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Ausgrid

Ring-Fencing Guideline Compliance Report

For the period 1 July 2019 to 30 June 2020

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1. Executive Summary

1.1 Introduction

The Australian Energy Regulator (the "AER") published the Electricity Distribution Ring-Fencing Guideline on 30 November 2016 under the National Electricity Rules (the "NER") with amendments made on 17 October 2017 (the "Guideline"). The Guideline requires functional separation of regulated and competitive business activities to promote competition in the provision of contestable electricity services.

Under clause 6.2.1c of the Guideline, Deloitte has been engaged per the engagement letter between Ausgrid and Deloitte dated 7 September 2020 as the qualified independent authority to provide reasonable assurance that Ausgrid's Ring-Fencing Annual Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline, in all material respects, for the period from 1 July 2019 to 30 June 2020.

1.2 Summary of Findings

The following table summarises observations and recommendations against the Obligations where an exception was identified. The rating of each Obligation has been applied in accordance with *Section 1.3*.

Management responses to the observations and recommendations are included in the Appendix. These do not form part of our report and therefore we do not express an opinion on these.

No.	Category	Ref.	Guideline Obligation	Results of Testing	Recommendation	Rating	Material Breach
20	Maintaining compliance	6.1	A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline.	<p>Based on the testing performed we have identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> • Ausgrid vulnerable customer general complaints does not outline how complaints are resolved or capture the exact verbatim from the customer at the time of making the complaint. • In addition, the vulnerable customer general complaints register is not monitored or assessed for potential Ring-Fencing consideration. There is a risk potential Ring-Fencing breaches may be missed. 	<p>To address the identified matters of exception, we recommend the below:</p> <ul style="list-style-type: none"> • Ausgrid consider flagging complaints in the vulnerable customer general complaints register for potential Ring-Fencing consideration. • Ausgrid revisit the way they capture and subsequently document complaint resolution and customer verbatim in the vulnerable customer general complaints register. 	Exception.	No.

1.3 Rating Applied

The ratings applied to the results of our testing are defined below based on Deloitte's interpretation of the Guideline. The evaluation of the results of our tests as they relate to the Obligations is based on applying our professional judgement and considering the available facts and circumstances.

No Exception	Requirements of the Obligation have been met with no or only minor improvement opportunities. Any findings noted are considered minor and require routine efforts to correct in the normal course of business.
Exception	The requirements of the Obligation have not been fully met. Findings noted require remedial action.

Independent Assurance Report to the Directors of Ausgrid

Opinion

We have undertaken a reasonable assurance engagement on whether Ausgrid's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Ring-Fencing Guideline - Electricity Distribution (the "Guideline") as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2019 to 30 June 2020. The Ring-Fencing Compliance Report will accompany our report, for the purpose of reporting to the Australian Energy Regulator ("AER").

In our opinion, the Ausgrid Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2019 to 30 June 2020

Basis for Opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* ("ASAE 3100") issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors of Ausgrid

The Directors are responsible for:

- a) Providing a statement with respect to the outcome of the evaluation of the compliance activity against the requirements of the Guideline, which accompanies this independent assurance report.
- b) Identifying risks that threaten the 6.2.1b of the Guideline identified above being met;
- c) Identifying suitable compliance requirements in the Guideline as required by the AER; and
- d) Identifying, designing and implementing controls to enable the requirements of the Guideline to be met and to monitor ongoing compliance.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* in undertaking this assurance engagement.

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on whether Ausgrid's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2019 to 30 June 2020. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether Ausgrid's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2019 to 30 June 2020.

An assurance engagement to report on the Ausgrid's Ring-Fencing Compliance Report involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the requirements of the Guideline. The procedures selected depend on our judgement, including the identification and assessment of risks of material misstatement in the Ring-Fencing Compliance Report, as evaluated against 6.2.1b of the Guideline.

Our procedures included, but were not limited to:

- Inquiring with Ausgrid personnel about measures in place to allow Ausgrid to comply with the Obligations;
- Inquiring with management whether they are compliant with the Obligations and corroborating our inquiry with the results of our procedures; and
- On a sample basis, inspecting documentation to evidence the design, implementation and effectiveness of the controls.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or exception with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the period from 1 July 2019 to 30 June 2020 does not provide assurance on whether compliance with the Guideline will continue in the future.

Restricted Use

This report has been prepared for use by the Directors of Ausgrid for the purpose of meeting the reporting requirements to the AER. We disclaim any assumption of responsibility for any reliance on this report to any person other than Ausgrid, or for any purpose other than that for which it was prepared. However, we understand that a copy of the report has been requested by AER. We agree that a copy of the report may be provided to AER for their information in connection with this purpose but, as will be made clear in the report, only on the basis that we accept no duty, responsibility or liability to any party, other than you, in connection with the report or this engagement.

It is our understanding that the AER may publish a copy of our report on their website. We do not accept responsibility for the electronic presentation of our report on the AER's website. The security and controls over information on the web site is not evaluated or addressed by the independent assurance practitioner. The examination of the controls over the electronic presentation of the Ring-Fencing Compliance Report on the AER's web site is beyond the scope of this engagement.

DELOITTE RISK ADVISORY



Angela Jaric

Partner

13 November 2020, Melbourne

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

2. Detailed Findings

The descriptions of the tests of compliance that were performed, findings relating to the tests of compliance or particular aspects of the engagement, our recommendations and conclusion of whether there has been a breach of the requirements of the Guideline are described below.

The rating of each Obligation has been applied in accordance with *Section 1.3*.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
1	Legal separation	3.1 (a)	A DNSP must be a legal entity.	<p>Measure(s)</p> <ul style="list-style-type: none"> Ausgrid Registered Australian Company Number (ACN). <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed an ASIC search on Ausgrid using the ACN in the distribution license to establish it is a separate legal entity. We inspected the Ausgrid website https://www.ausgrid.com.au/ to establish it is a separate legal entity. We cross checked the registered ACN against the Distribution Network Services Provider Licence. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
2	Legal separation	3.1 (b)	A DNSP may provide distribution services and transmission services, but must not provide other services.	<p>Measure(s)</p> <ul style="list-style-type: none"> A separate affiliated entity PLUSES was established to perform "other services" outside distribution and transmission services which are performed by Ausgrid. Quality Assurance Management Reports. 'Enablon' enterprise breach report. <p>Tests Performed:</p> <ul style="list-style-type: none"> From the population of Quality Assurance Management Reports, we selected a sample to determine if Ausgrid were providing other services to their customers. From the population of feedback cases received within the period, we selected a sample to determine if the feedback cases were received on the basis Ausgrid has not provided contestable services to customers. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<ul style="list-style-type: none"> We obtained a copy of Ausgrid's Ring-Fencing Breach Register to determine whether reportable breaches contained the following information: <ul style="list-style-type: none"> Date of the breach; Reportable date of the breach; The nature and cause of the breach; Impacts of the breach, and; Remediation activities to address the breach. We performed a process walk through to understand the functionality of Enablon and outputs provided regarding the Guideline. 			
3	Separate accounts	3.2.1 (a)	A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.	<p>Measure(s)</p> <ul style="list-style-type: none"> Cost Allocation Methodology (CAM) https://www.ausgrid.com.au/-/media/Documents/Regulation/Reports-plans/CAM . Corporate Service Agreements. The SAP Ausgrid accounting system. Monthly Journal transfers and reconciliation process. A monthly review of general ledger accounts is performed by the Financial Controller to confirm that no breaches in this requirement have occurred. A report of variances in produced monthly. Costs are allocated using approved function codes within the SAP Ausgrid accounting system (SAP) in line with the approved Ausgrid CAM. These are uploaded within SAP and cannot be amended unless reviewed and approved by the GM of Tax and Finance. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the CAM to determine whether it addresses the allocation of costs against Ausgrid and the affiliate respectively. From the population of service provider invoices, we selected a sample to determine that relevant services (as outlined in the corporate services 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<p>agreement) were invoiced from Ausgrid to the affiliate.</p> <ul style="list-style-type: none"> We inspected the September 2019 and December 2019 internal transfer journal of costs from Ausgrid to the affiliate to determine whether costs have been transferred to, and paid by, the affiliate in line with the Guideline. We performed a process walk through to understand the key measures in place to ensure costs are allocated accurately and in line with CAM. 			
4	Cost allocation and attribution	3.2.2 (a), (b)	<p>A DNSP must allocate or attribute costs to distribution services:</p> <ul style="list-style-type: none"> - in a manner that is consistent with the Cost Allocation Principles and its approved CAM, as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services. - and must not allocate or attribute other costs to the distribution 	<p>Measure(s)</p> <ul style="list-style-type: none"> Cost Allocation Methodology (CAM) https://www.ausgrid.com.au/-/media/Documents/Regulation/Reports-plans/CAM . Corporate Service Agreements. The SAP Ausgrid accounting system. Monthly Journal transfers and reconciliation process. A monthly review of general ledger accounts is performed by the Financial Controller to confirm that no breaches in this requirement have occurred. A report of variances in produced monthly. Costs are allocated using approved function codes within the SAP Ausgrid accounting system (SAP) in line with the approved Ausgrid CAM. These are uploaded within SAP and cannot be amended unless reviewed and approved by the GM of Tax and Finance. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the CAM to determine whether it addresses the allocation of costs against Ausgrid and the affiliate respectively. From the population of service provider invoices, we selected a sample to determine that relevant services (as outlined in the corporate services agreement) were invoiced from Ausgrid to the affiliate. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			services it provides.	<ul style="list-style-type: none"> We inspected the September 2019 and December 2019 internal transfer journal of costs from Ausgrid to the affiliate to determine whether costs have been transferred to, and paid by, the affiliate in line with the Guideline. We performed a process walk through to understand the key controls in place to ensure costs are allocated accurately and in line with the CAM. 			
5	Cost allocation and attribution	3.2.2 (c)	A DNSP must establish, maintain and keep records that demonstrate how it meets cost allocation and attribution Obligations.	<p>Measure(s)</p> <ul style="list-style-type: none"> Cost Allocation Methodology (CAM) https://www.ausgrid.com.au/-/media/Documents/Regulation/Reports-plans/CAM . Corporate Service Agreements. The SAP Ausgrid accounting system. Monthly Journal transfers and reconciliation process. A monthly review of general ledger accounts is performed by the Financial Controller to confirm that no breaches in this requirement have occurred. A report of variances in produced monthly. Costs are allocated using approved function codes within the SAP Ausgrid accounting system (SAP) in line with the approved Ausgrid CAM. These are uploaded within SAP and cannot be amended unless reviewed and approved by the GM of Tax and Finance. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the CAM to determine whether it addresses the allocation of costs against Ausgrid and the affiliate respectively. From the population of service provider invoices, we selected a sample to determine that relevant services (as outlined in the corporate services agreement) were invoiced from Ausgrid to the affiliate. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<ul style="list-style-type: none"> We inspected the September 2019 and December 2019 internal transfer journal of costs from Ausgrid to the affiliate to determine whether costs have been transferred to, and paid by, the affiliate in line with the Guideline. We performed a process walk through to understand the key measures in place to ensure costs are allocated accurately and in line with the CAM. 			
6	Obligation not to discriminate	4.1(b)	<p>A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of:</p> <p>i. direct control services by the DNSP (whether to itself or to any other legal entity); and / or</p> <p>ii. contestable electricity services by any other legal entity.</p>	<p>Measure(s)</p> <ul style="list-style-type: none"> Contact Centre Ring Fencing Scripting. Ring Fencing Training. Ring-Fencing training register. Quality Assurance Management Reports. Ring-Fencing enquiry functional mailbox. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected agent Ring Fencing scripting to determine whether the script explicitly provides call guidance for instances where there are faults in Ausgrid’s network equipment and where Ausgrid staff can rectify the fault if the customer is vulnerable. We inspected training materials to determine whether they outline the obligation for a DNSP not to discriminate between a related electricity service provider and a competitor. From the population of training records, we selected a sample of new employees and seconded staff to determine if they have completed the Ring-Fencing training in accordance with Ausgrid’s Ring-Fencing policy. From the population of Quality Assurance Management Reports, we selected a sample to determine if Ausgrid were in breach of the obligation 4.1(b). From the population of Ring-Fencing enquiry emails, we selected a sample of inbound email enquiries (and associated responses) to determine whether discriminatory behaviour between a 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				Responsible electricity provider (RESP) and a competitor was identified and/or reported by the enquiries.			
7	Offices, staff, branding and promotions	4.2.1(a)	A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.	<p>Measure(s)</p> <ul style="list-style-type: none"> • PLUSES Accommodation and Security procedure. • Physical access controls in place. • Physical access records and associated Ausgrid monitoring of access users. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected Ausgrid’s office accommodation plan, to determine whether the affiliate staff are co-located or not with Ausgrid Staff (other than shared amenities). • From the population of physical access records for the period, we selected a sample of records to determine whether they accessed both Ausgrid and affiliate facilities and whether an affiliated entity staff entered a restricted Ausgrid office space. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
8	Staff sharing	4.2.2(a)	A DNSP must ensure that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.	<p>Measure(s)</p> <ul style="list-style-type: none"> • Staff Register via a publicly available website https://www.ausgrid.com.au/Industry/Regulation/Ring-Fencing . • Ausgrid Ring-Fencing Policy. • PLUSES Policy. • Ring Fencing Training. • Ring-Fencing training register. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We accessed Ausgrid’s customer-facing website to determine if the sharing register was available on Ausgrid’s website (noting staff that were seconded during the testing period). • We inspected the Staff Register to determine whether the nature of positions (including description of the roles, functions and duties) of its members of staff, to which staff involved in the 	Based on the testing performed we identified matters of improvement against the measures, with key point(s) below: <ul style="list-style-type: none"> • There was no version control number or point of contact reference evident on the staff sharing register. 	To address the identified matters of improvement, we recommend the below: <ul style="list-style-type: none"> • Ausgrid to include a version control number to denote the version of the staff sharing register and a point of contact (i.e. the Ring-Fencing functional mailbox). 	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<p>provision or marketing of direct control services are involved in the provision or marketing of contestable electricity services by a related electricity service provider.</p> <ul style="list-style-type: none"> • We inspected the Ring-Fencing training materials to determine if they accurately describe Ausgrid's obligation to maintain and update the Staff Sharing Register. • From the population of training records, we selected a sample of new employees and seconded staff to determine if they have completed the Ring-Fencing training in accordance with Ausgrid's Ring-Fencing policy. 			
9	Staff sharing	4.2.2(c)	<p>The remuneration, incentives and other benefits (financial or otherwise) a DNSP provides to a member of its staff must not give the member of staff an incentive to act in manner that is contrary to the DNSP's Obligations under this Guideline.</p>	<p>Measure(s)</p> <ul style="list-style-type: none"> • Performance and Recognition Guideline. • Ring Fencing Training. • Ring-Fencing training register. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected current business practices against the corporate scorecard to determine if Ausgrid and PLUSES staff are incentivised contrary to the Guideline. • We inspected a populated incentive template of an Ausgrid seconded staff to determine whether their incentives were contrary to the DNSPs obligations. • We inspected training material to determine if they outline the branding requirements as per the Guideline. • From the population of training records, we selected a sample of new employees and seconded staff to determine if they have completed the Ring-Fencing training in accordance with Ausgrid's Ring-Fencing policy. • We inspected the Performance Framework User Guide for Ausgrid to confirm that Leaders were not incentivised for growth in revenue for an unregulated service. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
10	Branding and cross-promotion	4.2.3(a)	<p>A DNSP:</p> <p>i. must use branding for its direct control services that is independent and separate from the branding used by a related electricity service provider for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the related electricity service provider are related.</p> <p>ii. must not advertise or promote its direct control services and its contestable electricity services that are not direct control services together (including by way of cross-advertisement</p>	<p>Measure(s)</p> <ul style="list-style-type: none"> • Ausgrid Brand Guidelines. • PLUSES Brand Guidelines. • Ring-Fencing Enquiries. • Quality Assurance Management Reports. • Enablon report outlining Ring-Fencing breaches. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the process undertaken by Ausgrid in managing the branding of any assets that are used by both a RESP and the DNSP to determine if it guides employees to be compliant with the requirements under the Guideline. • From the population of Quality Assurance Management Reports, we selected a sample to determine if Ausgrid were in breach of the obligation. • From the population of Ring-Fencing enquiries, we obtained a sample of enquiries to determine whether there were any enquiries made based on brand confusion or misleading brand identification. • From the population of customer complaints, we obtained a sample of complaints to determine whether there were any complaints made based on brand confusion or misleading brand identification. 	<p>Based on the testing performed we identified matters of improvement against the measures, with key point(s) below:</p> <ul style="list-style-type: none"> • The Ausgrid Brand Guidelines did not contain requirements when assets are required to display or use the Ausgrid, RESP and PLUSES brands concurrently. 	<p>To address the identified matters of improvement, we recommend the below:</p> <ul style="list-style-type: none"> • Ausgrid could include requirements in the Ausgrid and PLUSES Brand Guideline artefacts for instances where assets are required to display or use the Ausgrid, RESP and PLUSES brands concurrently. 	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			<p>or cross-promotion.</p> <p>ii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</p>				
11	Office and staff registers	4.2.4 (a), (b)	<p>A DNSP must establish, maintain and keep a register that identifies:</p> <p>(a) the classes of offices to which it has not applied; and</p> <p>(b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff and must make the register publicly available on its website.</p>	<p>Measure(s)</p> <ul style="list-style-type: none"> Office Register and Staff Registers https://www.ausgrid.com.au/Industry/Regulation/Ring-Fencing. Legislative Register containing all regulatory instruments impacting Ausgrid. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the Staff and Office Registers to determine if information disclosure is accurate and reflects staff and office sharing. From the population of legislation contained in the legislative register we inspected the monitoring process for regulatory change undertaken by the GRC team to determine whether the registers were being regularly maintained for Ring-Fencing matters. 	<p>Based on the testing performed we identified matters of improvement against the measures, with key point(s) below:</p> <ul style="list-style-type: none"> There was no version control or point of contact reference evident on the office and staff registers. 	<p>To address the identified matters of improvement, we recommend the below:</p> <ul style="list-style-type: none"> Ausgrid include a version control number to denote the version of the office and staff registers and a point of contact (i.e. the Ring-Fencing functional mailbox). 	No Exception.
12	Protection of confidential information	4.3.2 (a) (b)	<p>A DNSP must: (a) keep confidential information confidential</p>	<p>Measure(s)</p> <ul style="list-style-type: none"> Privacy Policy. Information Security Incident Management Procedure. 	<p>Based on the testing performed we have not identified any matters of exception.</p>	<p>There are no recommendations.</p>	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			(b) only use confidential information for the purpose for which it was acquired or generated	<ul style="list-style-type: none"> Information Sharing Protocol available on Ausgrid’s customer-facing website. System usage report for Ring Fencing Restricted Systems. Ausgrid tracks high usage user on all Ausgrid systems. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected Ausgrid’s Privacy Policy to determine whether it sets out that confidential information is kept confidential, and that confidential information is only used for the purpose for which it was acquired or generated. We inspected Ausgrid’s Information Security Incident Procedure to determine Information classification, labelling and handling has been addressed according to the Guidelines. There is an Information Sharing Protocol on the Ausgrid website that sets out the terms and conditions that apply to information sharing. From the population of system access records, we selected a sample of seconded staff for the period to determine whether there was any access to unauthorised information. We have inspected the PLUSES Usage system document which identifies the PLUSES roles which require access to certain Ausgrid systems for the purpose of disclosure to provide other services. We obtained an IT user access listing for all Ausgrid systems that contain confidential information to determine if PLUSES employees access the confidential information. 			
13	Disclosure of information	4.3.3 (a)-(g)	A DNSP must not disclose confidential information to any person , including a related electricity	<p>Measure(s)</p> <ul style="list-style-type: none"> Information Register publicly available on Ausgrid’s website. System usage report for Ring Fencing Restricted Systems. Behaviours related to handling of confidential information defined in the Ausgrid Code of Conduct. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			<p>service provider, unless:</p> <p>(a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates;</p> <p>(b) the disclosure is required by, or for the purpose of complying with any law;</p> <p>(c) the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities);</p> <p>(d) the information has been requested by or on behalf of a customer,</p>	<ul style="list-style-type: none"> • Ring-051 SAP ECC user access register in place to monitor access users the SAP. • A monthly report run to monitor high usage downloads across key Ausgrid systems containing confidential information. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the Information Register to determine whether information disclosure is accurate and reflects information sharing. • To confirm the address of last year’s management comment we inspected the behaviour requirements related to handling of confidential information defined in Code of Conduct to determine it was updated to reflect Ring-Fencing requirements and provide a consistent definition of confidential information. • From the population of Ring-051 SAP ECC user access register, we selected a sample of seconded staff access records for the period to determine whether there was any high usage access. • From the population of system access records, we selected a sample of seconded staff access records for the period to determine whether there was any access to unauthorised information. 			

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			<p>or potential customer, of another legal entity, and the disclosure is necessary to enable the legal entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer;</p> <p>(e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider in response to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control;</p> <p>(f) the disclosure is solely for the purposes of research by a legal entity</p>				

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			<p>other than a related electricity service provider of the DNSP (g) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p>				
14	Information register	4.3.5 (a) - (c)	<p>(a) A DNSP must establish, maintain and keep a register of all:</p> <ul style="list-style-type: none"> i. related electricity service providers; ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; who request access to information identified in clause 4.3.4(a), and must make the register publicly available 	<p>Measure(s)</p> <ul style="list-style-type: none"> • Information Sharing Protocol available on Ausgrid’s customer-facing website. • Information Register publicly available on Ausgrid’s customer-facing website. • Information Request Form. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected Ausgrid’s customer-facing website to determine whether its Information Sharing Protocol was available for download. • We inspected the Information Sharing Protocol to determine whether it sets out how and when it will make confidential information available to RESPs and other legal entities on an equal basis. • We inspected Ausgrid’s customer-facing website to determine whether its Information Register was available for download. 	<p>Based on the testing performed we identified matters of improvement against the measures, with key point(s) below:</p> <ul style="list-style-type: none"> • There was no version control or point of contact reference evident on the information register. 	<p>To address the identified matters of improvement, we recommend the below:</p> <ul style="list-style-type: none"> • Ausgrid include a version control number to denote the version of the information register and a point of contact (i.e. the Ring-Fencing functional mailbox). 	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			<p>on its website.</p> <p>(b) For each legal entity that has requested that a DNSP provide access to information identified in clause 4.3.4(a), the DNSP's information register must:</p> <ul style="list-style-type: none"> i. identify the kind of information requested by the legal entity; and ii. describe the kind of information requested by the legal entity in sufficient detail to enable other legal entities to make an informed decision about whether to request that kind of information from the DNSP. <p>(c) A legal entity may request that the DNSP include it on the information register in relation to some or all of the kinds of information</p>				

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			that the DNSP is required to provide under clause 4.3.4(a), and the DNSP must comply with that request.				
15	Conduct of service providers	4.4.1 (a)	A DNSP: (a) must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with: i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider was the DNSP.	<p>Measure(s)</p> <ul style="list-style-type: none"> • Templates approved by Legal to be used for all procurement activities (with Ring-Fencing clauses). All agreements regarding service providers must contain mandatory Ring-Fencing clauses. <p>Tests Performed:</p> <ul style="list-style-type: none"> • From the population of legally approved agreements we selected a sample to determine whether the agreements contained obligations for service providers to adhere to the requirements of the Guideline. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
16	Conduct of service providers	4.4.1 (b)	A DNSP: (b) must not, directly or indirectly, encourage or incentivise a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP's Obligations.	<p>Measure(s)</p> <ul style="list-style-type: none"> Incentive and KPI scorecard. Ausgrid has an annual corporate scorecard that does not incentivise actions contrary to the Guideline. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected a populated incentive template of Ausgrid staff who were seconded to PLUSES over the period to determine whether the seconded staff were incentivised to engage in conduct contrary to the requirement under the Guideline. We inspected a copy of the FY20 June and July scorecard to determine whether Ausgrid incentivised their service providers to engage in conduct contrary to the DNSPs Ring-Fencing obligations. We inspected a sample of executed contracts/agreements from Ausgrid and PLUSES contracts and service agreements to ensure that contracts are not granted on unfavourable terms, above market rates, providing a service that is not of the same quality, reliability and timeliness that would provide to another entity. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
17	The AER will not grant a waiver of an Obligation under this Guideline other than in accordance with this clause 5	5.2 (a) - (h)	A DNSP may apply in writing to the AER for a waiver . An application for a waiver must contain all information and materials necessary to support the DNSP's application, including: (a) the Obligation in respect of which	<p>Measure(s)</p> <ul style="list-style-type: none"> Waiver Register published by the AER and linked on Ausgrid's website. https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Ausgrid's customer-facing website to determine whether a waiver register is publicly available. We inspected the applications in the Waiver Register to determine whether it contained information relating to and supporting Clauses (a) to (h). We cross-checked the details contained on the waiver register against the waiver decisions published on the AER website. 	Based on the testing performed we identified matters of improvement against the measures, with key point(s) below: <ul style="list-style-type: none"> There was no version control or point of contact reference evident on the waiver register. 	To address the identified matters of improvement, we recommend the below: <ul style="list-style-type: none"> Ausgrid include a version control number to denote the version of the waiver register and a point of contact (i.e. the Ring-Fencing functional mailbox). 	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			<p>the DNSP is applying for a waiver;</p> <p>(b) the reasons why the DNSP is applying for the waiver;</p> <p>(c) details of the service, or services, in relation to which the DNSP is applying for the waiver;</p> <p>(d) the proposed commencement date and expiry date (if any) of the waiver and the reasons for those dates;</p> <p>(e) details of the costs associated with the DNSP complying with the Obligation if the waiver of the Obligation were refused;</p> <p>(f) the regulatory control period(s) to which the waiver would apply;</p> <p>(g) any additional</p>				

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			measures the DNSP proposes to undertake if the waiver were granted; and (h) the reasons why the DNSP considers the waiver should be granted with reference to the matters specified in clause 5.3.2(a), including the benefits, or likely benefits, of the grant of the waiver to electricity consumers.				
18	Waiver register	5.7 (a)	A DNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) and must make the register publicly available on its website.	Measure(s) <ul style="list-style-type: none"> Waiver Register published by the AER and linked on Ausgrid’s website. https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx Tests Performed: <ul style="list-style-type: none"> We performed a search of Ausgrid’s customer-facing website to determine whether a waiver register is publicly available. We cross-checked the details contained on the waiver register against the waiver decisions published on the AER website. 	Based on the testing performed we identified matters of improvement against the measures. These matters are reported in Section 5.2 (a) - (h) above.	Refer above for 5.2 (a) - (h).	No Exception.
19	Waiver register	5.7 (b)	The register established under clause 5.7(a) must include:	Measure(s) <ul style="list-style-type: none"> Waiver Register published by the AER and linked on Ausgrid’s website. https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx 	Based on the testing performed we identified matters of improvement against the measures. These matters are	Refer above for 5.2 (a) - (h).	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			<p>i. the description of the conduct to which the waiver or interim waiver applies; and</p> <p>ii. the terms and conditions of the waiver or interim waiver; as set out in the AER’s written decision, provided by the AER to the DNSP, to grant (or vary) the waiver or interim waiver.</p>	<p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Ausgrid’s customer-facing website to determine whether a waiver register is publicly available. We cross-checked the details contained on the waiver register against the waiver decisions published on the AER website. 	<p>reported in Section 5.2 (a) - (h) above.</p>		
20	Maintaining compliance	6.1	<p>A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline.</p>	<p>Measure(s)</p> <ul style="list-style-type: none"> Ring-Fencing Compliance report. Procedure - Temporary supply of Ausgrid staff to PLUSES. Procedure - PLUSES Accommodation and Security. Encouraging Competition through Ring-Fencing Policy. Ring-Fencing training. Ring-Fencing training register. KPMG Ring-Fencing review. Management attestation of key business risks. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the training materials to determine whether they contained content that communicates Ring-fencing obligations as per the Guideline. From the population of Ring-Fencing training records, we selected a sample to determine all new starters and staff seconded during the audit period completed Ring-fencing training. We inspected the draft annual Ring-Fencing compliance report against the 	<p>Based on the testing performed we have identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid vulnerable customer general complaints does not outline how complaints are resolved or capture the exact verbatim from the customer at the time of making the complaint. In addition, the vulnerable customer general complaints register is not monitored or assessed for potential Ring-Fencing consideration. There is a risk potential Ring-Fencing breaches may be missed. 	<p>To address the identified matters of exception, we recommend the below:</p> <ul style="list-style-type: none"> Ausgrid consider flagging complaints in the vulnerable customer general complaints register for potential Ring-Fencing consideration. Ausgrid revisit the way they capture and subsequently document complaint resolution and customer verbatim in the vulnerable customer general complaints register. 	Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
				<p>requirements under clause 6.2 to determine if the report adheres to the requirements under the AER Electricity Distribution Ring-Fencing Guideline – Compliance reporting best practice manual.</p> <ul style="list-style-type: none"> • We obtained a copy of Ausgrid’s Ring-Fencing Breach Register to determine whether reportable breaches contained the following information: <ul style="list-style-type: none"> ○ Date of the breach; ○ Reportable date of the breach; ○ The nature and cause of the breach; ○ Impacts of the breach, and; ○ Remediation activities to address the breach. • From the population of Ausgrid’s Complaints we selected a sample to determine whether potential Ring-Fencing reportable/missed breaches were contained in the register. • We obtained the KPMG Internal Audit report to determine whether: <ul style="list-style-type: none"> ○ have addressed and closed out the audit findings. ○ any of the findings reoccurred as part of this audit. • We performed a process walk through of Ausgrid attestation process to understand if Ring-Fencing obligations were attested to by management and whether actions were assessed for Ring-Fencing breaches. 			
21	Annual compliance report	6.2.1 (a), (b) (c)	<p>A DNSP must prepare an annual ring--fencing compliance report each regulatory year.</p> <p>The annual compliance report must</p>	<p>Measure(s)</p> <ul style="list-style-type: none"> • Ausgrid’s Annual Compliance Report 2019/20. • Ausgrid non-compliance / breach register. • Breach materiality classification for Ring-Fencing breaches. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected a copy of Ausgrid’s Annual Compliance Report 2019/20 to determine if it addresses points (i) to (iv) of the obligation and that the disclosures are consistent with our expectation based on 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			<p>identify and describe, in respect of the regulatory year to which the report relates:</p> <p>i. the measures the DNSP has taken to ensure compliance with its Obligations under this Guideline;</p> <p>ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP; and</p> <p>iii. all other services provided by the DNSP in accordance with clause 3.1; and</p> <p>iv. the purpose of all transactions between the DNSP and an affiliated entity.</p> <p>The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified</p>	<p>the reasonable assurance procedures performed.</p> <ul style="list-style-type: none"> • We inspected a copy of Ausgrid’s Ring-Fencing Breach Register to determine if reportable breaches contained the following information: <ul style="list-style-type: none"> ○ Date of the breach; ○ Reportable date of the breach; ○ The nature and cause of the breach; ○ Impacts of the breach, and; ○ Remediation activities to address the breach. • We inspected Ausgrid’s breach materiality classification to determine its suitability for supporting employees with maintaining compliance with the obligations. 			

No.	Category	Ref.	Guideline Obligation	Measures and Testing	Results of Testing	Recommendation	Rating
			independent authority.				
22	Compliance breaches	6.3	A DNSP must notify the AER in writing within 5 (five) business days of becoming aware of a material breach of its Obligations under this Guideline.	<p>Measure(s)</p> <ul style="list-style-type: none"> • Ausgrid non-compliance / breach register. • Ausgrid Code of Conduct. • Breach materiality classification for Ring-Fencing breaches. • Ausgrid complaints register. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected a copy of Ausgrid’s Ring-Fencing Breach Register for reportable breaches and identification of the reporting date of the breaches being within the acceptable mandated window to determine whether breaches and/or near misses were captured during the period. • We inspected the reported compliance breaches during the period against feedback received by customers via the call centre and Ombudsman to determine whether the breaches were considered and subsequently reported in accordance with the Guideline. • From the population of Ausgrid’s Complaints we selected a sample to determine whether potential Ring-Fencing reportable/missed breaches were contained in the register. • We inspected Ausgrid’s breach materiality classification to determine its suitability for supporting employees with maintaining compliance with the obligations. 	Based on the testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

Management Response(s)

The following table provides management response(s) against each identified exception. (managements responses are not within the scope of our assurance report).

No.	Category	Ref.	Guideline Obligation	Results of Testing	Rating	Material Breach	Management Comment
20	Maintaining compliance	6.1	A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline.	<p>Based on the testing performed we have identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> • Ausgrid vulnerable customer general complaints does not outline how complaints are resolved or capture the exact verbatim from the customer at the time of making the complaint. • In addition, the vulnerable customer general complaints register is not monitored or assessed for potential Ring-Fencing consideration. There is a risk potential Ring-Fencing breaches may be missed. 	Exception.	No.	The Vulnerable Customer Assessment tool's workflow will be updated to include resolution and/or escalation of customer matters such as complaints.