



**CitiPower and Powercor  
| 2023 Ring-fencing  
compliance report  
| April 2024**

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# 1 Introduction

## 1.1 Background

On 30 November 2016 the Australian Energy Regulator (**AER**) released its Electricity Distribution Ring Fencing Guideline (**Guideline**) as made under clause 6.17.2 of the National Electricity Rules (**NER**). The Guideline commenced on 1 December 2016 and incorporates amendments made from time to time.

On 3 November 2021, the AER published the Ring-fencing Guideline (version 3) and accompanying explanatory statement against which compliance has been assessed by CitiPower and Powercor. Under clause 6.17.1 of the NER, the Guideline is binding on distributors and seeks to prevent them from providing their affiliates, operating in unregulated markets, from having an unfair advantage, thus seeking to promote competition in the provision of electricity services.

The Guideline includes provisions in the following three broad areas:

- cross-subsidisation—preventing distributors from using regulated revenues to subsidise activities in unregulated markets
- discrimination—ensuring distributors treat affiliates and third parties equally
- information sharing—providing electricity information to all parties on an equal basis.

## 1.2 Purpose

The Guideline requires CitiPower and Powercor to prepare an annual ring-fencing compliance report for submission to the AER each regulatory year.

This Annual Ring-Fencing Compliance Report (**report**) has been prepared by CitiPower Pty Ltd (ACN 064 651 056) and Powercor Australia Ltd (ACN 064 651 109) (**CitiPower, Powercor, we, us, our**) for the year ending 31 December 2023. In accordance with the clause 6.2.1(a) of the Guideline, this report identifies and describes:<sup>1</sup>

- the measures we have taken to ensure compliance with our obligations
- all 'other services' we provided
- the purpose of all transactions between us and affiliated entities
- any breaches of the Guideline.

This report represents CitiPower and Powercor's annual ring-fencing compliance report for the calendar year ending 31 December 2023. This report covers the period from 1 January 2023 to 31 December 2023. Annual compliance reports must be submitted to the AER within four months of the end of the year to which the compliance report relates, as per clause 6.2.2 of the guideline.

This report is accompanied by an independent assessment of compliance conducted by Deloitte, a suitably qualified independent authority (Attachment A). The assessment has been prepared in accordance with Australian Standards on Assurance Engagements ASAE 3100 Compliance Engagements issued by the Australian Auditing and Assurance Standards Board. Deloitte has conducted its assessment on a reasonable assurance basis in accordance with the AER's Ring fencing compliance reporting best practice manual version 3.<sup>2</sup>

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<sup>1</sup> AER, Ring fencing Guideline, version 3, November 2021, 6.2.1(b).

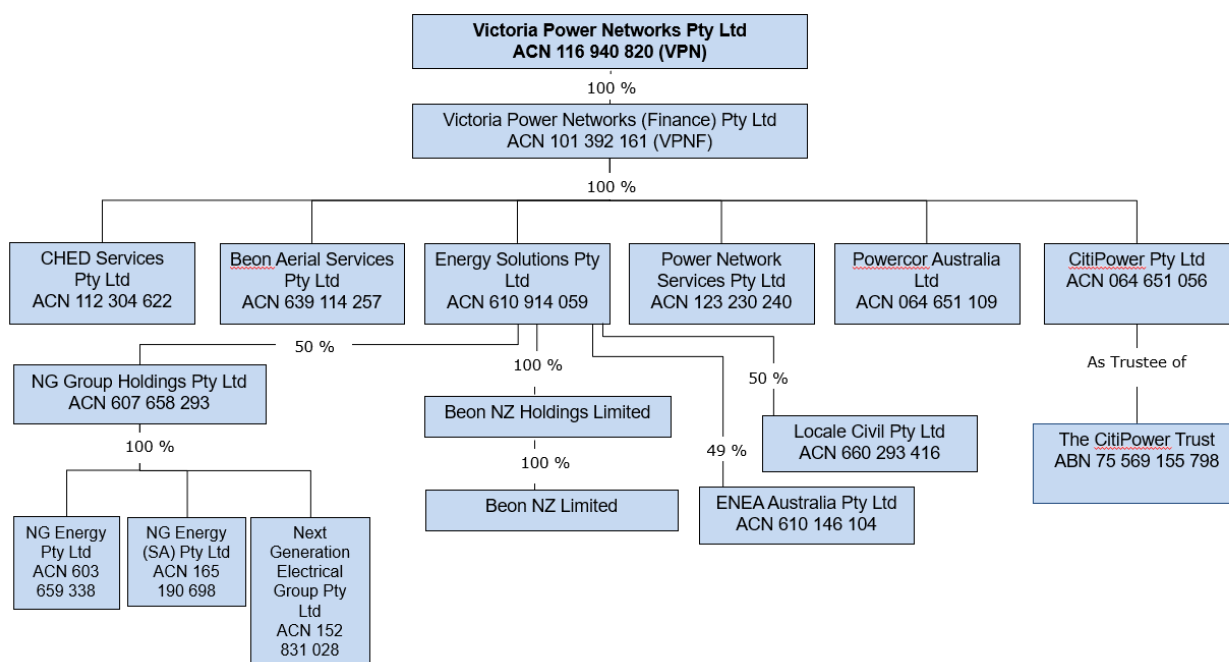
<sup>2</sup> AER, Ring-Fencing Guideline compliance reporting best practice manual version 3, February 2022

This report should be read together with our compliance strategy and waivers as published on our and the AER's websites.

### 1.3 Corporate overview

The figure below overviews our corporate structure at the end of 2023.

Figure 1 Overview of the CitiPower and Powercor corporate structure



Source: CitiPower and Powercor

Energy Solutions Pty Ltd trading as Beon Energy Solutions (**Beon**), CHED Services, Power Network Services (known as Network Services) and Beon Aerial Services are directly affiliated with us:

- Beon provides large-scale renewable energy and infrastructure projects, as well as design, construction and maintenance services which are contestable energy services for the purposes of the Guideline
- CHED Services Pty Ltd provides corporate services primarily to us, as well as to affiliates
- Power Network Services Pty Ltd provides design and field services primarily to us, as well as to affiliates and third parties.
- Beon Aerial Services, which provides LiDAR vegetation management services to CitiPower and Powercor

Beon also has ownership interests in other entities, specifically:

- Next Generation Electrical Group Pty Ltd (**NG/E**), which provides engineering, procurement and construction services, which are contestable electricity services for the purposes of the Guideline.
- ENEA Australia Pty Ltd (**ENEA**), which provides advice and support for companies in the energy sector. To CitiPower and Powercor, they provide a range of services including code reviews, forecasting, case studies, strategy modelling, policy writing, financial analysis, risk modelling, tax support and strategy development. The activities of ENEA do not fall within the definition of contestable electricity services, and thus are not a related electricity service provider for the purposes of the Guideline. For

completeness, they are included within this ring-fencing compliance report to ensure appropriate controls exist between ENEA and Beon.

- Beon also owns 50% of Locale Civil Pty Ltd and 100% of Beon NZ Holdings Limited, which in turn owns 100% of Beon NZ Limited

Other indirect affiliates do not appear in our corporate structure because they have other distinct parent ownership (or ownership shareholdings), or operate networks in distinct locations and with different management. We have not included those indirect affiliates within this compliance report.

For completeness, we note that Victoria Power Networks Pty Ltd is ultimately 51% owned by the Cheung Kong Holdings and 49% by Pika Bidco Pty Limited, which is an entity owned by funds and/or investment vehicles managed and/or advised by Kohlberg Kravis Roberts & Co. L.P. and/or its affiliates, Ontario Teachers' Pension Plan Board and Public Sector Pension Investment Board.

## **1.4 Definitions**

Unless otherwise defined, terms used in this report have the meaning given to them in section 1.4 of the Guideline.

## **1.5 Contact details**

The contact person for further details in relation to this report is:

Brent Cleeve  
Head of Regulatory Policy and Compliance  
CitiPower, Powercor and United Energy  
40 Market Street, Melbourne VIC 3000  
Ph. (03) 9683 4465

# 2 Measures to ensure compliance



## 2.1 Annual compliance report and audit

Clause 6.2.1(b)(i) of the Guideline requires that the annual compliance report must identify and describe, in respect of the regulatory year, the measures the distributor has taken to ensure compliance with its ring-fencing obligations.

We have applied the Guideline in accordance with our understanding of it as detailed in our compliance strategy.<sup>3</sup>

Deloitte conducted its 2023 regulatory year audit in February, March and April 2024.

The scope of the Deloitte engagement included:

- interviewing key staff members responsible for legal, accounting and operational activities
- understanding the process for identifying and reporting breaches of the Guideline
- examining, on a test basis, the key controls that exist and the evidence supporting compliance
- reviewing the compliance report prepared by management and confirmed that the report has been prepared in accordance with the Guideline.

Deloitte is a suitably qualified independent auditor in accordance with the Guideline and the AER's audit guidance note.

### 2.1.1 Key risk areas

The ring-fencing audit and feedback from the AER relating to the 2022 year highlighted the need for CitiPower and Powercor to align with best practice by providing a CEO cover letter with submission of our compliance report.

Deloitte recommended management to further strengthen the monthly review controls to identify whether ENEA employees have inappropriate access rights.

### 2.1.2 Strengthening of controls to address key risk areas

In 2023 we implemented the auditor's suggested controls in relation to identifying / eliminating access by related party employees to restricted areas for 40 Market St.

## 2.2 Prevention of cross subsidies

### 2.2.1 Legal separation

In accordance with clause 3.1 of the Guideline, CitiPower and Powercor may provide distribution services and transmission services but must not provide other services.

CitiPower Pty Ltd (ACN 064 651 056) and Powercor Australia Ltd (ACN 064 651 109) are registered in Australia by Australian Securities and Investment Commission (**ASIC**) under the *Corporations Act 2001* (Cth) and are, for the purposes of the Guideline, legal entities.

CitiPower and Powercor are stand-alone electricity distribution network service providers that only provide distribution services within our licensed distribution service area. Set out below are the categories of distribution

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<sup>3</sup> <https://www.aer.gov.au/system/files/Compliance%20Plan%20-%205%20May%202017.pdf>

services we provided during 2023, which are consistent with the AER's Victorian electricity distribution network service provider's final determination for the 2021–2026 regulatory control periods:

- standard control services
- alternative control services

We provided these distribution services to:

- electricity retailers
- end-use customers
- others—registered electrical contractors (**REC**), builders, developers, public lighting authorities including local councils and VicRoads and other distribution network service providers.

We have not provided any other material services as prescribed under the Guideline.

Separate affiliated entities have been established to perform “other services” outside distribution and transmission services which are performed by CitiPower and Powercor.

### **2.2.2 Establish and maintain accounts**

In accordance with clause 3.2 of the Guideline, we establish and maintain appropriate internal accounting procedures to demonstrate the extent and nature of transactions between CitiPower and Powercor and affiliated entities.

Established documented work procedures are in place for Finance staff which provides instruction on how accounts are to be separated.

During the year we maintained a separate set of accounts for our businesses that are separate from our affiliate's accounts. Our 31 December 2023 financial statements were subject to an annual statutory audit engagement and our internal accounting procedures will be provided to the AER through the annual Regulatory Information Notice (**RIN**) responses in October 2024.

It is standard practice that monthly reviews of the financial balance sheets are undertaken to confirm that transactions have been allocated to the correct accounts. Discrepancies are immediately rectified. Established documented work procedures are in place for Finance staff which provides instruction on how costs are to be allocated amongst accounts.

During the year we ensured that costs for distribution services were allocated in accordance with the Cost Allocation Principles. Our Cost Allocation Methodology (**CAM**), as approved by the AER for the 2021-2026 regulatory period, will be the basis of our annual audit during the RIN process for the 2023/24 financial year, the results of which will be provided to the AER on 31 October 2024.

Responsibility for compliance with the CAM principally rests with CitiPower and Powercor's Chief Financial Officer. The day-to-day responsibility for the CAM, including updating, maintaining, applying, internally monitoring and reporting on its application, including ensuring compliance is the responsibility of the finance team.

Our integrated business management system (**SAP**) is used to collect and record expenses and revenues including:

- the Chart of Accounts classifies all expenses and revenues by General Ledger account numbers, which map to reporting categories on the balance sheet, and profit and loss statement
- each expense or revenue transaction is also assigned to a profit centre. Each cost item is assigned to a function code and in some cases an activity type

- the records maintained in the SAP system, the processes for inputting records into the SAP system and corporate service break down of fees can be reviewed.

The basis of directly attributing costs in accordance with the CAM can therefore be readily verified by an independent third party and the outcome can be replicated.

Each month, Finance representatives' complete attestations confirming separate accounts have been maintained.

## 2.3 Offices, staff, branding and promotions

### 2.3.1 Physical separation/co-location

In accordance with clause 4.2.1 of the Guideline, CitiPower and Powercor use offices that are separate from any offices from which affiliated entities provide contestable services.

CitiPower and Powercor are located at 40 Market Street, Melbourne, whilst Beon is located at 11 Tavistock Place, Melbourne.<sup>4</sup>

We note the following key controls to ensure the ongoing physical separation from affiliates:

- Beon, NG/E and ENEA staff are prevented from physically accessing restricted floors at Market Street through their security access passes. The passes only allow these staff to access certain approved non-restricted floors if required.
- Every morning, the facilities team run a check of everyone with access to the Market Street office. If any affiliate staff are identified as having access without a valid reason under the ring-fencing guideline, then they are immediately barred from accessing Market Street in the Gallagher security system. Access is then modified to ensure entry to restricted floors is not allowed going forward.
- Monthly reports are run by the facilities team to demonstrate staff building access at a point in time. This report is reviewed by the Facilities Manager to ensure the accesses for the contestable service providers' staff remain restricted as appropriate for compliance with the Guideline, and any discrepancies are rectified. An attestation is then completed by the Facilities Manager on a monthly basis.

### 2.3.2 Staff sharing

In accordance with clause 4.2.2 of the Guideline, CitiPower and Powercor staff that are involved in the provision or marketing of direct control services are not involved in the provision or marketing of contestable services for affiliated entities.

CitiPower and Powercor maintain a staff sharing register, which is regularly reviewed and updated quarterly. The staff sharing register is available publicly on the CitiPower/Powercor website.

### 2.3.3 Branding and cross promotion

In accordance with clause 4.2.3 of the Guideline, CitiPower and Powercor use branding that is independent and separate from that used by affiliated entities in providing contestable services. Also, CitiPower and Powercor do

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<sup>4</sup> For completeness, we note that ENEA Consulting is located at Level 12, 360 Elizabeth Street, Melbourne VIC 3000; and NG/E is located at 3 Stewart Street, Richmond, Vic 3121.

not advertise or promote direct control services and contestable services together, or contestable services provided by related electricity service providers

#### **2.3.4 Office and staff registers**

In accordance with clause 4.2.4 of the Guideline, CitiPower and Powercor has established, maintained and kept registers of offices and staff to which the staff sharing and office sharing obligations do not apply.

To ensure CitiPower and Powercor do not confer an unfair advantage on affiliates, we are required to publish staff sharing and office sharing registers on a quarterly basis.

In accordance with the Guideline, certain staff are allowed to be used, or shared, by us and our affiliates. Shared staff must be included on the register if:

- in the course of their duties, do not have access to electricity information
- have access to electricity information but do not have, in performing the roles, functions or duties of their staff position, any opportunity to use that electricity information to engage in conduct that is contrary to our obligations
- are located at a regional office; or
- are an officer to both ourselves and an affiliate.

The staff sharing register also captures shared staff which meet the criteria detailed above who have moved to a new position within the business in the past 12 months and where their access to electricity information has changed.

The publicly available staff sharing register comprises of a description of the shared staff positions, the duration the staff are shared, the reason they may be shared, any ring-fencing controls in place. The ring-fencing compliance strategy published on our website describes the access to, and way in which shared staff use electricity information in performing their roles in more detail.

The Guideline also allows certain offices to be shared. The office register includes a list of all offices where staff listed on the staff sharing register are located, or the location of staff that only have access to electricity information for the purpose of providing corporate services. Not all staff at the listed locations are shared.

The staff and office sharing registers are updated on a quarterly basis as per clause 4.2.4(b) and can be found on our website <https://www.powercor.com.au/about-us/regulatory-information/regulatory-framework/>.

## **2.4 Information access and disclosure**

### **2.4.1 Protection of confidential information**

In accordance with clause 4.3.2 of the Guideline, CitiPower and Powercor do not disclose ring-fenced information to any person, including affiliated entities, except in specified circumstances.

We consider that the protection of ring-fenced information is a key ring-fencing compliance risk. In accordance with the information sharing provisions of the Guideline we keep an information sharing protocol which outlines the circumstances under which we will provide information to affiliates and other legal entities. An information register is also kept giving effect to the principle of equal access to information. The operation of the register is described in the protocol.

### **2.4.2 Disclosure and sharing of information**

In accordance with clause 4.3.3 of the Guideline, CitiPower and Powercor provide access to any ring-fenced information that is disclosed to a related electricity service provider on an equal basis.

For the period 1 January 2023 to 31 December 2023, no ring-fenced information was shared by CitiPower and Powercor with its related electricity service providers, and no requests for access to our information register by competitors or potential competitors was received.

### **2.4.3 Information register**

In accordance with clause 4.3.4 of the Guideline, CitiPower and Powercor has established, maintained and kept registers of related electricity service providers and all legal entities who provide contestable services who have requested access to eligible ring-fenced electricity information provided to affiliates and third parties.

The information register is one of the Guideline's mechanisms to ensure we provide eligible ring-fenced electricity information to affiliates and third parties on an equal basis. Consistent with the Guideline, our register operates in the following way:

- related electricity service providers, and other legal entities that provide contestable electricity services who request access to ring-fenced information will be placed on the register (registered parties)
- registered parties must provide us with a description of the kind and purpose of ring-fenced information they would like to receive
- if a related electricity service provider requests (and is provided with) information that matches the kind and purpose of information described by non-affiliated registered parties, that information will be provided to those non-affiliated registered parties on an equal basis
- if a related electricity service provider has paid a fee to receive eligible ring-fenced information (in accordance with rules or procedures), then other registered parties will receive a notification that they can receive the same information if the same fee is paid
- information will be provided to registered parties on terms and conditions that require them to comply with the obligation to protect the information and to only disclose it to third parties (including related electricity service providers) only on the basis of clause 4.3.2 and 4.3.3 (a)-(e) of the Guideline.

Both the information sharing protocol and Information register are subject to an annual review and can be found here - <https://www.citipower.com.au/about-us/regulatory-information/regulatory-framework/>.

### **2.4.4 Website**

In accordance with our current business practice, information for our corporate websites must be approved by Corporate Affairs prior to publication.

Following staff turnover and a corporate structure change targeted sessions on ring fencing have been undertaken with the new Corporate Affairs team. This training to Corporate Affairs has ensures new staff remain aware of their obligations to not promote affiliates or their services on the website.

There are no references to affiliated contestable service providers on our websites. Bi-annual reviews are conducted to continue to ensure that the website continues to be compliant.

### **2.4.5 Call centre and printed materials**

Scripts used by Contact Centre staff contain no references which could advantage affiliated entities. These scripts are reviewed annually.

To date we have not identified any printed material which advertises or promotes services provided by a related electricity service provider.

## 2.5 Conduct of service providers

In accordance with clause 4.4.1 of the Guideline, CitiPower and Powercor ensure that any new or varied agreement that it enters with a service provider requires the service provider to comply with the obligations relating to non-discrimination, office sharing, staffing and the protection of confidential information.

A legal review was undertaken in 2019 on our existing set of standard terms and conditions for service providers to ensure that any new or varied contracts are aligned with the Guideline.

Procurement staff received refresher training on the principles of ring-fencing in January 2021. The training was conducted in-person by the Regulation team and focused on how to apply ring-fencing principles when engaging a service provider. A further refresher training is planned for 2024. Outside of planned training, a Regulation team member is available at all times to assist Procurement staff with ring-fencing queries.

Procurement have implemented ring-fencing related KPIs so that their staff are financially incentivised by the company's bonus scheme to prevent ring-fencing breaches. This includes maintaining compliance for all eProcurement Requests over a certain value, by ensuring the correct procurement processes (including ring fencing requirements and appropriate Delegate of Authority) have been documented in the Request.

The standard ring-fencing terms and conditions used in procurement contract and purchase orders are periodically reviewed by Procurement and Legal. A decision framework to identify applicable contracts where ring-fencing clauses should be included is available on our intranet. Procurement staff is made aware of this framework repeatedly at their team meetings, and periodic training is provided by the Regulation team where this framework is covered and promoted to the team.

No breaches were identified in 2023 in relation to procurement activities.

## 2.6 Staff training

Since 2018, we have had mandatory ring-fencing training for all office staff. The training is now required to be completed by all corporate staff on a three year cadence. New employees are required to undertake training as part of their induction into the company, and subsequently refresh the training together with all other office staff every three years.

Our corporate induction sessions for new employees which are conducted in-person where possible, also incorporate an overview of ring-fencing and the impact on our businesses run by Regulation.

The ring-fencing champions program complements the ring-fencing awareness program by reinforcing awareness with nominated champions from high-risk business units. These champions are then responsible for reinforcing awareness and compliance in their business unit.

When taken together, the online training combined with other awareness activities provides our employee base a strong level of awareness and knowledge about ring-fencing.

### 2.6.1 Office staff

Staff in the following corporate functions are required to complete training:

- Finance
- Contact Centre
- Connections
- Corporate Affairs
- Network Services

- Program Delivery
- Construction and Maintenance
- Design
- Network Technologies
- IT
- Planning
- Regulation.

The training covers the following topics and ring-fencing clauses:

- Clause 3—Prevention of cross subsidies
- Clause 4.1—Obligation not to discriminate
- Clause 4.2—Offices, staff, branding and promotions
- Clause 4.3—Information access and disclosure

The training module was refreshed in 2023, following breaches that were reported at the end of 2022. The training discusses the importance of complying with ring-fencing and the ramifications for not doing so. It also provides guidance for staff on the process to follow when they have ring-fencing queries. This includes seeking guidance from managers and sending queries to an internal ring-fencing mailbox to be answered by the Regulation team.

The new training for permanent, office based staff was completed through an online module with a completion rate of 93.39%.

### **2.6.2 Field staff**

New field staff employees are required to undertake training as part of their induction into the company.

The last round of field staff specific training was rolled out in January 2021. We intend to run field staff specific ring-fencing training again in 2024.

The training is run on a 3-year refresh cadence. The training covers issues specific to field staff, who are likely to interact with the public. It emphasises the requirement to not recommend affiliates to the public. Field staff are those staff who work outside the office. They typically include line workers, apprentices, cable jointers, inspectors, commissioning workers, works co-ordinators, field leaders, electrical testers, team leaders and work delivery co-ordinators.

## **2.7 IT system controls**

In 2023 we reported no breaches relating to IT access controls.

We have continued to practice our existing controls within IT and today there are two types of key IT controls deployed:

- Preventative controls - consistent and accurate requests from the business, continued training and awareness within IT. Requests from IT staff include contacting Regulation when unsure of ring-fencing controls, business owners being required to approve access and permissions, regular training to the IT Service Desk and reminders to IT system business owners of their ring-fencing obligations.

- Detective controls – monthly and six-monthly IT attestations, instigated from IT, and IT security audits and the ring-fencing audit.

## **2.8 Statement of compliance**

Per section 5.2, we confirm that we have not identified/ reported any breach in 2023 and we comply with the Australian Energy Regulator’s (AER) Ring-fencing guideline (the Guideline) for the year-ending 31 December 2023.



# 3 Waivers

## **3.1 Waivers**

Section 5 of the Guideline allows for the AER to grant a class waiver or for a distribution network service provider (DNSP) to seek a waiver of obligations under clauses 3.1, 4.2 and/or 4.4.1(a) if certain conditions are met.

### **3.1.1 Tarneit battery waiver**

The AER has issued a waiver to Powercor from its ring-fencing obligation to comply with clause 3.1 of the Guideline in respect to Powercor leasing the excess capacity from its Tarneit battery. The Waiver is set to expire 30 June 2033.

The waiver imposes various conditions on Powercor in relation to information to ex-post public sharing of information about the battery, usage of the battery and contractual arrangements between Powercor and the third-party retailer.

The battery was unveiled on Monday 27, February 2023.

### **3.1.2 Commonwealth Battery Class Waiver**

On 3 February 2023 the AER published a final decision to grant a class waiver that would enable a DNSP to lease battery capacity to third parties for batteries funded under the Commonwealth Government's Community Batteries for Household Solar Program, subject to strict controls and criteria.

Powercor has a battery committed in Maldon, with installation expected in late 2024, early 2025, under this scheme.

### **3.1.3 Reliability and Emergency Reserve Trader (RERT) services**

The AER granted a ring-fencing class waiver, effective from 14 December 2022 to 15 April 2025, to allow DNSPs to contract with AEMO to provide RERT services via voltage management.

The class waiver exempts DNSPs from their obligations to comply with clause 4.2 of the Guideline (functional separation) in relation to the provision of RERT services via voltage management.

As of 31 December 2023, CitiPower and Powercor did not provide any RERT services via voltage management.

### **3.1.4 Waiver register**

Current and expired waivers are kept in a register (including variations) in accordance with the Guideline and are publicly available on our website <https://www.citipower.com.au/about-us/regulatory-information/regulatory-framework/>.

# 4 Compliance and enforcement

## 4.1 Compliance framework

A corporate objective for CitiPower and Powercor is achieving full compliance with external obligations and audit requirements. Clause 6.1 of the Guideline requires distributors to establish and maintain appropriate internal procedures to ensure it complies with its obligations under the Guideline.

To this end, we have established frameworks, policies and processes designed to manage, monitor and report on compliance and to minimise the potential for breaches, fines or penalties, or loss of our distribution license. This has been prepared in accordance with the Australian Standard Compliance Programs (AS/ISO 19600:2015).

The Board has responsibility for ensuring the overall performance and has established a Risk Management and Compliance Committee (**RMCC**) to consider more complex issues in the areas of audit, risk management and compliance. The Executive Management Team (**EMT**) and the Chief Executive Officer are responsible for the effective management and compliance with all applicable regulation compliance obligations including ensuring all breaches are managed and reported appropriately.

Responsible managers within our businesses have been assigned to, and are responsible for, meeting compliance for specific economic regulation obligations. These obligations are allocated based on the activities of their position and include identification, management and reporting of any compliance breaches.

The Regulation team is responsible for the overall regulatory compliance policy and framework, and ensures this policy is appropriate and effective in managing the economic regulation compliance risks of our businesses. The status of our economic regulation obligations is monitored, reviewed and where applicable, reported to the EMT and RMCC.

CitiPower and Powercor have assigned ring fencing authorities and responsibilities to our staff/teams, as set out in Table 1 below.

Table 1 Assigned authorities and responsibilities

Staff/team	Authorities and responsibilities
General Manager Regulation	<ul style="list-style-type: none"> <li>Approval of ring-fencing strategy</li> </ul>
Regulation team	<ul style="list-style-type: none"> <li>Ensure the list of regional offices remains up to date by reconfirming the analysis that identified the offices, as appropriate, and updating the list, if the criteria in the Guideline change</li> <li>Maintain a list of all the services offered by CitiPower/Powercor and ensure the delivery of them remains compliant with the Guideline obligations</li> <li>Manage the confidential information disclosure and sharing process, including ensuring the information register and information sharing protocol are up to date</li> <li>Manage the ring-fencing compliance monitoring and reporting process, including reporting to the Risk Management and Compliance Committee</li> <li>Provide advice and support to managers, who are responsible for the ring-fencing obligations</li> <li>Ensure the staff, office and waiver registers are kept up to date</li> <li>Manage the breach reporting process</li> <li>Be a resource for all staff in the business to seek ring-fencing advice</li> <li>Provide specific ring-fencing training as needed throughout the business</li> </ul>

Staff/team	Authorities and responsibilities
Finance group	<ul style="list-style-type: none"> <li>• Create and maintain procedures that demonstrate the extent/nature of transactions between the distribution business and affiliated entities</li> <li>• Maintain records that demonstrate the process for allocating costs between Distribution Services carried out by CitiPower/Powercor and non-distribution services provided by an affiliated entity</li> </ul>
Human Resources group, Corporate Affairs and Call centre	<ul style="list-style-type: none"> <li>• Ensure that CitiPower/Powercor’s approach to remuneration, incentives and benefits does not create an incentive for staff to act in a manner that is contrary to the Guideline</li> <li>• Ensure that there is no printed material or call centre scripts cross promoting CitiPower/Powercor and contestable businesses</li> <li>• Ensure there is no website material cross promoting CitiPower/Powercor and contestable businesses</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>• Ensure that new and varied supplier contracts incorporate the amended terms and conditions as part of their contract management system</li> <li>• Incentivise procurement staff to ensure compliance with ring-fencing</li> </ul>
Information technology	<ul style="list-style-type: none"> <li>• Ensure that IT controls are effective to prevent access to confidential information by contestable businesses</li> <li>• Periodically review and complete attestations to ensure there are no IT access breaches</li> </ul>
All employees	<ul style="list-style-type: none"> <li>• Notify their manager and the Regulation group of new commercial opportunities so ring-fencing implications can be considered</li> <li>• Ensure CitiPower/Powercor’s competitors are not discriminated against, due to preferential treatment being given to their affiliates</li> <li>• Ensure branding and cross promotion provisions are followed when engaging as shared staff on behalf of a related entity</li> <li>• Refer any requests for confidential information by an affiliate or external party to the Regulation group</li> <li>• Report any suspected breaches, or queries on the Guideline to the Regulation group or via email to the ring-fencing mailbox</li> </ul>

We use the Quantate Compliance Program for assigning and tracking compliance responsibilities. The ring-fencing obligations are included in this system. Further, in 2023 we continued the monthly, quarterly and biannual ring-fencing attestations in Quantate.

Table 2 below summarises the controls taken to comply with each ring-fencing obligation.

Table 2 Controls for Guideline obligations

Guideline clause	Guideline text	Preventative controls	Detective controls
<b>3 Prevention of cross subsidies</b>			
3.1 Legal separation	(a) A DNSP must be a legal entity  (b) Subject to this clause 3.1, a DNSP may provide distribution services and transmission services, but must not provide other services.	<ul style="list-style-type: none"> <li>CitiPower and Powercor are separate legal entities with a registered Australian Business Number (ABN) which is distinct from its affiliated entities that provide “other services”</li> <li>A separate affiliated entity Beon was established to perform “other services” outside distribution and transmission services which are performed by CitiPower and Powercor</li> </ul>	<ul style="list-style-type: none"> <li>A monthly review of general ledger accounts is performed by the finance team and attestation is provided by the Financial Controller that no breaches of this requirement have occurred</li> </ul>
3.2.1 Separate accounts	(a) A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.	<ul style="list-style-type: none"> <li>A separate general ledger is maintained for CitiPower/Powercor and its affiliates with separate GL accounts for transaction between affiliates</li> </ul>	<ul style="list-style-type: none"> <li>A monthly review of general ledger accounts is performed by the finance group and an attestation is provided by the Financial Controller that no breaches in this requirement have occurred</li> </ul>

3.2.2 Cost allocation and attribution

(a) A DNSP must allocate or attribute costs (including costs allocated or attributed to the DNSP by a parent entity) to distribution services in a manner that is consistent with the Cost Allocation Principles and its approved CAM, as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services.

(b) A DNSP must only allocate or attribute costs to distribution services in accordance with clause 3.2.2(a), and must not allocate or attribute other costs to the distribution services it provides.

(c) A DNSP must establish, maintain and keep records that demonstrate how it meets the obligations in clauses 3.2.2(a) and 3.2.2(b).

- Costs are attributed using profit centres and function codes within the ERP system (SAP) in line with the approved CitiPower and Powercor's Cost Allocation Methodology

- A quarterly review of cost attribution is performed by the finance team and attestation provided by the Financial Controller that this has been performed and whether any breaches have been identified

Guideline clause	Guideline text	Preventative controls	Detective controls
<b>4 Functional separation</b>			
4.1 Obligation to not discriminate	<p>(b) A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of:</p> <p>i. direct control services by the DNSP (whether to itself or to any other legal entity); and / or</p> <p>ii. contestable electricity services by any other legal entity.</p> <p>(c) Without limiting its scope, clause 4.1(b) requires a DNSP to:</p> <p>i. in dealing or offering to deal with a related electricity service provider, treat the related electricity service provider as if it were not a related electricity service provider (that is, as if it had no connection or affiliation with the DNSP);</p> <p>ii. in like circumstances, deal or offer to deal with a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider on substantially the same terms and conditions;</p> <p>iii. in like circumstances, provide substantially the same quality, reliability and timeliness of service to a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider;</p> <p>iv. subject to clause 4.3.2(b), not disclose to a related electricity service provider information the DNSP has obtained through its dealings with a competitor (or potential competitor) of the related electricity service provider where the disclosure would, or would be likely to, provide an advantage to the related electricity service provider.</p> <p>(d) A DNSP must not discriminate (either directly or indirectly) between any two legal entities, in connection with the supply of contestable</p>	<ul style="list-style-type: none"> <li>• Mandatory online training on ring-fencing requirements is undertaken by new starters (whether office or field-based employees) upon commencement at the company as part of induction</li> <li>• Mandatory online training for all office-based staff on the ring-fencing requirements is performed every three years</li> <li>• Mandatory field staff training on ring-fencing requirements is performed every three years</li> <li>• Targeted ring-fencing training is performed within the business where there is a material change in the ring-fencing guideline, significant staff turnover, or upon the identification of guideline breaches</li> <li>• Approval of project costs and scheduling so that contestable services are not prioritised over direct control services</li> </ul>	<ul style="list-style-type: none"> <li>• An annual review of ring-fencing obligations by each responsible manager and General Manager and declaration of any breaches/no breaches occurring in relevant area of the business. This is then signed off by the relevant General Manager</li> </ul>



Guideline clause	Guideline text	Preventative controls	Detective controls
	<p>electricity services by those legal entities, on the basis of the use by one or both of those legal entities of assets owned, operated or otherwise controlled (in whole or in part) by the DNSP.</p>		
<p>4.2 Offices, staff, branding and promotions 4.2.1 Physical separation / co-location</p>	<p>(a) Subject to this clause 4.2.1, in providing direct control services, a DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.</p>	<ul style="list-style-type: none"> <li>• CitiPower and Powercor have a separate office from related entities</li> <li>• Beon, ENEA and NG/E and related entity staff are physically restricted from accessing certain floors of CitiPower and Powercor office through the use of the Gallagher security system (through electronic access cards and security doors)</li> <li>• An office sharing register is maintained and reviewed by CitiPower/Powercor</li> </ul>	<ul style="list-style-type: none"> <li>• The Operations Manager Facility Management Services performs both a daily and monthly review of physical access restrictions for the CitiPower/Powercor building to identify any Beon, ENEA and NG/E Staff who have inappropriate access</li> </ul>
<p>4.2.2 (a) Staff sharing</p>	<p>(a) Subject to this clause 4.2.2, a DNSP must ensure that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.</p>	<ul style="list-style-type: none"> <li>• All office- based staff complete a mandatory online ring- fencing training; new employees complete an in- person (where possible) corporate induction course that includes an overview on ring- fencing, as well as online induction modules of which one includes ring- fencing training. These courses cover the requirement for staff to not provide or market contestable electricity service by a related electricity service provider.</li> <li>• The online training is comprehensively reviewed when there is a material change to the ring-fencing guideline, or there is a</li> </ul>	<ul style="list-style-type: none"> <li>• A quarterly review is performed by the Regulation group for any changes to job descriptions or new roles to ensure that any shared staff are identified, and that shared staff are not in breach of the ring- fencing requirements</li> </ul>

Guideline clause	Guideline text	Preventative controls	Detective controls
		need to modify the training to target a business specific ring-fencing concern.	
4.2.2 (c) Staff sharing	(c) The remuneration, incentives and other benefits (financial or otherwise) a DNSP provides to a member of its staff must not give the member of staff an incentive to act in manner that is contrary to the DNSP's obligations under this Guideline.	<ul style="list-style-type: none"> <li>On an annual basis the Head of Business Performance Management reviews the remuneration, incentives and other benefits of staff working for CitiPower and Powercor to ensure that these do not incentivise them to breach the ring-fencing requirements</li> </ul>	
4.2.3 (a) Branding and cross-promotion	<p>(a) A DNSP:</p> <p>i. must use branding for its direct control services that is independent and separate from the branding used by a related electricity service provider for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the related electricity service provider are related;</p> <p>ii. must not advertise or promote its direct control services and its contestable electricity services that are not direct control services together (including by way of cross-advertisement or cross-promotion);</p> <p>iii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</p>	<ul style="list-style-type: none"> <li>Contact centre scripts are utilised for scenarios where a customer requests contestable electricity services.</li> <li>Phone calls to the contact centre are monitored to detect any instances of cross-promotion.</li> <li>A monthly attestation is provided that this has occurred and whether any breaches identified were reported.</li> <li>Mandatory online training on the ring-fencing requirements undertaken by all staff. Online ring-fencing training is performed for new employees as part of induction</li> <li>Targeted ring-fencing training is performed within the business where there is a material change in the ring-fencing guideline, significant staff turnover, or upon</li> </ul>	<ul style="list-style-type: none"> <li>A bi-annual review of the CitiPower/Powercor website and social media content for any inappropriate co-branding or cross promotion</li> </ul>

Guideline clause	Guideline text	Preventative controls	Detective controls
		<ul style="list-style-type: none"> <li>the identification of guideline breaches.</li> <li>All field branding of the regulated business is separate from branding used by related electricity service providers</li> </ul>	
4.2.4 Office and staff registers	<p>(a) A DNSP must establish, maintain and keep a register that identifies:</p> <ul style="list-style-type: none"> <li>i. the offices to which it has not applied clause 4.2.1( a) by reason of clauses 4.2.1( b) i. or 4.2.1( b) iii.;</li> <li>ii. the staff positions (including a description of the roles, functions and duties) of those staff positions to which it has not applied clause 4.2.2(a) by reason of clauses 4.2.2(b)i.a., 4.2.2(b)i.b., 4.2.2(b)iii. or 4.2.2(d);</li> <li>iii. the staff positions referred to in clause 4.2.4(a)ii. which are held, or have been held within the previous three months, by a member of staff whose access to electricity information ceased upon, or in the 12 months prior to, commencing in that position, and the dates on which that member of staff commenced to hold and (if applicable) ceased to hold that position.</li> </ul> <p>(b) No later than 15 January, 15 April, 15 July and 15 October each year, a DNSP must publish, on its website, an updated version of each of the registers referred to in clause 4.2.4(b). The DNSP must ensure that the information published in each updated version is current to the end of the calendar month that is immediately prior to the required publication date for that updated version under this clause 4.2.4(b).</p>		<ul style="list-style-type: none"> <li>A comprehensive review of the office and staff register was undertaken to ensure that it captures shared staff identified on the register who have moved to a new position within the business where there access to electricity information has changed.</li> <li>A quarterly review of staff is performed by HR and provided to the Regulation group who are responsible for identifying any changes to job descriptions or new roles to ensure that any shared staff or position changes.</li> <li>the Staff and Office sharing register is then updated quarterly by Regulation and verification is performed to ensure it is publicly available on the website</li> </ul>
4.3.1 Protection of ring-fenced information	Subject to this clause 4.3, a DNSP must:	<ul style="list-style-type: none"> <li>Beon, ENEA and NG/E and related entity staff are restricted from accessing ring-fenced information through IT access controls</li> </ul>	<ul style="list-style-type: none"> <li>Monthly review of IT user access to monitor any inappropriate</li> </ul>

Guideline clause	Guideline text	Preventative controls	Detective controls
	<ul style="list-style-type: none"> <li>(a) keep ring-fenced information confidential; and</li> <li>(b) only use ring-fenced information for the purpose for which it was acquired or generated.</li> </ul>	<ul style="list-style-type: none"> <li>• In Systems Now, new controls were added where additional questions are asked in the process of granting access to additional systems</li> </ul>	<ul style="list-style-type: none"> <li>• access to systems for Beon, ENEA and NG/E staff</li> <li>• Bi-annual review of IT user access for any inappropriate access to systems by Beon, ENEA and NG/E staff. As a part of this process the business owners of each ring-fenced application must approve access and permissions</li> </ul>
4.3.2 Disclosure of information	<p>A DNSP must not disclose ring-fenced information to any person, including a related electricity service provider, unless:</p> <ul style="list-style-type: none"> <li>(a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the ring-fenced information relates;</li> <li>(b) the disclosure is required by, or for the purpose of complying with any law;</li> </ul> <p>If the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities);</p> <ul style="list-style-type: none"> <li>(d) the information has been requested by or on behalf of a customer, or potential customer, of another legal entity, and the disclosure is necessary to enable the legal entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer;</li> <li>(e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider to the extent necessary to respond to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control;</li> </ul>	<ul style="list-style-type: none"> <li>• Information sharing protocol and information sharing register is publicly available</li> <li>• Beon, ENEA and NG/E and related entity staff are restricted through IT access controls from ring-fenced information</li> <li>• Decision matrix on IT access approval process and ring-fencing considerations provided to IT system owners</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly review of IT user access to monitor any inappropriate access to systems for Beon, ENEA and NG/E staff</li> <li>• Bi-annual review of IT user access for any inappropriate access to systems by Beon, ENEA and NG/E staff. As a part of this process the business owners of each ring-fenced application must approve access and permissions</li> </ul>

Guideline clause	Guideline text	Preventative controls	Detective controls
	<p>(f) the disclosure is solely for the purposes of research by a legal entity other than a related electricity service provider of the DNSP;</p> <p>(g) where another DNSP is an affiliated entity of the DNSP, the disclosure is to the part of that other DNSP that provides that other DNSP’s direct control services; or</p> <p>(h) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p> <p>(i) another legal entity, other than a related electricity service provider of the DNSP, has requested the disclosure.</p>		
4.3.3 Sharing of information	<p>(a) Subject to clause 4.1(c) iv. and to this clause 4.3.3, where a DNSP shares ring-fenced information with a related electricity service provider, or where ring-fenced information that a DNSP has disclosed under clause 4.3.3(f) is then disclosed by any person to a related electricity service provider of the DNSP, the DNSP must provide access to that ring-fenced information (including the derived information) to other legal entities on an equal basis.</p> <p>(b) A DNSP is only required by clause 4.3.4(a) to provide information to a legal entity where:</p> <p>i. the legal entity has requested that it be included on the information register in respect of information of that kind; and</p> <p>ii. the legal entity is competing, or is seeking to compete, with the DNSP, or a related electricity service provider of the DNSP, in relation to the provision of contestable electricity services.</p> <p>(c) A DNSP is not required by clause 4.3.3(a) to provide information to a legal entity where the DNSP has disclosed the information in the circumstances set out in clauses 4.3.2(a) to (e).</p>	<ul style="list-style-type: none"> <li>Information sharing protocol and information sharing register is publicly available</li> <li>Beon, ENEA and NG/E and related entity staff are restricted through IT access controls from confidential information</li> <li>Decision matrix on IT access approval process and ring-fencing considerations provided to IT system owners</li> </ul>	<ul style="list-style-type: none"> <li>Monthly review of IT user access to monitor any inappropriate access to systems for Beon, ENEA and NG/E staff</li> <li>Bi-annual review of IT user access for any inappropriate access to systems by Beon, ENEA and NG/E staff. As a part of this process the business owners of each ring-fenced application must approve access and permissions</li> </ul>

Guideline clause	Guideline text	Preventative controls	Detective controls
	<p>(d) Without limiting clause 4.3.3( a) , a DNSP must establish an information sharing protocol that sets how and when it will make the information referred to in clause 4.3.3( a) available to legal entities and must make that protocol publicly available on its website.</p> <p>(e) Where a DNSP discloses information referred to in clause 4.3.3( a) to any other legal entity under this clause 4.3.3, it must do so on terms and conditions that require the other legal entity to comply with clause 4.3.1 and 4.3.2(a) to (d) in relation to that information as if the other legal entity was a DNSP.</p>		
4.3.4 Information register	<p>(a) A DNSP must establish, maintain and keep a register of all:</p> <p>i. related electricity service providers; ii. Other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; Who request access to information identified in clause 4.3.3( a) , and must make the register publicly available on its website.</p> <p>(b) For each related electricity service provider or other legal entity that has requested that a DNSP provide access to information identified in clause 4.3.3(a), the DNSP’s information register must:</p> <p>i. identify the kind of information requested by the related electricity service provider or other legal entity; and ii. describe the kind of information requested by the related electricity service provider or other legal entity in sufficient detail to enable other legal entities to make an informed decision about whether to request that kind of information from the DNSP.</p> <p>(c) A legal entity may request that the DNSP include it on the information register in relation to some or all of the kinds of information that the DNSP is required to provide under clause 4.3.3(a), and the DNSP must comply with that request.</p>	<ul style="list-style-type: none"> <li>Information sharing protocol and information sharing register is publicly available</li> </ul>	

Guideline clause	Guideline text	Preventative controls	Detective controls
4.4.1 Conduct of service providers	<p>A DNSP:</p> <p>(a) must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with:</p> <p>i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.1 of this Guideline; and</p> <p>ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider was the DNSP.</p> <p>(b) must not, directly or indirectly, encourage or incentivise a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP's obligations under clause 4 of this Guideline.</p>	<ul style="list-style-type: none"> <li>Standard terms and conditions for CitiPower/Powercor supply contracts have been amended to include compliance with ring-fencing requirements. Purchase orders include ring-fencing clauses. These standard terms and conditions are included in all new and amended contracts for suppliers involved in the provision of direct control services</li> <li>All non-compliant contracts from the prior audits have either expired or have been amended to include ring fencing clauses</li> <li>Internal controls implemented within the procurement team to ensure Beon procurement staff cannot see CitiPower/Powercor tenders</li> <li>Decision matrix provided to procurement staff to apply in contract negotiations</li> <li>Procurement staff incentive scheme amended to include ring-fencing KPIs</li> </ul>	

Guideline clause	Guideline text	Preventative controls	Detective controls
<b>5 Waivers</b>			
5.7 Waiver register	<p>(a) A DNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) granted to the DNSP by the AER under clause 5 of this Guideline, and must make the register publicly available on its website.</p> <p>(b) The register established under clause 5.7(a) must include:</p> <p>i. the description of the conduct to which the waiver or interim waiver applies; and</p> <p>ii. the terms and conditions of the waiver or interim waiver;</p> <p>as set out in the AER’s written decision, provided by the AER to the DNSP, to grant (or vary) the waiver or interim waiver.</p>	<ul style="list-style-type: none"> <li>Waiver register is maintained, and updated when a waiver is granted and publicly made available on our website</li> </ul>	
<b>6 Compliance and Enforcement</b>			
6.1 Maintaining compliance	<p>A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline. The AER may require the DNSP to demonstrate the adequacy of these procedures upon reasonable notice. However, any statement made or assurance given by the AER concerning the adequacy of the DNSP’s compliance procedures does not affect the DNSP’s obligations under this Guideline.</p>	<ul style="list-style-type: none"> <li>Mandatory online training on the ring-fencing requirements is performed by new employees as part of induction</li> <li>Specific field staff training on ring-fencing requirements is performed every three years</li> <li>Targeted ring-fencing training is performed within the business where there is a material change in the ring-fencing guideline, significant staff turnover, or upon</li> </ul>	<ul style="list-style-type: none"> <li>General Manager annual compliance review and declaration</li> </ul>



Guideline clause	Guideline text	Preventative controls	Detective controls
6.2.1(a) Annual Compliance Report	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.	<p>the identification of guideline breaches.</p> <ul style="list-style-type: none"> <li>• Mandatory online training on the ring-fencing requirements is performed for new employees as part of induction</li> <li>• Specific field staff training on ring-fencing requirements is performed every three years</li> </ul>	
6.2.1(b)-(e) Annual compliance reporting	<p>(b) The annual compliance report must identify and describe, in respect of the calendar year to which the report relates:</p> <ul style="list-style-type: none"> <li>i. the measures the DNSP has taken to ensure compliance with its obligations under this Guideline;</li> <li>ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP;</li> <li>iii. all other services provided by the DNSP in accordance with clause 3.1; and</li> <li>iv. the purpose of all transactions between the DNSP and an affiliated entity.</li> </ul> <p>(c) The annual compliance report must be accompanied by an assessment of compliance with each provision of this Guideline (except clauses 6.2.2 and 6.3) by a suitably qualified independent authority.</p> <p>(d) A DNSP's annual compliance report may, in relation to clause 3.2 of this Guideline, be based on information provided to the AER under a regulatory information notice for the DNSP's most recent regulatory</p>	<ul style="list-style-type: none"> <li>• Targeted ring-fencing training is performed within the business where there is a material change in the ring-fencing guideline, significant staff turnover, or upon the identification of guideline breaches</li> <li>• Mandatory online training on the ring-fencing requirements is performed for new employees as part of induction and for the rest of the business every three years</li> <li>• A mailbox is maintained by the Regulation group for CitiPower/Powercor to report any potential breaches</li> <li>• A materiality and breach reporting policy is available to all staff on the intranet</li> <li>• A monthly ring-fencing champions meeting is held to identify and assess any ring-fencing issues as they arise</li> </ul>	

Guideline clause	Guideline text	Preventative controls	Detective controls
	<p>year. If so, that annual compliance report must cover, in relation to clause 3.2 of this Guideline, the entirety of that regulatory year.</p> <p>(e) Annual compliance reports may be made publicly available by the AER.</p>		
6.2.2 Timing of Annual compliance reporting	<p>(a) Subject to clause 7.2, a DNSP must submit its annual compliance report to the AER within four months of the end of the calendar year to which the compliance report relates.</p> <p>(b) A DNSP is not required to submit an annual compliance report for its regulatory year in which this Guideline commences."</p>	<ul style="list-style-type: none"> <li>Independent assessment of compliance conducted by Deloitte, a suitably qualified independent authority</li> </ul>	

Guideline clause	Guideline text	Preventative controls	Detective controls
6.2.3 Regulated stand-alone power systems reporting	<p>(a) A DNSP must establish, maintain and keep a register that identifies, for each regulated stand-alone power system used by the DNSP to provide other services:</p> <ul style="list-style-type: none"> <li>i. the local government area in which the regulated stand-alone power system is deployed;</li> <li>ii. the number of premises served by the regulated stand-alone power system;</li> <li>iii. the maximum demand, in kW, served by the regulated stand-alone power system;</li> <li>iv. the aggregated annual average energy consumption, in kWh, of the premises served by the regulated stand-alone power system;</li> <li>v. the revenue earned by the DNSP for providing other services by means of the regulated stand-alone power systems in the current calendar year; and</li> <li>vi. whether the DNSP has made a request, in writing, for the supply of the other services by another legal entity (other than an affiliated entity of the DNSP).</li> </ul> <p>(b) No later than 15 January, 15 April, 15 July and 15 October each year, a DNSP must publish, on its website, an updated version of the register referred to in clause 6.2.3(a). The DNSP must ensure that the information published in each updated version is current to the end of the calendar month that is immediately prior to the required publication date for that updated version under this clause 6.2.3(b).</p>		<ul style="list-style-type: none"> <li>• A SAPS waiver register is updated quarterly by Regulation and verification is performed to ensure it is publicly available on the website.</li> </ul>
6.3 Compliance breaches	<p>A DNSP 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. The AER may seek enforcement of this Guideline by a court in the</p>	<ul style="list-style-type: none"> <li>• Mandatory online training on the ring-fencing requirements is performed for new employees as part of induction.</li> </ul>	<ul style="list-style-type: none"> <li>• General Manager annual compliance review and declaration</li> </ul>

Guideline clause	Guideline text	Preventative controls	Detective controls
	<p>event of any breach of this Guideline by a DNSP, in accordance with the NEL.</p>	<ul style="list-style-type: none"> <li>• A breach register is maintained and updated by the Regulation group.</li> <li>• A materiality and breach reporting policy is available to all staff on the intranet. In this policy we commit to report all potential breaches to the AER within fifteen business days.</li> </ul>	

# 5 Complaints and breach reporting

## 5.1 Complaints and investigations

We have not received complaints about our compliance with the Guideline during the 2023 regulatory year.

Were a complaint was received, we have established internal policies and procedures for responding in a timely manner and ensuring a satisfactory outcome.

## 5.2 Breach reporting

We have a thorough process in place to identify, investigate and report breaches as they arise.

### Identify:

We have various means of identifying potential breaches as they arise, including:

- emails to the ring-fencing inbox. The inbox provides a means for staff to raise ring-fencing related concerns. The Regulation group monitors this inbox and carefully reviews all matters raised
- through monthly, quarterly, six-monthly and annual attestations, which are now managed through the Quantate system. The business completes attestations in a range of areas such as finance, IT, contact centre, facilities, printed materials and website monitoring
- through walk-up consults or phone calls with the Regulation group
- in meetings relating to business activities where ring-fencing issues or concerns may arise
- in the monthly ring-fencing champions meetings
- through annual ring-fencing audits, conducted by Deloitte.

### Investigate:

We use a range of investigative tools to further understand the matters that give rise to a potential breach. This may include, for example:

- interviewing staff members (whether internal or from an affiliate) as to the particulars of a matter
- creating a timeline of events leading to the potential breach
- consulting with internal experts on processes and/or procedures
- seeking written evidence or other documentation, such as emails, invoices, contracts, manuals etc.

Investigations may be conducted by the Regulation group, Legal team, Internal Audit team, or a combination of these teams, on a particular matter.

### Assess:

Should a matter be assessed to be contrary to the requirements set out in the Guideline, we will assess the materiality of the breach with reference to the following factors:

- relevant background information (e.g. documentation, environment) and context that has led to the breach
- the duration, recurrence and exposure of the breach, if relevant
- the seniority of staff who have committed the breach
- the purpose for which the Guideline was introduced and harm that it is seeking to prevent, and how the breach fits into that context

- the potential impact on competition and competitors in the market(s) or related market(s) arising from the breach
- whether the breach is an isolated incident or reflects a systemic issue.

**Report:**

Where we identify a breach of the ring-fencing guideline, we report this to the AER within fifteen business days.

For any breach, we add the breach to our breach reporting register and provide this to our auditors during the yearly audit.

Where we assess there is no breach, we may take action to strengthen or clarify the control environment or if not required take no action.

No breaches were reported during the 2023 regulatory year.

### **5.3 Other services provided**

We are not aware of having provided 'other services'—being services that are not transmission or distribution services—over 2023

# 6 Transactions with affiliated entities



A list of the transactions between the distributors and affiliates is provided in Tables 4 and 5 below.

**Table 4** CitiPower transactions with affiliates

Affiliate	Transaction	Nature of transaction	Value in 2022 (\$000)	Value in 2023 (\$000)
CHED Services	Corporate services	For the provision of management, administration, back office and other business functions.	\$44,653	\$49,218
CHED Services	IT projects	For the provision of IT system enhancements.	\$18,849	\$18,221
CHED Services	Infill insurance	For the provision of insurance on excesses.	\$822	\$822
Powercor Network Services	Network services	For the provision of construction, maintenance, faults, emergency and related services.	\$148,537	\$188,819
Powercor Network Services	Depot maintenance	For the use of distributor owned depots.	\$99	\$116
Beon Aerial Services	Network services	For the provision of aerial inspection services.	\$520	\$645

Source: CitiPower

**Table 5 Powercor transactions with affiliates**

Affiliate	Transaction	Nature of transaction	Value in 2021 (\$000)	Value in 2022 (\$000)
CHED Services	Corporate services	For the provision of management, administration, back office and other business functions.	\$100,131	\$110,499
CHED Services	IT projects	For the provision of IT system enhancements.	\$28,661	\$33,936
CHED Services	Infill insurance	For the provision of insurance on excesses.	\$2,040	\$2,040
Powercor Network Services	Management services	For the provision of management services.	\$120	\$120
Powercor Network Services	Network services	For the provision of construction, maintenance, faults, emergency and related services.	\$480,431	\$500,268
Powercor Network Services	Depot maintenance	For the use of distributor owned depots.	\$494	\$579
Powercor Network Services	Capex lease	For the use of distributor owned fleet.	\$2,435	\$2,874
Powercor Network Services	Corporate services	For secondment of staff to Beon through PNS.	\$17,552	\$12,208
Beon Aerial Services	Corporate services	For secondment of staff to Beon Aerial Services	\$0	\$0
Beon Aerial Services	Network services	For the provision of aerial inspection services.	\$3,335	\$3,505
Beon	Reimbursements	Reimbursement of corporate costs	\$0	\$0
Beon	Reimbursements	Reimbursement of contractor costs	\$0	\$0

Source: Powercor

There are no contracts between CitiPower/Powercor and United Energy.