The CTP has been effective in ensuring greater accountability and more targeted enforcement in areas that require it. This has resulted in reduced risk of non-compliance, as well as an improved understanding of ring-fencing obligations across Endeavour Energy.

The Regulatory Assurance team will continue to monitor and assess the current program to identify any gaps or areas for improvement. Investment in Compliance Management Software, "Resolver", during 2023 has assisted in automating and streamlining the compliance improvement processes already in place, including by improving reporting capabilities and uplifting compliance "ownership" within the business.

Ongoing monitoring and improvement to the CTP will continue to maintain a high standard of compliance. Regular reviews help identify any potential areas of risk or non-compliance. Additionally, procedures and controls will continue to be reviewed regularly and included within the CTP to ensure the plan remains up to date and in line with the Guideline's requirements.

Endeavour Energy continues to be committed to taking all necessary steps to embed awareness within the business of obligations under the Guideline, identify and remediate breaches, and ensure the highest levels of regulatory compliance are met. The Regulatory Assurance team is a key enabler in this ongoing commitment, including through continuing to develop and implement corrective measures to address breaches and capturing this uplift as part of the CTP within the overall Compliance Improvement Program.

Breaches of the Ring-fencing Guideline

Breaches Notified to the AER – 1 January to 31 December 2023

Endeavour Energy must notify the AER in writing within 15 business days of becoming aware of a breach of its obligations under the Guideline, except for a breach of clause 6.2.2 or 6.3. Within the reporting period, Endeavour Energy notified six breaches to the AER. These are summarised in the table below.

Obligation	Summary of breaches notified to the AER in the reporting period
Obligation to have separate branding and avoid cross-promotion Clause 4.2.3	<ul style="list-style-type: none">• Endeavour Energy employee posted on a social media platform mentioning both Endeavour Energy and Ausconnex in the same post with an accompanying photograph with both brands identified. <i>(date notified to AER: 30 March 2023)</i>• An Endeavour Energy branded vehicle attended an Ausconnex worksite. <i>(date notified to AER: 26 April 2023)</i>• A Design Engineer working as a shared resource for Ausconnex copied the Ausconnex client on an email (sent from an Endeavour Energy email address) <i>(date notified to AER: 10 November 2023)</i>
Obligation to protect ring-fenced information Clause 4.3.1	<ul style="list-style-type: none">• An Endeavour Energy employee transferring to Ausconnex continued to have access to emails and shared corporate drives that could potentially contain ring-fenced information via a legacy from their previous role held at Endeavour Energy where access was not remediated. <i>(date notified to AER: 17 April 2023)</i>• An employee transferring to Endeavour Energy from Ausconnex maintained dual access to both entities system for a short period of time. <i>(date notified to AER: 9 June 2023)</i>• Four Ausconnex employees were erroneously provisioned with SAP profiles that potentially enabled read only access to Endeavour Energy Goods and Service orders. <i>(date notified to AER: 9 October 2023)</i>

Section 2

Compliance with the Ring-fencing Guideline

Maintaining compliance

Ring-fencing compliance is supported by Endeavour Energy's risk management and compliance framework, robust reporting processes, regular training and effective controls

Endeavour Energy's risk management and compliance framework is overseen by the Board Audit and Risk Committee. Compliance and governance effectiveness is supported by independent review and assessment by the internal audit function. From an operational perspective, the layered compliance system cascades from an overarching business risk identification and governance reporting regime, maintained by the corporate Governance, Risk and Assurance team, through to workplace instructions and reporting implemented by teams with functional responsibility.

Ring-fencing compliance is centrally coordinated and reported within the Regulatory Assurance section due to the breadth of subject matter expertise required. To enable compliance with ring-fencing obligations to be embedded effectively across Endeavour Energy, accountability for the implementation and operation of specific controls rests with responsible persons with the most direct responsibility for the relevant control and/or compliance area. Please refer to **Appendix A** for a summary of the controls that Endeavour Energy has in place to achieve and maintain compliance against each element of the Guideline.

Regulatory Assurance reports on compliance-related matters, including ring-fencing, to the Executive Leadership Team and the Board (the Audit and Risk Committee, and the Regulatory Committee).

Company Procedure GRG0013 *Compliance Reporting for Ring-fencing Guidelines* provides a consistent organisational framework for reporting compliance with the Guideline, setting out the process and requirements for:

- notification of compliance breaches to the AER;
- Endeavour Energy's Compliance Monitoring Framework Matrix; and
- the annual compliance reporting cycle.

To enable ongoing engagement regarding ring-fencing compliance, the Regulatory Assurance team monitors a dedicated ring-fencing email inbox through which internal and external persons may raise questions or concerns regarding ring-fencing compliance. In particular, there is a high degree of scrutiny on ensuring that Endeavour Energy complies with its obligation not to discriminate in favour of Ausconnex, demonstrated by Endeavour Energy conducting its interactions with Ausconnex and competitors in the same manner, including in terms of service and quality, terms and conditions, responsiveness and reliability. Endeavour Energy's Ring-fencing Compliance Control Matrix at Appendix A details nine over-arching controls that support multiple obligations including the obligation not to discriminate. These Core Controls are supported by an additional 38 key controls supporting the individual obligations as listed.

Ring-fencing obligations continue to be communicated to staff via internal communication channels, the eLearning module reinforcing Endeavour Energy's Competing Fairly culture,¹ and Endeavour Energy's internal SharePoint site. In addition, policies and procedures are reviewed and updated in accordance with review cycles and communicated to all staff to ensure ongoing compliance and awareness of ring-fencing obligations.

¹ All permanent staff, including Ausconnex, Alliance Partner Contractors and Agency Temp Contractors, receive the eLearning module. This training is automatically provisioned for all new starters via the onboarding curricula.

MAINTAINING COMPLIANCE



LEGAL SEPARATION

Endeavour Energy is a **DNSP** and a legal entity.

Legal separation is achieved through the existence of Endeavour Energy's related electricity service provider (**RESP**), Ausconnex. Endeavour Energy (Network Operating Partnership) is **legally separated** from Ausconnex (Network Unregulated Partnership).

Endeavour Energy and Ausconnex have **separate Australian Business Numbers (ABNs)**.

Contractual arrangements in relation to corporate services and asset sharing are formally defined in a Business Support Agreement between the two entities.



COST ALLOCATION

Endeavour Energy allocates costs to distribution services in a manner that is consistent with the Cost Allocation principles and the approved **Cost Allocation Methodology** approved by the Australian Energy Regulator and maintains appropriate records to comply with clauses 3.2.2 (a) and (b) of the Guideline.

The Accounting for Ausconnex Guideline, an **internal accounting procedure**, has been established and is reviewed on an annual basis in order to demonstrate the extent and nature of transactions between Endeavour Energy and Ausconnex.

Endeavour Energy's **financial data is audited annually** and provided to the AER via the annual Regulatory Information Notice process.



INFORMATION ACCESS & DISCLOSURE

Endeavour Energy's Information Sharing Protocol and Approach outlines the **guiding principles** for providing equal access to electricity information. The **Information Sharing Protocol and Approach** has been published on the corporate website.

The process for the management of electricity information requests from internal and external parties is documented in a **company procedure**. The **Information Sharing Register** is updated on a quarterly basis.

Additional scripts have been deployed in SAP to automatically provision **system access for employees** in accordance with ring-fencing requirements. This user access is tested in accordance with the ICT Security Calendar.

Data Loss Prevention (DLP) controls are in place to alert the Information Security Team if confidential information is sent outside of Endeavour Energy to an external third party or Ausconnex.



STAND-ALONE POWER SYSTEMS

Endeavour Energy has established a **Regulated Stand-Alone Power Systems (SAPS) Reporting Register**. This register is updated quarterly and identifies regulate SAPS used by Endeavour Energy to provide other services.

Endeavour Energy is considered a Category 3 DNSP under the Guideline. Appropriate cost allocation measures are in place to ensure SAPS generation services up to a **generation revenue cap** of 0.02% is monitored and accounted for.

This is a new requirement under version 3 of the Guideline. Endeavour energy outlines compliance with the **SAPS National Framework** in Section 8 of this report.

There are currently no SAPS on the Endeavour Energy network.

MAINTAINING COMPLIANCE



STAFF SHARING

Endeavour Energy has established **Staff Segment Definitions** to assist with the classification of positions according to the nature of services being provided, access to information and the ability for staff to discriminate within the context of their role.

A clearly defined process for updating the **Staff Sharing Register** quarterly has been documented and addresses the key requirements of the Guideline.

People and Culture processes are clearly defined and documented for all onboarding requirements and staff transfers between Endeavour Energy and Ausconnex.

Endeavour Energy's **eLearning module** reinforces to all staff the importance of consulting the Staff Sharing Register.



BRANDING & CROSS-PROMOTION

Endeavour Energy and Ausconnex continue to maintain **separate and distinct branding** with independent advertising, communication and promotional materials.

Each employee is tasked with the **responsibility** of ensuring worksite signage, uniforms, vehicles, plant and equipment are branded correctly.

Communication with employees as well as eLearning emphasises the importance of not promoting the two brands together. In addition to the areas identified in the field, Regulatory Assurance continues to perform quarterly reviews on **branding and cross-promotional compliance** with the Guideline across all digital platforms as well. This includes websites, report formats, digital forms and social media.



CONDUCT OF SERVICE PROVIDERS

All Endeavour Energy's Standard Commercial templates and Purchase Order terms include the **Conduct for Service Providers clause**.

Endeavour Energy's Supply Chain team have **established a framework** to support the negotiation process and provide a consistent corporate response to the application of the Conduct for Service Providers clause across the company's procurement and purchasing-related activities. For deviations to Endeavour Energy's Standard Commercial templates approval by the company's in-house legal team is required.



PHYSICAL SEPARATION

Ausconnex employees remain **physically separated** from Endeavour Energy employees undertaking direct control services with access to electricity information.

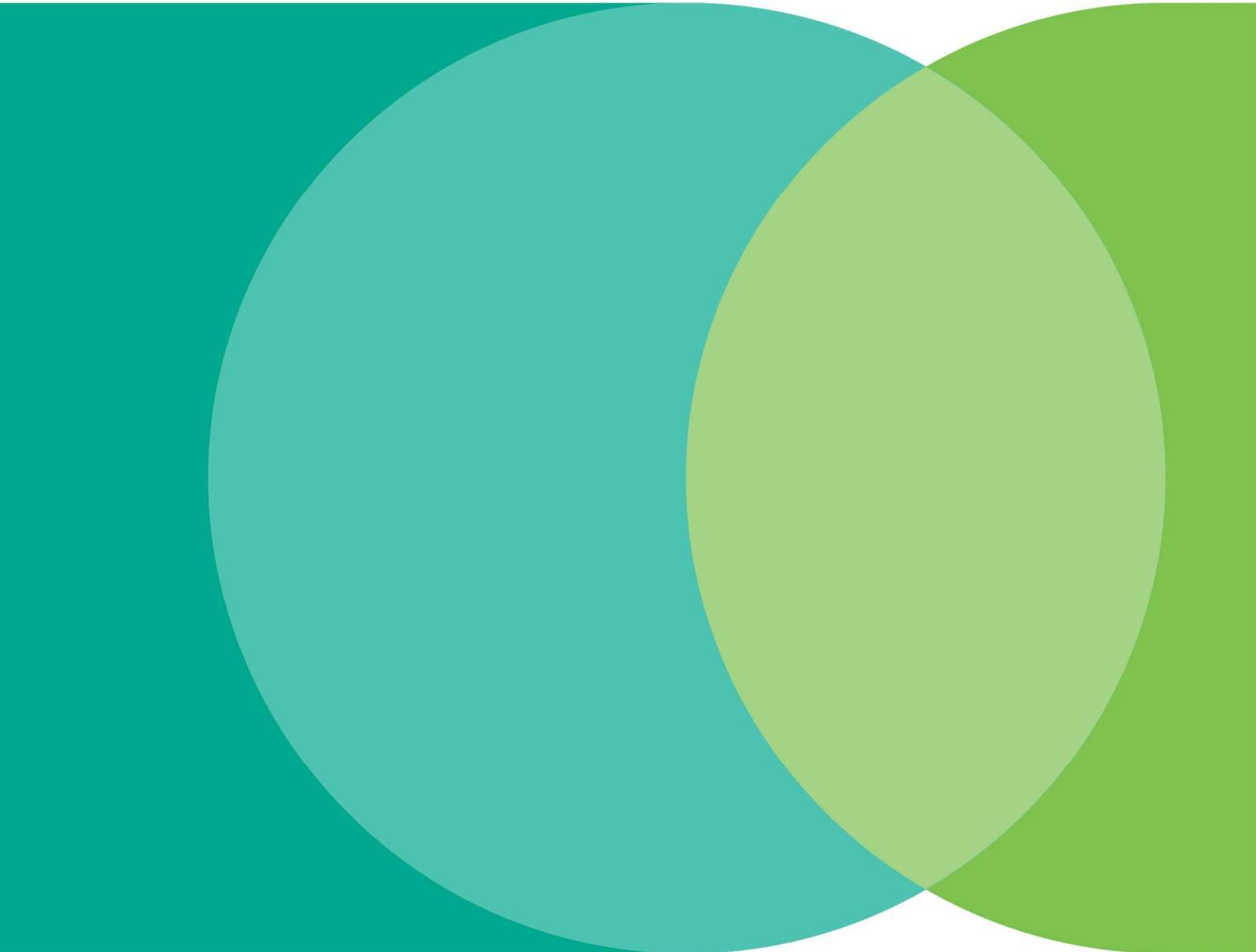
Ausconnex has premises located at Glendenning and Hoxton Park. Endeavour Energy operates a Central Logistics Facility function at Glendenning. The Endeavour Energy employees that are co-located with Ausconnex are physically separated within the office space and do not have access to electricity information. A **licence** is in place between the two entities for the office and workshop space at these locations.

Regulatory Assurance conducts **quarterly reviews** of physical separation arrangements.

The **Office Sharing Register** is updated quarterly.

Section 3

Registers



Registers

In accordance with the Guideline, Endeavour Energy has maintained and published registers during the reporting period, with updates occurring on a quarterly basis (no later than the 15th of January, April, July and October) and subsequent publication on Endeavour Energy's corporate website.



Staff Sharing Register

The register lists those employees who hold positions in Endeavour Energy's DNSP business who, from time to time, are shared with Ausconnex. These positions have been assessed against the criteria set out in clause 4.2.2(b) of the Guideline and are considered to have met one or more of the exceptions from the obligation not to share employees between the DNSP and the RESP.

Updated: Q1 – 12 April 2023, Q2 – 12 July 2023, Q3 – 5 October 2023, Q4 – 4 January 2024.



Office Sharing Register

The register lists the offices in relation to the obligation to use a separate office in clause 4.2.1(a) does not apply, by reason of one of the exceptions in clause 4.2.1(b)(i) or 4.2.1(b)(iii).

Updated: Q1 – 1 April 2023, Q2 – 5 July 2023, Q3 – 9 October 2023, Q4 – 2 January 2024.



Information Sharing Register

The register lists the legal entities who have requested access to information identified in clause 4.3.3(a), a description of the kind of information requested by the legal entity and whether the request was approved or declined.

Updated: Q1 – 14 April 2023, Q2 – 14 July 2023, Q3 – 9 October 2023, Q4 – 8 January 2024.



Regulated Stand-alone Power Systems (SAPS) Register

The register identifies each regulated stand-alone power system used by Endeavour Energy to provide other services. Endeavour Energy have not reported any regulated SAPS during the reporting period.

Updated: Q1 – 1 April 2023, Q2 – 3 July 2023, Q3 – 3 October 2023, Q4 – 2



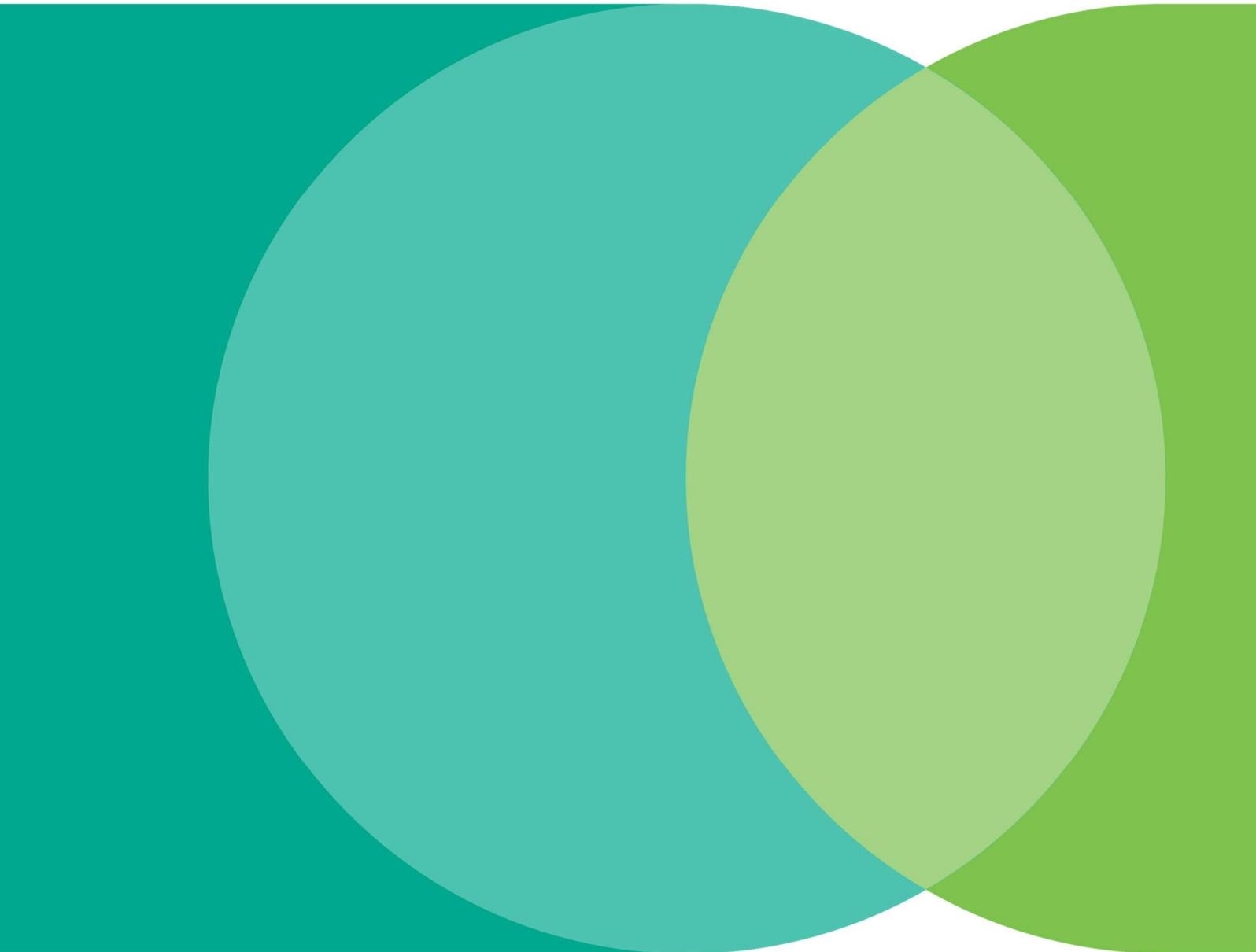
Waiver Register

The register lists all waivers, including any variations, granted to Endeavour Energy and includes a description of the conduct to which the waiver applies and the terms and conditions of the waiver as set by the AER. Further details of Endeavour Energy's waivers are detailed in Section 4.

Updated: Q1 – 1 April 2023, Q2 – 14 July 2023, Q3 – 10 October 2023, Q4 – 10 January 2024.

Section 4

Waivers



Waivers

Endeavour Energy's Waiver Register is updated on a quarterly basis and published on the corporate website in accordance with clause 5.7(a) of the Guideline. The register includes a description of the conduct to which the waiver applies, and the terms and conditions of the waiver as set by the AER.²

This section sets out Endeavour Energy's compliance with the terms and conditions of the two waivers requiring reporting via this annual compliance report.

Batteries funded under the Commonwealth Government's Community Batteries for Household Solar Program

The Community Batteries for Household Solar Program allows eligible DNSPs to apply for funding to cover capital costs for 400 new community batteries on low voltage networks across Australia. Due to concerns regarding the potential for cross subsidisations, discrimination and subsequent impacts on competition on the market for battery services, the Guideline restricts DNSPs from leasing energy storage devices to another legal entity without a ring-fencing waiver from the AER.

DNSP-led projects that meet the classes and criteria of this waiver are exempt from the following clauses:

- 3.1(b) Legal separation;
- 4.2.1(a) Physical separation/ co-location; and
- 4.2.2(a) Staff sharing

This waiver was granted on 3 February 2023 and expires on 30 June 2041 and is subject to the following criteria as published by the AER:

1. *A DNSP must comply with the Cost Allocation Principles that require a DNSP to appropriately allocate and attribute costs for use of the asset between direct control services, other distribution services, and other services.*
2. *A DNSP must provide, as part of that DNSP's independently audited annual ring-fencing compliance report that is required under clause 6.2 of the Guideline.*
 - a. *the total quantified benefit derived from the deployment of the asset or all services over the most recent financial year;*
 - b. *the total quantified benefit derived from the deployment of the asset from direct control services over the most recent financial year;*
 - c. *the total quantified benefit derived from the deployment of the asset from other distribution services and other services over the most recent financial year; and*
 - d. *a comparison of the uses (volume and frequency) of the battery that confirms the usage by the DNSP and usage by its retail partner (or other third party), including the initial proposed allocation as a baseline against which actual usage of the assets can be compared.*

The following criteria will apply to projects which fall within class (a) or (b):

3. *A DNSP must provide the AER with information as to the terms and conditions of the contracts entered into with third parties for the leasing of battery capacity. This information should include:*
 - a. *the name of the contracting party or parties;*
 - b. *the volume of capacity (in kW or kWh) leased to that party or parties;*
 - c. *the price the capacity is leased for; and*
 - d. *which party controls the operation of the battery and on what terms.*

Reporting

² Copies of Endeavour Energy's previous waivers and the AER's decision can found on the AER's website.

Endeavour Energy's waiver register has been updated for the reporting period to include the Commonwealth Government's Community Batteries for Household Solar Program waiver.

Endeavour Energy's projects under the Community Batteries for Household Solar Program waiver were initiated in July 2023, following execution of award agreements with the Commonwealth in June 2023. Tendering for a market partner was planned for December 2023; this occurred in January 2024. Endeavour Energy anticipates that at least three months will be required for tender evaluation and contract negotiation; the earliest likely execution of a contract with a third party for leasing of battery capacity is May 2024.

At the time of writing this Assurance Report, Endeavour Energy had not entered into a contract with third parties for the leasing of battery capacity.

Ring-fencing waiver (streamlined process)

Endeavour Energy applied to the AER for a ring-fencing waiver from clause 3.1 of the Guideline to conduct a trial with a confidential retail partner, by leasing three battery energy storage systems (**BESS**) across the Endeavour Energy network. The waiver was granted on the basis that the assets and associated costs are subject to reporting, noting that the AER reserves its right to amend its approach to considering future streamlined waiver applications as and when more information becomes available from waiver participants.

This waiver was granted on 13 February 2023 and expires on 31 December 2037 and is subject to the following conditions as published by the AER:

- *Providing the AER with information on the contractual relationship between Endeavour Energy and its retail partner. This information includes the contractual terms, conditions and payments. This information should be provided to AERringfencing@aer.gov.au within 20 business days of the contract being finalised.*

Where there are changes in this contractual arrangement, the AER should be notified within 20 business days. We acknowledge the commercially sensitive nature of this information and will treat this information accordingly, noting our policies regarding information privacy and disclosure of information. Included at Appendix A to this waiver is a template which may be used for the provision of this information.

- *Ex-post public sharing of information about the batteries (eg. location(s), size, intended purposes and uses, and a key contact for external stakeholders if they wish to discuss the project further) and any useful learnings that will support the battery market.*
- *Providing the AER, as part of Endeavour Energy's independently audited annual ring-fencing compliance report that is required under clause 6.2 of the guideline:*
 - *The total quantified benefit derived from the deployment of the BESS from all services over the most recent financial year;*
 - *The total quantified benefit derived from the deployment of the BESS from direct control services over the most recent financial year;*
 - *The total quantified benefit derived from the deployment of the BESS from other distribution services and other services over the most recent financial year; and*
 - *A comparison of uses (volume and frequency) of the battery that confirms the usage by Endeavour Energy and by its retail partner, including the initial proposed allocation as a baseline against which actual usage of the BESS can be compared.*

Reporting

Contractual relationship:

The Trial Umbrella Agreement between Endeavour Energy and Origin Energy is the executed contract governing the batteries covered by this ring-fencing waiver. This contract was executed on 6 July 2023 and information concerning the contractual relationship provided via email to the AER on 17 July 2023.

Battery installation:

The intended purpose of the three (3) batteries installed is to provide network support services (peak shaving and voltage support) when required by Endeavour Energy. When not required for network support services, the batteries provide services in the National Electricity Market (NEM) wholesale market.

Unit	Location	Capacity	Manufacturer and Model
1	Corner Steeltrap Drive and Charles Smith Avenue BUNGARRIBEE NSW 2767	30 kW, 79 kWh	Xolta BAT-79
2	Sovereign Circuit SHELL COVE NSW 2529	30 kW, 79 kWh	Xolta BAT-79
3	Emily Circuit, at Caley Street BOWRAL NSW 2576	30 kW, 79 kWh	Xolta BAT-79

Endeavour Energy's contact is Matthew Pellow (matthew.pellow@endeavourenergy.com.au), Energy Storage Lead.

Informational summary:

- Unit 1 was commissioned in mid-2023. As of 31 December 2023, Endeavour Energy has not dispatched this unit for direct control services or other distribution services. The battery has, however, been responding to Distribution Use of System (DUOS) price signals under the N95 battery tariff. The total quantified benefit from these service categories is zero as of 31 December 2023.
- Unit 1 has experienced a series of communications instabilities since its installation, and Endeavour Energy's project work since the granting of the waiver on 13 February 2023 has focused on:
 - troubleshooting the communications issues, in coordination with the overseas battery vendor and local service partner; and
 - progressing the installation of Unit 2 and Unit 3.
- Unit 2 and Unit 3 were installed in October 2023, and required onsite service to achieve the communications capability required for battery operation, which was carried out in January 2024.
- With installations and commissioning now complete, Endeavour Energy expects to begin actively dispatching these three units for direct control services during the 2024 reporting period.

Quantified benefits and comparison of uses:

Unit	Quantified benefit derived from the deployment of the BESS from:			Share of total benefit from direct control services ³	Original estimate of RAB allocation ⁵
	All services ³	Direct control services ³	Other distribution services ³⁴		
1	\$ 0	\$ 0	(\$720)	0%	19%
2	\$ 0	\$ 0	\$ 0	0%	45%
3	\$ 0	\$ 0	\$ 0	0%	47%

³ from 13 February to 31 December 2023

⁴ the battery provides continuous local power quality support. This will require a longer period of continuous uninterrupted operation to quantify and determine the value

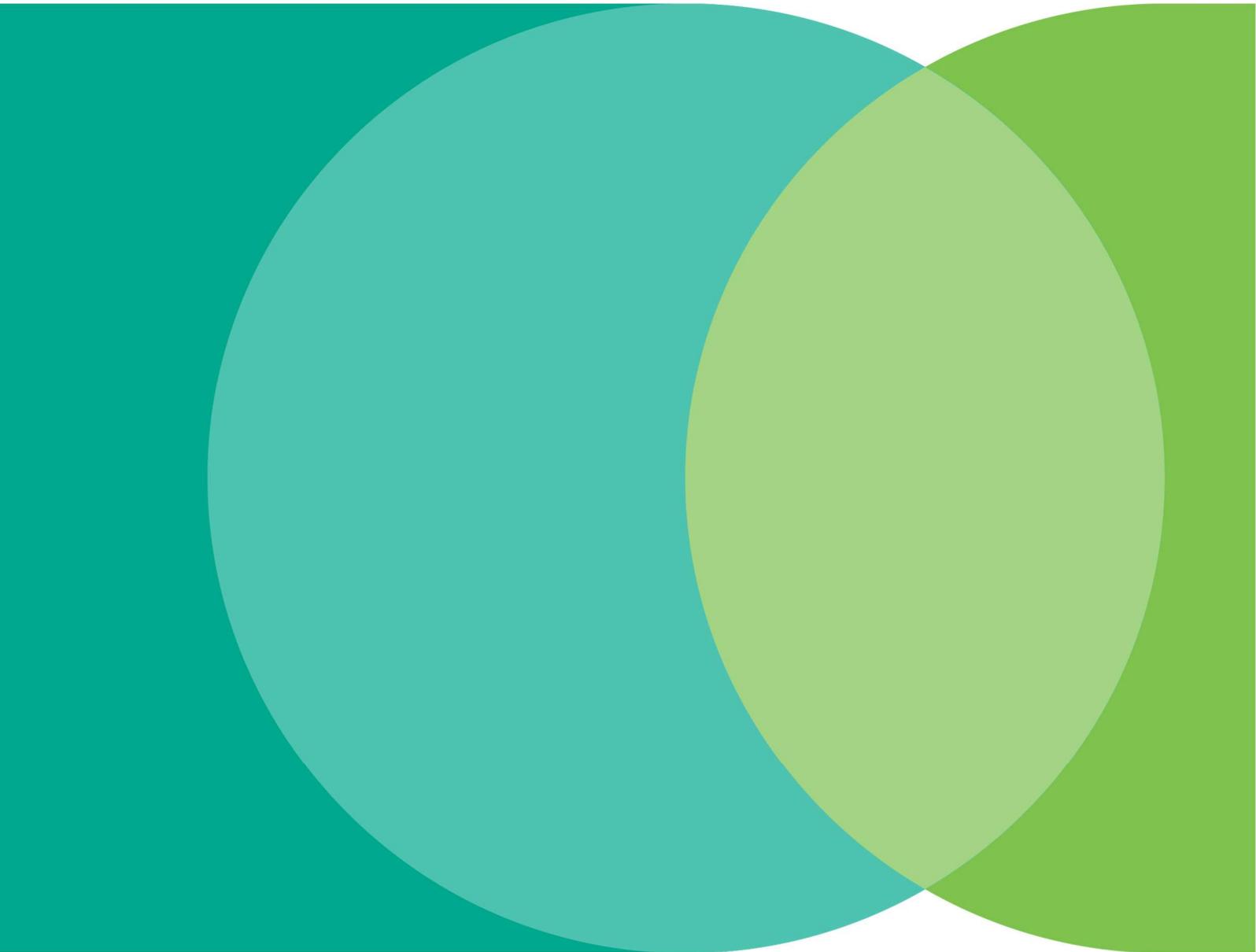
⁵ as per Endeavour Energy's ring-fencing waiver application

As indicated in the informational summary above, as at 31 December 2023, only Unit 1 was operational. In relation to Unit 1, 100% of the use of the battery was by the retail partner, Origin Energy (i.e., no use by Endeavour Energy).⁶

⁶ For completeness, Unit 1 dispatched 11,391kWh during the reporting period.

Section 5

Performance Improvement Observations



Performance Improvement Observations

During the Annual Ring-fencing Compliance Assessment conducted by KPMG in early 2023, performance improvement observations (PIO) were raised in relation to the compliance activities for the reporting period. Endeavour Energy is committed to efficiently meeting its ring-fencing obligations and has made steady progress towards closing each of the PIOs identified by KPMG. All but one of the three PIOs identified are complete, with the outstanding actions to close out during the first half of 2024.

For completeness, an update on the progress of PIOs from the 1 July 2020 to 31 December 2021 reporting period has also been included.

Guideline Obligation	Observation raised by independent assessor	Performance Improvement Recommendation	Endeavour Energy Corrective or Remedial Action
Various	<p>The following company policy documents had not been reviewed within the timeframes specified in the documents:</p> <ul style="list-style-type: none"> - GMM001 - Producing Advertisements, Communication and Promotional Materials (last review date January 2017); - Company Policy 14.1 - Advertising, Communication and Promotional Materials (last review date January 2018); - GMM003 - Purchase, Use and Issue of Branded Promotional Products (last review date August 2017); and - GAM1100 - Electricity Information Requests (last review date December 2017). <p>As a result, several of the documents above still reference the Ring-fencing Guideline 2016 (v1). In addition, we noted that GRG0013 Compliance Reporting for Ring-fencing Guideline refers to an October annual reporting period and does not specify the version of the Ring-fencing guideline with which the company is currently complying.</p>	<p>We recommend all of the documents are reviewed in conjunction with the adoption of the Ring-fencing Guideline 2021 (v3) during the 2022 regulatory compliance period.</p>	<p>PIO2021-1: Complete</p> <p>GAM1100 and GRG013 were reviewed and updated during 2022.</p> <p>Head of Corporate Communications reviewed GMM001, GMM003 and 14.1 during the reporting period and amended the reference to the Ring-fencing Guideline.</p>
3.2.1(a) 3.2.2(a)	<p>The Accounting for Ausconnex internal procedure document refers to Ellipse (Endeavour Energy's ERP from 1 July 2020 to 30 September 2021) and Xero (Ausconnex's separate accounting system from 1 July 2020 to 30 September 2021).</p> <p>The approved CAM document refers to Ellipse (Endeavour Energy's ERP from 1 July 2020 to 30 September 2021) and related financial controls within that system.</p>	<p>Whilst both the Accounting for Ausconnex internal procedure document and the CAM document remain relevant at a principle level, the documents should be updated to reflect the use of the SAP accounting system and be made specific to post-ERP implementation process controls.</p>	<p>PIO2021-2: On hold</p> <p>Accounting for Ausconnex was reviewed and updated to reflect the use of SAP. The document continues to be reviewed annually to incorporate any changes or additions to internal accounting procedures.</p> <p>The internal CAM process document was finalised and approved by the Head of Commercial Finance on 14 March 2023.</p> <p>The external CAM document will be reviewed in parallel with the 2024-29 Reset and outcome of Renewable Energy Zone bid. The update will also consider whether changes are required as part of the implementation of Endeavour Energy's next 5-year business plan due for Board approval during Q3 FY24. If approved, the CAM is expected to be updated by Q3 FY25.</p>

4.2.2(a)	<p>During the course of our procedures, it came to our attention that a new role of Corporate Communications Manager - Growth had been established in January 2022. This role is responsible for supporting growth strategy and future growth opportunities within the Customer and Strategy Division, which includes both Endeavour Energy and Ausconnex.</p> <p>Endeavour Energy has not reported this role on the staff sharing register as it has classified the role as an engagement role and a corporate service falling under Clause 4.2.2(b)(i)(c) of the Guideline. The staff relocates to Ausconnex head offices one day a fortnight and maintains separate email accounts for Endeavour Energy and Ausconnex. The staff's salary is cost allocated to the Ausconnex business based on the one day a fortnight time allocation.</p> <p>We consider the distinction between a corporate communications role being a marketing or general administrative role to be judgmental in nature. Endeavour Energy has identified and disclosed in its Annual Compliance Report an area of clarification required on the definition of marketing as it relates to corporate communications roles and social media in general.</p>	We recommend that Endeavour Energy engage with the AER to seek clarification on the definition of marketing and the application of that definition to this role.	<p>PIO2022-1: Complete</p> <p>Endeavour Energy sought internal legal advice regarding the role or Corporate Communications Manager – Growth and is satisfied that it is compliant with the ring-fencing obligations.</p>
4.3.1	During testing, we observed that access to electricity information for these employees is controlled via access change management controls (i.e., by raising a ticket in Endeavour Energy's ticketing system and obtaining business line manager approval) on an individual employee basis. There is no system-restricted segregation of duty enforced in the SAP system applicable to Ring-fencing for Endeavour Energy employees.	We recommend that Endeavour Energy consider further defining SAP roles and network folders that contain electricity information and establish monitoring controls to review the access of those Endeavour Energy staff in shared roles and at shared office locations against this list of SAP roles and network folders on a regular basis.	<p>PIO2022-2: Complete</p> <p>Monitoring controls have been established to review SAP roles and network folders.</p>
4.4.1(a)	Endeavour Energy's standard terms and conditions have not been updated in the current period to reflect the change to complying with version 3 of the Ring-fencing Guideline published by the AER on 3 November 2021.	We recommend that management update its standard terms and conditions to reflect the latest Ring-fencing Guideline that Endeavour Energy is required to comply with.	<p>PIO2022-3: In Progress</p> <p>Management has commenced the process of updating the standard terms and conditions to reflect the latest Ring-fencing Guideline.</p> <p>Once the internal Legal team has endorsed the amendment, the updated standard terms and conditions will be finalised and published.</p>

Section 6

Other Services provided by the DNSP

Other services provided by the DNSP

Endeavour Energy provides other services being those directly addressed by clause 3.1(d)(i) of the Guideline which are also captured by the operation of the Shared Asset Guideline. Specifically, Endeavour Energy provides access to land and electrical infrastructure to other service providers, notably telecommunications companies, for a rental fee.

These other services do not interfere with the provision of standard control services. In some instances, “make ready works” undertaken by other service providers as a requirement for gaining access often augments or extends the life of the assets providing standard control services at no cost to electricity customers.

Section 7

Transactions between the DNSP and the RESP

Transactions between the DNSP and RESP

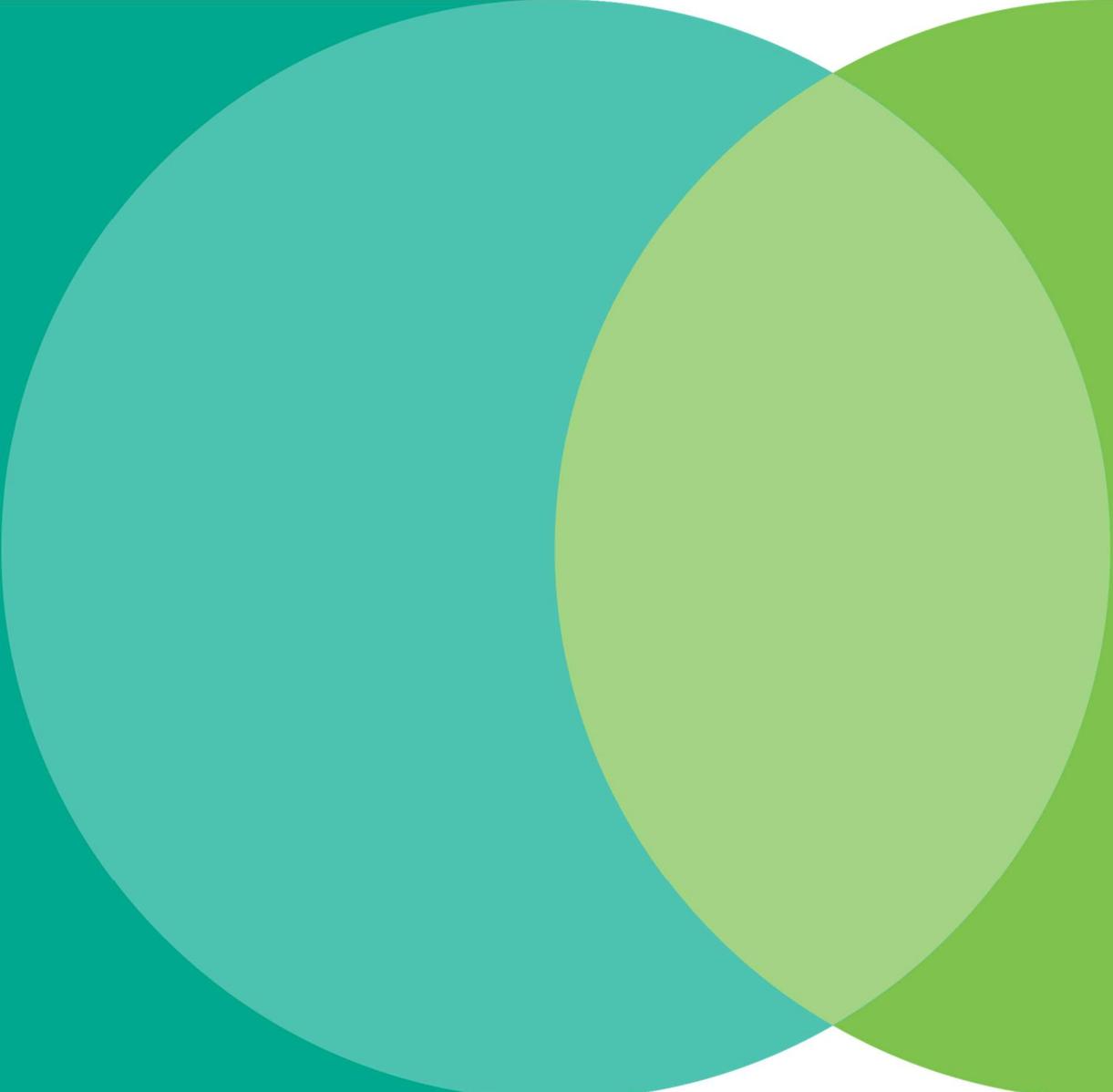
Clause 6.2.1(b)(iv) requires that Endeavour Energy disclose the purpose of all transactions with the RESP, Ausconnex. The table below outlines the transactions with the RESP grouped by common purpose and nature.

Due to the types of services undertaken by the RESP and the corporate services provided to the entity by Endeavour Energy, the transactions listed are exclusive payments to Endeavour Energy for corporate and other services provided to the RESP.

RESP	Purpose of Transaction	Nature and Status of Transaction
Network Unregulated Partnership trading as Ausconnex	Rental of office space from Endeavour Energy	<p>Ausconnex rents office space on land owned by Endeavour Energy.</p> <p>The office and workshop occupied at Hoxton Park is physically separated from Endeavour Energy office areas.</p> <p>The office occupied at Glendenning is shared with Endeavour Energy's Central Logistics Function with appropriate controls in place.</p> <p>This is expected to be an ongoing service provided to Ausconnex and charged based on size of occupancy area.</p>
Network Unregulated Partnership trading as Ausconnex	Provision of direct labour, materials, sub-contractor and other costs, including equipment/instrument usage	Endeavour Energy provides services to Ausconnex which includes use of staff (either partly or wholly allocated to Ausconnex), materials and sub-contractors used on Ausconnex projects and any incidental costs which all are on-charged to Ausconnex. Costs associated with equipment and/or instrument usage are also on-charged to Ausconnex.
Network Unregulated Partnership trading as Ausconnex	Provision of corporate services	Endeavour Energy provides corporate services to Ausconnex which includes IT equipment, infrastructure and support, accounting, legal support, insurance, corporate communications and logistics. These costs are charged monthly to Ausconnex based on the estimated amount of work that Endeavour Energy corporate functions undertake as well as whether it is reasonable for a business the size of Ausconnex.
Network Unregulated Partnership trading as Ausconnex	Provision of management resources	Endeavour Energy provides management/administrative staff to Ausconnex on a full-time basis. The cost of these people is on-charged to Ausconnex.
Network Unregulated Partnership trading as Ausconnex	Provision of direct labour, materials, sub-contractor and other costs	Endeavour Energy provides Network Ancillary Services. These are non-routine services distributors provide to individual customers on an 'as needs' basis. These costs are charged directly to Ausconnex as they are incurred.
Network Unregulated Partnership trading as Ausconnex	Provision of fleet services	Endeavour Energy provides fleet services to Ausconnex which includes lease/rent charges for fleet vehicles solely for Ausconnex use. Associated costs including Tolls, Fuel, and Registration etc are on-charged to Ausconnex.

Section 8

Approach to Compliance



Approach to Compliance

A compliance and monitoring framework exists to ensure that each ring-fencing obligation and responsibility is understood and mapped to the responsible business function and accountable Executive Leadership Team Member.

The identified controls continue to enable Endeavour Energy to monitor and maintain compliance with the Guideline.

Compliance and Monitoring Framework

Process and policy controls

Process and policy controls have been established to provide clear guidance and instruction to the business units undertaking activities of interest.

Contractual and financial controls

Contractual and financial controls have been established to provide governance around the types of interactions and services that Endeavour Energy and Ausconnex may provide or procure from the other and how these services will be charged and costed.

Regulatory and reporting controls

Regulatory and reporting controls have been established to support a compliance-orientated philosophy to the Guideline and embedding a once-removed approval process for some key changes to maintain a focus on securing compliance.

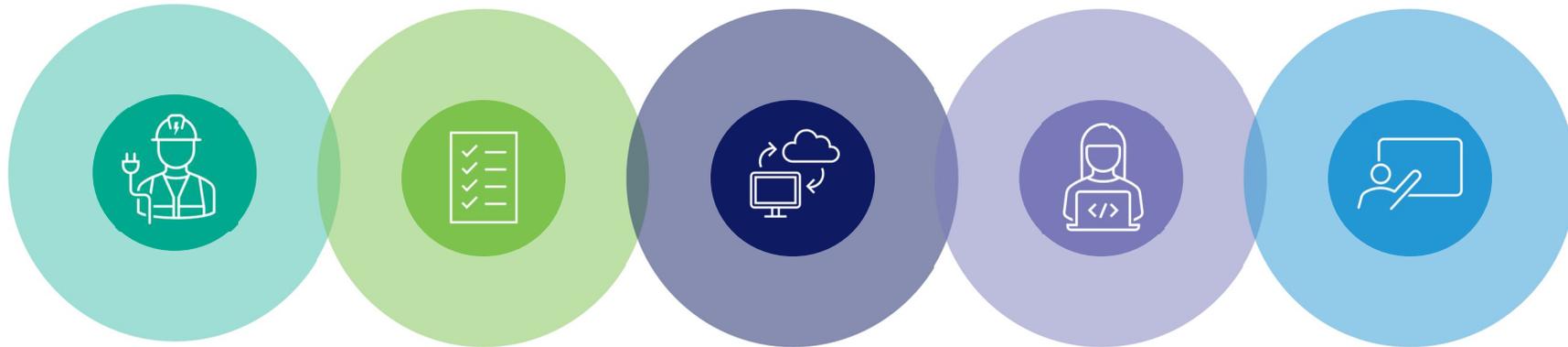
Embedding awareness of our obligations with employees allows them to act as an effective first line of defence in identifying issues and incidents to position Endeavour Energy for compliance. This is supported by online materials, such as FAQs, our Intranet site, SharePoint, online training modules and access to subject matter experts.

People & Culture, ICT and physical access

Our People & Culture controls have been established to provide role clarity to limit the opportunity for inadvertent breaches of the Guideline and to address potential incentives to breach the Guideline. These controls are supported by the *ICT and physical access controls* applied to all roles.

Other Compliance Activities

In addition to monitoring and reporting on the key compliance controls outlined in the Compliance Controls Matrix at Appendix A, Endeavour Energy also undertakes a number of other key compliance activities to support ring-fencing compliance.



Ausconnex Onboarding

An onboarding message has been developed for staff transferring from Endeavour Energy to Ausconnex. The message acts as a reminder to the transferee that Ausconnex operates in the contestable market as an ASP and that there are guidelines in place to prevent Endeavour Energy from giving Ausconnex a competitive advantage over other service providers in that market.

The email outlines how the staff member can help support unprecedented economic growth throughout the region and power communities for a brighter future while continuing to comply with the Guideline.

Breach Summary Review

Regulatory Assurance has developed a compliance testing plan based on previous breaches.

This compliance testing is carried out monthly or quarterly depending on the actions identified following a breach of the Guideline.

Targeted testing ensures that the remedial actions advised to the AER at the time of a breach notification have remained effective and that no further breaches occur as a result of the same error or situation.

myEndeavour SharePoint

Endeavour Energy's internal intranet SharePoint site serves as a platform for centralised information and frequently asked questions on all areas of ring-fencing.

Competing Fairly Training

All Endeavour Energy Group staff undergo mandatory online ring-fencing training known as Competing Fairly. New starters are automatically allocated ring-fencing training as part of their onboarding curricula package through Endeavour Energy's internal eLearning platform, SuccessFactors.

The training module is role-specific (field, office or Ausconnex), interactive and engaging. Endeavour Energy's ring-fencing training modules are available for staff to access at any time should training refreshers be required.

Screensaver Campaign

Regulatory Assurance increased ring-fencing awareness amongst staff during 2022 through the use of computer screensavers promoting reminders on:

- avoiding cross-promotion;
- office sharing;
- correctly allocating costs; and
- tips to understanding staff sharing.

This campaign will be run again during 2024 utilising Endeavour Energy's employee TV network.

APPENDIX A: COMPLIANCE CONTROLS MATRIX

Compliance Controls Matrix

The following table lists the compliance controls that assist Endeavour Energy with the monitoring and maintenance of compliance with the Guideline. Each control is mapped to obligations within Guideline.

Core Compliance Controls

Endeavour Energy's Core Compliance Controls are a list of 9 over-arching controls that support multiple obligations within the Guideline. These are assisted by an additional 38 controls that support compliance with the individual obligations under which they are listed.

Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.0.001	A ring-fencing intranet site is maintained to support employee awareness of Ring-fencing obligations.	3.1(a), 3.1(b), 3.2.2(a), 3.2.2(b), 4.1(b), 4.1(c), 4.1(d), 4.2.1(a), 4.2.1(b), 4.2.2(a), 4.2.2(b), 4.2.3(a), 4.2.4(a), 4.3.1, 4.3.2, 4.3.3, 4.3.4(a), 4.3.4(b), 4.3.4(c), 4.4.1(a), 4.4.1(b), 5.7(a), 5.7(b), 6.3
RF.0.002	Endeavour Energy's corporate website directs customers to find an Accredited Service Provider for Contestable Works.	3.1(b), 4.1(b), 4.1(c), 4.1(d)
RF.0.003	Contractual arrangements between Endeavour Energy and Ausconnex are formally defined in a Business Support Agreement signed by both parties.	3.1(b), 3.2.1(a), 4.2.2(a), 4.2.2(b), 4.2.2(c), 4.2.2(d)
RF.0.004	An annual review is undertaken of the Accounting for Ausconnex Guideline that demonstrates the nature and extent of transactions between Endeavour Energy and Ausconnex	3.2.1(a), 3.2.2(a), 3.2.2(b), 3.2.2(c), 4.2.4(a), 4.2.4(b), 5.7(a), 5.7(b), 6.1, 6.2.1, 6.2.2, 6.2.3(a), 6.2.3(b), 6.3
RF.0.005	Education and awareness, including mandatory eLearning training, to enhance employees' understanding and compliance with the Guideline.	4.1(b), 4.1(c), 4.1(d), 4.2.2(a), 4.2.2(b), 4.2.2(c), 4.2.2(d), 4.2.3(a), 4.3.1, 4.3.2, 4.3.3
RF.0.006	A training compliance report is generated and monitored for completion rates post-training deployment for a period of three months with reporting sent to Executive Leadership Team Members for follow up.	4.1(b), 4.1(c), 4.1(d), 4.2.2(a), 4.2.2(b), 4.2.2(c), 4.2.2(d), 4.2.3(a), 4.3.1, 4.3.2, 4.3.3
RF.0.007	Implementation of Company Procedure GAM1100 outlines the process for managing electricity information requests from both internal and external entities as well as support the Information Sharing Protocol and Approach published on the corporate website.	4.1(c), 4.3.1, 4.3.2, 4.3.3
RF.0.008	Implementation of Company Procedure GRG0013 addresses compliance reporting requirements in line with the obligations set out in the Ring-fencing Guideline.	4.2.4(a), 4.2.4(b), 4.3.4(a), 4.3.4(b), 4.3.4(c), 5.7(a), 5.7(b), 6.1, 6.2.1, 6.2.2, 6.2.3(a), 6.2.3(b), 6.3
RF.0.009	Utilising Data Loss Prevention to identify, monitor and prevent the release of sensitive information outside of Endeavour Energy in accordance with licence requirements.	4.3.1, 4.3.2, 4.3.3

Legal Separation		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.3.001	Endeavour Energy and Ausconnex have separate Australian Business Numbers (ABNs).	3.1(a)
RF.3.002	A clearly defined Legal Entity structure for the Endeavour Energy Group has been established.	3.1(a)
RF.3.003	Endeavour Energy's Distribution Licence under the Electricity Supply Act 1995 (NSW) is current.	3.1(a), 3.1(b)

Establish and Maintain Accounts		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.3.004	Separate Financial and Accounting records are maintained for Endeavour Energy and Ausconnex.	3.2.1(a), 3.2.2(a), 3.2.2(b), 3.2.2(c)
RF.3.005	Annual Regulatory Information Notices and Financial Statements are audited by an external third party annually.	3.2.1(a), 3.2.2(a), 3.2.2(b)

RF.3.006	All costs are attributed in accordance with the Accounting for Ausconnex Guideline, which supports Endeavour Energy's approved Cost Allocation Methodology. The procedure is clearly documented and reviewed annually.	3.1(d)vii, 3.1(d)viii, 3.2.1(a), 3.2.2(a), 3.2.2(b), 3.2.2(c), 4.2.2(a), 4.2.2(b), 4.2.2(c), 4.2.2(d)
RF.3.007	Endeavour Energy's Cost Allocation Methodology is approved by the Australian Energy Regulator for the relevant regulatory period and published on the corporate website.	3.2.2(a), 3.2.2(b)

Offices, Staff, Branding and Promotions, Sharing of Information		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.4.001	Identity Access Management software provisions role-based access as per defined security definitions for ring-fencing.	4.1(c), 4.3.1, 4.3.2, 4.3.3
RF.4.002	Endeavour Energy's Information Sharing Protocol and Approach is available on the corporate website and outlines how information may be accessed.	4.1(c), 4.3.1, 4.3.2, 4.3.3, 4.3.4(a), 4.3.4(b), 4.3.4(c)
RF.4.003	Information Sharing Register is maintained on a quarterly basis and published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year.	4.1(c), 4.1(d), 4.2.4(a), 4.2.4(b), 4.3.1, 4.3.2, 4.3.3, 4.3.4(a), 4.3.4(b), 4.3.4(c)
RF.4.004	User access reviews are carried out in accordance with Endeavour Energy's ICT Security Calendar.	4.1(c), 4.3.1, 4.3.2, 4.3.3
RF.4.005	A licence in place between Endeavour Energy and Ausconnex for office and workshop space.	4.2.1(a), 4.2.1(b)
RF.4.006	Ausconnex maintain separate physical locations from Endeavour Energy staff providing Direct Control Services	4.2.1(a), 4.2.1(b)
RF.4.007	The Office Sharing Register is maintained on a quarterly basis and published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year.	4.2.1(a), 4.2.1(b), 4.2.4(a), 4.2.4(b)
RF.4.008	Ausconnex physical access reviews are carried out monthly.	4.2.1(a), 4.2.1(b)
RF.4.009	Site inspections are carried out of the Ausconnex office locations on an as needs basis to ensure compliance with the Guideline.	4.2.1(a), 4.2.1(b)
RF.4.010	The Staff Sharing Register is maintained on a quarterly basis and published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year.	4.2.2(a), 4.2.2(b), 4.2.2(c), 4.2.2(d), 4.2.4(a), 4.2.4(b)
RF.4.011	A Staff Sharing Flowchart has been established to assess the application of ring-fencing clauses 4.2.2(a), (b), and (d).	4.2.2(a), 4.2.2(b), 4.2.2(d)
RF.4.012	Implementation of the Staff Segment Definitions to classify positions according to the nature of services being provided, access to information and the ability to discriminate within the context of their role.	4.2.2(a), 4.2.2(b), 4.2.2(d)
RF.4.013	The At-Risk Incentive/Reward Scheme for Contact Staff includes no remuneration, incentive or other benefit to staff to act in a manner that is contrary to Endeavour Energy's regulatory obligations.	4.2.2(c)
RF.4.014	Endeavour Energy's Enterprise Bargaining Agreement includes no remuneration, incentive or other benefit to staff to act in a manner that is contrary to Endeavour Energy's regulatory obligations.	4.2.2(c)
RF.4.015	Endeavour Energy branding is independent and separate from Ausconnex. Brand Guidelines for each entity have been established and documented.	4.2.3(a)
RF.4.016	Separate brand collateral, website and social media platforms has been established and implemented for Ausconnex.	4.2.3(a)
RF.4.017	Separate uniforms, personal protective equipment, identification cards and vehicle signage with the Ausconnex logo have been implemented	4.2.3(a)
RF.4.018	An annual review of Ausconnex and Endeavour Energy corporate social media platforms and websites is conducted to ensure compliance with guideline.	4.2.3(a)

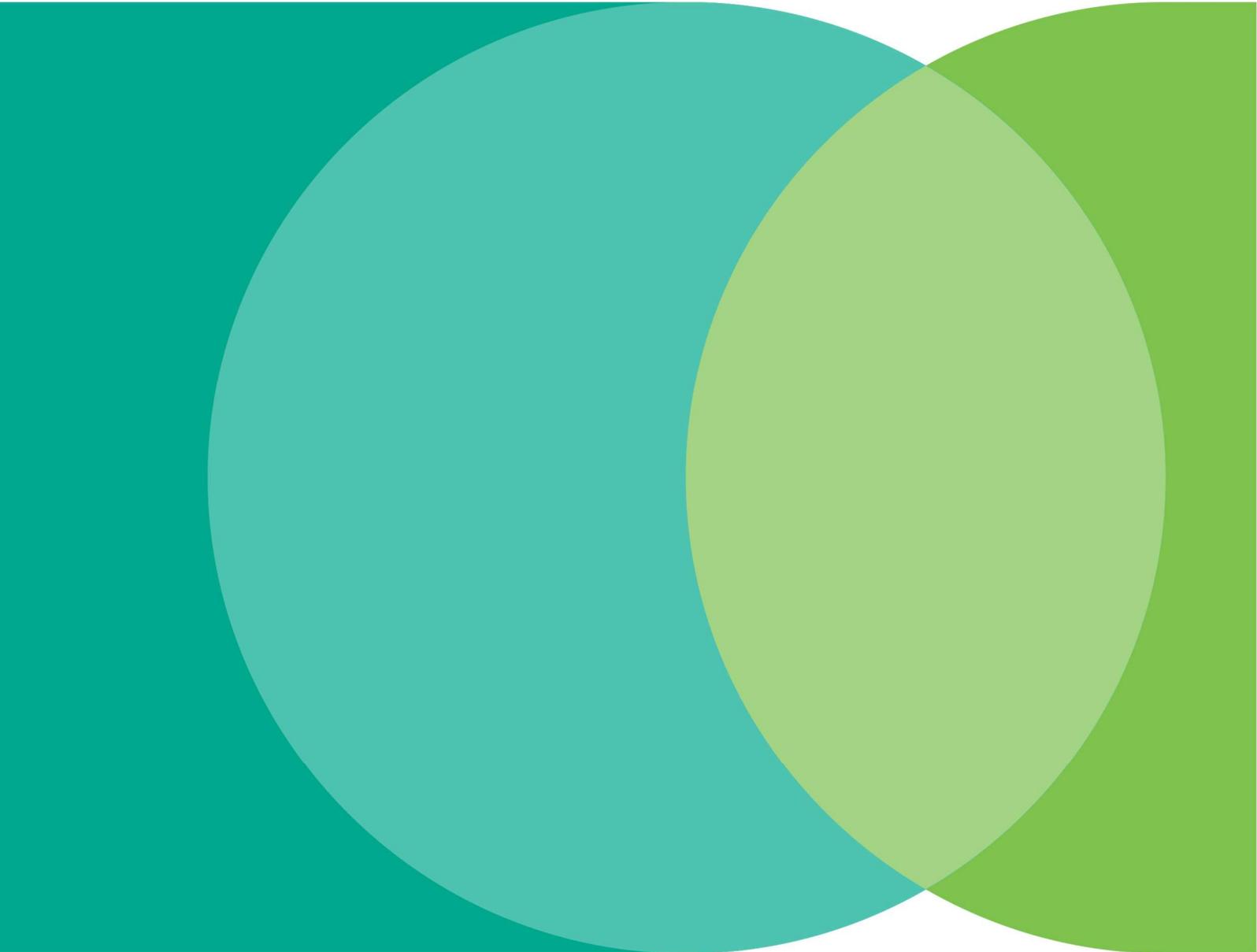
Service Providers		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.4.019	Endeavour Energy has standard terms and conditions that reflect the requirements of the Ring-fencing Guideline. New or varied contracts that deviate from these standard terms or conditions require approval.	4.4.1(a), 4.4.1(b)

Waivers		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.5.001	The Waiver Register is updated on quarterly basis and published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year.	5.7(a), 5.7(b)

Compliance, Reporting and Enforcement		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.6.001	An annual attestation of ring-fencing compliance is completed via Resolver by Endeavour Energy's key Branch Managers and Executive Leadership Team members	6.3
RF.6.002	Endeavour Energy maintains a dedicated ring-fencing email account to monitor inquiries, and correspondence relating to breaches or potential breaches or communication from employees or the Regulator.	6.3
RF.6.003	A regular update on Ring-fencing compliance is provided to the Board's Regulatory Committee.	6.3
RF.6.004	Endeavour Energy's Risk Management and Compliance Framework is overseen by the Audit and Risk Committee (ARC) of the Board.	6.1, 6.2, 6.2.2, 6.3
RF.6.005	Endeavour Energy's annual submission of the Ring-fencing Compliance Report to the Australian Energy Regulator is submitted on time and accompanied by an assessment of compliance by a suitably qualified independent authority.	6.1, 6.2.1, 6.2.2(a), 6.3
RF.6.006	Endeavour Energy's register of reported breaches is supported by copies of the ring-fencing breach report and cover letter submitted to the Australian Energy Regulator for each identified breach.	6.1, 6.2.1, 6.3
RF.6.007	Ring-fencing Alerts are communicated to all staff to increase awareness of breaches of the Ring-fencing Guideline and mitigate the risk of future similar breaches.	6.3
RF.6.008	Endeavour Energy keeps a register that identifies each Regulated Stand-alone Power System and updates the register on a quarterly basis. The register is published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year.	3.1(d)vii, 3.1(d)viii, 3.2.2(b), 3.2.2(c), 4.1(d), 6.2.3(a), 6.2.3(b)
RF.6.009	A regulatory reporting calendar is generated and monitored by Regulatory Assurance for compliance with all mandatory reporting obligations including Ring-fencing.	6.1, 6.2.1, 6.2.2, 6.3
RF.6.010	Company Procedure GRG0013 outlines the internal process for reporting and analysing breaches of the Ring-fencing Guideline and notification to the Regulator.	6.3
RF.6.011	A ring-fencing inquiry register has been established to track and monitor inquiries, responses and investigations and any follow-up actions.	6.1

Section 9

Independent Assessment



Independent Assessment

Clause 6.2.1(c) of the Guideline requires Endeavour Energy's annual compliance report to be accompanied by an assessment of compliance with the Guideline by a suitably qualified independent authority. Endeavour Energy engaged CutlerMerz Pty Ltd to undertake an Independent Assessment of Endeavour Energy's compliance against the Australian Energy Regulator's Electricity Distribution Ring-fencing Guideline (Version 3) requirements. The review covers the period from 1 January 2023 to 31 December 2023.

This assessment is provided as Attachment 2 to this report.

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