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### **Annual Electricity Ring-fencing Compliance report for the 2023 regulatory year**

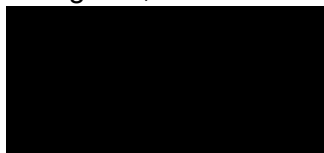
Please find attached the Jemena Electricity Networks (VIC) Ltd (JEN) annual ring-fencing compliance report for the period 1 January 2023 to 31 December 2023 (Reporting Period), submitted in accordance with clause 6.2 of the Ring-fencing Guideline - Electricity Distribution (version 3, November 2021) (Guideline).

In the Reporting Period, JEN has maintained mechanisms to ensure compliance with the Guideline. As part of our annual review process, Jemena management have confirmed there are effective controls in place to ensure compliance and that they are properly equipped to comply with the Guideline in the future.

This annual compliance report has been prepared by JEN with all due care and skill in accordance with the Guideline. We also engaged an independent and qualified authority (KPMG) to conduct a review, as required by the Guideline. KPMG's review advice is included with JEN's report.

If you have any questions in relation to this submission then please contact Brad Parsons at [REDACTED] or ([REDACTED])

Regards,



David Gillespie,  
Managing Director

Attachment: JEN Annual Electricity Ring-fencing Compliance Report



# Jemena Electricity Networks (Vic) Ltd

## Ring-fencing - Annual Compliance Report

2023 regulatory year

1 January 2023 to 31 December 2023



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**An appropriate citation for this paper is:**

Ring-fencing - Annual Compliance Report

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## 1. Overall Compliance Statement

Throughout the 2023 regulatory year, (**the reporting period**), Jemena Electricity Networks (Vic) Ltd. (**JEN or Jemena**) has maintained the compliance controls as described in Section 2 and Appendix A of this Report.

JEN considers it has complied with the Australian Energy Regulators (**AER**) Ring-fencing Guideline Version 3 (Electricity Distribution) – 3 November 2021 (**Guideline**) obligations since there were no breaches in the reporting period.

## 2. Reporting details

### 2.1 Maintaining and establishing compliance

Clause 6.1 of the Guideline obligates Distribution Network Service Providers (**DNSPs**) to maintain and establish appropriate internal procedures to ensure they comply with obligations under the Guideline.

JEN's operations are subject to a wide range of legal, regulatory and licence requirements. As such, our business has existing procedures and systems to support JEN to identify, assess, adhere and monitor compliance to its many obligations. Our procedures and systems have been designed in line with AS ISO 19600:2015 Compliance Management Systems. In terms of the Guideline, JEN has incorporated those regulatory requirements into existing policies, procedures and systems where practical. Where necessary, new procedures or controls have been developed and implemented.

A key existing procedure and system paramount in maintaining our compliance is the integration of Guideline obligations within Jemena's compliance and risk system (**Omnia**). This system houses detail about the obligations, such as the description, instrument reference, its risk rating (as per Jemena's risk matrix), obligation review frequency (as per risk rating) and the responsible person within the business for certifying compliance. Certification requires the responsible person to verify that JEN is compliant with the relevant obligation and continues to be equipped to be compliant in the future.

Given the importance JEN places on being compliant with its legislative and regulatory requirements, the Omnia procedure and system is established in a manner that distributes reminders to the responsible persons to review their compliance obligations, in advance of a specified due date. If not completed by the due date, the executive leader who holds ultimate accountability for the relevant obligation, will be notified of the non-response (which equates to non-adherence of the obligation).

This escalation path is critical for Jemena and its staff to reinforce the importance of maintaining, monitoring and acknowledging its compliance with obligations. The system and process assists in maintaining awareness and knowledge of the obligations as it creates a trigger to periodically review, without prompt of an obvious event or trigger such as a complaint, system failure or organisational change which would otherwise suggest or indicate a potential non-compliance risk.

This procedure and process is a critical mechanism for JEN to produce and validate its compliance with the Guideline and to subsequently document this Report.

### 2.2 Reporting period

Clause 6.2.2 of the Guideline requires DNSPs to submit a compliance report to the AER annually, within four months of the end of each regulatory year.

JEN has complied with this requirement by submitting this Report, based on data from the regulatory year of 1 January 2023 to 31 December 2023, by 30 April 2024. Refer to section 1 for a statement on JEN's overall compliance.

JEN has implemented processes that will require responsible persons within Jemena to complete their compliance responses to allow adequate time for this report to be prepared, validated and assessed by an independent assessor during March and April. This will enable JEN to prepare and submit its Report, with due care and skill, in accordance with the Guideline.

To complete their compliance responses, the responsible persons need to certify:

- that they are currently compliant (and have complied since they last reported) with the requirements of the obligation, and
- there are effective compliance measures in place to ensure future compliance.

### 2.3 Measures to ensure compliance

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 DNSP has taken to ensure compliance with its obligations under the Guideline.

The SGSP (Australia) Assets Pty Ltd (**SGSPAA**) group has an internal Compliance Policy which affirms the commitment of the group's businesses, including JEN, to compliance with applicable legal and regulatory obligations. This is achieved through structures and management systems supporting group companies to manage and monitor regulatory requirements, create and maintain a compliance culture, and ensure all officers and staff within the SGSPAA group, including contractors, are aware of these obligations and act accordingly.

**Appendix A** sets out the controls JEN has in place and how these are effective in demonstrating JEN's compliance to its electricity ring-fencing obligations.

As the Guideline's obligations are now embedded in the company-wide compliance program, they are reviewed periodically (via responsible persons and via assurance activities carried out by Jemena compliance functions), as is the case for all obligations in the Omnia system, to ensure continued monitoring and compliance. Obligations in Omnia are assessed by the compliance team to ensure continued accuracy and relevance and where appropriate updated or reassigned.

As a further control, Jemena's Leadership Team (Managing Director and Executive General Managers) receive quarterly reports of compliance activities (which includes any reportable breaches), and a status update on compliance with obligations is provided to the Audit and Compliance Committee of the Board of JEN's holding company, SGSPAA (which in turn reports to the full SGSPAA Board annually). As such, non-compliances are reported to the highest level of management and addressed accordingly, including in a Board context.

Throughout the reporting period, JEN has maintained these compliance measures. The 2023 compliance improvement activities are set out in **Appendix B**.

### 2.4 Reporting details

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.

During the reporting period, JEN did not report any breaches to the AER.

Table 2–1: Breaches reported during 2023 regulatory year

Obligation	Materiality as assessed by AER	Date reported	Further details
Nil to report	Not applicable	Not applicable	Not applicable

## 2.5 Other services provided by JEN

Clause 6.2.1(b)iii of the Guideline requires DNSPs to report all other services provided by the DNSP in accordance with clause 3.1 of the Guideline.

During the reporting period, JEN did not provide any other services.

## 2.6 Transaction report

Section 6.2.1(b)iv requires DNSPs to report the purpose of all transactions between the DNSP and its affiliated entities.

JEN primarily transacts with Jemena Asset Management Pty Ltd (**JAM**). JAM is the Jemena entity used for procuring and contracting assets and services for Jemena’s distribution networks businesses. Transactions between JAM and JEN are captured within projects using Work Breakdown Structures in Jemena’s accounting and finance Enterprise Resourcing Platform (**ERP**) system.

Throughout the period 1 January 2023 to 31 December 2023, JEN also had a limited number of transactions with the following affiliated entities: SGSPAA, Jemena Limited, Jemena Gas Networks (NSW) Ltd and ZNX (2) Pty Ltd.

Transactions are categorised within Jemena’s systems by cost types as either: Labour; Material; Contractor; Maintenance and Transmission; Administration; Fleet; Network Overheads; Corporate Overheads; Dividend Payments; or Other.

Further details of transactions and balances are summarised in **Appendix C**.

### 3. Independent assessment of compliance

Clause 6.2.1(c) of the Guideline requires DNSPs to ensure the annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.

JEN engaged the services of KPMG to undertake a reasonable assurance review of JEN's compliance against the Guideline requirements. KPMG's audit report is provided at **Appendix D** to this Report.



# Appendix A

## Measures to ensure compliance

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	Control Name	Description	AER Guideline Obligation Clause Reference											
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement
1	Electricity Ring-fencing Compliance Manual	<p><b>What it is:</b> Detailed manual that describes how Jemena has applied, and implemented practices to ensure JEN adheres to the Guideline.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> The manual has been written and reviewed by Jemena Regulatory and Legal employees to set out the basis of how the Guideline is applied and interpreted by Jemena/JEN.</p> <p>This demonstrates Jemena establishing internal procedures and knowledge to ensure compliance with obligations under the Guideline. Currency and relevance of this manual is achieved by change events such as breaches, organisational changes, establishment of new businesses, waiver expiries/grants and revisions of the Guideline.</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2	Jemena Code of Conduct	<p><b>What it is:</b> Jemena's Code of Conduct document explains the standard of behaviour that is required from staff members to act in accordance with our values, comply with all relevant laws and regulations and operate in accordance with our desired culture of good corporate governance and compliance. The Code of Conduct</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

	Control Name	Description	AER Guideline Obligation Clause Reference												
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6	
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement	
		<p>relevantly includes a section specifically on ring-fencing.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> Employment contracts for Jemena staff require compliance with the Code of Conduct.</p>													
3	Compliance Training	<p><b>What it is:</b> Face to face training for key user groups, complimented by video training to maintain awareness across the broader group.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> The training program demonstrates our compliance culture of continuous improvement and responsiveness to root cause assessment.</p>				✓	✓	✓	✓		✓	✓			
4	Organisation Framework Design and associated assessment templates	<p><b>What it is:</b> Provides the business with an overview of the organisational framework at Jemena.</p> <p>It is used to assist decision making in changes to roles and organisational structures. This framework includes reference to how electricity ring-fencing obligations apply to processes and decisions related to the Organisational Structure.</p> <p>Associated templates to assess impact also provide guidance to ensure that JEN designated roles and functions are identified and treated accordingly to the Guideline.</p>	✓									✓			

	Control Name	Description	AER Guideline Obligation Clause Reference											
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement
		<b>How it demonstrates and supports compliance with obligations:</b> In terms of electricity ring-fencing, it reinforces how organisation changes need to consider functional separation and staff sharing / separation obligations.												
5	Contracting and Procurement Entity Procedure	<p><b>What it is:</b> This procedure provides guidance on determining the appropriate contracting entity for the procurement of goods and services, revenue agreements and land agreements.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> In terms of electricity ring-fencing, it provides instructions to use the appropriate legal entity for the procurement of goods and services, revenue agreements and land agreements, as relevant to JEN and / or affiliated entities providing contestable electricity services. It includes guidance on electricity ring-fencing considerations.</p>	✓	✓										
6	Time writing business rules and activity list codes	<p><b>What it is:</b> These documents provide staff with an overview of the rules and instructions relating to time writing for work.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> It supports</p>		✓	✓									

	Control Name	Description	AER Guideline Obligation Clause Reference											
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement
		<p>adherence to Cost Allocation Methodologies (CAM) which in turn supports JEN in maintaining separate accounts.</p> <p>As part of Jemena’s continuous improvement process, the CAM are periodically reviewed to ensure that costs are appropriately allocated to its Asset Portfolio.</p>												
7	Transaction Report	<p><b>What it is:</b> Report generated from SAP to identify and list JEN transactions to ensure transactions are raised in line with the CAM and cost allocation principles (CAP).</p> <p><b>How it demonstrates and supports compliance with obligations:</b> Demonstrates all transactions between JEN and an affiliated entity.</p>		✓	✓									
8	Secondment Procedure and Checklist	<p><b>What it is:</b> A procedure and checklist regarding how to manage issues relating to secondments (e.g. email, share drive access, cost centre allocations) in instances where personnel transfer from JEN to another role within Jemena (or vice versa) particularly in the cases where the secondment is to support a Related Electricity Service Provider (RESP) business).</p> <p><b>How it demonstrates and supports compliance with obligations:</b> In terms of ring-fencing, these documents provide guidance and clarifies responsibilities to ensure confidential electricity information is not inadvertently</p>						✓			✓			

	Control Name	Description	AER Guideline Obligation Clause Reference													
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6		
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement		
		provided to an RESP as a consequence of staff secondments.														
9	JEN Information Sharing protocol	<p><b>What it is:</b> Protocol and tools (register, process and request forms) outlining how JEN maintains and manages its obligations regarding</p> <ul style="list-style-type: none"> <li>- Sharing Information with RESPs and other contestable electricity service providers; and</li> <li>- Obtaining customer consent to sharing of information.</li> </ul> <p>This protocol was merged with the Ring-Fencing Manual in the May 2020 update but remains on Jemena’s website to assist external parties understand JEN’s protocol.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> This document demonstrates the establishment of internal knowledge and procedural information to ensure JEN complies with information sharing protocol obligations under the Guideline.</p>									✓					
10	Fleet Asset Class Strategy	<p><b>What it is:</b> This document provides guidance when procuring, managing and disposing of fleet and plant equipment that is owned, leased and operated by our business.</p>									✓					

	Control Name	Description	AER Guideline Obligation Clause Reference											
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement
		<p><b>How it demonstrates and supports compliance with obligations:</b> In terms of electricity ring-fencing, it specifies rules to restrict JEN procuring assets on behalf of a RESP.</p>												
11	Asset Management Strategy	<p><b>What it is:</b> This document provides a consistent, collaborative and integrated approach to the activities undertaken to manage the lifecycle of assets.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> In terms of Electricity Ring-fencing this document provides for regulated assets to be managed in line with regulatory requirements so that cross promotion and cross subsidy does not occur.</p>			✓	✓				✓				
12	Non Discrimination Principles	<p><b>What it is:</b> These principles have been documented and embedded in operational guidelines that work to ensure that JEN does not discriminate in the way it supplies (or markets) its direct control services between services supplied to RESPs and customers of RESPs and services supplied to competitors of those RESPs (and their customers).</p> <p><b>How it demonstrates and supports compliance with obligations:</b> This demonstrates the establishment of internal knowledge and procedural information to ensure compliance with non-discrimination obligations under the Guideline.</p>				✓			✓					



	Control Name	Description	AER Guideline Obligation Clause Reference												
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6	
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement	
13	Procurement Policy	<p><b>What it is:</b> The policy provides a framework to efficiently and effectively procure goods and services; provide guidance on roles and responsibilities of employees undertaking procurement activities; and detail the core principles that underpin those procurement activities.</p> <p><b>How it demonstrates and supports Jemena's compliance with its obligations:</b> In terms of Ring-fencing, this policy puts in place procedures to procure goods and services.</p>				✓						✓	✓		
14	Waiver Register	<p><b>What it is:</b> The Waiver Register published on Jemena's website (<a href="#">click here</a>) outlines all approved waivers of the Guideline.</p> <p>The compliance manual (Control 1 in this table) articulates the responsible parties and frequency in which the register must be reviewed.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> This demonstrates the establishment of internal knowledge and procedural information to ensure compliance with the register obligations under the Guideline.</p>											✓		

	Control Name	Description	AER Guideline Obligation Clause Reference												
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6	
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement	
15	Staff Registers	<p><b>What it is:</b> The Staff Register published on Jemena’s website (<a href="#">click here</a>) identifies staff that may be shared between the provision of direct control services and contestable electricity services.</p> <p>The compliance manual (Control 1 in this table) articulates the responsible parties and frequency in which the register must be reviewed.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> This demonstrates establishment of internal knowledge and procedural information to ensure compliance with register obligations under the Guideline.</p> <p><b>Note:</b> During the compliance period an evaluation was undertaken of the role that the last remaining RESP employee performed. The evaluation resulted in the employee being re-classified as a Shared Staff member.</p>								✓					
16	Office Register	<p><b>What it is:</b> The Office Register published on Jemena’s website (<a href="#">click here</a>) identifies Jemena premises in which DNSP and RESP Personnel are co-located.</p> <p>The compliance manual (Control 1 in this table) articulates the responsible parties and frequency in which the register must be reviewed.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> This</p>								✓					

Control Name	Description	AER Guideline Obligation Clause Reference											
		3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
		Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement
	<p>demonstrates establishment of internal knowledge and procedural information to ensure compliance with register obligations under the Guideline.</p> <p>Note: During the compliance period an evaluation was undertaken, and the Office Register updated to reflect nil premises where DNSP and RESP staff are co-located as the sole Shared Staff member who is the administrator of Ovida's remaining customers does not perform contestable electricity services (CES) work from a JEN office.</p>												
17	<p><b>SAPS Register</b></p> <p><b>What it is:</b> The SAPS Register published on Jemena's website (<a href="#">click here</a>) is provides a description of regulated stand-alone power systems used by JEN to provide other services.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> This demonstrates establishment of internal knowledge and procedural information to ensure compliance with register obligations under the Guideline.</p> <p>Note: The SAPS register contains a "nil" entry as JEN does not have any SAPS.</p>												✓

	Control Name	Description	AER Guideline Obligation Clause Reference													
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6		
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement		
18	Physical Separation	<p><b>What it is:</b> Any personnel involved in provision or marketing of Contestable Electricity Services are not permitted to access office secure areas where JEN dedicated staff work.</p> <p>This is reflected in Jemena’s site manual, access restrictions (security access card) and requests forms (Onboarding checklist).</p> <p><b>How it demonstrates and supports compliance with obligations:</b> This demonstrates establishment of procedural information and physical controls to ensure compliance with physical separation and information sharing obligations under the Guideline.</p>					✓									
19	Checklist for publishing content on internet and intranet	<p><b>What it is:</b> A checklist for determining whether information is suitable to be published on the Jemena website or on the intranet.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> This demonstrates establishment of, and embedding, procedural information to support information protections and cross promoting obligations. In establishing these checklists, both Jemena’s website and intranet site are reviewed to ensure compliance.</p>							✓							
20	Brand Separation	<p><b>What it is:</b> The Ovida brand has been established as the brand of Jemena’s RESP.</p>								✓						

	Control Name	Description	AER Guideline Obligation Clause Reference													
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6		
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement		
		<p>Review of the external website has been conducted to ensure that Ovida is not promoted as part of the Jemena brand (which is associated with the delivery of direct control services). In addition, staff working in contestable electricity services are separated from JEN dedicated staff, and required to contact and communicate with customers via 'Ovida' branded emails. This is reinforced in the onboarding checklist.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> This demonstrates establishment of a separate RESP brand.</p>														
21	Compliance Reporting	<p><b>What it is:</b> A compliance reporting process has been established, implemented and documented to facilitate the compilation, assessment and sending of this report to AER each year in line with the Guideline's requirements.</p> <p>The applicable Guideline obligations are logged in Omnia (obligation register), with the Omnia system periodically alerting responsible persons to assess and confirm compliance.</p> <p>This process is part of the annual certification process which also enables staff to receive</p>														✓

	Control Name	Description	AER Guideline Obligation Clause Reference											
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement
		<p>assurance they understand and are appropriately managing their regulatory obligations.</p> <p>In addition, responsible persons are to log and manage breaches in Omnia in line with the Jemena breach reporting process.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> This demonstrates establishment of, and embedding, procedural information to support this business in maintaining and reporting on its compliance.</p>												
22	Financial statement preparation and audit	<p><b>What it is:</b> Preparation by management and audit (reasonable assurance) by an independent registered company auditor of financial statements of:</p> <ul style="list-style-type: none"> <li>the SGSPAA Group</li> <li>stand-alone financial statements (Audited Base Accounts) for JEN and Jemena Gas Networks (JGN)</li> <li>financial and non-financial information disclosures in accordance with Regulatory Information Notices for JEN and JGN</li> <li>Disclosures under Part 23 of the National Gas Rules for certain gas pipeline entities/service providers within the SGSPAA group.</li> </ul>		✓	✓									

Control Name	Description	AER Guideline Obligation Clause Reference											
		3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
		Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement
	<p><b>How it demonstrates and supports compliance with obligations:</b> This demonstrates establishment and embedding financial control across the SGSPAA group and the entities within, with application of standard cost allocation principles amongst group entities. An annual independent audit is conducted to support management’s internal monitoring and compliance framework.</p>												
23	<p><b>Quality Assurance</b></p> <p><b>What it is:</b> Biannual quality assurance reviews targeting the high risk areas of physical separation, protection of confidential information and provision of contestable electricity services. Reviews are completed by the Regulatory Compliance Manager to ensure ringfencing controls are operating as expected.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> In terms of RESP personnel, ensuring there is no unapproved access to JEN’s secure office areas or digital repositories. In terms of Affiliate businesses, ensuring no work is undertaken that would be considered contestable electricity services.</p>	✓				✓	✓			✓		✓	

	Control Name	Description	AER Guideline Obligation Clause Reference											
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement
		Note: Quality assurance activities relating to access to site and digital repositories were not conducted in 2023 as there were no RESP staff.												
24	Domain Migration Workflow	<p><b>What it is:</b> An online form governing internal and intercompany transfers that workflows to the Regulatory Compliance Manager in the first instance for ring fencing assessment and approval.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> The workflow will not progress until approved by the compliance team. Once approved, tasks are generated to all relevant IT teams to facilitate the IT migration. It also generates email notifications to all relevant parties including the previous and receiving People Leaders and HR business partners.</p>	✓				✓	✓			✓			✓
25	Identity Management Software	<p><b>What it is:</b> A ringfencing classification is assigned to each role within the group providing governance and oversight of all internal staff position changes.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> The workflow generates tasks to all relevant IT teams to facilitate the required access changes. It also provides ease of oversight to the Regulatory Compliance Manager for managing updates to the staff register under the requirements of version 3 of the Guideline which came into effect 3 February 2022.</p>	✓				✓	✓			✓			✓



	Control Name	Description	AER Guideline Obligation Clause Reference												
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6	
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement	
26	Organisational Change Monitoring	<p><b>What it is:</b> A scheduled review of organisational changes completed by the HR Services Manager 3 times per annum. The review requires a notification to the Regulatory Compliance Manager of any organisational changes that have occurred in the previous 4 months, or which are planned in the upcoming 4 months.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> The review assists in ensuring the Staff Register is able to be updated and published in a timely manner in addition to providing sufficient lead time to ensure compliance can be maintained through larger organisational restructures.</p> <p>Note: In 2023, activities relating to organisational change monitoring were ongoing and incorporated into assessments of an affiliate potentially commencing provision of CES, rather than at the defined scheduled intervals noted above.</p>	✓				✓	✓		✓	✓			✓	
27	Asset Management Framework for External Engagement	<p><b>What it is:</b> A framework which governs the engagement activities of JEN's Asset Management team with external parties, including JEN's related parties who provide contestable electricity services.</p>			✓	✓			✓			✓			

	Control Name	Description	AER Guideline Obligation Clause Reference											
			3.1a	3.2.1	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Separate accounts	Cost allocation & attribution	Non discrimination	Physical separation	Staff sharing	Branding and cross promotion	Office and staff Registers	Information	Service provider conduct	Waivers	Compliance, reporting & enforcement
		<p><b>How it demonstrates and supports compliance with obligations:</b> The framework provides a clear understanding to JEN employees and external parties on how JEN can and will engage to promote efficient and non-discriminatory (intentional or unintentional) engagement with all external parties.</p>												
28	Electricity Markets Guideline – A Compliant Approach to Ring-fencing	<p><b>What it is:</b> A document which provides the Electricity Markets business with guidance on how JEN's compliance with the AER's Ring Fencing Guideline impacts their business strategy and operations.</p> <p><b>How it demonstrates and supports compliance with obligations:</b> The document provides guidelines for key ring-fencing questions and early engagement framework with the Regulation and Legal teams so that ring-fencing risks are adequately captured in the strategy for the relevant opportunity or project.</p>	✓	✓	✓	✓	✓	✓	✓		✓			

# Appendix B

## 2023 compliance initiatives

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The following table sets out compliance improvement activities for the reporting period.

**Table B1–1: Compliance improvement activities initiated during the reporting period**

Obligation	Improvement Activity	Status as at 31 December 2023
All	<p><b>Training</b></p> <p>As a result of Jemena’s RESP business effectively ceasing operations in May 2022, mandated training was put on hold.</p> <p>Refresher training was provided via video modules to the wider group throughout 2023:</p> <ul style="list-style-type: none"> <li>• The general awareness video, covering the Guidelines key obligations was completed by 935 staff.</li> <li>• Tailored RESP and JEN dedicated modules were completed by relevant RESP and JEN staff.</li> </ul> <p>During 2023, the Regulatory Compliance team provided a range of advice and proactive face to face interactions to enhance the businesses understanding and awareness of ring-fencing matters. Some examples include:</p> <ul style="list-style-type: none"> <li>• Affiliate personnel within the Jemena Network Services area — providing further explanation of contestable electricity services, guidance on branding and cross promotion and general obligations under the Guideline.</li> </ul>	Complete
All	<p><b>Zinfra status as an affiliate</b></p> <p>Shortly after commencement of the Guideline, JEN requested that Zinfra (an affiliate) advise JEN should it commence the provision of contestable electricity services itself, or provide services to support the provision of contestable electricity services.</p> <p>To confirm and ensure Zinfra has not commenced bidding for opportunities to provide contestable services, JEN’s legal and regulation teams regularly meet with Zinfra’s National Manager Commercial and Risk to review opportunities being considered.</p> <p>During 2023, reviews did not identify bids on any contracts that involve the provision of contestable electricity services.</p>	Complete

Obligation	Improvement Activity	Status as at 31 December 2023
All	<p><b>JGN status as an affiliate</b></p> <p>In July 2020, Jemena Gas Networks (<b>JGN</b>) commenced consultations with the AER regarding the potential need for a waiver to progress JGN's Western Sydney Green Gas Trial. The AER considered the scope of the trial and were of the view that a waiver would not be required, but requested further consultation should the scope change.</p> <p>To ensure the trial remains in line with what was presented to the AER, an annual review of the trial is conducted by the Project Manager and Regulatory Compliance Manager.</p> <p>The review was completed in June 2023 where no deviation of scope was confirmed.</p>	Complete
Staff sharing register	<p><b>Staff sharing Register</b></p> <p>During 2023, the staff sharing register was updated and published in January, April, July and October in line with clause 4.2.4 of the Guideline.</p>	Complete.
Waiver Register	<p><b>Waivers Register</b></p> <p>During 2023, the waivers register was updated and published in January, April, July and October in line with clause 5.7 of the Guideline.</p>	Complete
Office Register	<p><b>Office Register</b></p> <p>During 2023, the office register was updated and published in January, April, July and October in line with clause 4.2.4 of the Guideline.</p>	Complete
Information Register	<p><b>Information Register</b></p> <p>During 2023, the information register was updated and published in January, April, July and October in line with clause 4.3.4 of the Guideline.</p>	Complete
SAPS Register	<p><b>SAPS Register</b></p> <p>During 2023, the SAPS register was updated and published in January, April, July and October in line with clause 6.2.3 of the Guideline.</p>	Complete

# Appendix C

## Transactions Report

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Affiliated Entity	Cost Type	Nature of the Services Provided	Value (\$)	Transaction Description and Purpose
JAM	Labour	All operational, network construction and non-network services, focusing on maintenance and operational network services, non-network, management and corporate support services such as Finance, HR and Legal.	6,321,840	Comprises direct labour time-writing to JEN projects and work activities using Cross Allocation Time Sheets (CATS) in Jemena's SAP system. Direct labour costs includes: Wages; Overtime; Allowances; Superannuation and defined benefit plan costs; Medical charges; Staff training; Welfare expenses; Personnel insurance; Uniforms & clothing; Annual, long service, personal and other types of leave; Payroll tax. Indirect labour costs are recovered as either Network or Corporate Overheads.
JAM	Material	As above	14,531,702	Material comprises costs that are direct: Direct acquisitions; Goods issued; and Other miscellaneous material costs. Indirect material costs are recovered as either Network or Corporate Overheads.
JAM	Contractor	As above	198,861,682	Contractor comprises cost that are direct: Contractor costs; and Consulting costs, in each case where JAM has engaged contractors to perform works or services in relation to JEN's network.
JAM	Maintenance and Transmission	All operational, maintenance for network and non-network services, including the recording of the transmission type costs	93,049,059	Maintenance comprises work including the following: Feed-in Tariff; Transitional Feed-in Tariff; Use of System; Cross boundary charges; Grid Connection charges; Property tax; Maintenance Building & grounds and computer equipment; Security measures; Maintenance fees.
JAM	Administration	Provision of administration type services for the capex and operational activities.	2,447,877	Administration comprises work items of a back office /support nature that are directly attributable to JEN projects and work activities, such as: Office supplies; Utilities; External audit services; External legal services; Other professional fees & expenses; Licence fees (excluding motor vehicle registration fees); Subscriptions & registrations; Telephone, postage and courier service costs; Rental costs;

Affiliated Entity	Cost Type	Nature of the Services Provided	Value (\$)	Transaction Description and Purpose
				Insurance (other than motor vehicle and personnel); Meter reading fees. In most cases, Administration costs are indirect in nature and recovered as Network or Corporate Overheads.
JAM	Fleet	Provision of fleet type services for the capex and operational activities.	23,715	Fleet costs comprises those that are directly attributable to JEN projects and work activities, such as: Fleet charges; Vehicle and major equipment maintenance; Fuel costs; Lease expense; Registration and third party costs; Unrecovered accident costs; Insurance. In most cases, Fleet costs are indirect in nature and recovered as Network Overheads.
JAM	Other	Provision of miscellaneous type services for the capex and operational activities.	10,653,046	This category comprises work items that are attributable to JEN projects and work items, such as: Tender expenses; Management fees; Marketing services; Travel and Accommodation expenses; Minor equipment. In most cases, other costs are indirect in nature and recovered as Network or Corporate Overheads.
JAM	Network Overheads	Provision of property, engineering and program management support type services for the capex and operational activities.	33,921,267	Network overheads comprise indirect costs that are recovered to capex or opex projects using costing sheets and assessment cycles in SAP. These costs consist of: Direct Support Allocations (DSA) (indirect labour recoveries); Non labour recoveries (such as Indirect materials, Indirect contractor costs, Indirect maintenance other, Administration costs and Other costs) Property recoveries; Store Recoveries; and Fleet costs.
JAM	Corporate Overheads	Provision of administration type services for the capex and operational activities.	(414)	Corporate overheads comprise indirect costs that are recovered to JEN capex or opex projects using costing sheets and assessment cycles in SAP. These costs consist of: Indirect labour recoveries; and Non labour recoveries (such as indirect materials, indirect contractor costs, indirect maintenance other, administration costs).
JAM	Settlement of receivables / payables	n/a	(481,690,091)	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
Jemena Ltd	Dividend Payments	Dividend payments to shareholders.	10,000,000	Dividend paid during the year.
Jemena Ltd	Settlement of receivables / payables	n/a	527,131,773	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
SGSPAA	Settlement of receivables / payables	n/a	(40,837,581)	Settlement of outstanding receivable / payable balances with related parties

Affiliated Entity	Cost Type	Nature of the Services Provided	Value (\$)	Transaction Description and Purpose
				through a process of net loan reassignments.
Jemena Gas Networks (NSW) Ltd	Labour	All operational, network construction and non-network services, focusing on maintenance and operational network services, non-network, management and corporate support services such as Finance, HR and Legal.	(55,029)	Labour costs (see above for detailed description).
Jemena Gas Networks (NSW) Ltd	Settlement of receivables / payables	n/a	85,614	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
ZNX (2) Pty Ltd	Settlement of receivables / payables	n/a	30,895	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.



# Independent Reasonable Assurance Report

To the Directors of Jemena Electricity Networks (Vic) Ltd

## Conclusion

In our opinion, Jemena Electricity Networks (Vic) Ltd's ("JEN") Overall Compliance Statement that the entity has complied with the Ring-fencing Guidelines published by the Australian Energy Regulator ("AER") on 3 November 2021 ("Ring-fencing Guidelines") is, in all material respects, fairly presented for the regulatory year ended 31 December 2023.

## Information subject to Assurance

The information subject to assurance is JEN's Overall Compliance Statement for the regulatory year ended 31 December 2023, as set out in section 1 of JEN's Annual Compliance Report prepared in accordance with the Ring-fencing Guidelines published by the AER on 3 November 2021 ("Overall Compliance Statement").

## Scope

The subject of our reasonable assurance engagement is whether JEN's Overall Compliance Statement that the entity has complied with the Ring-fencing Guidelines published by the AER on 3 November 2021 is, in all material respects, fairly presented for the regulatory year ended 31 December 2023. This Overall Compliance Statement accompanies our report, for the purpose of reporting to the Directors of JEN and the AER.

## Basis for our conclusion

We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* (ASAE 3100). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with ASAE 3100 we have:

- used our professional judgement to plan our procedures and assess the risk of material misstatement in JEN's Overall Compliance Statement that the entity has complied with the Ring-fencing Guidelines;
- considered internal controls implemented to meet the compliance requirements of the Ring-fencing Guidelines; however, we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.



## Summary of procedures performed, findings and observations

In Appendix A, we provide an overview of the key procedures, observations and findings in relation to each of the Ring-fencing Guideline's requirements. This overview is provided at the request of the AER to provide greater transparency over the work we performed. Our conclusion is not modified in this respect.

In Appendix B, we have summarised performance improvement observations. Our conclusion is not modified in respect of these observations.

## How we define reasonable assurance and material misstatement

- Reasonable assurance is a high level of assurance but is not a guarantee that it will always detect a material misstatement in JEN's Overall Compliance Statement when it exists.
- Instances of misstatement in JEN's Overall Compliance Statement are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the intended users taken on the basis of JEN's compliance with the requirements of the Ring-fencing Guidelines.

## Inherent limitations

- Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or material misstatement in JEN's Overall Compliance Statement may occur and not be detected.
- A reasonable assurance engagement for the regulatory year ended 31 December 2023 does not provide assurance on whether compliance with the requirements of the Ring-fencing Guidelines will continue in the future.

## Use of this assurance report and matters relating to electronic publication

This report has been prepared for the Directors of JEN and the AER for the purpose of compliance with the Ring-fencing Guidelines and may not be suitable for another purpose.

We understand that the AER intends to publicly release our assurance report via its website. The AER is responsible for the integrity of AER's website where our report is presented alongside the Annual Compliance Report. We have not been engaged to report on the integrity of the AER's website. This report refers only to the Overall Compliance Statement and does not provide an opinion on any other information which may have been hyperlinked to/from the Annual Compliance Report. If users of the Annual Compliance Report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the Annual Compliance Report to confirm the information contained in this website version of the Annual Compliance Report.

We disclaim any assumption of responsibility for any reliance on this report, or the Annual Compliance Report to which it relates, to any person other than the Directors of JEN and the AER, or for any other purpose other than that for which it was prepared.



## Management's responsibility

Management is responsible for:

- the compliance activities including identifying, designing and implementing controls to meet the requirements of the Ring-fencing Guidelines;
- identification of the risks that threaten JEN's compliance with the Ring-fencing Guidelines from being met;
- monitoring ongoing compliance; and
- preparing an Annual Compliance Report and providing an Overall Compliance Statement with respect to the outcome of the evaluation of the compliance activity against the Ring-fencing Guidelines, which accompanies this Independent Assurance Report.

## Our responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to JEN's Overall Compliance Statement with the Ring-fencing Guidelines for the regulatory year ended 31 December 2023 and to issue an assurance report that includes our conclusion.

## Our independence and quality management

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Management 1 to design, implement and operate a system of quality management.



KPMG



Glenn Austin  
*Partner*  
Melbourne  
29 April 2024



## Appendix A – Summary of procedures performed, observations and findings

In this section, we present an overview of key procedures performed, observations and findings as part of our reasonable assurance engagement in respect of JEN’s compliance activities with the relevant requirements of the Ring-fencing Guidelines published by the Australian Energy Regulator (AER) on 3 November 2021 (Ring-fencing Guidelines) for the regulatory year ended 31 December 2023.

This information should not be construed as providing an opinion or conclusion on the separate compliance activities noted, nor that the aggregation thereof modifies our conclusion reported in the Independent Reasonable Assurance Report.

We performed the following general procedures to assess JEN’s overall compliance with the Guideline:

1. We obtained JEN’s Electricity Ring-fencing Compliance Manual (Compliance Manual) and considered whether the Compliance Manual adequately addressed the requirements of the Guideline.
2. We considered whether certain pre-existing systems, policies and procedures within the SGSP (Australia) Assets Pty Ltd (“SGSPAA”) business had been appropriately updated to reflect obligations arising from the Ring-fencing Guideline, and where relevant, improvement actions implemented by management during the current regulatory period. This included sighting the policies as well as considering information we had reviewed as part of our audit procedures in connection with the financial and regulatory audits of SGSPAA and JEN. The systems, policies and procedures considered included:
  - Jemena Code of Conduct
  - Contracting and Procurement Entity Procedure
  - Fleet Asset Class Strategy
  - Procurement Policy
  - JEN’s Compliance and Risk System (Omnia)
  - Organisation Framework Design document
  - Secondment Procedure
  - Asset Management Strategy
  - Contractor Management Procedure
3. We reviewed minutes of board meetings of SGSPAA and its committees and made inquiries of management to inform our understanding of management’s approach to ring-fencing compliance and to identify Related Electricity Service Provider’s (“RESP”) related transactions and risks of non-compliance with the Ring-fencing Guideline.

The following table provides a summary of procedures, observations and findings for each Ring-fencing Guideline requirement:

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>3 Prevention of cross subsidies</b>			
<b>3.1 Legal separation</b>	<ul style="list-style-type: none"> <li>Electricity Ring-fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Organisation Framework Design and associated assessment templates</li> <li>Contracting and Procurement Entity Procedure</li> <li>JEN is established as a separate registered Australian Business with a distinct ABN.</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We assessed the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We assessed the legal entity status of JEN and RESP affiliate (Ovida).</li> <li>During our independent audit in connection with the regulatory information templates of JEN prepared under the AER's Regulatory Information Notices (RINs) for the 12-month period ended 30 June 2023, we tested a sample of Opex and Capex projects undertaken by JEN and assessed the nature of services provided.</li> </ul>	<p>The Ovida brand has been established as the brand of JEN's RESP. Separate entities within the broader SGSPAA group structure are established for JEN to provide regulated electricity distribution services and Ovida Pty Ltd (Ovida) for contestable electricity services.</p> <p>We performed an ABN search noting that JEN is an Australian Company located in Victoria, Australia.</p> <p>We performed an ABN search noting that Ovida is an Australian Company located in Victoria, Australia.</p> <p>From our testing of the samples selected for Opex and Capex projects, we did not identify any evidence of JEN providing "other services" which are restricted in the guideline.</p>
<b>3 Prevention of cross subsidies</b>			
<b>3.2.1 Separate accounts</b>  <b>3.2.2 Cost allocation and attribution</b>	<ul style="list-style-type: none"> <li>Electricity Ring-fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Contracting and Procurement Entity Procedure</li> <li>Time writing business rules and activity list codes</li> <li>Transaction Report</li> <li>Asset Management Strategy</li> <li>Financial statement preparation and audit</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We assessed the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We obtained a copy of the transaction reports (a listing of all transactions from the Enterprise Resource Planning (SAP) System) between JEN and affiliated entities for the regulatory year ended 31 December 2023 and performed the following: <ul style="list-style-type: none"> <li>agreed total transaction values and outstanding balances per entity to JEN's trial balance as at and for the 12 months ended 31 December 2023; and</li> </ul> </li> </ul>	<p>On 15 March 2024, we issued an unqualified audit report (reasonable assurance) for the 12-month period ended 31 December 2023 in connection with the financial statement audit of the SGSPAA Group.</p> <p>On 31 October 2023, we issued unqualified audit reports (reasonable and limited assurance scopes) for the 12-month period ended 30 June 2023, in connection with our audits of the JEN Electricity Distribution RINs.</p>





Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> <li>Asset Management Framework for External Engagement</li> </ul>	<ul style="list-style-type: none"> <li>compared the description of the transactions against the respective trial balance accounts for accuracy and based on our knowledge of the entities and the nature of the services they provide.</li> <li>We inquired of management and obtained an understanding of the improvement activities implemented in relation to Zinfra’s affiliate status, including reviews of Zinfra proposals for the provision of contestable electricity services.</li> <li>KPMG are the independent auditors in connection with the:               <ul style="list-style-type: none"> <li>financial statement audit of the SGSPAA Group for the 12-month period ended 31 December 2023; and</li> <li>regulatory information templates of JEN prepared under the AER’s Regulatory Information Notices (RINs) for the 12-month period ended 30 June 2023.</li> </ul> </li> <li>We considered the appropriateness of the SGSPAA Cost Allocation Methodology (CAM) and JEN AER Approved CAM as part of these audit engagements. Our procedures included:               <ul style="list-style-type: none"> <li>walkthroughs and testing key controls for processes and activities related to cost allocation in accordance with both the SGSPAA and JEN CAMs such as cost capture and allocation principles, time writing to projects and activities, creation of purchase orders, invoice processing and payments;</li> <li>comparing cost and project allocation mapping used by JEN for cost allocation to AER definitions provided in the RIN;</li> <li>testing general IT controls over the SGSPAA SAP ERP system, as well as IT automated controls for processes related to access restrictions to create / edit project codes; and</li> <li>for a sample of costs incurred, agreeing to supporting documentation and invoices.</li> </ul> </li> </ul>	<p><b>Zinfra RESP status</b></p> <p>We observed that management’s review of Zinfra proposals did not identify any instances of Zinfra providing contestable electricity services. We noted from inquiries that management were in the process of developing a guideline for ring-fencing compliance for Zinfra. Refer to Appendix B, item B-1 for a recommendation raised.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.1 Obligation to not discriminate</b>	<ul style="list-style-type: none"> <li>Electricity Ring-fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Asset Management Strategy</li> <li>Non-discrimination principles</li> <li>Procurement Policy</li> <li>Asset Management Framework for External Engagement</li> <li>Annual Compliance Training</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We assessed the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We obtained an understanding of the improvement activities implemented by management during the current regulatory period related to Annual Compliance training as stated within Table B1-1 of the Compliance Report. <ul style="list-style-type: none"> <li>We viewed the three online training modules/videos for all staff, RESP staff and JEN-designated staff, respectively, to ascertain whether it accurately described JEN's ring-fencing obligations with respect to non-discrimination.</li> <li>We inspected training refresher packs tailored for specific teams including Zinfra employees to ascertain whether ring fencing obligations were clearly articulated and understandable.</li> <li>We assessed management's assessment of SGSPAA teams that were identified as not requiring ring-fencing training.</li> </ul> </li> <li>We inspected training completion records for the period from 1 January 2023 to 31 December 2023 to ascertain the completion rate of ring-fencing training in the regulatory period.</li> <li>We sighted evidence of interactions between the Regulatory Compliance team and Zinfra regarding ring-fencing compliance matters.</li> </ul>	<p>We sighted the Non-discrimination principles implemented by management between Jemena and Zinfra.</p> <p><b>Annual Compliance Training</b></p> <p>We noted that management identified teams and staff positions involved in work on the Jemena electricity network as requiring the online ring-fencing training.</p> <p>Our inspection and testing of training completion records showed that:</p> <ul style="list-style-type: none"> <li>935 SGSPAA employees (Jemena and Zinfra employees) assessed by management as requiring ring-fencing training completed online training during the regulatory period.</li> <li>Refresher training provided to Zinfra appropriately addressed the ring-fencing obligations.</li> <li>A formal process to monitor ring-fencing training completion has yet to be implemented.</li> </ul> <p>We have made recommendations to management regarding the training program. Refer to Appendix B, item B-4.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.2.1 Physical separation</b>	<ul style="list-style-type: none"> <li>Electricity Ring-fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Annual Compliance Training</li> <li>Physical separation</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We assessed the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We made inquiries with management to understand their approach to ensuring compliance with the physical separation clause in the Ring-fencing Guidelines.</li> <li>We tested a sample of service requests raised in relation to RESP staff throughout the regulatory period and assessed: <ul style="list-style-type: none"> <li>whether they were approved by appropriate personnel;</li> <li>that the nature of the service request was not contradictory to the guideline obligations; and</li> <li>the appropriateness of any change of access request.</li> </ul> </li> <li>We made inquiries with management to determine whether there were any internal staff transfers between JEN and its RESP (Ovida) during the regulatory period, to assess if the Identity Management Software appropriately generated IT tasks for physical access changes in line with the ring-fencing classification framework for these transfers.</li> <li>We inspected a sample of daily ring-fencing exception reports generated by the Identity Management Software to assess whether monitoring controls were operating effectively.</li> </ul>	<p><b>Physical separation</b></p> <p>Based on inquiries with management, we understand that no contestable electricity services were provided from the JEN office by a RESP staff. Consequently, an update was made to the office register during the regulatory period. Refer to section 4.2.4 below for procedures performed over the office register.</p> <p><b>Staff transfers</b></p> <p>There were no internal staff transfers between JEN and its RESP during the regulatory period.</p> <p><b>Annual Compliance Training</b></p> <p>We noted that the online ring-fencing modules adequately explained Jemena’s obligations in ensuring physical separation between JEN-designated staff and RESP staff. Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance Training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.2.2</b> <b>Staff sharing</b>	<ul style="list-style-type: none"> <li>● Electricity Ring-fencing Compliance Manual</li> <li>● Jemena Code of Conduct</li> <li>● Annual Compliance Training</li> <li>● Organisation Framework Design and associated assessment templates</li> <li>● Secondment Procedure</li> <li>● Non-discrimination principles</li> <li>● Corporate Incentive plans</li> <li>● Asset Management Framework for External Engagement</li> <li>● Electricity Markets Guideline</li> </ul>	<ul style="list-style-type: none"> <li>● We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance. We also considered the appropriateness of staff roles and responsibilities that ensure compliance with staff sharing restrictions as per the Ring-fencing Guidelines.</li> <li>● We assessed whether incentive plans applicable to JEN staff created an incentive to contravene the obligations of the Guidelines by: <ul style="list-style-type: none"> <li>● reading the terms of incentive plans;</li> <li>● analysing management’s interpretation of the guideline requirements and criteria used to assess whether the incentive plans would directly incentivise JEN staff to contravene the guidelines; and</li> <li>● understanding and assessing management’s control activities to review the incentive plan.</li> </ul> </li> <li>● We inquired with management to obtain an understanding of the digital workflows control to facilitate intercompany staff transfers between Zinfra and Jemena, and tested a sample of transfers to check whether they were approved by the Regulatory Compliance team.</li> </ul>	<p><b>Annual Compliance Training</b></p> <p>We noted that the online ring-fencing modules adequately explained Jemena’s obligations regarding staff sharing between JEN and Ovida.</p> <p>Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance Training.</p> <p><b>Identity Management Software</b></p> <p>We noted that the identity management software is used to facilitate internal transfers via a workflow, and ring-fencing classifications within the software identifies staff roles that are shared. Refer to section 4.2.1 above for procedures performed.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.2.3 Branding and cross-promotion</b>	<ul style="list-style-type: none"> <li>• Electricity Ring-fencing Compliance Manual</li> <li>• Jemena Code of Conduct</li> <li>• Annual Compliance Training</li> <li>• Fleet Asset Class Strategy</li> <li>• Asset Management Strategy</li> <li>• Checklist for publishing content on internet and intranet</li> <li>• Brand separation</li> <li>• Electricity Markets Guideline</li> </ul>	<ul style="list-style-type: none"> <li>• We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> <li>• We assessed JEN's branding and promotion protocols to determine whether they complied with the Ring-fencing Guidelines including:               <ul style="list-style-type: none"> <li>• Accessing JEN's and Ovida's websites to identify any cross advertisement; and</li> <li>• Considering whether during the course of our financial statement and regulatory audits of the SGSPAA group and JEN, whether we had identified any cross advertisement or promotion.</li> </ul> </li> </ul>	<p><b>Brand separation</b></p> <p>We did not identify any instances of cross branding or cross advertisement from our review of the websites of Jemena and Ovida. Management advised that there are no dual branded vehicles or offices and Ovida does not utilise a fleet.</p> <p>Through the course of our financial statement and regulatory audits of the SGSPAA group and JEN, we did not identify instances of cross-branding or promotion, e.g., on invoices sampled as part of our testing, emails correspondence received, contracts inspected.</p> <p><b>Annual Compliance Training</b></p> <p>We have assessed annual compliance training and noted that the training adequately explained Jemena's obligations with regards to cross-branding and cross-promotion between Jemena and Ovida.</p> <p>Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance Training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.2.4 Office and staff registers</b>	<ul style="list-style-type: none"> <li>Electricity Ring-fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Staff register</li> <li>Office register</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements, and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We obtained copies of the staff register that were effective during the regulatory period and inquired with management and assessed the changes made to the shared roles disclosed in the staff register during the regulatory period (as stated in Table B1–1 of JEN’s compliance report).</li> <li>We assessed JEN’s process for reviewing and updating the staff sharing register.</li> <li>We obtained copies of the office register that were effective during the regulatory period and inquired with management and assessed the changes made to the office register during the regulatory period (as stated in Table B1-1 of JEN’s compliance report).</li> <li>We assessed JEN’s process for reviewing and updating the office register.</li> </ul>	<p><b>Staff register</b></p> <ul style="list-style-type: none"> <li>We noted that the staff register was updated quarterly in line with the requirements of the Ring-fencing Guideline, and published on Jemena’s external website.</li> <li>No issues were noted with respect to our sample testing of shared role descriptions in the published staff register.</li> </ul> <p><b>Office register</b></p> <ul style="list-style-type: none"> <li>We noted that the office register was updated quarterly in line with the requirements of the Ring-fencing Guideline, and published on Jemena’s external website.</li> <li>No issues were noted with respect to the updated office register based on our inquiries with management.</li> </ul>
<b>4 Functional Separation</b>			
<b>4.3 Information access and disclosure</b>	<ul style="list-style-type: none"> <li>Electricity Ring-fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Annual Compliance Training</li> <li>Secondment Procedure</li> <li>JEN Information Sharing protocol</li> <li>Procurement Policy</li> <li>Physical separation</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We assessed JEN’s overall approach to restricting access to confidential information through: <ul style="list-style-type: none"> <li>making inquiries of management including the Regulatory Compliance Manager; and</li> </ul> </li> </ul>	<p><b>Staff transfers</b></p> <p>There were no internal staff transfers between JEN and its RESP during the regulatory period.</p> <p><b>JEN Information Sharing protocol</b></p> <p>We observed that there were no information sharing requests in the regulatory period.</p>



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> <li>• Checklist for publishing content on internet and intranet</li> <li>• Asset Management Framework for External Engagement</li> <li>• Electricity Markets Guideline</li> </ul>	<ul style="list-style-type: none"> <li>• testing General IT Controls in place within the SAP system to prevent system access to JEN Confidential Information by RESP staff.</li> <li>• We performed walkthroughs and tested a sample of Ovida (RESP) staff to sight whether they were able to access JEN confidential areas within the ECMS (shared directories) and SAP systems.</li> <li>• We tested a sample of service requests raised in relation to RESP staff throughout the regulatory period and assessed:               <ul style="list-style-type: none"> <li>• whether they were approved by appropriate personnel;</li> <li>• that the nature of the service request was not contradictory to the guideline obligations; and</li> <li>• the appropriateness of any change of access requests.</li> </ul> </li> <li>• We made inquiries with management to determine whether there were any internal staff transfers between JEN and its RESP (Ovida) during the regulatory period, to assess if the Identity Management Software appropriately generated IT tasks for information access changes in line with the ring-fencing classification framework for these transfers.</li> <li>• We checked that the information sharing protocol and information register was accessible on Jemena’s website and that it was consistent with our observations and inquiries.</li> </ul>	<p><b>Annual Compliance Training</b></p> <p>We noted that the online ring-fencing modules adequately explained Jemena’s obligations in protecting confidential JEN information. Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance Training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.4.1 Service providers conduct</b>	<ul style="list-style-type: none"> <li>Electricity Ring-fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Procurement Policy</li> <li>Non-discrimination principles</li> <li>Annual Compliance Training</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> </ul>	<p>We sighted the Non-discrimination principles implemented by management between Jemena and Zinfra.</p> <p><b>Annual Compliance Training</b></p> <p>Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance Training.</p>
<b>5 Waivers</b>			
<b>5.7 Waiver register</b>	<ul style="list-style-type: none"> <li>Electricity Ring-fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Waiver register</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We considered the completeness of JEN's unregulated activities for which waivers are required having regard to our knowledge obtained as part of our audit of JEN's financial statements and regulatory reporting templates.</li> <li>We accessed JEN's external website and sighted that the waiver register was publicly available.</li> <li>We made inquiries with management to understand whether a waiver was required for JGN's (JEN affiliate) involvement in the Western Sydney Green Gas Trial (as stated within Table B1-1 of the Compliance Report).</li> </ul>	<p><b>Waiver Register</b></p> <ul style="list-style-type: none"> <li>We noted that there were two class waivers granted by the AER which: <ul style="list-style-type: none"> <li>Allows distribution network service providers (DNSPs) to contract with the Australian Energy Market Operator (AEMO) to provide Reliability and Emergency Reserve Trader (RERT) services via voltage management.</li> <li>Enable DNSPs 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.</li> </ul> </li> <li>We accessed the waiver registers on Jemena's website and noted that the published register had been updated to include the class waivers above.</li> </ul> <p><b>JGN Western Sydney Green Gas Trial</b></p> <p>Management's annual review of scope changes to the JGN Green Gas Trial indicated that there were no changes which required notification to the AER.</p>



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>6 Compliance, Reporting and Enforcement</b>			
<b>6 Compliance</b>	<ul style="list-style-type: none"> <li>Electricity Ring-fencing Compliance Manual</li> <li>Jemena Code of Conduct</li> <li>Regulated stand-alone power system ("SAPS") register</li> <li>Compliance Reporting (Jemena's Compliance and Risk System)</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> <li>We obtained copies of the SAPS register that were effective during the regulatory period and checked that they were prepared accurately based on our knowledge of JEN.</li> <li>We accessed JEN's external website and sighted that the SAPS register was publicly available.</li> <li>We obtained and inspected the internal documents relating to JEN's compliance with the Ring-fencing Guideline including JEN's Annual Compliance Report and considered it as part of preparing this independent assurance report.</li> <li>We inquired of management and performed walkthroughs to obtain an understanding of JEN's new Compliance and Risk System (Omnia).</li> <li>We considered the adequacy of JEN's breach management and reporting policies and procedures.</li> <li>During the course of our financial statement and regulatory audits of the SGSPAA group and JEN, we attended all quarterly SGSPAA Audit and Compliance Committee meetings and observed that compliance matters were regularly raised to the attention of the committee and received due consideration.</li> </ul>	<p><b>SAPS Register</b></p> <ul style="list-style-type: none"> <li>We accessed the SAPS Register on Jemena's website and noted that the updated register had been published.</li> <li>We noted that JEN did not provide any services as a SAPS Resource Provider for the regulatory period.</li> </ul> <p><b>Compliance and Risk System (Omnia)</b></p> <p>From our procedures over the newly implemented Compliance and Risk System, Omnia, we observed that certain compliance obligations were grouped and managed together as opposed to monitoring them at an individual obligation level as stipulated within JEN's Ring-fencing Control Testing Plan.</p> <p>We have made a recommendation to management regarding this. Refer to Appendix B, item B-5.</p> <p><b>Breach reporting</b></p> <p>There were no breaches identified and reported to the AER for the regulatory year ended 31 December 2023.</p>



## Appendix B – Summary of performance improvement observations

In this section, we present additional details on performance improvement observations in relation to JEN’s compliance activities for the regulatory year ended 31 December 2023. In addition, we present details on performance improvement observations implemented during the regulatory period which were raised to management in previous years in respect of the regulatory reporting period from 1 January 2019 to 31 December 2022. This information has been provided at the request of the AER.

This information should not be construed as providing an opinion or conclusion on the separate compliance activities noted, nor that the aggregation thereof modifies our opinion or conclusion reported in the Independent Reasonable Assurance Report.

No.	RY2019 Recommendation	Status as at 31 December 2023	Management’s responses
B-1	<p><b>Zinfra affiliate RESP status</b></p> <p>While management has implemented controls to monitor Zinfra’s activities on an ongoing basis, we recommend management:</p> <ul style="list-style-type: none"> <li>• Explore opportunities to implement an “Early warning control” by training key Zinfra personnel on ring-fencing requirements in order to identify any potential activities that could impact Zinfra’s status; and</li> <li>• Formalise a long-term sustainable policy that clearly articulates the accountabilities and responsibilities of Zinfra’s and JEN’s management to monitor compliance.</li> </ul>	<p><b>Partially Complete / Deferred</b></p> <p>We understand that management was in the process of creating a guideline pertaining to Zinfra’s compliance with ring-fencing, however this has been temporarily paused in 2023 as the business strategy impacting JEN’s RESP business was yet to be finalised.</p> <p>We acknowledge that management intends to formalise a guideline on Zinfra’s responsibilities in relation to ring-fencing once the business strategy has been finalised.</p>	<p>Management continues to consider its strategic objectives and will implement further ring-fencing compliance policies and procedures if the business decides to change Zinfra’s status to a RESP.</p>

No.	RY2020 Recommendation	Status as at 31 December 2023	Management's responses
<b>B-2</b>	<p><b>Overall compliance measures</b></p> <p>Based on our inspection of compliance documents, we noted that the following policies and procedures were not subject to the standard periodic review either every one or every two years.</p> <ul style="list-style-type: none"> <li>● Procurement Policy</li> <li>● Organisation framework</li> <li>● Contracting and Procuring Entity policy</li> <li>● Asset Class Strategy</li> <li>● Asset Management Strategy</li> <li>● Secondment Procedure</li> </ul> <p>We understand from management that reviews of policies and procedures were undertaken where triggers for changes were identified, however we recommend that management:</p> <ul style="list-style-type: none"> <li>● Implement controls to ensure that ring-fencing policies and procedures are reviewed by the relevant personnel periodically; and</li> <li>● Ensure that the policy or procedure document includes the date of last review.</li> </ul>	<p><b>Partially Complete / Deferred</b></p> <p>We understand that management has yet to undertake a formal review of policies and procedures as there was a change in the business strategy impacting JEN's RESP business. We acknowledge that management intends on undertaking a formal review of policies and procedures once the business strategy is finalised.</p> <p>We continue to recommend that management implement the review of the ring-fencing policies and procedures in accordance with the Ring-fencing Control Testing Plan. This is to ensure that the policies and procedures remain up to date with any new ring-fencing obligations.</p>	<p>Management continues to consider its strategic objectives and will implement further ring-fencing compliance policies and procedures if the business decides to change Zinfra's status to a RESP.</p>

No.	RY2021 Recommendation	Status as at 31 December 2023	Management's responses
<b>B-3</b>	<p><b>Disclosure of confidential electricity information</b></p> <p>Training facilitated to JEN designated staff adequately addresses the obligation requirements in relation to protection and disclosure of confidential electricity information.</p> <p>We recommend that management explore opportunities to reinforce knowledge of information disclosure requirements with JEN staff. For example, management could undertake a phishing exercise whereby phishing emails are periodically issued to JEN staff, prompting the staff member to (inappropriately) share confidential electricity information.</p>	<p><b>Partially Complete / Deferred</b></p> <p>We acknowledge that management have provided training refreshers to its staff during the period to reinforce knowledge of information disclosure requirements.</p> <p>We note that management have yet to implement any training reinforcement activities, for example, issuance of phishing emails to JEN staff, due to the change in business strategy impacting JEN's RESP business. We understand that management intends to explore and implement these reinforcement activities upon finalisation of the business strategy.</p>	<p>Management continues to consider its strategic objectives and will implement further ring-fencing compliance policies and procedures if the business decides to change Zinfra's status to a RESP.</p>
<b>B-4</b>	<p><b>Annual Compliance Training</b></p> <p>In relation to monitoring ring-fencing training completion, we recommend that management:</p> <ul style="list-style-type: none"> <li>● review the overall training completion rate at different points during the regulatory year (for example, bi-annually);</li> <li>● implement a process to investigate incomplete training records in order to ensure that training is completed by staff identified as requiring ring-fencing training within a certain timeframe; and</li> <li>● formalise the above monitoring activities within the compliance plan.</li> </ul>	<p><b>Partially Complete / Deferred</b></p> <p>We noted that management have yet to implement a formal process to monitor ring-fencing training completion as there was a change in business strategy impacting JEN's RESP business.</p> <p>We acknowledge that management intends to formalise a process upon finalisation of the business strategy.</p>	<p>Management continues to consider its strategic objectives and will implement further ring-fencing compliance policies and procedures if the business decides to change Zinfra's status to a RESP.</p>



## Summary of performance improvement observations for the 2023 compliance period

No.	RY2023 Recommendation	Management's responses
<b>B-5</b>	<p><b>Implementation of compliance obligations in Omnia</b></p> <p>Based on our inspection of the Compliance and Risk System (Omnia), we noted that the compliance obligations within the system are logged and managed in a condensed summary as opposed to being monitored in a detailed manner at each individual obligation level.</p> <p>We understand that management are progressively enhancing the Omnia system, however, we recommend that management continues to implement its compliance obligations in Omnia in accordance with the Ring-fencing Control Testing Plan.</p> <p>This will help to ensure that Omnia captures all compliance obligations in detail in accordance with management's control testing framework so that management do not inadvertently overlook any of their compliance obligations and would also promote a more comprehensive compliance documentation within Omnia.</p>	<p>Following the transition to the new Compliance and Risk System, management will expand the ring-fencing obligations in the Omnia system to monitor ring-fencing obligations and controls to a more granular level.</p>