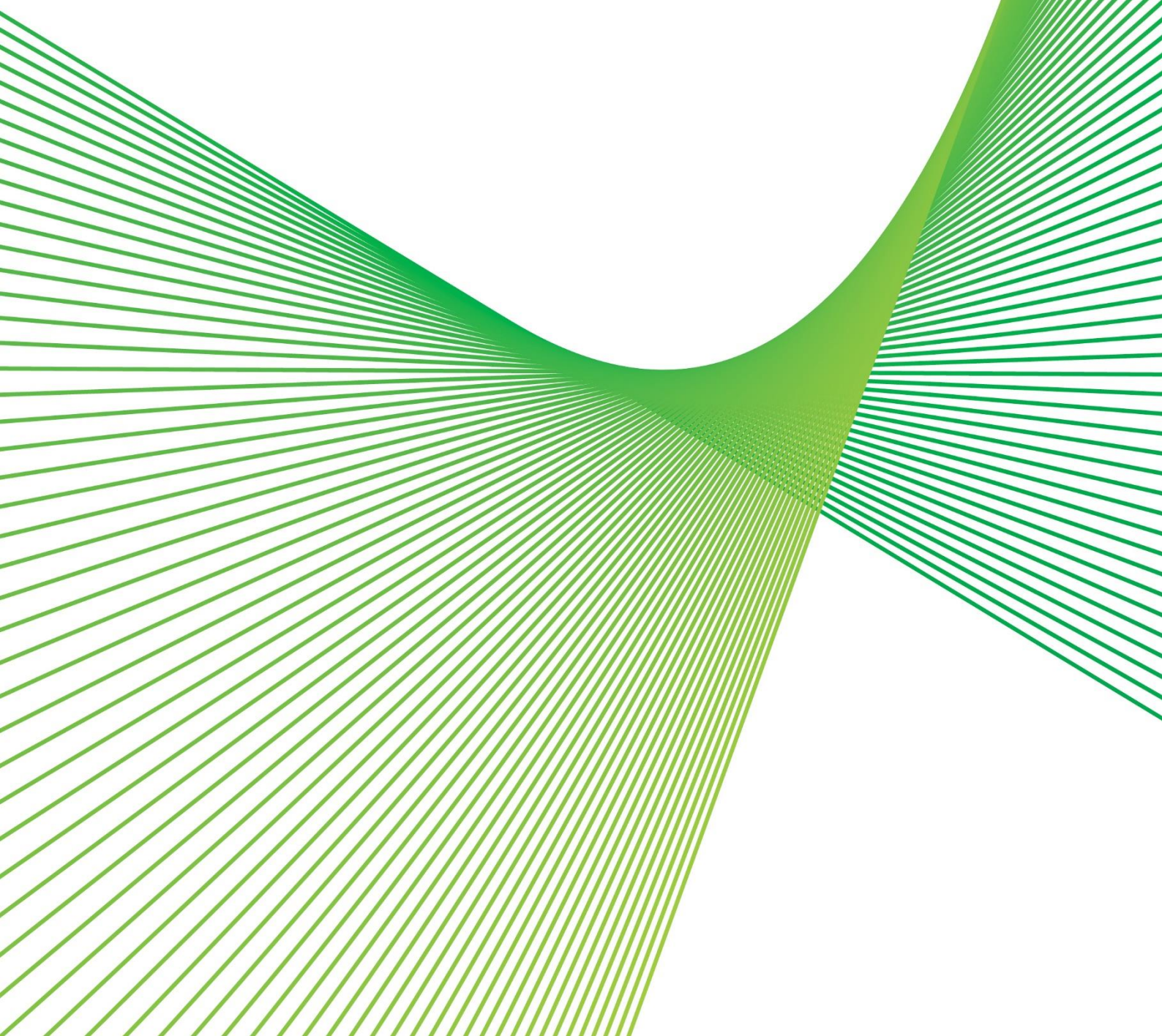


# Annual Ring-Fencing Compliance Report

1 March 2023 to 31 December 2023

30 April 2024



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# 1. Introduction

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The Australian Energy Regulator (AER) released its Ring-Fencing Guideline - Electricity Transmission Version 4 on March 1st, 2023.

For the period from 1 March 2023 to 31 December 2023, NSW Electricity Networks Operations Pty Ltd (ACN 609 169 959) (Transgrid) as trustee for the NSW Electricity Networks Operations Trust (Transgrid) has fully complied with Version 3 and the AER specified parts of Version 4 of the Guidelines.

This Annual Ring-Fencing Compliance Report (the Report), for the 10 months ending 31 December 2023, complies with the *Compliance Reporting Best Practice Manual* issued by AER in June 2023.

Transgrid engaged PwC to conduct an independent audit of Transgrid's compliance with the Guidelines. PwC has concluded that Transgrid has remained fully compliant with the requirements of Version 3, the relevant parts (as specifically specified in correspondence with the AER) of Version 4 of the Guideline and that all controls are considered effective. A summary of PwC's conclusions is provided in section 6.

Terms used in this Report are as defined in Appendix B or have meaning given in the Guideline v3, v4 or the National Electricity Rules (NER).

## 1.1. About Transgrid

Transgrid operates Australia's largest electricity transmission network, maintaining and upgrading the backbone of the National Electricity Market. The transmission network transports electricity from multiple generation sources, including wind, solar, hydro, gas and coal power plants, to large directly connected industrial customers and the distribution networks that deliver it to more than three million homes and businesses in NSW and the ACT.

## 1.2. Transgrid's Electricity Network

Comprising 122 substations, more than 13,060 kilometres of high voltage transmission lines, 109 kilometres of underground cables and five interconnections to QLD and VIC, the Transgrid network is instrumental to the electricity system and economy and facilitates energy trading between Australia's largest states.

## 1.3. Transgrid Group

In December 2015, a consortium of five security holders successfully bid for the 99-year lease of Transgrid's transmission network with all five being leading financial and strategic global investors. They are UTA Power Networks Trust, OMERS, Caisse de depot et placement de Quebec (CDPQ), Platinum Tawreed Investment A 2010 RSC Limited and Spark Infrastructure.

### Transgrid - Prescribed Business

The core transmission network includes a regulated asset base forming the backbone of the National Electricity Market (NEM). Transgrid is currently developing a number of transmission infrastructure projects which have been identified by the Australian Energy Market Operator (AEMO) and NSW Government as critical to Australia's future energy system and provide long-term benefits to electricity customers.

## Lumea – Contestable Business

Lumea provides contestable services to the NEM, including new transmission and connection infrastructure as well as energy services. Lumea also provides telecommunications services via the transmission system to wholesale, government and emergency services customers, with a focus on regional areas, data transmission and emergency broadcast services.

In addition, Lumea acts as an agent for Transgrid in the delivery of some negotiated services where the customer has given permission to allow this to occur. Lumea is the only entity in the Transgrid group (other than Transgrid) that provides contestable electricity services.

Due to the common ownership structure of Transgrid and Lumea, Lumea is both an Affiliated Entity (AE) and Related Electricity Service Provider (RESP) to Transgrid under the version 4 Guideline Definition.

### 1.4. Reporting Requirements

To meet the annual compliance reporting requirements of the Guideline, Transgrid reports upon the following requirements for the period 1 March 2023 to 31 December 2023:

- (a) the measures the TNSP has taken to ensure compliance with:
  - (i) its obligations under *Guideline v4* for clauses 3.1(c), 4.4.1(a), 6.2.1, 6.2.2 and 6.3, and
  - (ii) all obligations in *Guideline v3* except where superseded by *Guideline v4*
- (b) any breaches (noting that this will include relevant obligations in Guideline v3 and Guideline v4 as detailed in section 7 transitional arrangements of Guideline v4)
- (c) all 'other services' provided by the TNSP in accordance with clause 3.1.
- (d) the purpose of all transactions between the Transgrid and its Affiliated Entity (as defined in Clause 1.4 of the Guidelines Version 4).

The structure of this Report is shown in the table below:

Report section	Compliance Measures	Clauses	Guideline
2/Appendix A and B	Compliance Procedures	12	Version 3
2.2	Legal separation	7.1	Version 3
2.2	Legal separation (service provision)	3.1 (c)	Version 4
2.3	Cost Allocation Method	7.3-7.5 /8	Version 3
2.4.1	Functional Separation- not to discriminate	7.2 /7.6 (b)	Version 3
2.4.2	Functional Separation- Information access	7.6 (a)	Version 3
2.4.3	Functional Separation- Staff Separation	7.7-7.9	Version 3
2.4.4	Service Providers	4.4.1 (a)	Version 4
The whole report 1.2	Compliance Reporting Requirements	6.2.1/6.2.2	Version 4
3	Breaches of Guideline	6.3	Version 4

## 2. Compliance Measures

### 2.1. Compliance Framework

Transgrid's Ring-Fencing compliance program is centrally co-ordinated and maintained by the Transgrid Compliance function. Implementation of specific controls is allocated to personnel with the most direct line responsibility for the relevant controls or business activity area.

Title	Responsibilities
Compliance function	<ul style="list-style-type: none"> <li>• Maintain, implement and monitor ring-fencing controls and related procedures.</li> <li>• Conduct organisational Ring-Fencing training.</li> <li>• Provide guidance to Management, Control Owners and staff on ring-fencing requirements.</li> <li>• Measure and report on performance of ring-fencing compliance obligations to the Executive and Board.</li> <li>• Oversee management of any compliance incidents associated with ring-fencing.</li> <li>• Lead the engagement with the AER around ring-fencing compliance matters.</li> <li>• Maintain the waiver register, information protocol and information request processes.</li> </ul>
Control Owners	<ul style="list-style-type: none"> <li>• Accountable for understanding obligations as allocated in the Ring-Fencing Framework.</li> <li>• Design, implement and improve compliance controls as required.</li> </ul>

Title	Responsibilities
	<ul style="list-style-type: none"> <li>Provide periodic assurance to the Compliance function on the adequacy of the listed controls.</li> </ul>
All employees	<ul style="list-style-type: none"> <li>Comply with Transgrid Ring-Fencing obligations.</li> <li>Report compliance incidents (actual and potential) in Transgrid's Governance, Risk and Compliance system.</li> </ul>

Measures used to ensure the compliance with specific Guideline clauses are provided in the following sub-sections.

## 2.2. Legal Separation

Transgrid (NSW Electricity Networks Operations Pty Ltd ACN 609 169 959) is the legal entity that is the primary TNSP providing prescribed services in the National Electricity Market for NSW and the ACT. Transgrid manages and operates the NSW and ACT leased network (including carrying out future planning, replacement and augmentation).

Clause 7.1 (a) and (b) of the Guidelines v3, allows Transgrid, as a TNSP, to provide ring-fenced services, namely the prescribed transmission service, but not to carry out a 'related business'. Under the Guidelines, a related business means the activities of generation, distribution and electricity retail supply. In this regard, Transgrid confirms that no distribution or electricity retail supply services were provided during the reporting period.

With regards to generation, it is noted that Transgrid operates the Broken Hill Gas Turbine. This facility is solely designed to support the reliability of electricity supply to Broken Hill when outages are required or occur on the Transgrid network. This generator does not bid into the market and does not supply generation services to any other entity. Transgrid sought and obtained a waiver for the operation of the Broken Hill gas turbine. Refer to Section 4 below.

Transgrid can confirm that it has not entered into any new or varied agreements which grant any other legal entity the right to use any energy storage device which is owned, operated, or controlled by Transgrid post 1 March 2023.

## 2.3. Establish and Maintain Accounts

As required by the Guidelines, Transgrid has established and maintains separate accounts for the entity that provides ring-fenced services and a separate set of amalgamated accounts for the entire business. Both these sets of accounts of accounts are prepared in accordance with Australian Accounting Standards and audited by an independent financial auditor. The regulatory accounts for the prescribed transmission service business are submitted (as required) to the AER after the independent auditor's review each year.

In accordance with the requirements of Clause 6.5.12 of the National Electricity Rules (NER), Transgrid maintains a current AER approved Cost Allocation Methodology. The Cost Allocation Methodology is authorised by the Board and made publicly available on both Transgrid's website and the AER's website. The accounts for the entity providing ring-fenced services applies this approved cost allocation methodology as a key basis of preparation.

## 2.4. Functional Separation

### 2.4.1. Obligations not to Discriminate

Clause 7.2 and 7.6(b) of the Guideline v3, imposes certain obligations on Transgrid as a TNSP and the directors of the TNSP. The TNSP must:

- not make decisions or act in a manner that discriminates in favour of an associate in relation to the terms or conditions on which those services are provided. Mandatory and ongoing training and awareness for employees, directors and suppliers in Transgrid's Code of Ethics and Conduct, Ring-Fencing & Competition Law and supplier Business Ethics Guide provides assurance of compliance.
- ensure the directors of the TNSP act in the best interests of the TNSP in respect to the provision of ring-fenced services. Transgrid requires its directors to state interests (inclusive of security holder interests) in other entities on an ongoing basis, including at each Board and Board Committee meeting. Such control enables the Board to be aware of any actual or potential conflicts of interest and subsequently take appropriate steps. Corporate governance processes provide for clear separation of decisions and the documentation thereof.
- ensure that preferential treatment is not given to an associate that takes part in a related business through sharing of operational activities. As noted above in Section 2.2, related business activities being generation, distribution and electricity retail supply are not conducted by the associate of the TNSP being the Lumea business.

### 2.4.2. Information access

- Transgrid requires all staff to keep ring-fenced information confidential and use it only for the purpose for which it was acquired or generated. This requirement is embodied in Transgrid's ring-fencing framework and procedures as well as training in which forms an integral part of the e-learning and face to face awareness and training sessions held across the entire business. These frameworks and processes have also been designed to meet the requirements of version 4 Section 4.2 Guidelines.

### 2.4.3. Staff Separation

Transgrid marketing employees do not work, or provide services to any entity which takes part in a related business. Transgrid marketing employees are also not consultants, independent contractors or agents of any entity that takes part in a related business.

### 2.4.4. Service Providers

Transgrid has detailed and established systems and processes to require all external service providers to comply with obligations as contained in Guideline Clause 4.4.

Transgrid mandates compliance by all its suppliers (inclusive of goods and services) with Transgrid's Business Ethics Guide. This requires all suppliers and service providers to:

- Report any suspected or actual regulatory compliance breach (including those associated with ring-fencing compliance);
- Obey all relevant laws and contractual obligations;

- Not access, use or share Transgrid’s confidential information (which includes ring-fenced and other sensitive information) without Transgrid’s prior permission.
- Separately, all staff and consultants complete mandatory Ring-fencing and Competition Law training.

### 3. Breaches of the Guideline

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During the reporting period, there were no breaches of the Guidelines (against version 3 or the applicable parts of version 4) identified by Transgrid.

### 4. Other Services

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Other Services are defined in Section 1.4 of the Ring-fencing Guidelines version 4 as:

Services other than Transmission Services, which means they are services not provided by means of, or in connection with, the transmission system. Examples of Other Services include:

- Generation
- Retail
- Entering in new, varying existing agreement for controlling an energy storage device (e.g. battery), unless the device is solely for the purposes of Network Services
- Telecommunication services provided in isolation of the transmission system (i.e. services that are not provided by means of, or in connection with, Transgrid’s transmission system)
- Any other services that are not provided by means of, or in connection with, Transgrid’s transmission system.

Transgrid, as a TNSP, is not permitted to provide Other Services without an approved waiver from the AER. Whilst not a specified reporting requirement for the purposes of this Report, Transgrid has identified two ‘Other Services’ requiring a waiver from the AER in accordance with Clause 3.1(b) of version 4 of the Guidelines. These services are:

Provision of Other Services	Service Details
Generation Service.	Transgrid operates the Broken Hill Gas Turbine for the purpose of Network support. A waiver for this service was approved by the AER on 13 <sup>th</sup> February 2024.
Telecommunication Services not associated with the Transmission network.	Transgrid identified six telecommunications customers where the services being provided were not associated with the transmission system. In accordance with the requirements of the Guidelines, a waiver was requested for these services from the AER on the of 24 <sup>th</sup> January 2024. The AER approved this waiver on the 12 <sup>th</sup> of April 2024.

### 5. Summary of Transactions with Lumea (Affiliated Entity)

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As per Clause 6.2.1(b) (iv) Guideline v4, Transgrid is required to disclose the purpose of all transactions with Affiliated Entities (AE). The table below shows the transactions between Transgrid and Lumea grouped by purpose and nature:



Basis of Service Provision	Services
Corporate Management Services to Lumea under the Management Services Agreement (MSA)	<ul style="list-style-type: none"> <li>• General administration</li> <li>• Accounting</li> <li>• Payroll</li> <li>• Human Resources</li> <li>• Financial and Treasury</li> <li>• Legal and Regulatory</li> <li>• Compliance and Risk</li> <li>• Communications and Media</li> </ul>
Building, Operating and Managing transmission assets for Lumea under the Construction Operation and Management Agreement (COMA)	<ul style="list-style-type: none"> <li>• Construction</li> <li>• Operation</li> <li>• Maintenance</li> <li>• Asset Management</li> <li>• Design</li> <li>• Project Management</li> <li>• Commissioning</li> </ul>
Provision of Labour	<p>Staff employed by Transgrid who work in the Lumea Business unit.</p> <ul style="list-style-type: none"> <li>• Lumea Management</li> <li>• Bid Management</li> <li>• Customer Management</li> <li>• Portfolio Management</li> </ul>

## 6. Independent Assessment

Transgrid engaged PwC to independently assess Transgrid’s compliance with Ring-fencing Guideline Version 3 and relevant sections Version 4 for the reporting period from 1 March 2023 to 31 December 2023.

PwC has concluded that Transgrid has fully complied with all obligations under the Ring-Fencing requirements and that all controls are considered effective. The table below provides a summary of PwC’s independent report findings. As required by the Guidelines, PwC’s assurance report and this Report are both provided to the AER.

Report section	Clauses	Guideline Requirement	Transgrid assessed Compliance Rating	Guideline	Control Effectiveness	Observations
2/Appendix A and B	12	Compliance Procedures	Compliant	Version 3	Effective	None noted for the current year
2.2	7.1	Compliance Procedures	Compliant	Version 3	Effective	None noted for the current year
2.2	3.1 (c)	Legal separation (service provision)	Compliant	Version 4	Effective	None noted for the current year
2.3	7.3-7.5 /8	Cost Allocation Method	Compliant	Version 3	Effective	None noted for the current year
2.4.1	7.2 /7.6 (b)	Functional Separation- not to discriminate	Compliant	Version 3	Effective	None noted for the current year
2.4.2	7.6 (a)	Functional Separation- Information handling	Compliant	Version 3	Effective	None noted for the current year
2.4.3	7.7-7.9	Functional Separation- Staff Separation	Compliant	Version 3	Effective	None noted for the current year
2.4.4	4.4.1 (a)	Service Providers	Compliant	Version 4	Effective	None noted for the current year
The whole report 1.2	6.2.1/6.2.2	Compliance Reporting Requirements	Compliant	Version 4	Effective	None noted for the current year
3	6.3	Breaches of Guideline	Compliant	Version 4	Effective	None noted for the current year

## Appendix A Compliance and Controls Mapping – Version 3 and Version 4 Requirements

### Guideline Version 3 Compliance Requirements

Clause	Guideline Requirement	Controls (P-Preventative / D-Detective / C-Corrective)	Transgrid Assessment
7.1 (a) i	<p><b>Legal Separation</b> A TNSP that supplies ring-fenced services must be a legal entity incorporated under the Corporations Act.</p>	<p><b>Company Registration (P) (D)</b> As the TNSP, NSW Electricity Networks Operations Pty Ltd is a separate legal entity. Registration of corporate entities with ASIC is monitored by the Company Secretarial function. Any changes to the corporate structure are notified to the Compliance function.</p> <p>Controls that ensure that Transgrid does not conduct operations that would be defined as being of a related business nature include;</p>	Compliant
7.1 (a) ii	<p><b>Legal Separation</b> A TNSP must not carry on a related business. <i>Transgrid does not carry on a related business.</i></p>		
7.1 (b)	<p><b>Legal Separation</b> A TNSP cannot carry on a related business unless the total revenue of the related business is less than 5% of the TNSP's total annual revenue. <i>Transgrid does not carry on a related business.</i></p>		
7.2 (a)	<p><b>Functional Separation – not to discriminate</b> The directors of a TNSP that provides ring-fenced services must act in the best interest of the TNSP in respect of all decisions relating to the provision of ring-fenced services and the</p>	<p><b>Declaration of Director Conflict of Interest (P)</b> Directors of NSW Electricity Networks Operations Pty Ltd have a fiduciary duty to act in the best interests of the company and therefore in the best interests of the TNSP. This duty is supported by continuous disclosure requirements with regards to</p>	Compliant

Clause	Guideline Requirement	Controls (P-Preventative / D-Detective / C-Corrective)	Transgrid Assessment
7.2 (b)	<p>terms and conditions on which those services are provided.</p> <p><b>Functional Separation – not to discriminate</b> A TNSP that provides ring-fenced services must not discriminate in favour of an associate in relation to the terms and conditions on which those services are provided.</p>	<p>Director’s interests (inclusive of security holder interests), the listing of which is maintained by the Company Secretary and presented at each Board meeting. Directors have an obligation to provide updates to this list on a continuous basis. Directors are also bound by Transgrid’s Code of Ethics and Conduct.</p> <p>The controls managing the risk of market discrimination (directly or indirectly) by the TNSP, are principally related to ensuring all staff are cognisant of the requirements pertaining to the Guidelines. To this end all staff have been trained in Transgrid’s Code of Ethics and Conduct which contains details relevant to ring-fencing and competition law requirements.</p> <p>Induction training for all new starters as per the Corporate Induction and Mandatory Training Manual, includes specific information with regards to ring-fencing awareness and obligations. Organisation wide ring-fencing obligations and requirements awareness training has also been conducted.</p> <p>Further, groups within Transgrid where ring-fencing obligation compliance is more relevant including Networks and Delivery functions, have been identified and trained specifically in ring-fencing obligations awareness and management.</p>	
7.3 (a)	<p><b>Cost Allocation Method (CAM)</b> A TNSP that provides ring-fenced services must establish and maintain:</p> <ul style="list-style-type: none"> <li>i. a separate set of accounts for the provision of ring-fenced services, and</li> <li>ii. a separate amalgamated set of accounts for the entire business</li> </ul>	<p><b>Regulatory account statements and audits (P) (D) (C)</b> Transgrid maintains separate financial accounts for the TNSP being NSW Electricity Networks Operations Pty Ltd. Further, separate amalgamated accounts are prepared for the Transgrid Group.</p> <p><b>Cost Allocation Method (P)</b></p>	Compliant

Clause	Guideline Requirement	Controls (P-Preventative / D-Detective / C-Corrective)	Transgrid Assessment
7.3 (b)	<b>Cost Allocation Method</b> The accounts must be prepared in accordance with the AER approved Cost Allocation Method.	The accounts for the TNSP are prepared in accordance with the AER approved Cost Allocation Method. This methodology is approved by the Transgrid Board prior to it being embedded into the Oracle Financial System.	
7.4	<b>Cost Allocation Method</b> A TNSP must allocate any costs that are shared between an activity covered by a set of accounts referred to in 7.3 (a)(i) in accordance with the AER approved Cost Allocation Methodology.	Monthly financial reports are prepared from Oracle and extensively reviewed within the Finance function to ensure the prescribed CAM has been accurately applied. This control ensures ongoing compliance with the approved CAM.  <b>Annual RIN Response to AER (D) (C)</b>	
7.5	<b>Cost Allocation Method</b> If a TNSP that provides ring-fenced services is part of an economic entity, the TNSP must ensure that a separate amalgamated set of accounts in respect of the provision of ring-fenced services by that economic entity is established and maintained and that they are prepared in accordance with the approved Cost Allocation Methodology.	Transgrid is required by the AER to prepare an annual RIN report for its regulatory accounts. These accounts reflect the operations of the prescribed business, being the TNSP and are prepared based on the application of the approved CAM. These regulatory accounts are reviewed by Transgrid's finance team, independently audited and provided to the AER for publishing on the AER's website.	
7.6 (a)	<b>Functional Separation – information access</b> A TNSP that provides ring-fenced services must ensure that information it provides in relation to those services to any associate that takes part in a related business is available to any other party.	As noted in the body of this Report, a related business means the activities of generation, distribution and electricity retail supply.  The Lumea business, as the associate of the TNSP, does not provide services of a related business nature, as defined.	
7.6 (b)	<b>Functional Separation – preferential treatment</b>		

Clause	Guideline Requirement	Controls (P-Preventative / D-Detective / C-Corrective)	Transgrid Assessment
	A TNSP must ensure no preferential treatment given to an associate that takes part in a related business through sharing of operational activities.		
7.7 (a) & (b)	<b>Functional Separation – staff separation</b> A TNSP that provides ring-fenced services must ensure its marketing staff cannot work for an associate that takes part in a related business.		
7.8/7.9	<b>Functional Separation – staff separation</b> A TNSP must notify the AER when its marketing staff work for both for a ring-fenced service and related business within the prescribed timeframes.		
8	<b>Cost Allocation Method</b> In complying with Clauses 7.3, 7.4 and 7.5, a TNSP must comply with the Information Guidelines and the AER approved Cost Allocation Methodology.	In complying with this Clause, the TNSP has applied the controls listed against Clauses 7.3, 7.4 and 7.5.	Compliant
9	<b>Additional ring-fencing obligations:</b> AER may, by notice to the TNSP, require the TNSP to comply obligations in addition to those in Clause 7.	During the reporting period, the AER has not provided Transgrid with any notices requiring compliance with additional obligations.	N/A
10	<b>Additional Requirements</b> Without limiting the above, the AER may require the TNSP to change additional	During the reporting period, the AER did not impose any of the additional obligations/requirements as specified in this Clause.	N/A

Clause	Guideline Requirement	Controls (P-Preventative / D-Detective / C-Corrective)	Transgrid Assessment
	processes related to marketing, directors and security measures.		
11	<p><b>Waivers</b></p> <p>The AER by way of notice may waive any of the TNSP's obligations under Clause 7.</p>	<p>During the reporting period, the AER did not provide the TNSP a notice to waive any of Transgrid's obligations under Clause 7 of the Guidelines.</p> <p>Reference is made to the two waivers obtained under Section 5 of version 4 of the Guidelines as referred to in Section 4 of this Report.</p>	N/A
12	<p><b>Establish &amp; Maintain Compliance Procedures</b></p> <p>A TNSP must establish and maintain appropriate internal procedures to ensure it complies with its obligations under Clause 6A.21.1 of the NER.</p> <p><i>Clause 6A.21.1 of the National Electricity Rules (NER) requires all Transmission Network Service Providers (TNSPs) to comply with the Transmission Ring-Fencing Guidelines prepared by the Australian Energy Regulator (AER) in accordance with clause 6A.21.2 of the NER.</i></p>	<p>Policies, procedures, guidance and training (P) have been established and maintained in order to ensure ongoing compliance with the obligations under Clause 6A.21.1 of the NER.</p> <p>In particular these include;</p> <ul style="list-style-type: none"> <li>• Ring-fencing requirements have been and continue to be communicated to all staff via training courses in: <ul style="list-style-type: none"> <li>- Ring-fencing and Competition Law</li> <li>- Code of Ethics and Conduct</li> </ul> </li> <li>• All new starters are required to complete the induction training pack which includes the above courses within the first month of their employment as per the Corporate Induction and Mandatory Training Manual. Regular refresher training of the two courses is also allocated to all staff to complete each year.</li> </ul>	Compliant

Clause	Guideline Requirement	Controls (P-Preventative / D-Detective / C-Corrective)	Transgrid Assessment
		<ul style="list-style-type: none"> <li>A comprehensive set of policies, procedures and processes have been established and maintained to support a robust compliance environment. These include;               <ul style="list-style-type: none"> <li>- Code of Ethics and Conduct</li> <li>- Business Ethics for Suppliers</li> <li>- Competition Law Guide</li> <li>- Induction Mandatory Compliance Manual</li> <li>- Cost Allocation Methodology</li> </ul> </li> </ul>	
13	<b>Reporting</b> A TNSP must provide a report to AER describing the measures taken to comply with Clause 6A.21.1 of the NER.	This clause has been superseded by Clause 6.2.1 within Guideline Version 4.	N/A
14	<b>Provision of Documents to the AER</b> A TNSP that is required to prepare documents in accordance with clause 7.3, 7.4 and 7.5, must provide those documents to AER at least on a yearly basis or a reasonable interval determined by AER.	As noted in Clause 7.3 (a) above, the TNSP prepares separate accounts for the provision of ring-fenced services and provides those accounts to the AER.  The requirement to submit to the AER an amalgamated set of accounts for the entire business, is not required under Version 4 of the Guidelines which were issued in March 2023. Consequently, these accounts have not been submitted during the reporting period.	Compliant
15	<b>Audit</b> AER may require a TNSP to engage with a qualified auditor to review.	This clause has been superseded by Section 4 of Electricity Transmission Ring-fencing Guideline – Compliance Reporting Best Practice Manual released by AER in June 2023.  The TNSP engaged PwC to conduct an independent audit of the 2023 year end Annual Report.	N/A
16	<b>Breach Reporting</b>	This clause has been superseded by Clause 6.3 Guideline Version 4.	N/A



Clause	Guideline Requirement	Controls (P-Preventative / D-Detective / C-Corrective)	Transgrid Assessment
	A TNSP must notify the AER immediately after becoming aware of a breach of its obligations under this Guideline.		

## Guideline Version 4 Compliance Requirements

In accordance with instructions from the AER, the following Version 4 obligations of the Guidelines are required to be included in the scope of the December 2023 Annual Report

Clause	Guideline Requirement	Key Controls (P-Preventative / D-Detective / C-Corrective)	Transgrid Assessment
3.1 (c)	<p><b>Legal Separation (service provision)</b> Prohibition of new or material variation agreements regarding the use of TNSP energy storage devices by another legal entity.</p>	<p><i>The controls in place to manage compliance with this obligation are the same as those used for Legal Separation under the Version 3 Guidelines Clause 7.1 (a)(i)(ii) and &amp; 1 (b).</i></p>	Compliant
4.4.1 (a)	<p><b>Service Providers</b> New or varied agreements between the TNSP and a service provider that enable or assist to provide prescribed transmission services, requires that service provider to comply with clauses 4.1, 4.2 and 4.3 as if the service provider was the TNSP.</p>	<p><b>General Conditions of Contract (P)</b> Contracts with service providers, either new or varied, are prepared using Transgrid's General Conditions of Contract (GCoC). The GCoC's require suppliers to adhere to all applicable legal and regulatory requirements inclusive of ring-fencing requirements.</p>	Compliant
6.2.1	<p><b>Annual Compliance Report</b> A TNSP 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.</p>	<p>Transgrid has prepared this Annual Ring-Fencing compliance report in accordance with the requirements specified in the Guidelines. Key reporting dates are monitored through the compliance functions reporting calendar and through the raising of a reporting obligation in the obligations register.</p>	Compliant
6.2.2	<p><b>Compliance Reporting Requirements</b> A TNSP must submit its annual compliance report to the AER within four months of the</p>		

Clause	Guideline Requirement	Key Controls (P-Preventative / D-Detective / C-Corrective)	Transgrid Assessment
	end of the calendar year to which the compliance report relates.		
6.3	<p><b>Compliance Breaches</b></p> <p>A TNSP must notify the AER in writing within 15 business days of becoming aware of a breach of its obligations under this Guideline, except for a breach of Clause 6.2.2 or this Clause 6.3 of this Guideline.</p>	<p>The TNSP maintains multiple channels for reporting of internal compliance breaches including those associated with ring-fencing obligations including a dedicated email address and organisation wide access to incident reporting processes. These processes are supported by the ongoing awareness and training already implemented across the business.</p> <p>Compliance incidents workflow automatically to the compliance team who are trained in the reporting obligations required under the Guidelines.</p> <p>The processes to report incidents of a compliance nature across the business are documented within the Regulatory Incident Report Procedure.</p>	Compliant

## Appendix B Definitions

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Defined terms used in this Annual Report are available at the following references;

Version 3: [Electricity Transmission Ring-fencing Guideline \(interim\) version 3](#)

Version 4: [Electricity Transmission Ring-fencing Guideline version 4](#)