

Evoenergy

Annual Ring-fencing Compliance Report

1 January 2023 – 31 December 2023

24 April 2024

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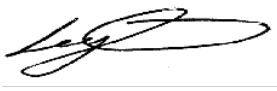


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1. DOCUMENT MANAGEMENT

1.1 Version Control

Date	Version	Description	Author
18/03/2024	1.0	Draft	Jaki Roper
22/03/2024	1.1	Internal review	Tom Atkins
18/04/2024	1.2	Additional review post auditor comments	Jaki Roper Jane Godkin
19/04/2024	1.4	Final review and approval	Jaki Roper Tom Atkins

1.2 Approval

Date	Name	Position	Signature
24/04/24	Leylann Hinch	Group Manager Strategy and Operations Evoenergy	
24/04/24	Peter Billing	General Manager Evoenergy	
24/04/24	John Knox	Chief Executive Officer Evoenergy	

2. INTRODUCTION

2.1 Statement of Compliance

ActewAGL Distribution trading as Evoenergy (AAD) considers it has complied with its obligations under the Australian Energy Regulator's Ring-fencing Guideline - Version 3 (the Guideline) for this regulatory period from 1 January 2023 to 31 December 2023 with the exception of the identified breaches in section 5 of this report.

2.2 Background

The Australian Energy Regulator (AER) updated the Guideline in November 2021. The Guideline, being made under clause 6.17.2 of the National Electricity Rules (NER) is binding on distribution network service providers (DNSPs) and seeks to promote competition in the provision of electricity services, whilst preventing DNSPs from providing competitive advantages to affiliates operating in unregulated markets.

A key objective of Ring-fencing is to provide a level playing field for participants in contestable electricity markets through accounting and functional separation of the provision of direct control services by DNSPs from the provision of other distribution services by them, or their affiliated entities.

AAD has maintained its internal Ring-fencing procedure consistent with its obligations set out in the Guideline.

2.3 Purpose of Report

This report sets out AAD's compliance with the Guideline for the period 1 January 2023 – 31 December 2023, including:

- the measures taken to ensure compliance with the Guideline;
- any breaches of the Guideline by AAD, or which otherwise related to AAD;
- all other services provided by AAD in accordance with the Guideline; and
- the purpose of all transactions between AAD and its affiliated entities.

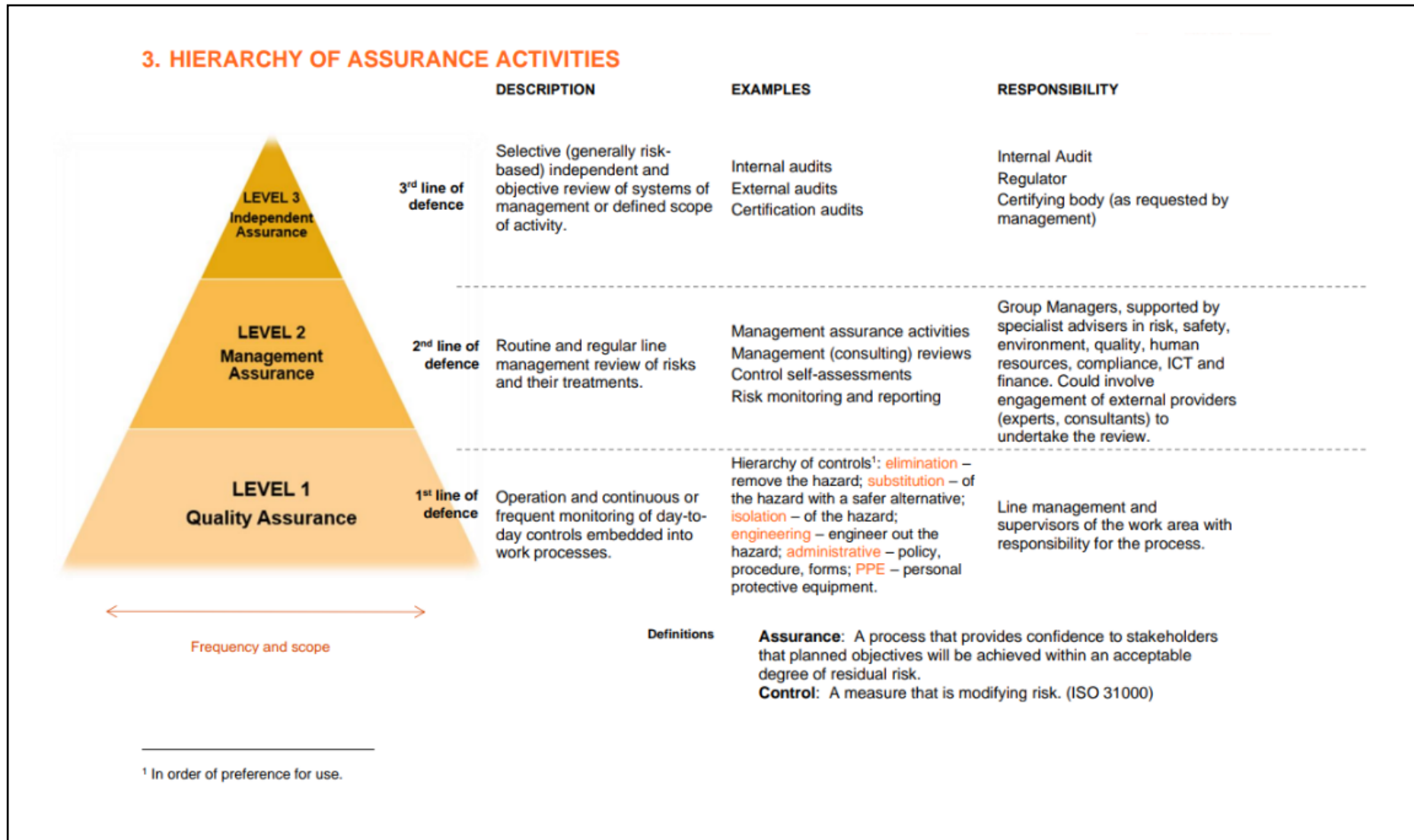
Key AAD documents to ensure compliance with the Guideline are described in Appendix A.

This report is also accompanied by an independent assessment of AAD's Ring-fencing compliance for the period 1 January 2023 – 31 December 2023.

2.4 Compliance Management Framework

Compliance with the Guideline is managed in accordance with AAD's Compliance Management Framework, which sets out three lines of assurance as shown in Figure 1.

FIGURE 1 – AAD ASSURANCE LEVELS



3. COMPLIANCE MEASURES

During the audit period, AAD has continued to develop, implement, and communicate Ring-fencing controls in response to identified opportunities for improvement in the 2022 Annual Ringfencing Compliance Report.

The focus for this compliance period has been the first line of assurance. During the compliance period, the AAD Regulatory Compliance Team has assessed effective utilisation of existing systems and functions to enhance compliance to the Guideline. System improvements completed from this assessment include new automated controls, recurring at a quarterly interval to confirm and record compliance for clauses 3.1, 4.1(c), 4.2.3, 4.2.4, 4.3.5(a)-(c), 5.7 and 6.2.3. The improvements prompt the appropriate staff to ensure ongoing compliance to the Guideline through review and updates to Ring-fencing registers, appropriate controls, and internal Ring-fencing documents.

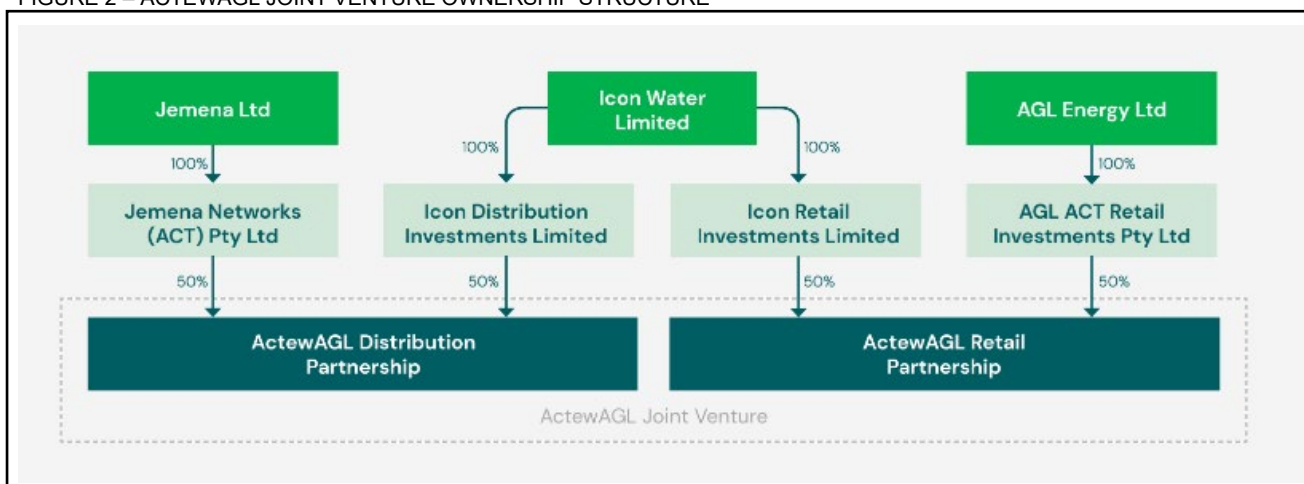
AAD continues to support ongoing Ring-fencing compliance through proactive efforts made by the Regulatory Compliance Team to test and validate control efficacy. AAD continues to review effectiveness of controls to identify and assess potential Ring-fencing breaches with each enquiry investigated to determine compliance, non-compliance or potential for non-compliance against the Guideline.

3.1 Prevent cross subsidies - Legal Separation

ActewAGL comprises of two partnerships – the ActewAGL Distribution partnership and the ActewAGL Retail partnership. The ActewAGL Distribution partnership owns and operates the ACT electricity network and owns the gas networks in the ACT, Queanbeyan and Palerang shires, and Nowra. ActewAGL Retail sells electricity and natural gas, along with managing customer service and marketing functions in a competitive market.

The ActewAGL Distribution partnership is a legal entity and is the DNSP for the purposes of the Guideline. ActewAGL Distribution is owned equally by Icon Water Ltd and Jemena Ltd via subsidiary companies. The ActewAGL Retail partnership is owned equally by Icon Water Ltd and AGL Energy Ltd via subsidiary companies. This ownership structure is shown in Figure 2.

FIGURE 2 – ACTEWAGL JOINT VENTURE OWNERSHIP STRUCTURE



ActewAGL Distribution comprises two business units:

- Evoenergy – which provides direct control services (and other non-electricity services under a waiver).
- Corporate Services, which provides shared corporate services.

The legal separation obligations in the Guideline prevent ActewAGL Distribution from using regulated funds to subsidise services provided by Related Electricity Service Providers (RESPs).

4. SUMMARY OF PREVIOUS AUDIT FINDINGS

TABLE 1 – SUMMARY OF RINGFENCING OBLIGATIONS AND AUDIT FINDINGS

Ring-fencing Obligation	FY20-22 Audit findings (1 st July 2020 - 31 st January 2022)	Regulatory Period 2022 Audit Findings
Legal separation	AAD complies with the Guideline	AAD complies with the Guideline
Establish and maintain accounts	AAD complies with the Guideline	AAD complies with the Guideline
Obligation not to discriminate	AAD complies with the Guideline	AAD complies with the Guideline
Physical separation/co-location	AAD complies with the Guideline	AAD complies with the Guideline
Staff sharing	AAD complies with the Guideline	AAD complies with the Guideline
Branding and cross-promotion	AAD complies with the Guideline	AAD complies with the Guideline
Office and staff registers	AAD complies with version 2 of the Guidelines	Breach identified. Controls implemented to support better compliance to the Guideline.
Protection of confidential information	AAD complies with the Guideline	AAD complies with the Guideline
Disclosure and sharing of information	AAD complies with the Guideline No requests received.	AAD complies with the Guideline No requests received.
Information register	AAD complies with the Guideline	AAD complies with the Guideline
Conduct of service providers	AAD complies with the Guideline	AAD complies with the Guideline
Waivers	AAD complies with the Guideline	AAD complies with the Guideline
Compliance and enforcement	AAD complies with the Guideline	Breach identified. Controls implemented to support better compliance to the Guideline.
Compliance reporting	AAD complies with the Guideline	AAD complies with the Guideline

5. COMPLIANCE AND ENFORCEMENT

5.1 Compliance activities completed during 1 January 2023 – 31 December 2023 Ring-fencing period

AAD deployed targeted Ring-fencing training in May 2023, which was made available online to all personnel. New staff onboarding also included a Ring-fencing training module as part of standard induction process. AAD includes information on the Guideline in contract and documentation packs for all new staff as part of the onboarding process to ensure all staff are familiar with Ring-fencing obligations before engaging in any work activity at AAD.

AAD reviewed and updated the Evoenergy Ring-fencing Compliance and Staff Information Manual (PO0307) with guidance on online training, commitment to compliance with the Guideline and instruction for staff to make enquiries or identify potential breaches. The Regulatory Compliance Team continues to actively operate and maintain the Ring-fencing enquiries mailbox with completion of all enquiries.

The Regulatory Compliance Team conducted a series of face-to-face workshops with all operational staff in November 2023 as part of Evoenergy's Safety Week training program. Information in these sessions was consistent with the Guideline. The Regulatory Compliance Team reviewed the Ring-fencing training package to ensure alignment to the Guideline with added examples relevant to operational staff.

During the period 1 January 2023 to 31 December 2023, there were ten (10) Ring-fencing enquiries from AAD personnel regarding compliance obligations. Of the ten (10) enquiries, nine (9) were deemed not a breach, or were managed to prevent potential for breach of the Guideline with one enquiry identified as a breach as outlined in section 5.7 of this report.

5.2 Related Electricity Service Providers (RESPs)

AAD's acknowledges the following RESPs:

- ActewAGL Retail (a partnership of AGL Retail Investments Pty Ltd and Icon Retail Investments Limited)
- Ovida Pty Ltd
- Smart Renewables Pty Ltd

AAD has developed and maintains a series of resources to assist in effective management of Ring-fencing obligations in relation to RESPs. These are made available to all staff on AAD's intranet SharePoint and include flow charts, fact sheets and other compliance information in relation to the Guideline clauses 4.1, 4.2 and 4.3.

5.3 Disclosure and Sharing of Information

During the period 1 January 2023 to 31 December 2023, AAD did not share any confidential information for the purposes of the Guideline with a third party or RESP. No confidential information was shared by AAD and only one information request was received from AAR. Investigation determined the information requested was not confidential information for the purpose of the Guideline, however AAD included the information request in the information register for Q4 2023 published on Evoenergy's website.

5.4 Deficiency in IT Access Controls

AAD self-identified one (1) incident regarding a deficiency in IT access controls for ring-fenced information on 14 July 2023. AAD identified the deficient control during proactive testing of IT access to a Microsoft Office 365 application (PowerBI) and identified a limited number of PowerBI reports were potentially accessible to AAR employees.

AAD undertook a full review of access permissions and of the information within the reports to determine if there was disclosure of ring-fenced information to AAR. This review confirmed that although there was potential for access, no AAR employee had accessed any PowerBI reports at any time. The investigation confirmed limited ring-fenced information contained within a small subset of reports. AAD took immediate action to restrict access to the PowerBI reports to prevent a breach of 4.3.2 of the Guideline.

AAD self-reported the incident to the AER with full investigation findings on 7 August 2023. AAD’s external Ring-fencing audit has identified this incident as a breach of clause 4.3.1(a) of the Guideline.

5.5 Breach of Clause 6.2.3 of the Guideline

AAD identified a breach of clause 6.2.3 of the Guideline during the previous February 2022 – December 2022 Annual Ring-fencing Compliance Report that was conducted during March and -April 2023. This breach concluded at that time that AAD did not review or update the SAPS register with up-to-date information for the quantity of premises supplied by SAPS for Quarter 1, 2023.

AAD has since implemented controls to mitigate further breaches with the establishment of automatically recurring compliance controls to review completeness and accuracy of SAPS information in AAD’s SAPS register and submit for republishing on AAD’s website.

The register was updated at the remaining required intervals throughout the regulatory period and captured details of both of AAD’s two (2) regulated Stand-Alone Power Systems (SAPS). AAD note that there were zero (0) new SAPS installed during the regulatory period. The most current register for the regulatory period is available on the Evoenergy public website shown in Figure 3.

FIGURE 3 – EVOENERGY SAPS REGISTER

Evoenergy

Evoenergy Regulated Stand-Alone Power system (SAPS) Register

Date of Update: 30/12/2023

This register is intended to be a living document and must be updated quarterly under the Electricity Distribution Ring-Fencing Guideline) (by 15 January, 15 April, 15 July and 15 October of each year), though can be updated more frequently if required. This register includes information about all regulated stand-alone power systems under Evoenergy’s Network in accordance with cl. 6.2.3.

ID	Local Government Area	Number of premises	Maximum demand	Average energy consumption	Revenue earned by DNSP	Other services
	<i>Please provide the name of LGA where the regulated stand-alone power system is deployed.</i>	<i>Please provide the number of premises serviced by the regulated stand-alone power system.</i>	<i>Please provide the maximum demand (KW) served by the regulated stand-alone power system.</i>	<i>Please provide the annual energy consumption (KWh) of the premises served by the regulated stand-alone power system.</i>	<i>Please include the revenue earned by the DNSP by providing other services by means of the regulated stand-alone power system.</i>	<i>Please state whether the DNSP has made a request for the supply of other services by another legal entity (other than the RESP)</i>
ACT1	Australian Capital Territory	2	n/a	5488	\$0	No
ACT2	Australian Capital Territory	2	n/a	1563	\$0	No

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Jemena Networks (ACT) Pty Ltd (ABN 24 008 552 663) and Icon Distribution Investments Limited (ABN 83 073 025 224) (via Evoenergy (ABN 76 670 568 688))

5.6 Breach of Clause 3.1(b) of the Guideline

On 20 April 2023, AAD identified that it has been providing 'other services' in breach of clause 3.1 (b) of the Guideline relating to operational maintenance, inspection, and emergency response at a limited set of premises in the ACT. AAD self-reported this breach to the AER and have applied for a two-year waiver to allow the services to continue to be provided whilst allowing appropriate transition time for the premises to find a suitable third-party provider.

The AER has confirmed that this is a breach of the Guideline and is currently working with AAD to finalise a waiver under clause 3.1(b) separate to completion of an enforceable undertaking between AAD and the AER.

6. AAD OTHER SERVICES

The AER granted AAD a waiver in December 2017 to continue to own and operate its natural gas distribution pipelines located in the ACT, the Queanbeyan Palerang Local Government area and Shoalhaven Local Government area until 30 June 2024. AAD was granted a continuation of this waiver by the AER in November 2023 to continue to own and operate the gas networks until 30 June 2029.

Details of both waivers have been included in AAD's waiver register on its public website.

7. AAD TRANSACTIONS WITH RELATED ENTITIES

Table 2 sets out the transactions for services provided by affiliates to AAD and Table 3 set out transactions for services provided by AAD to its affiliates.

TABLE 2 – SERVICES PROVIDED BY AFFILIATES TO AAD

Affiliate	Overview of service provided by Affiliate	Comment
ActewAGL Retail, a partnership of AGL ACT Retail Investments Pty Ltd and Icon Retail Investments Limited	Electricity and gas retail services to Evoenergy.	No comment
Icon Water Limited	Water and sewerage services to Evoenergy	Icon Water is the regulated monopoly provider of water and sewerage services in ACT and therefore is not subject to the procurement process.
Icon Water Limited	Reimbursement of employee-related costs for seconded employees.	No comment.
Zinfra Pty Ltd	Construction services to AAD's electricity distribution network business	Zinfra is owned by Jenema, payment for services is issued to Zinfra by Jenema.
Jemena Limited	Jemena undertake works on behalf of external parties on AAD's gas network, and gift these to Evoenergy. These are recorded at fair value by Evoenergy however there is no exchange of cash.	AAD's gas network business provides an "other service" for which a waiver to comply with the Guidelines has been granted by the AER. The gas network business is subject to separate ring-fencing requirements under the National Gas (South Australia) Act 2008 (SA). This transaction has been included for completeness.
Jemena Limited	Jemena provide various management services to Evoenergy, including asset management, general management and construction management, for both routine and non-routine activities within the Gas business.	AAD's gas network business provides an "other service" for which a waiver to comply with the Guidelines has been granted by the AER. The gas network business is subject to separate ring-fencing requirements under the National Gas (South Australia) Act 2008 (SA). This transaction has been included for completeness
AGL Wholesale Gas Ltd	Unaccounted gas losses and operational balancing gas purchases.	No comment

TABLE 3 – SERVICES PROVIDED BY AAD TO AFFILIATES

Affiliate	Overview of service provided by AAD	Comment
ActewAGL Retail, a partnership of AGL ACT Retail Investments Pty Ltd and Icon Retail Investments Limited	Regulated electricity and gas services	Regulated service
ActewAGL Retail, a partnership of AGL ACT Retail Investments Pty Ltd and Icon Retail Investments Limited	Warehousing services	Warehousing costs are allocated according to floor space occupied for inventory belonging to each division in accordance with Evoenergy's AER approved cost allocation method
Icon Water Limited	Evoenergy provide Before You Dig Australia and call center services to Icon Water	No comment.
Icon Water Limited	AAD charges a fee to Icon Water for use of shared IT systems.	IT costs are allocated based on time spent on specific divisions' requirements or usage of infrastructure in accordance with Evoenergy's AER approved cost allocation method
Icon Water Limited	Reimbursement of employee-related costs for seconded employees.	No comment.
Jemena Limited	ARENA Funding for EV charging project and customer gas consumption transferred to Evoenergy.	No comment.

APPENDIX A – AAD KEY RING-FENCING DOCUMENTS

ID	Document Name	Purpose/ Description	Relevant obligations
GENERAL			
G.1	Ring-fencing Staff Information and Compliance Manual	To provide all staff with resources for Ring-fencing protocols and compliance requirements under the Guideline, where Ring-fencing protocols can be stored and accessed, and breaches can be reported.	All
G.2	Ring-fencing Compliance Fact Sheet	To provide a ring-fence compliance fact sheet that stipulates the requirements for staff to comply with the guidelines. The fact sheet has a particular focus on call center staff and technical (hot spot) staff.	All
G.3	Corporate Procedure Ring-fencing	To set out AAD's requirements to comply with the Guideline.	All
LEGAL SEPARATION			
L.1	Classification of Services Flowchart	To set out how AAD services are classified as either regulated distribution services, unregulated distribution services or other services.	3.1
SEPARATE ACCOUNTS			
A.1	Intercompany and Related Accounting Policy	To provide the intercompany and related accounting policy that sets out, the internal accounting procedures, report on transactions between the DNSP and its affiliated entities and any additional information to demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.	3.2.1
A.2	AER Decision - ActewAGL Distribution (Evoenergy) Cost Allocation Method	To set out how AAD allocates its costs between the different services that it provides. Includes information on how AAD allocates costs for services that it provides to RESPs and other affiliated entities.	3.2.2
OBLIGATION TO NOT DISCRIMINATE			
D.1	Procurement Management Manual - Phase 2 Sourcing and Selection	To provide guidance on the Sourcing and Selection phase of the procurement process. Includes the requirement that at least one quote must be sourced from a non-affiliated entity to meet the minimum market approach requirements	4.1 4.4.1
D.2	Obligation not to Discriminate Flowchart	To set out the obligations for AAD staff when interacting with RESPs and other contestable energy service providers.	4.1
OFFICES, STAFF BRANDING AND PROMOTIONS			
O.1	Security Pass and ID Card Procedure	To ensure all persons are clearly identified as being an employee of AAD or a contractor working for AAD and are provided identity cards and electronic access as appropriate to complete their duties. Sets out how the corporate team is to oversee access	4.2.1 4.2.2
O.2	Physical Separation and Staff Sharing- flowchart	To capture the physical separation and staff-sharing requirements that stipulates the requirements for staff to comply with the Guideline.	4.2.1 4.2.2

O.3	Staff Register	To provide Evoenergy's staff register via a publicly available website, identifying the nature of positions (including description of the roles, functions and duties) of its members of staff, to which staff involved in the provision or marketing of direct control services are involved in the provision or marketing of contestable electricity services by a related electricity service provider by reason of clauses 4.2.2(b)i. a, 4.2.2(b)i.b., 4.2.2(b)ii. Or 4.2.2(d) of the Guideline.	4.2.2 4.2.4
O.4	Branding and Cross-Promotion Flowchart	To capture the branding and cross-promotion requirements for Evoenergy's direct control services separately to that used by a RESP for contestable electricity services, without promoting contestable electricity services provided by a related electricity service provider other than the DNSP itself, including any exceptions as per the Guideline.	4.2.3
O.5	Office Register	To provide Evoenergy's office register via a publicly available website, identifying the classes of offices to which physical separation or co-location requirements have not been applied by reason of clauses 4.2.1(b)i, or 4.2.1(b)iii.	4.2.1 4.2.4
INFORMATION ACCESS AND DISCLOSURE			
I.1	Confidential Information Flowchart	To provide assistance in identifying electricity information and confidential information.	4.3.2 4.3.3 4.3.4
I.2	Information Sharing Protocol	To provide the information sharing protocol via a publicly available website, that sets out how and when it will make confidential information available to RESPs and other legal entities on an equal basis.	4.3.2 4.3.3 4.3.4 4.3.5
I.3	Information Register	To provide the information register via a publicly available website, that publishes all valid requests for access to confidential information (including the kind of information requested and their description) made by RESPs and other legal entities who provide contestable electricity services.	4.3.3 4.3.4
I.4	Listed Legal Entities	To provide the record of listed legal entities via a publicly available website, involving all requests for being included on the register, the date added to the list and information types requested.	4.3.5
I.5	Information Request Form	To provide a form for legal entities seeking to apply for access to information identified on the information register, such that they can be assessed by Evoenergy for disclosure of information, and responded to with; a confirmation of whether the information request is complete and valid under the Guideline, and the timeframe and communication mechanism for the provision of information.	4.3.3 4.3.4 4.3.5
I.6	Register Inclusion Form	To provide a form that legal entities can use to request to be included on the information register with respect to all or specific kinds of information.	4.3.4 4.3.5
I.7	Privacy Policy	To provide a privacy policy that sets out that confidential information is kept confidential, and that confidential information is only used for the purpose for which it was acquired or generated.	4.3.2
SERVICE PROVIDERS			
P.1	Ring-fencing Fact Sheet for Evoenergy Service Providers	To provide guidance to Evoenergy service providers/contractors.	4.4.1
P.2	Conduct of Service Providers-Flowchart	To capture the obligations for conduct of service providers under any new or varied agreements involve, complying with clauses 4.1, 4.2.1, 4.2.2, 4.2.3 and 4.3.2 of the Guideline, and not encouraging or incentivising a service provider to engage in conduct that would go against the DNSP's obligations under clause 4 of the Guideline.	4.4.1

WAIVERS			
W.1	Waiver Register	To provide the waiver register via a publicly available website, that records waivers that have been successfully submitted to the AER, the description of the waiver, the terms and conditions of the waiver and its expiration date.	5.7
COMPLIANCE AND ENFORCEMENT			
C.1	Compliance and Risk Management System (ARIA)	To document the end-to-end process for capturing new and amended legislation relevant to ActewAGL's operations within the ActewAGL compliance and risk management database (ARIA) including the required monitoring of operational compliance against obligations. This document is relevant to compliance controls already in place to address compliance with existing legal obligations.	6.1 6.2 6.3
C.2	Compliance Management Manual	To provide business with tools and knowledge of practices and systems to support legislative compliance.	6.1 6.3 6.4
C.3	Incident Management Manual	Documents the process for all incident management within ActewAGL and Evoenergy	6.3
C.4	SAP's Register	Provided on Evoenergy's public accessible website; identifies each regulated stand-alone power system used by the DNSP to provide other services:	6.2.3