

2023 Annual Ring-Fencing Compliance Report

AER Ring-Fencing Guideline

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Statement of Compliance

Power and Water Corporation (**Power and Water**) considers it has fully complied with its obligations under the AER Ring-Fencing Guideline for the 2023 calendar year, to the extent that its obligations have been derogated, waived or modified by agreement with the AER to achieve the intent of the AER Ring-Fencing Guideline.

1 Introduction

1.1 Purpose of this Report

This report delivers Power and Water's Annual Ring-Fencing Compliance Report as required by Version 3 of the Australian Energy Regulator's (AER) Ring-Fencing Guideline - Electricity Distribution (**Guideline**).

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

This report applies to the 2023 calendar year (**Reporting Period**) and has been developed in accordance with the reporting obligations set out in the Guideline and describes for the Reporting Period:

- the measures Power and Water has taken to ensure compliance with its obligations under the Guideline (Section 2);
- any breaches of the Guideline by Power and Water, or which otherwise relate to Power and Water (Section 3);
- all other services provided by Power and Water in accordance with clause 3.1 of the Guideline (Section 4); and
- the purpose of all transactions between Power and Water and an affiliated entity (Section 5).

This report is accompanied by an independent assessment of Power and Water's compliance with the Guideline for the Reporting Period (**Attachment A**).

1.2 Application of Ring-Fencing in the Northern Territory (NT)

Power and Water is a multi-disciplined organisation, with part of its business operating as a DNSP regulated by the AER under the National Electricity (NT) Rules (**NT NER**), and a much broader spectrum of electricity services outside of the DNSP activity governed by the Northern Territory (**NT**) Utilities Commission under the *Electricity Reform Act 2000*. Consequently, Power and Water faces unique challenges as it is governed by dual ring-fencing instruments; the AER's Guideline, and the NT Utilities Commission and Electricity Ring-Fencing Code (**UC Code**).

Power and Water's obligations under the Guideline are modified by several derogations provided under the NT NER (clause 6.17.1B) together with waivers granted by the AER under section 5 of the Guideline and arrangements agreed with the AER to achieve the intent of the Guideline.

1.2.1 Derogations

The derogations provided clause 6.17.1B of the NT NER modify, and in some instances remove, the requirement for Power and Water to:

- legally separate other services from its distribution services; and
- functionally separate its other distribution services or other electricity services from its distribution services.

In addition, the following definition changes need to be considered when applying the Guideline in the NT:

- "non-distribution services" must be regarded as a reference to "other services" (cl. NT NER 6.17.1B(b));

- "affiliated entities" (in cl. 3.2.1(a) of the Guideline) must be regarded as a reference to "related electricity service providers" (NT NER 6.17.1B(c)); and
- "affiliated entities" (in cl. 6.2.1(B)(iv) of the Guideline) must be regarded as a reference to "related electricity service providers" (NT NER 6.17.1Bd)).

1.2.2 Waivers

Section 5 of the Guideline allows for DNSPs to seek a waiver of obligation under Section 3.1, 4.2 and/or 4.4.1(a) of the Guideline if certain conditions are met.

Power and Water has established and maintains a Waiver Register (including any variations) on its website, which identifies the waivers granted to Power and Water by the AER.

Clause 4.2.4 – Office and Staff Register

For the Reporting Period, Power and Water were subject to an AER waiver from the requirement to comply with clause 4.2.4 - publication of office and staff register. This waiver is in place until 30 June 2024 and Power and Water have applied to the AER to extend this waiver beyond 30 June 2024.

1.2.3 Modified arrangements to achieve intent of guideline as agreed with the AER

Clause 6.2.3 – Stand-alone Power Systems Register

On 29 November 2021, Power and Water submitted a request to the AER for a waiver from requirement to comply with clause 6.2.3 of the Guideline, which relates to the requirements for a distribution network service provider to maintain and keep a register of regulated stand-alone power systems.

On 30 May 2022, the AER stated that *“under the Guideline, there is no provision for the remaining clause, 6.2.3 (reporting on regulated stand-alone power systems), to be waived.”*

The AER further stated that it *“consider[s] it unlikely for there to be any benefit to consumers or the market in requiring Power and Water Corporation to report on stand-alone power systems (clause 3.1(d)(vii))”* and that it *“do[es] not intend to pursue compliance action against Power and Water Corporation for being in breach of their obligations under this clause at this time”*. It is also noted that the AER stated that its *“position may change if it is the AER’s view that changes in the market warrant a re-assessment of the situation”*. During the Reporting Period, Power and Water has not received any notification from the AER that it was re-assessing its “no-action” position in respect of Power and Water’s compliance with clause 6.2.3.

Clause 4.3.4 – Information Requests

Power and Water also advised the AER in December 2022 that it was not able to comply with the information sharing register obligations under clause 4.3.4 of the Guideline.

As per its letter to the AER dated 15 December 2022 (a copy of which is set out in Schedule 3), it is Power and Water’s understanding that:

- as this obligation cannot be waived by the AER under the Guideline; and
- the AER has acknowledged that the energy market in the Northern Territory is unique, and that Power and Water faces no competition in its role as market operator, and very limited competition in other services (as defined in Schedule 2),

the AER has agreed that Power and Water will still achieve the intent of clause 4.3.4 (albeit with less detail and regularity) by publishing high level descriptions of information requests received under clause 4.3.3(a) as part of its annual compliance report.

Accordingly, a high level description of the information requests received during the Reporting Period is set out in Schedule 3.

2 Compliance Measures

Power and Water recognises that risk and compliance management is an integral part of good governance and management. Power and Water is committed to implementing an integrated risk and compliance management approach across the whole organisation that; supports the realisation of Power and Water's strategic objectives, maintains a culture of integrity, compliance and ethical behaviour, while effectively managing Power and Water's strategic and operational risks.

Risk and compliance management forms an integral part of Power and Water's strategic and operational planning processes, to ensure legal, regulatory and commercial compliance obligations are systematically identified, captured and managed through an enterprise wide compliance obligations register with assigned accountabilities. Obligations are risk assessed and managed through application of Power and Water's risk management framework.

The Compliance and Control measures employed by Power and Water to ensure compliance with its obligations under the Guideline is set out in **Schedule 1**.

In addition to the measures and controls set out in Schedule 1, Power and Water undertook the following activities as part of its ongoing commitment to maturing its compliance with obligations under the Guideline:

- Training and awareness activities – a ring fencing training module is mandatory for all new employees working in the electricity business of Power and Water. In addition, Power and Water continued to provide mandatory ring-fencing training to its existing employees on an annual basis as part of its overall compliance management system;
- Endorsement by Power and Water's Executive Leadership Team of a Strategic Plan which sets out Power and Water's key objectives to manage compliance with the Guideline, noting that the key strategic objective was to achieve zero reported breaches for the Reporting Period; and
- Resolution of previous outstanding actions– as part of Power and Water's commitment to ensuring compliance with the Guideline, Power and Water's Compliance Team in conjunction with business owners resolved the outstanding actions arising from Power and Water's previous Annual Compliance Reports as detailed in Schedule 1.

3 Breaches

Clause 6.2.1(b) ii of the Guideline requires DNSPs to report any breaches of the Guideline by the DNSP, or which otherwise relate to the DNSP. Power and Water confirms that it did not identify any new breaches of the Guideline for the Reporting Period.

This is a substantial reduction in the number of breaches reported since Power and Water's last Annual Ring-Fencing Compliance Report (24 April 2023) in which a total of seven breaches were identified.

4 Other services

As a multi-utility entity, Power and Water transmits and distributes electricity and provides water and sewerage services across the NT.

Power and Water:

- owns and operates regulated, unregulated, and isolated transmission and distribution network infrastructure;
- acts as the system controller in the NT and is responsible for real time operations, operations planning, power system technical assessments, incident reviews, and operational and technical regulatory reporting for the market;
- provides water services to 18 major and minor urban centres and 72 remote communities across the NT, operating and maintaining water and sewerage mains; and
- supports remote communities across the NT with electricity, water, and sewerage services under its not-for-profit subsidiary, Indigenous Essential Services Pty Ltd (**IES**). IES also provides infill and headworks for major projects for the Department of Territory Families, Housing and Communities under the Remote Housing Program.

Schedule 2 identifies the:

- services currently provided by Power and Water as a multi-utility;
- classification of distribution services applied by the AER to Power and Water in the current regulatory period. This reflects the classification outlined in the AER's Framework and Approach and confirmed in the AER's Final Decision. It is noted that Power and Water accepted the AER's proposed classification through the determination process;
- likely regulatory treatment of the other services it provides (other electricity and non-electricity). Although the AER does not classify services that it does not regulate, the NT Guideline defines these services for the purposes of ring-fencing; and
- the primary operational areas involved in the provision of contestable electricity services and those involved in the provision of non-electricity services.

5 Transactions with RESPs

Clause 6.2.1(b) iv requires Power and Water to report the purpose of all transactions with its RESPs.

The Guideline captures other distribution services and other electricity services under the definition of contestable electricity services, and therefore lines of business, or affiliated entities providing these services are treated as RESPs.

Power and Water's direct control services (standard control services and alternative control services) and non-electricity services (e.g. water) are excluded from the definition of contestable electricity services and are not captured as RESPs.

Given the above, the transactions that Power and Water are required to report on with its RESPs under clause 6.2.1(b)iv of the Guideline relate to those transactions that it has with IES, which is a not-for-profit subsidiary of Power and Water.

Transactions between Power and Water and IES are originated using work orders and purchase requisitions. Each work order or purchase requisition has the chart of accounts values that identify the

transacting entity and are processed through the Enterprise Resource Platform (**ERP**) system. This is also applicable to all other RESPs.

Transactions are categorised within Power and Water's systems by cost types as either; Labour; Material; Contractor; Maintenance and transmission; Administration; Fleet; Network Overheads; Corporate Overheads; Dividend Payment; or Other.

The categorisation of transactions by the cost types as identified above, enables Power and Water to manage its compliance with its obligations under the Guideline by:

- recording each activity and transaction with a RESPs in its internal accounting procedures which can be identified and reported on;
- applying appropriate cost allocation and attribution between distribution services and other services (i.e. other electricity and non-electricity);
- not discriminating in favour of a RESP; and
- keeping ring-fenced information confidential and limit information disclosure and sharing with its RESPs.

Schedule 1 - Compliance controls and measures

Power and Water's has identified all applicable obligations that apply to it under the Guideline and assigned responsibility for compliance management to the Accountable and Responsible Managers who have operational control over the relevant activity or work area for each applicable obligation.

Where controls exist, they have been assigned to applicable obligations in the Guideline to which they primarily apply. In the absence of specific and/or documented controls in place to address Guideline requirements improvement measures have been identified and are outlined below.

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
3.1 Legal separation		Power and Water has been provided with a derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable		Not applicable
3.2.1 Separate accounts	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	Power and Water has implemented the following: Preventative controls <ul style="list-style-type: none"> • Cost Allocation Methodology (CAM) as approved by the AER. • Cost Allocation Management Program and Principles. • Accounting and Cost Allocation Procedure. • AER Ring-Fencing Information Sharing Protocol published on the website. 	Effective	There are no open improvement measures related to this obligation.	Compliant
3.2.2 Cost allocation and attribution	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	Power and Water has implemented the following: Preventative controls <ul style="list-style-type: none"> • Cost Allocation Methodology (CAM) as approved by the AER. • Cost Allocation Management Program and Principles. • Accounting and Cost Allocation Procedure. • AER Ring-Fencing Information Sharing Protocol published on the website. Detective control <ul style="list-style-type: none"> • Cost Allocation Model reviewed and validated annually by an external regulatory consultant. 	Effective	There are no open improvement measures related to this obligation.	Compliant
4.1 Obligation to not discriminate (B and C)	Controls have been implemented, risk assessed and reviewed periodically for effectiveness. During the Reporting Period, Power and Water undertook the following activities to achieve full compliance with clause 4.1 of the Guideline: Impacted teams attended AER Ring-Fencing training and information awareness sessions.	Power and Water has implemented the following: Preventative controls <ul style="list-style-type: none"> • PWC's AER Ring-Fencing website (external facing). • PWC's AER Ring-Fencing Guideline Fact Sheet (external facing). • Mandatory online training on AER Ring-Fencing in ELMO system for all new employees working in the electricity business of Power and Water and on an annual basis thereafter as part of Power and Water's overall compliance management system. 	Effective	There are no open improvement measures related to this obligation.	Compliant

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
	<ul style="list-style-type: none"> The changes necessary to achieve compliance with the Guideline were embedded in templates and documents used in all new contracts, at renewal and variations of contracts moving forward. Communicated updated contracts with impacted stakeholders/supplier. Included an extra field in the applicable data sets, to identify if the procurement was subject to the Guideline, to enable better identification of relevant procurement samples for future audits. 	<ul style="list-style-type: none"> AER Ring-Fencing Explanatory Guide (internal facing) that outlines the assessment of contestable services. AER Ring-Fencing Guideline Fact Sheet (internal facing). Standard Conditions of Contract Suite with contract clauses to support compliance with the Guideline. Contracts with external service providers that include standard terms and conditions. Procurement templates approved by Legal for the use of all procurement activities. Enterprise electronic document management system, Content Manager 9, has access restrictions on sensitive records. <p>Detective controls</p> <ul style="list-style-type: none"> Governance Team undertakes a quality assurance checklist for procurement activities over \$200,000 (i.e. grade 3). 			
4.2.1 Physical separation / co-location	Not applicable – derogation in place	Power and Water has been provided with a derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable		Not applicable
4.2.2 Staff sharing	Not applicable – derogation in place	Power and Water has been provided with a derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable		Not applicable
4.2.3 Branding and cross-promotion	Not applicable – derogation in place	Power and Water has been provided with a derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable		Not applicable
4.2.4 Office and staff registers	Not applicable – waiver in place Power and Water has applied to the AER for an extension of the waiver beyond 30 June 2024.	Power and Water has been provided with a waiver in relation to this obligation on 20 May 2022.	Not applicable	Note: obligation waived from 20 May 2022 to 30 June 2024	Not applicable
4.3.1 Protection of ring-fenced information	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	Power and Water has implemented the following: Preventative controls <ul style="list-style-type: none"> AER Ring-Fencing website (external facing). AER Ring-Fencing guidelines Fact Sheet (external facing). Mandatory online training on AER Ring-Fencing in the ELMO system for all new employees working in the electricity business of Power and Water and on an annual basis thereafter as part of Power and Water’s overall compliance management system. 	Effective	Power and Water strives for the following further improvements to the control environment. <ul style="list-style-type: none"> Implementing Meter to Cash project to achieve visibility and audit trail and assist with improvement of systems. Implementing a Meter Data Management system (as part of the Meter to Cash project) which aims to improve automation and reduce manual data entry. Conducting a review and ensuring the Metering team’s compliance with the ‘Protection of confidential information’ 	Compliant

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"> AER Ring-Fencing Information Sharing Protocol published on the website. Requests for Information for related electricity service providers (RESP) procedure. Standard Conditions of Contract Suite with contract clauses to support compliance with the Guideline. Contracts with external service providers that include standard terms and conditions. Records and Information Management Function responsible for the protection of confidential information administering an Information Management Standard, a request for Information Procedure and an Electronic Document Management System with access controls around confidential information. Established process for data delivery during settlements. Metering team responsible for the security of metering data procedure which includes, password protection for interval meters, system for meter reads and secure front end. Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy, the largest electricity retailer in the NT. Customer Experience and Operations on boarding process which includes a briefing on ring-fencing. <p>Detective controls</p> <ul style="list-style-type: none"> Operational field audit program for metering operations which checks the implementation of Metering Management system, including ring-fencing protections around meter data. Electronic Document Management System user access checks by Records and Information Management Unit which includes a Daily movements report from various systems for verification of the appropriateness of the new roles in the movement report. Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access audit of Retail Management System. 		<p>and 'Disclosure of information' clauses, to the extent of the Metering team's accountability.</p> <ul style="list-style-type: none"> Implement the Market Interaction Enablement program simultaneously with the Meter to Cash project, which once complete will require all information to pass through this program. 	
4.3.2 Disclosure of information	<p>Power and Water has:</p> <ul style="list-style-type: none"> reviewed and improved processes for giving access to Power and Water systems and ensuring robust verifications are in place for contractors 	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> AER Ring-Fencing website (external facing). AER Ring-Fencing Guidelines Fact Sheet (external facing). Mandatory online training on AER Ring-Fencing in ELMO system for all new employees working in the electricity business of Power 	Effective	<p>Power and Water strives for the following further improvements to the control environment including.</p> <ul style="list-style-type: none"> Implement enterprise-wide transformation initiatives which include the Market Interaction Enablement program and the Meter to Cash project. The Meter to Cash project aims to improve our customer experience by introducing a modern 	Compliant

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
	and others who are not direct employees.	<p>and Water and on annual basis thereafter as part of the Power and Water’s overall compliance management system.</p> <ul style="list-style-type: none"> Standard Conditions of Contract Suite with contract clauses to support compliance with the Guideline. Contracts with external service providers that include standard terms and conditions. Access to metering data procedure. Third Party Access request for data procedure. Delivery of metering data procedure. Records and Information Management Function responsible for the protection of confidential information administering an Information Management Standard, a request for Information Procedure and an Electronic Document Management System with access controls around confidential information. Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy. ICT System Retail management system with access controls <p>Detective controls</p> <ul style="list-style-type: none"> Operational field audit program for metering operations which checks the implementation of the Metering Management system, including ring-fencing protections around meter data. Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movements report from various systems for verification of the appropriateness of the new roles in the movement report. Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access audits of the Retail Management System. 		<p>meter data management system and billing system. Once complete, all customer and determining data will require all information to pass through this system.</p> <ul style="list-style-type: none"> A review of Business to Business procedures to include retailers other than Jacana Energy will be undertaken as part of broader Capability Uplift project . 	
4.3.3 Sharing of information	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> AER Ring-Fencing website (external facing). AER Ring-Fencing guidelines Fact Sheet (external facing). Mandatory online training on AER Ring-Fencing in ELMO system for all new employees working in the electricity business of Power and Water and on an annual basis thereafter as part of the Power and Water’s overall compliance management system. AER Ring-Fencing Information Sharing Protocol published on the website. 	Effective	Power and Water has 2 planned improvements to control effectiveness listed above 4.3.2 that also improve controls for this obligation.	Compliant

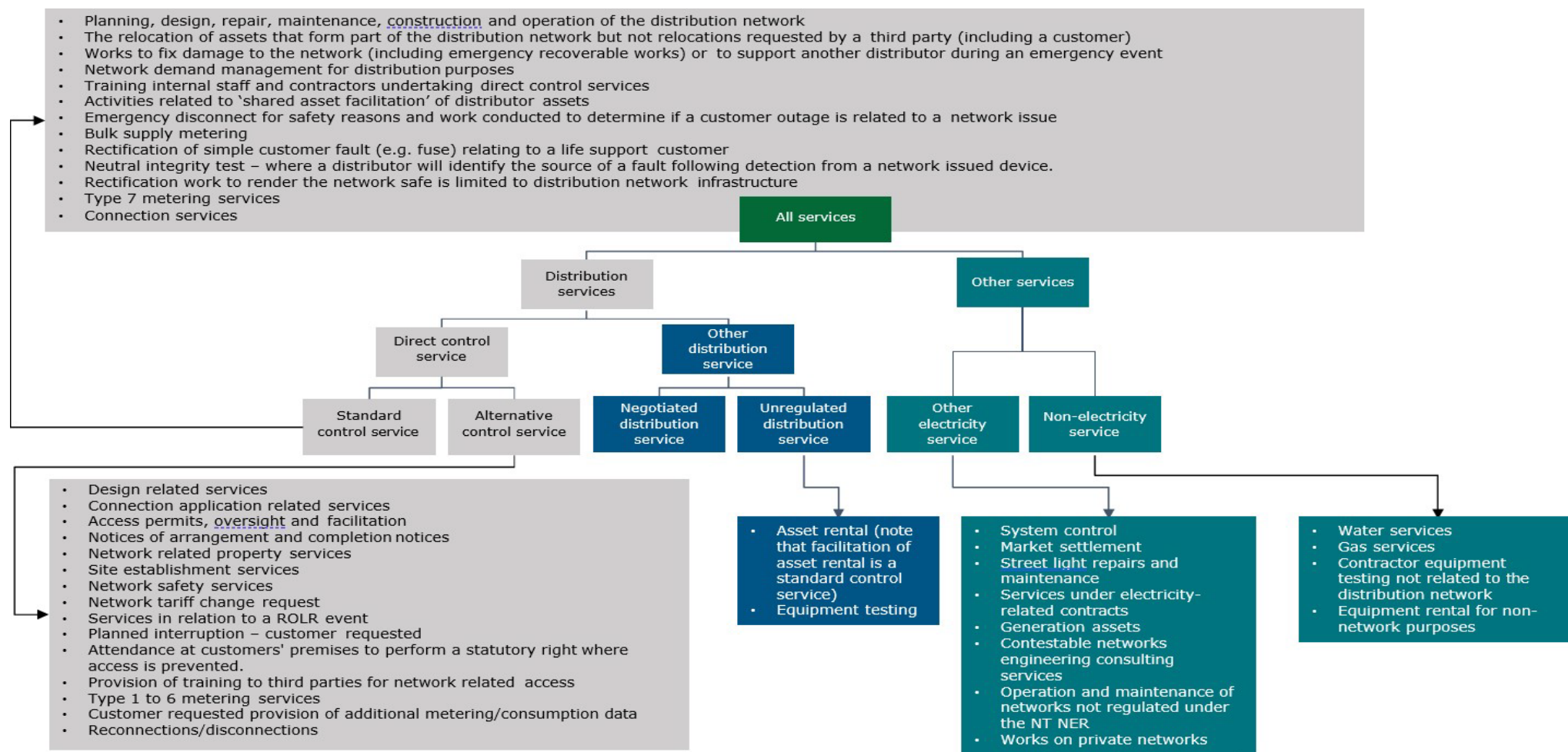
Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"> Standard Conditions of Contract Suite with contract clauses to support compliance with the Guideline. Contracts with external service providers that include standard terms and conditions. Metering team responsible for access to the metering data procedure, third party access request for data procedure and delivery of metering data procedure. Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy. ICT System Retail management system with access controls. <p>Detective controls</p> <ul style="list-style-type: none"> Operational Audit program for metering operations. Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movements report from various systems for verification of the appropriateness of the new roles in the movement report. Customer Experience and Operations Billing Specialists responsible for checking information disclosed. 			
4.3.4 Information register	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> AER Ring-Fencing website (external facing). Mandatory online training on AER Ring-Fencing in ELMO system for all new employees working in the electricity business of Power and Water and on an annual basis thereafter as part of Power and Water’s overall compliance management system. AER Ring-Fencing Information Sharing Protocol published on the website. 	Effective to the extent that it relates to an agreed modification to achieve the intent of the guideline as agreed with the AER.	<p>There are no open improvement measures related to this obligation.</p> <p>It is Power and Water’s understanding that:</p> <ul style="list-style-type: none"> as this obligation cannot be waived by the AER under the Guideline; and the AER has acknowledged that the energy market in the Northern Territory is unique, and that Power and Water faces no competition in its role as market operator, and very limited competition in other services (as defined in Schedule 2), <p>the AER has agreed that Power and Water will still achieve the intent of clause 4.3.4 (albeit with less detail and regularity) by publishing high level descriptions of information requests received under clause 4.3.3(a) as part of its annual compliance report.</p> <p>Please refer to Schedule 3 for further information.</p>	Non – Compliant but this is subject to an agreed modification to achieve the intent of the guideline as agreed with the AER.

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
4.4 Service providers	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> Standard conditions of contract suite with contract clauses to support compliance with the Guideline. Contracts with external service providers that include standard terms and conditions. AER Ring-Fencing website (external facing). AER Ring-Fencing guidelines Fact Sheet (external facing). Mandatory online training on AER Ring-Fencing in the ELMO system for all new employees working in the electricity business of Power and Water and on an annual basis thereafter as part of Power and Water’s overall compliance management system. AER Ring-Fencing Explanatory Guide (internal facing) outlines that the assessment of contestable services. AER Ring-Fencing Guideline Fact Sheet (internal facing). Procurement templates approved by Legal for the use of all procurement activities. Enterprise electronic document management system, Content Manager 9, has access restrictions on sensitive records. <p>Detective controls</p> <ul style="list-style-type: none"> Governance Team undertakes a process compliance checklist for procurement activities. 	Effective	There are no open improvement measures related to this obligation.	Compliant
5 Waivers	<p>Controls have been implemented, risk assessed and reviewed periodically for effectiveness.</p> <p>Power and Water applied to the AER for an extension of the waiver beyond 30 June 2024.</p>	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> A waiver register and procedure is in place. Currently, Power and Water have one active waiver in place for clause 4.2.4. A Ring-Fencing Waiver Register outlines all waivers and is published on Power and Water’s ring-fencing webpage. A Ring-Fencing Waiver Register procedure outlines the process for maintaining the register. 	Effective	There are no open improvement measures related to this obligation.	Compliant
6.1 Maintaining compliance	<p>Power and Water have undertaken an Internal Audit of the Enterprise Compliance Framework. Improvements identified will be addressed in the review and update of the framework.</p> <p>The framework update will address a number of improvements identified through</p>	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> Compliance Obligation Register that outlines controls including procedures for maintaining compliance with the Guideline against each area of responsibility. 	Effective to the extent that Power and Water is not able to comply with clause 4.3.4	There are no open improvement measures related to this obligation.	Non-compliant, but only to extent that Power and Water is not able to comply with clause

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
	<p>Internal Audits and independent assessments as follows.</p> <p>Establishing a management plan for continuous improvement of ring-fencing controls, that will include processes for verifying controls and undertaking periodic attestations in line with the AER reporting period.</p> <ul style="list-style-type: none"> Implement improvements to non-compliance management process, which includes undertaking an assessment of potential instances, communication of lessons learnt and reporting any identified non-compliances to the AER in accordance with the Guideline. <p>Develop and deliver targeted training with real-life scenarios to uplift education and compliance.</p>	<ul style="list-style-type: none"> General compliance training for all responsible managers to include AER Ring-Fencing breach definitions in training delivered by Compliance team. On boarding process which includes training on Ring-Fencing obligations delivered via the ELMO System and completion rates monitored via system reporting. Development of an AER Ring Fencing Plan for 2023 to 2026, which sets out the strategic approach for managing Power and Water’s compliance with the AER Guidelines for the 2023 to 2026 reporting periods. <p>Detective controls</p> <ul style="list-style-type: none"> Periodic compliance review process of Guideline obligations, outlined in the compliance obligation management procedure. Periodic compliance attestation process of current levels of compliance and control effectiveness outlined in the compliance attestation procedure. <p>Corrective controls</p> <ul style="list-style-type: none"> Non-compliance reporting procedure and system that captures and monitors reported non-compliance, outlines steps for reporting and requirements for investigation and corrective action. 	and clause 6.2.3 and AER is unable to grant waivers to Power and Water from the obligation to comply with these clauses.		4.3.4 and clause 6.2.3 and AER is unable to grant waivers to Power and Water from the obligation to comply with these clauses.
6.2 Compliance reporting	<p>Power and Water has:</p> <ul style="list-style-type: none"> Finalised the development of an annual compliance report template, and compilation of data for completion of the report. 	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> Compliance reporting template designed to report compliance with the Guideline in line with the AER compliance reporting best practice manual. Compliance Obligation Register that outlines controls, control effectiveness and levels of compliance for each guideline element against each area of responsibility. This register is used to produce reports on levels of compliance and control effectiveness. <p>Detective controls</p> <ul style="list-style-type: none"> Periodic compliance review process of Guideline obligations, outlined in the compliance obligation management procedure to determine levels of compliance and control effectiveness for reporting. 	Effective	There are no open improvement measures related to this obligation.	Compliant

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<p>Corrective controls</p> <ul style="list-style-type: none"> Non-compliance reporting procedure and system that captures and monitors reported non-compliance for the purpose of reporting to management and the AER. 			
6.2.3	During the Reporting Period, Power and Water has not received any notification from the AER that it was re-assessing its “no-action” position in respect of Power and Water’s compliance with clause 6.2.3.	<p>Power and Water have engaged with AER and in November 2021 submitted a request for a waiver from compliance with the obligation.</p> <p>On 30 May 2022, the AER stated that “[u]nder the Guideline, there is no provision for the remaining clause, 6.2.3 (reporting on regulated stand-alone power systems), to be waived.”</p> <p>The AER further stated that it “<u>consider[s] it unlikely for there to be any benefit to consumers or the market in requiring Power and Water Corporation to report on stand-alone power systems (clause 3.1(d)(vii))</u>” and that it “do[es] not intend to pursue compliance action against Power and Water Corporation for being in breach of their obligations under this clause at this time”. It is also noted that the AER stated that its “position may change if it is the AER’s view that changes in the market warrant a re-assessment of the situation”.</p> <p>Preventative controls</p> <ul style="list-style-type: none"> Proactive engagement with the AER around change in obligations Letter of no action from AER 	Effective	<p>Note: Power and Water received a ‘No action’ letter from AER on 30 May 2022.</p> <p>There are no open improvement measures related to this obligation.</p>	Non-compliant but Power and Water have received a ‘no action’ letter from the AER
6.4 Complaints and investigations	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Corrective controls</p> <ul style="list-style-type: none"> Regulation, Economics and Pricing engage regularly with the AER and are responsible for responding to a complaint or concern the AER raises about compliance with this Guideline. The non-compliance reporting procedure is applied in situations where the complaint or concern results in a breach. 	Effective	There are no open improvement measures related to this obligation.	Compliant

Schedule 2 - Existing Power and Water service classification and Guideline treatment



Schedule 3 - Information requests

The embedded document outlines Power and Waters approach to compliance with the information sharing register obligations, under clause 4.3.4 of the AER’s ring-fencing guideline.



Ltr to AER
notification of Breac



Record number: D2022/114893
Container number: F2022/1100

Rowena Park
General Manager
Compliance and Enforcement
Australian Energy Regulator
By Email: ringfencing@aer.gov.au

Dear Ms Park

AER Ring-fencing Guideline - breaches of reportable obligations

I refer to our letter of 3 October 2022, discussions with Australian Electricity Regulator (AER) senior offices on 18 October, and subsequent correspondence from AER senior staff on 10 November.

We would like to thank the AER for its support of a pragmatic approach to Power and Water's compliance with the information sharing register obligations under clause 4.3.4 of the AER's Ring Fencing Guideline (the **Guideline**). The AER has acknowledged that the energy market in the Northern Territory is unique, and that Power and Water faces no competition in its role as market operator, and very limited competition in other services. Provided that Power and Water allow high level descriptions of the information to be published in its annual compliance reports, the AER has agreed that we may still achieve the intent of clause 4.3.4, albeit with less detail and regularity.

That said, it is recognized that the obligation to publish information requests on the information register pursuant to clause 4.3.4 cannot be waived, and that the above agreed position will likely constitute an ongoing breach of clause 4.3.4. Accordingly, and pursuant to clause 6.3 of the Guideline, PWC hereby provides notice that Power and Water has not published the details of the requests received under 4.3.3(a) of the Guideline and included at Attachment A.

As has been discussed with AER officers, we have not published the details of the information requests as required by clause 4.3.4(b) of the guideline due to the confusion likely to be created. Power and Water proposes to publish high level descriptions of the requests as part of its annual compliance reports which we consider appropriately meets the intent of clause 4.3. As this will be an ongoing breach, it will be identified in our annual ring fencing compliance report, however we do not intend to notify the AER again of the breach unless there is a material change in circumstances.

Further details of the breach in the form required by the AER Ring-fencing Guideline breach reporting template at Attachment B.

Yours sincerely



Jason Howe
Executive General Manager Customer Strategy and Regulation

15 December 2022

Indigenous Essential Services Pty Ltd

INFORMATION DISCLOSURE REQUEST

Australian Energy Regulator's

Electricity Ringfencing Guideline- Distribution (AER Ring-fencing Guideline)

Clause 4.3.2(h)

1. Power and Water Corporation (ABN) (PWC) is a Government Owned Corporation under the Northern Territory Government Owned Corporations Act 2001.
2. PWC provides a range of electricity, water, sewerage and gas services in the Northern Territory.
3. When providing services relating to or connected with the distribution of electricity to customers connected to the **Local Electricity Systems**, PWC is a *Distribution Network Service Provider* (DNSP) for the purpose of the AER Ringfencing Guideline.
4. In this notice, PWC in its capacity as a DNSP is referred to as **PWC DNSP**.
5. Indigenous Essential Services Pty Ltd (ABN 50 105 269 636) "IES" is a subsidiary of PWC and is consequently an *affiliated entity* of **PWC DNSP**
6. IES carries out activities and provides a range of services to remote communities within the Northern Territory including the provision of electricity services to remote areas of the Northern Territory which are not part of the **Local Electricity Systems** and which are *contestable electricity services* for the purposes of the AER Ring-fencing Guideline.
7. Consequent upon paragraph 6, IES is or has the potential to be a *Related Electricity Service Provider* (RESP) of PWC DNSP, for the purposes of the AER Ringfencing Guideline.
8. PWC DNSP holds information, including information relating to the provision of services by IES, which is *ringfenced information* for the purposes of the AER Ringfencing Guideline and which must be kept confidential by PWC DNPS unless a RESP has requested PWC DNSP to disclose that information to the RESP. The nature and scope of this information is broadly described in Annexure A
9. IES, in its capacity as a RESP, requests PWC DNSP to disclose on an ongoing basis the information referred to in paragraph 8 which is relevant to or related to the provision of services by, and or the activities of, IES.

Signed by:



Jenifer Moore, Senior Manager Enterprise Strategy, Planning and Strategic Projects

For and on behalf of IES Pty Ltd

Dated 14/12/22

Accepted and Approved for disclosure

Djuna Pollard, Chief Executive Officer

PWC DNSP

Dated

Use of Terms:

All italicised terms in the request have the same meaning as in the AER Ring-fencing Guideline.

Local Electricity Systems means the Local Electricity Systems declared for the purpose of section 9 of the *NATIONAL ELECTRICITY (NORTHERN TERRITORY) (NATIONAL UNIFORM LEGISLATION) ACT 2015* and set out in Schedule 2 to that Act.

Annexure A

Information necessary for the provision of reliable electricity services to remote communities throughout the Northern Territory. The Information requested is information which relates to and enables the following, non-exclusive activities:

- a. the effective management of the assets including asset optimisation and repair and
- b. maintenance programs taking into account whole of life costs;
- c. the efficient financial management, through a coordinated approach to least cost
- d. provision of Services ensuring value for money consideration, works programming and repair and
- e. maintenance programs;
- f. to support regional development; and
- g. to support Aboriginal employment and training.

Power and Water Corporation Related Electricity Service Providers

INFORMATION DISCLOSURE REQUEST

Australian Energy Regulator's

Electricity Ring-fencing Guideline- Distribution (AER Ring-fencing Guideline)

Clause 4.3.2(h)

1. Power and Water Corporation (ABN) (PWC) is a Government Owned Corporation under the Northern Territory *Government Owned Corporations Act 2001*.
2. PWC is a multi-utility which provides a range of electricity, water, sewerage and gas services in the Northern Territory.
3. When providing services relating to or connected with the distribution of electricity to customers connected to the **Local Electricity Systems**, PWC is a *Distribution Network Service Provider* (DNSP) for the purpose of the AER Ring-fencing Guideline.
4. In this notice, PWC in its capacity as a DNSP is referred to as **PWC DNSP**.
5. To deliver the range of services identified on paragraph 2, Power and Water has established the Business units specified in Column 1 of the Table in Annexure A (the Table) which carry out the functions specified in Column 2 of the Table, through the activities described in Column 3 of the Table.,
6. Consequent upon paragraph 5, the business units are, or have the potential to be a *Related Electricity Service Provider* (RESP) of PWC DNSP, for the purposes of the AER Ring-fencing Guideline.
7. PWC DNSP holds information, including information relating to functions and activities referred to in paragraph 5s the Table, which is ring fenced information for the purposes of the AER Ring-fencing Guideline and which must be kept confidential by PWC DNPS unless a RESP has requested PWC DNSP to disclose that information to the RESP. The nature and scope of this information is broadly described in Column 4 of the Table in Annexure A.
8. Each Business Unit specified in the Table in its capacity as a RESP, requests PWC DNSP to disclose on an ongoing basis the information referred to in paragraph 7 which is relevant to or related to the provision of services by, and or the activities of the relevant RESP.

Signed by:



Jason Howe Executive Manager Customer Service and Regulation
For and on behalf of Customer Strategy and Regulation

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Michael Besselink, Executive General Manager Core Operations
For and on behalf of Core Operations

14/12/2022

Stephen Vlahovic Executive General Manager Power Services
For and on behalf of Power Services

14/12/2022

Accepted and Approved for disclosure:

Djuna Pollard, Chief Executive officer

PWC DNSP

/ /

Use of Terms:

All italicised terms in the request have the same meaning as in the AER Ring-fencing Guideline.

Local Electricity Systems means the Local Electricity Systems declared for the purpose of section 9 of the *NATIONAL ELECTRICITY (NORTHERN TERRITORY) (NATIONAL UNIFORM LEGISLATION) ACT 2015* and set out in Schedule 2 to that Act.

Annexure A

Table

Business Unit	Function	Business Unit Activity	Nature and scope of Information
Customer Strategy and Regulation	<p>Customer service and operations</p> <p>Strategy, Planning and Strategic Project</p>	<ul style="list-style-type: none"> • Customer service • Commercial services Business and customer support • System and project • Business planning • Marketing and products 	<p>Network Tariff Code by Postcode and by TNI Zone Substation</p> <p>Aggregated customer consumption profiles</p> <p>All Types of non public, non-personal tariff information</p> <p>Call recordings between Power and Water and their electricity customers</p> <p>Attestation compliance records that include controls</p>
Core Operations	<p>System Control</p> <p>Remote Services</p>	<ul style="list-style-type: none"> • Real time operations • SCADA and communications • Operations and Planning • Power Systems and Technical Assessments • Fault Calls • Emergency Management • Incident Reviews • Asset Access a • Operational and Technical Reporting • Manage networks • Switching instruments • Outage, event, and defect recording 	<p>Meter numbers , type reading</p> <p>Customer electricity consumption data</p> <p>Transfer pricing data?</p> <p>Network asset loadings downstream of zone substations</p> <p>Work orders (can we be more specific)</p> <p>Time sheets for accessing customer electricity assets</p>

Power Services	NT Electricity Market	<ul style="list-style-type: none"> • Market settlement 	
	Strategy and Planning	<ul style="list-style-type: none"> • Development and planning • Program delivery • Engineering 	<p>The exploration on methods of analysing electric vehicle charging data</p> <p>Information to support applications for connection of batteries</p> <p>Summary of Distribution Energy Resource's (DER) Forecast</p> <p>All types of non-public network quality information</p>
	Business Management	<ul style="list-style-type: none"> • Admin & Inventory • Management and Project accountant • Work practices facilitation 	<p>Network asset loading downstream of zone substations</p> <p>Customer and consumer numbers</p> <p>PV system applications</p>
	Asset Management	<ul style="list-style-type: none"> • Network planning and design • Business improvement 	
	Service Delivery	<ul style="list-style-type: none"> • Job planning and scheduling • Field services network performance and underground • Test and protection, substation and metering • Field services network performance and underground • Remote electricity services, for generation and electrical 	

Contact

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Safety, People and Governance
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powerwater.com.au

PowerWater 

Attachment A – Independent Assessment