



# Annual Ring-fencing Compliance Report 2020/21

1 JULY 2020 TO 31 DEC 2021

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# Overview

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**‘The Ring-fencing Guideline - Electricity Distribution’ (the **Guideline**) requires each Distribution Network Service Provider (**DNSP**) to prepare an annual ring-fencing compliance report each regulatory year. Ausgrid Operator Partnership (ABN 78 508 211 731) (**Ausgrid**) is a **DNSP**, and this document (**Report**) has been prepared in compliance with clause 6.2 of the Guideline and other applicable provisions.**

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The reference period for this Report is 1 July 2020 to 31 December 2021 (the **Period**). The Report addresses Ausgrid’s adherence to Version 2 of the Guidelines, as in force for the entirety of the Period. The Report also describes the steps the organisation has taken to prepare for the introduction of Version 3 of the Guidelines, as effective on 3 February 2022.

Part 4.1.1 of the ‘Australian Energy Regulator (**AER**) Electricity Distribution Ring-fencing Guideline – Compliance reporting best practice manual Version 2’ dated July 2019 requires meaningful compliance reporting. In particular, the AER “encourage[s] DNSPs to adhere to the following principles when writing their annual compliance reports:

- *Report on specific measures, areas of the business, or challenges, rather than describing compliance measures in general, vague, or abstracted terms.*
- *Hone in reporting on areas of the business that carry greater risk of breaches of the Guideline or which have experienced breaches over the course of the regulatory year and focus reporting on those areas.*
- *Avoid jargon and technical language where possible and keep compliance reporting clear and as ‘plain English’ as possible”.*

This Report has been prepared having regard to these principles.

Capitalised terms used in this Report, which are not otherwise defined in this Report, have the meaning given to them in the Guideline or the National Electricity Rules.

# Introduction

This Report identifies and describes, in respect of the **Period**:

- i. the measures Ausgrid has taken to ensure compliance with the provisions of the Guideline;
- ii. any breaches of the Guideline by Ausgrid (or which otherwise relate to Ausgrid);
- iii. all 'other services' provided by Ausgrid, in accordance with clause 3.1; and
- iv. the purpose of all transactions between Ausgrid and its affiliated entity, PLUS ES Partnership (ABN 30 179 420 673) (**PLUS ES**).

In addition to the mandatory inclusions listed above the Report also considers:

- v. the exceptions and recommendations set out within the 'Ausgrid – Annual Ring-fencing Compliance Independent Assessment 2019-2020' as compiled by our auditor Deloitte (**the FY20 Independent Assessment**); and,
- vi. the steps the organisation has taken to prepare itself for the introduction of Version 3 of the Guidelines.

The selection of the above key focus areas was based upon:

- Ausgrid's core values;
- the mandatory inclusions required by the Guideline;
- guidance provided to the industry by the AER in February 2022; and,
- comments provided in the Ring-fencing section of the 'AER 2020-2021 Annual compliance and enforcement report' (**AER Report**) dated July 2021.

## AUSGRID'S CORE VALUES



**Work safe,  
live safe**



**Customer  
focused**



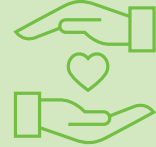
**Commercially  
minded**



**Collaborative**



**Honest and  
accountable**



**Respect**

# The report – in summary

TOPIC	SUMMARY OF SECTION	WHERE TO FIND
<b>Breaches</b>	Ausgrid had NIL breaches of the Guidelines during the Period.	<b>Section 1</b>
<b>Compliance measures</b>	During the Period, Ausgrid maintained appropriate internal procedures to ensure it complied with its obligations under the Guideline. During the period additional controls were introduced.	<b>Section 2</b>
<b>Provision of 'Other Services'</b>	Ausgrid provides 'other services' in accordance with clause 3.1 of the Guideline.	<b>Section 3</b>
<b>Purpose of transactions with PLUS ES</b>	Ausgrid's transactions with PLUS ES fall within the following four service categories: <ol style="list-style-type: none"><li>1. Metering related (Alternate Control Services)</li><li>2. Metering related (Standard Control Services)</li><li>3. Electrical and Fibre Services</li><li>4. Testing services</li></ol>	<b>Section 4</b>
<b>Outcomes of the FY20 Ring-fencing Guideline Compliance Report</b>	The Report addresses Ausgrid's response to the exceptions and recommendations set out within the 'Ausgrid – Annual Ring-fencing Compliance Independent Assessment 2019-2020'	<b>Section 5</b>
<b>Steps the organisation has taken to prepare itself for the introduction of Version 3 of the Guidelines</b>	Ausgrid was an active participant in the consultation exercises that led to the final formulation of Version 3 of the Guidelines and associated documents.  Ausgrid has taken active steps aimed at ensuring that any new obligations within Version 3 are met, and that ongoing compliance with the Guidelines is achieved.	<b>Section 6</b>

SECTION 1

# Breaches



# 1 Breaches

In line with Ausgrid's values, Ausgrid utilises its Compliance Management Framework (the **Framework**) to establish a mechanism that allows it to identify and escalate ring-fencing related issues.

There are various ways in which potential breaches are identified, including but not limited to:

- internal compliance reviews that are undertaken in respect of Ausgrid's obligations under the Guideline;
- employees being able to notify Governance, Risk and Compliance (**GRC**) of any potential compliance breaches, via uploading information directly into our compliance management solution, or emailing it to a dedicated ring-fencing inbox (Ausgrid has trained and encouraged staff to report breaches of the Guideline or raise compliance concerns, for example, through Ausgrid's 'Encouraging Competition Through Ring-fencing' Policy, internal communications and training programs);
- complaints or other feedback from customers, contractors, suppliers and the general public;
- the 'whistleblower process'; and,
- Ausgrid's Information Communication Technology (**ICT**) data loss identification and escalation process.

Once a potential non-compliance is reported to GRC, the incident is reviewed to:

- assess whether the Guideline has been breached;
- if a breach has occurred, to determine its materiality for AER reporting purposes<sup>1</sup>; and
- in conjunction with senior management and staff in other units, investigate why the breach occurred and the opportunities to remediate the breach and prevent reoccurrence.

During the Period, GRC were made aware of four incidents requiring analysis.

Each of the four incidents was analysed and in each case it was determined that no breach of the Guideline had occurred.

The Table below shows Ausgrid's breach history since FY 17-18.

**FIGURE 1: BREACH HISTORY**

PERIOD	INTENTIONAL BREACHES TO SUPPORT VULNERABLE CUSTOMERS <sup>2</sup>	UNINTENTIONAL BREACHES	TOTAL FOR REPORT PERIOD
FY 17-18	YES (but not quantified within that Report)	17	17+
FY 18-19	35	4	39
FY 19-20	6 <sup>3</sup>	0	6
This Period	0	0	0

The downtrend in Intentional Breaches is mostly due to the impact of the '30 minute rule' at 5.1.1. of the AER 2019 Determination. During the Period all of the contestable work performed by Ausgrid under its Vulnerable Customer Protocol was very minor in nature and fell within the terms of the '30 minute rule' and therefore did not constitute breaches of the Guideline.

The reduction in unintentional breaches reflects Ausgrid's increased compliance maturity as part of our culture and the Framework.



1 It is acknowledged that a materiality assessment ceased to be required once Version 3 of the Guidelines took effect on 3 February 2022.  
 2 An 'Intentional Breach' occurs when Ausgrid knowingly and intentionally breaches the Guideline in accordance with the terms of the Vulnerable Customer Protocol.  
 3 All related to a severe storm response including customers that were without supply for over 7 days and there was difficulty finding an ASP/2 to perform the work.

SECTION 2

# Compliance with the Guideline





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## 2 Compliance with the Guideline

### 2.1 Culture of compliance

Since the establishment of the Guideline Ausgrid's understanding of the Guideline's requirements and our ring-fencing compliance culture has matured considerably. This has been assisted by ongoing guidance from the AER through its annual compliance reports.

In particular, during the Period Ausgrid has observed:

- continued staff awareness regarding each employee's obligations under the Guideline;
- ring-fencing compliance being given due consideration when new initiatives or changes to existing practices and systems are being considered;
- ongoing staff engagement with the Legal and GRC teams to ensure compliance with the Guideline; and
- no breaches of the Guideline.

### 2.2 Compliance measures

Ausgrid's compliance program aims to ensure all regulatory and legislative requirements are met. As previously mentioned, Ausgrid utilises a Framework which establishes appropriate protocols for all compliance and risk activities within the business.

Adherence to the Guideline is one of the key regulatory compliance priorities within that Framework, which is managed by GRC in conjunction with other functional areas of the business, including Legal and Strategy & Regulation. The Framework:

- identifies compliance and risk activities that are associated with legislative and/or regulatory obligations (**Compliance Activity**);
- allocates the responsibility for each Compliance Activity to an individual at management level;
- maps the Compliance Activity to specific regulatory provisions (**citations**) with each citation being allocated a Subject Matter Expert (**SME**);
- identifies a control in respect of each citation with which the relevant SME must comply; and
- is attested to annually, including the efficacy of controls.

**Appendix A** to this Report lists the controls that Ausgrid has in place to promote compliance with the Guideline.

### 2.3 Ring-fencing Compliance Programme was enhanced during the Period

Ausgrid strives to enhance its Compliance Management Framework over time. During the Period, Ausgrid initiated various activities which further enhanced its ring-fencing compliance program. These include<sup>4</sup> (but are not limited to):

- addressing the outcomes of the FY20 Independent Assessment (see section 5 of this Report);
- undertaking a comprehensive review of the ring-fencing controls, including updates for staff/organisational changes, clarity of expression, and avoidance of duplication. The updated set of controls was then mapped to the Guidelines to ensure adequate linkage to each individual component of the Guideline. This was then followed by an attestation exercise within which owners confirmed the effectiveness of each control;
- enhancing the controls within its Procurement unit via increased physical separation between the respective procurement teams;
- introducing a greater degree of formality to the way that GRC conducts Monitoring & Testing of physical separation arrangements;
- refining the Compliance Monitoring & Testing measures designed to assess adherence to the '30 minute rule' and the Vulnerable Customer Protocol;
- increased frequency of reviews of accuracy and currency of any Ring-fencing Registers required by the Guidelines;
- providing refresher training to staff on key topics such as the application of the Vulnerable Customer Protocol, the '30 minute rule', and the use of our risk management system to escalate potential RF breaches;
- investing in new software to identify unauthorised sending of confidential information outside of Ausgrid;
- introducing Supervisor Approval pre-approval checks before some types of sensitive or classified information can be shared via email outside Ausgrid; and
- planning and implementing additional measures aimed at ensuring compliance with any new requirements contained within the new version 3 of the Guideline (see Section 6 of this Report).

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4 Some of the items listed may be 'Work in Progress'. This Report does not represent that all of the initiatives were completed during the Period.

## 2.4 Legal Separation

Clause 3.1 of the Guideline permits Ausgrid to provide distribution services and transmission services but prohibits it from providing 'other services'. Accordingly, legal separation is achieved through the existence of Ausgrid's affiliated entity, PLUS ES, which is Ausgrid's 'Related Electricity Service Provider' (RESP). Aside from the services listed in clause 3.1(d) of the Guideline (as further discussed in section 3 of this Report), PLUS ES provides all 'other services'. This demarcation is illustrated in Figure 2.

However there is an exception to the regime illustrated in Figure 2. Pursuant to the AER 2019 Determination, Ausgrid performs minor repair works under 30 minutes and may elect to provide services of longer duration to vulnerable customers<sup>5</sup>. There are established protocols embedded within the organisation to ensure due process is followed and appropriate record keeping occurs when undertaking such 'other services'.

## 2.5 Cost Allocation Method

Ausgrid maintains a cost allocation methodology (CAM) which attributes and allocates costs to individual lines of business. This includes attributing and allocating certain direct and shared costs to PLUS ES. The CAM is AER-approved and is reviewed annually to ensure it remains compliant with the Guideline.

Ausgrid has controls in place to ensure the appropriate application of the CAM, including:

- undertaking an annual review of cost allocators and allocation methodology, including the businesses shared costs and corporate overheads. The allocation of costs in accordance with the CAM is subject to an annual audit in connection with the submission of Regulatory Information Notices (RINs);
- using Ausgrid's accounting system, SAP, which identifies separate legal entities for the purposes of recording transactions between Ausgrid and PLUS ES;
- maintaining monthly journal transfer and reconciliation processes between Ausgrid and PLUS ES; and
- utilising dedicated Ausgrid accounting and finance personnel who ensure that the CAM meets the AER Cost Allocation Guideline, is appropriately applied, and that the clear separation of accounts between Ausgrid and PLUS ES is maintained.

FIGURE 2: LEGAL SEPARATION AT AUSGRID



Illustrative example of services Ausgrid can and cannot provide from 1 January 2018.

- 1 Ausgrid will continue to make the network safe. A decision to restore or repair a service wire will be made following an on-site inspection.
- 2 Ausgrid may be able to bypass a faulty meter to restore supply.

<sup>5</sup> i.e. Intentional Breach

## 2.6 Functional Separation

### 2.6.1 Discrimination

Ausgrid avoids discriminating in favour of PLUS ES by implementing robust compliance controls and measures as an integral part of its processes and business culture. Ausgrid's GRC performs the second line of defence in respect of compliance controls and risk management.

### 2.6.2 Physical separation / co-location

Ausgrid continues to apply the key controls and measures i.e., *Ausgrid's Procedure – PLUS ES Accommodation and Security* (the **Separation Procedure**) and its accommodation analysis.

The Separation Procedure applies to all Ausgrid and PLUS ES staff, is mainly administered by Ausgrid's Strategic Property Business Unit, and forms the basis for the management and allocation of office space to PLUS ES staff, and also for the way that Ausgrid manages the risks associated with facilities shared between the two organisations, such as commonly available meeting rooms (**shared amenities**)<sup>6</sup>.

In addition to the Separation Procedure and accommodation analysis, GRC conducts quarterly monitoring and testing of physical segregation arrangements. Any potentially adverse findings arising from these reviews are further investigated and where required, actions implemented including, for example, discussions with relevant staff and/or implementing system/process corrections.

### 2.6.3 Staff sharing

Compliance with staff sharing obligations is one of Ausgrid's highest ring-fencing compliance priorities and is managed utilising robust systems and processes. In addition to the existing controls and practices (including the 'Ausgrid Procedure – Temporary supply of Ausgrid staff to PLUS ES' (**Staff Sharing Procedure**), Ausgrid has further enhanced its compliance initiatives in respect of staff sharing by implementing innovative solutions such as:

- smart tools with inbuilt scripts in our HR systems, which identify staff movements and automatically set up system access rights in accordance with pre-determined rules established by Ausgrid, for the duration of each staff sharing arrangement;
- the Data Leakage Prevention (DLP) process is a detective control that alerts the Cyber Security Operations Centre if data that matches specified criteria has been shared inappropriately between Ausgrid and PLUS ES or any other external entity;
- heightened cyber protection software and controls to ensure the protection of confidential information.

Ausgrid staff are loaned to PLUS ES in accordance with the Guideline and supported by Ausgrid's Staff Sharing Procedure. For example, Ausgrid has implemented checklists which mandate the changeover of Ausgrid and PLUS ES uniforms, badges, ID cards etc at the beginning and cessation of each loan period. These checklists are prepared and approved by the relevant manager.

### 2.6.4 Branding and cross promotion

Ausgrid has continued to maintain separation of branding for Ausgrid and PLUS ES, with each business having its own branding guidelines and marketing campaigns. The following are some examples where the separation of branding is in place:

- external websites;
- internal intranet site;
- user desktops, including those of Ausgrid staff temporarily loaned to PLUS ES;
- ID cards;
- all letterheads and templates – external and internal, including the *External Partner Code of Conduct*;
- uniforms (where applicable) and related materials; and
- field vehicles and related equipment.

Ausgrid's ring-fencing compliance program aims to prevent cross promotion of PLUS ES, particularly in the contestable electricity services market. Communications with staff, as well as training modules, emphasise the obligation not to promote or refer work to PLUS ES.

In addition:

- Contact Centre leaders and staff, are provided with scripts which clearly advise staff not to mention or refer work to PLUS ES;
- Ausgrid Field staff are trained to provide scripted refusals to customers who ask them to perform contestable work; and
- managers remind their teams of their obligations and to encourage staff to voice their opinions/concerns regarding any actual or perceived non-compliance via the various internal escalation processes available to them.

## 2.7 Ensuring that Ausgrid's external service providers assist us to adhere to the Guideline

Ausgrid's standard contractual templates include a clause requiring the counterparty to do all that is necessary to ensure Ausgrid complies with the Guideline.

Where necessary or appropriate ring-fencing related training and reminders are provided to other entities who perform services on behalf of Ausgrid.

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<sup>6</sup> Ausgrid notes that in previous correspondence the AER has articulated specific concerns in relation to the risks associated with shared amenities.

SECTION 3

# Other services



### 3 Other services

The below table sets out the instances where Ausgrid has provided other services in the Period in accordance with clause 3.1 (d)

**FIGURE 3: AUSGRID PROVISION OF OTHER SERVICES IN ACCORDANCE WITH GUIDELINE 3.1 (d)**

APPLICABLE SUB-CLAUSE OF 3.1(D)	SERVICE(S) PROVIDED	DETAILS
i	<p>We provide services to other legal entities such as Telecommunication providers the rights to use our assets such as:</p> <ul style="list-style-type: none"> <li>• Poles</li> <li>• Dark fibre</li> <li>• Other structural network assets</li> </ul>	The services are provided under lease arrangements and agreements.
ii	<p>The following corporate services were provided to PLUS ES:</p> <ul style="list-style-type: none"> <li>• General Administration</li> <li>• General Corporate</li> <li>• Accounting/Finance</li> <li>• Treasury</li> <li>• Human Resources/Payroll</li> <li>• ICT</li> <li>• Legal/Regulatory</li> <li>• Procurement</li> <li>• Fleet</li> <li>• Health, Safety and Environment</li> <li>• Company Secretary and Office of CEO</li> <li>• Audit</li> <li>• Corporate affairs</li> <li>• Property &amp; Facilities</li> </ul>	In accordance with exception provided in clause 3.1(d)ii as well as the Services Agreements with PLUS ES established at an arm's length basis, Ausgrid has provided these services to PLUS ES while adhering to its obligations in clause 3.2 for these arrangements.
iii	<p>The relevant office and staff provided to PLUS ES are noted in:</p> <ul style="list-style-type: none"> <li>• Office register</li> <li>• Staff sharing register</li> </ul>	In accordance with exception provided in clause 3.1(d)iii as well as the exceptions provided in clauses 4.2.1(b) and 4.2.2(b), Ausgrid has allowed for such services and co-location arrangements in limited and highly controlled circumstances.
iv	<p>Electricity information was provided to PLUS ES as our contracted service provider for the following services:</p> <ul style="list-style-type: none"> <li>• Ausgrid's Metering Services;</li> <li>• Ausgrid's Electrical and Fibre Services; and</li> <li>• Ausgrid's Network Testing Services<sup>7</sup></li> </ul> <p>Electricity information is also provided to other service providers such as our vegetation management contractors.</p>	As permitted under clause 3.1(d)(iv) and while maintaining compliance with clause 4.3.

<sup>7</sup> This statement re Network Testing Services is only applicable for part of the Period. PLUS ES ceased to perform this service for Ausgrid in June 2021.

SECTION 4

# Summary of transactions with PLUS ES



## 4 Summary of transactions with PLUS ES

PLUS ES provides a range of services to Ausgrid. They are provided under the terms of four service agreements.

**FIGURE 4:** PLUS ES PROVISION OF SERVICES TO AUSGRID

TRANSACTIONS	PURPOSE
<p><b>Electrical and Fibre Services:</b></p> <ul style="list-style-type: none"> <li>• Ausgrid Fibre Optic Network</li> <li>• External third-Party Fibre Optic Duct Study Request Facilities Access</li> <li>• Customer Works Associated with Substation Replacement/ Removal</li> <li>• Undergrounding of Service Mains</li> <li>• Subs-Transmission Network Maintenance</li> <li>• Specialist Projects.</li> </ul>	<p>Ancillary to its own distribution and transmission services, Ausgrid contracts for certain services to specialised providers.</p>
<p><b>Testing Services:</b></p> <ul style="list-style-type: none"> <li>• Chemical Testing Services</li> <li>• Calibration Services</li> <li>• Electrical Testing Services</li> <li>• Conduct of Tests – Electrical Testing</li> <li>• Test Documentation – Electrical Testing</li> <li>• Record Retention and Ownership – Electrical Testing</li> <li>• Applicability of Reports and Certificates – Electrical Testing</li> <li>• Postponement of Testing – Electrical Testing.</li> <li>• Consulting Services – Electrical Testing.</li> </ul>	<p>Ancillary to its own distribution and transmission services, Ausgrid contracts for certain services to specialised providers.</p>
<p><b>Metering Related (Alternative Control Services)</b></p>	<p>Provide Metering Services to enable Ausgrid Network to provide Alternate Control Services and related Ancillary Network Services.</p>
<p><b>Metering Related (Standard Control Services)</b></p>	<p>Provide Metering and related Services for the Ausgrid Network to enable it to provide Standard Control Services with respect to the Metering Points.</p>

SECTION 5

# The FY20 Independent Assessment





## 5 The FY20 Independent Assessment

The FY20 Independent Assessment compiled by Deloitte noted one exception and made four recommendations for Ausgrid management to consider.

**FIGURE 5:** DELOITTE EXCEPTION NOTED IN 19-20

REF	GUIDELINE OBLIGATION	RESULTS OF TESTING	RATING	MATERIAL BREACH	AUSGRID FY20 MANAGEMENT COMMENT	AUSGRID SUBSEQUENT ACTIONS
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"> <li>• 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.</li> <li>• 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.</li> </ul>	Exception	No	The Vulnerable Customer Assessment tool's workflow will be updated to include resolution and/or escalation of customer matters such as complaints.	<b>Completed</b> The Vulnerable Customer Assessment tool's workflow was updated to records vulnerable customer complaints.

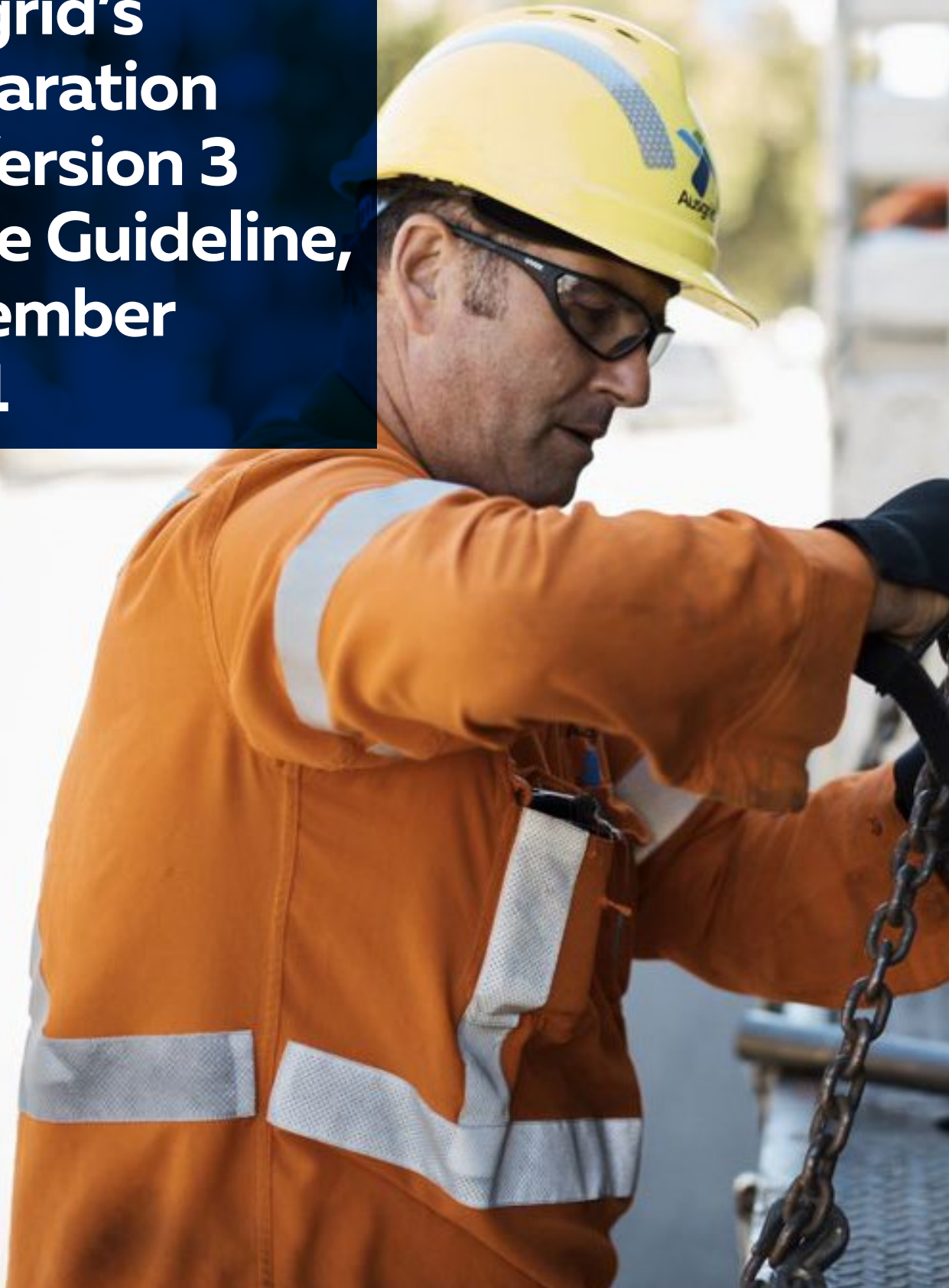


FIGURE 6: DELOITTE RECOMMENDATIONS ISSUED 19-20

GUIDELINE OBLIGATION	RESULTS OF TESTING	RECOMMENDATIONS	AUSGRID SUBSEQUENT ACTIONS
4.2.3 (a)	<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"> <li>The Ausgrid Brand Guidelines did not contain requirements when assets are required to display or use the Ausgrid, RESP and PLUSES brands concurrently.</li> </ul>	<p>To address the identified matters of improvement, we recommend:</p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<p>Ausgrid elected not to change its Brand Guideline artefacts on the basis that it was unlikely to promote greater adherence to the Guideline.</p> <p>In our view it would not be helpful to include references to PLUS ES in Ausgrid's Brand Guidelines. Having separate rules for PLUS ES implies different treatment for PLUS ES versus any other company which we felt was illogical in the context of the concepts underlying the RF Guideline.</p> <p>If Ausgrid and PLUS ES embarked on a joint initiative that was permitted by the RF Guideline then Ausgrid would treat branding considerations in the same way as a joint exercise with any other external party, as already addressed in Ausgrid Branding requirements.</p>
4.2.4 (a) & (b)	<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"> <li>There was no version control number or point of contact reference evident on the staff sharing register.</li> </ul>	<p>To address the identified matters of improvement, we recommend:</p> <ul style="list-style-type: none"> <li>Ausgrid to include a version control number to denote the version of the staff sharing register and Office sharing register and a point of contact (i.e. the Ring-fencing functional mailbox).</li> </ul>	<p><b>Completed</b> Office sharing register updated and made available on the Ausgrid website.</p>
4.3.5 (a) - (c)	<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"> <li>There was no version control or point of contact reference evident on the information register.</li> </ul>	<p>To address the identified matters of improvement, we recommend:</p> <ul style="list-style-type: none"> <li>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).</li> </ul>	<p><b>Completed</b> Information register updated and made available on the Ausgrid website.</p>
5.2 (a) to (h)	<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"> <li>There was no version control or point of contact reference evident on the waiver register.</li> </ul>	<p>To address the identified matters of improvement, we recommend:</p> <ul style="list-style-type: none"> <li>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).</li> </ul>	<p><b>Completed</b> Waiver register updated and made available on the Ausgrid website.</p>

SECTION 6

**Ausgrid's  
preparation  
for Version 3  
of the Guideline,  
November  
2021**



## 6 Ausgrid's preparation for Version 3 of the Guideline, November 2021<sup>8</sup>

Ausgrid actively participated in the AER's consultation to develop Version 3 of the Guideline.

Ausgrid has taken steps to ensure ongoing adherence to the Guideline in its revised version<sup>9</sup>.

Policies, Procedures, other documents, and training materials will be amended to reflect the modified terminology used in version 3.

Ausgrid has assessed the need for new controls to address the risk arising from any substantial new requirements of Version 3. The new controls adopted are set out in the Table below:

**FIGURE 7: NEW CONTROLS FOR NEW VER. 3 OBLIGATIONS**

GUIDELINE	OBLIGATION RELATES TO	AUSGRID CONTROL	CONTROL - DEFINITION	CONTROL - OBJECTIVE	CURRENT STATUS
3.1 (d) (viii)	Circumstances in which Ausgrid is permitted to supply other services as a SAPS Provider.	Ring-078 Quarterly Review of Scale of Ausgrid Business Activities as a supplier of other services as a SAPS Resource Provider.	GRC performs a quarterly review of Scale of Ausgrid Business Activities as a supplier of other services as a SAPS Resource Provider.  This Review is best understood as a trigger-type control (i.e. 'a control that signals the need to implement other controls') that aims to ensure that the organisation has adequate visibility of any changes to its activities as a supplier of other services as a SAPS Resource Provider, and is therefore able to understand when an enhanced control regime may need to be planned and implemented, and react accordingly.	Ensure that where Ausgrid is supplying other services as a SAPS Resource Provider that provision is on a scale permitted by 3.1 (d) of the Ring-Fencing Guideline.	Implemented – control logged in the Compliance Management System and inaugural Quarterly Review will be in May 2022.

<sup>8</sup> Effective date 3 February 2022.

<sup>9</sup> Some of the actions described in Part 6 of this report are 'work in progress'. A staged approach may be used where appropriate, for example changes to documents or training packs may be timed to coincide with the scheduled review cycle. Some of the actions noted may not be fully completed at the date of this report.

**SECTION 6** AUSGRID'S PREPARATION FOR VERSION 3 OF THE GUIDELINE, NOVEMBER 2021

<b>GUIDELINE</b>	<b>OBLIGATION RELATES TO</b>	<b>AUSGRID CONTROL</b>	<b>CONTROL - DEFINITION</b>	<b>CONTROL - OBJECTIVE</b>	<b>CURRENT STATUS</b>
<b>4.1 (d)</b>	DNSP must not discriminate on basis of whether an entity uses DNSP's assets.	Ring-079 Quarterly Review of NSW Battery Storage Markets: competitive dynamics and scale of Ausgrid's activities.	GRC performs a quarterly review of Quarterly Review of NSW Battery Storage Markets: competitive dynamics and scale of Ausgrid's activities.  This Review is best understood as a trigger-type control (i.e. 'a control that signals the need to implement other controls') that aims to ensure that the organisation has adequate visibility of any changes to its installed capacity of storage batteries and related matters, and is therefore able to understand when an enhanced control regime may need to be planned and implemented, and react accordingly.	Prevent discrimination by Ausgrid in commercial matters based on other entity's use of Ausgrid's battery assets or whether that entity is a competitor in the storage battery market.	Implemented – control logged in the Compliance Management System and inaugural Quarterly Review will be in May 2022.
<b>4.2.4 (b)</b>	More prescriptive 'review and publish' cycle for Office and Staff Registers.	Ring-065 GRC Perform Quarterly Reviews and Registers.	GRC conduct quarterly reviews of accuracy of RF Registers and related matters.	To identify, investigate and escalate any potential inaccuracy (or other deviation from Guideline) in RF registers displayed on Ausgrid website.	This control was already operative but its scope has been amended to reflect the new text of 4.2.4 (b). The control will be applied to the 15 April 2022 update and every quarter thereafter.
<b>6.2.3 (a) &amp; (b)</b>	Regulated stand-alone power systems reporting.	Ring-065 GRC Perform Quarterly Reviews and Registers.	GRC conduct quarterly reviews of accuracy of RF Registers and related matters.	To identify, investigate and escalate any potential inaccuracy (or other deviation from Guideline) in RF registers displayed on Ausgrid website.	This control was already operative but its implementation has been amended to reflect the new clause 6.2.3. The control will ensure the REGSAPS Register is published by April 2022 and updated every quarter thereafter.

**SECTION 6** AUSGRID'S PREPARATION FOR VERSION 3 OF THE GUIDELINE, NOVEMBER 2021

GUIDELINE	OBLIGATION RELATES TO	AUSGRID CONTROL	CONTROL - DEFINITION	CONTROL - OBJECTIVE	CURRENT STATUS
<p><b>6.2.3 (a) &amp; (b) continued</b></p>		<p>Ring-078 Quarterly Review of Scale of Ausgrid Business Activities as a supplier of other services as a SAPS Resource Provider.</p>	<p>GRC performs a quarterly review of Scale of Ausgrid Business Activities as a supplier of other services as a SAPS Resource Provider.</p> <p>This Review is best understood as a trigger-type control (i.e. 'a control that signals the need to implement other controls') that aims to ensure that the organisation has adequate visibility of any changes to its activities as a supplier of other services as a SAPS Resource Provider, and is therefore able to understand when an enhanced control regime may need to be planned and implemented, and react accordingly.</p>	<p>Ensure that Ausgrid continues to maintain and display an accurate and up to date SAPS register as required by 6.2.3 of the Guideline.</p>	<p>Implemented - control logged in the Compliance Management System and inaugural Quarterly Review will be in May 2022.</p>
<p><b>6.3</b></p>	<p>RF Breach reporting. Longer deadline but no more materiality test.</p>	<p>Ring-025 Process established for the reporting and analysis of incidents with possible relevance to Ring-fencing, and also for the timely notification of any non-compliances to regulator.</p>	<p>GRC are made aware of potential non-compliances through a variety of channels</p> <p>Once GRC is made aware of the incident, it is responsible for co-ordinating the process to analyse the facts and determine if any reportable non-compliance has occurred. Other units are frequently drawn into this process, most notably Legal, Regulatory Affairs, and Senior Management. GRC team are responsible for notifying the regulator within the required timeframes.</p>	<p>To maintain appropriate record-keeping and ensure compliance with breach reporting requirements.</p>	<p>This control was already operative but its scope has been amended to reflect the new text of 6.3.</p>

# Appendix A

## Compliance controls

The following table sets out controls Ausgrid has in place mapped to the obligations within the Guideline

RFG REQUIREMENTS MAPPED TO AUSGRID'S CONTROLS		
RFG CLAUSE	CONTROL #	CONTROL NAME & TYPE   (P) PREVENTATIVE   (D) DETECTIVE   (M) MITIGATIVE
3.1 (a)	Ring-001	Maintain Australian Company status of the DNSP (P)
	Ring-015	Ensure Distributor's Licence remains valid and current (P)
3.1 (b)	Ring-010	Ausgrid's website assists customers to find an ASP to perform contestable services (P)
	Ring-012	Vulnerable customer protocol is applied by Field Operations unit (P)
	Ring-049	Services Agreement clearly defines the services the DNSP entity will provide, and what the affiliate will provide (P)
	Ring-073	Field Operations Staff advised and regularly reminded of AER 30 minute determination re contestable work (P)
	Ring-080	Annual Compliance Review of '30 Minute jobs' data in CASS (D)
3.1 (d) (vii)	Ring-078	Quarterly Review of Scale of Ausgrid Business Activities as a supplier of other services as a SAPS Resource Provider (D)
3.1 (d) (viii)	Ring-078	Quarterly Review of Scale of Ausgrid Business Activities as a supplier of other services as a SAPS Resource Provider (D)
3.2.1 (a)	Ring-003	AER approved Cost Allocation Methodology in place (P)
	Ring-017	Documented process in place for affiliate related financial journal transfers (P)
	Ring-048	Separate SAP accounting for affiliates (P)
	Ring-050	Corporate Services Agreement established between the parent and affiliate entities deals with apportionment of costs for shared services (P)
	Ring-069	Finance team regularly reviews the Labour Services Agreement and on-loan arrangement invoices (D)
	Ring-072	Annual review of the application of the CAM Cost Allocation Methodology is undertaken (D)
3.2.2 (a) & (b)	Ring-003	AER approved Cost Allocation Methodology in place (P)
	Ring-017	Documented process in place for affiliate related financial journal transfers (P)
	Ring-048	Separate SAP accounting for affiliates (P)
	Ring-050	Corporate Services Agreement established between the parent and affiliate entities deals with apportionment of costs for shared services (P)
	Ring-069	Finance team regularly reviews the Labour Services Agreement and on-loan arrangement invoices (D)
	Ring-072	Annual review of the application of the CAM Cost Allocation Methodology is undertaken (D)
3.2.2 (c)	Ring-018	Documented process in place for storage of affiliate related transactions/invoices (P)

## APPENDIX A COMPLIANCE CONTROLS

RFG REQUIREMENTS MAPPED TO AUSGRID'S CONTROLS		
RFG CLAUSE	CONTROL #	CONTROL NAME & TYPE   (P) PREVENTATIVE   (D) DETECTIVE   (M) MITIGATIVE
4.1 (b)	Ring-010	Ausgrid's website assists customers to find an ASP to perform contestable services (P)
	Ring-011	Contact Centre scripts include generic references to contestable service providers (P)
4.1 (c) (i)	Ring-010	Ausgrid's website assists customers to find an ASP to perform contestable services (P)
	Ring-023	Metering Services Agreements in place between Ausgrid and PLUS ES (P)
	Ring-034	PLUS ES has its own policy on how it manages RF risk in its dealings with Ausgrid (P)
4.1 (c) (ii)	Ring-023	Metering Services Agreements in place between Ausgrid and PLUS ES (P)
4.1 (c) (iii)	Ring-010	Ausgrid's website assists customers to find an ASP to perform contestable services (P)
	Ring-023	Metering Services Agreements in place between Ausgrid and PLUS ES (P)
	Ring-034	PLUS ES has its own policy on how it manages RF risk in its dealings with Ausgrid (P)
4.1 (c) (iv)	Ring-004	Affiliate staff do not have access to parent entity intranet site (P)
	Ring-005	Allowable uses of confidential information stored in ICT systems defined (P)
	Ring-020	ICT system access is permissioned based on Critical Operational Analysis (P)
	Ring-027	Processes to protect the privacy of confidential information are defined (P)
	Ring-044	Role based system access requirements defined for affiliate staff (P)
	Ring-051	User access control and review regularly undertaken by Cyber team following documented procedure (P)
	Ring-058	Identity Access Management (IAM) application automatically updates access based on role (P)
	Ring-063	Identity and access management system has specialised rules for secondary accounts associated with on-loan arrangements (P)
	Ring-064	The ICT team applies the documented information security incident management procedure for all information security incidents (P)
	Ring-075	Legal Regulatory and Compliance Privacy Playbook interrogates non-compliance with RFG re information sharing (D)
Ring-077	Approval checks for need to confirm when some types of sensitive or classified information can be shared via email outside Ausgrid (P)	
4.1 (d)	Ring-079	Quarterly Review of NSW Battery Storage Markets: competitive dynamics and scale of Ausgrid's activities (D)
4.2.1 (a) & (b)	Ring-009	Shared amenities analysis undertaken (P)
	Ring-024	Physical access granted to sites/offices is based on role and entity (P)
	Ring-029	Workspaces physically separated including electronic access controls for all doors (P)
	Ring-033	Procedure in place to articulate office accommodation and security approach for staff working for PLUS ES (P)
	Ring-045	Separate key system for affiliate to access sub-stations and other sites where necessary (P)
	Ring-065	GRC Perform Quarterly Reviews of Physical Access and Registers (D)



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RFG REQUIREMENTS MAPPED TO AUSGRID'S CONTROLS		
RFG CLAUSE	CONTROL #	CONTROL NAME & TYPE   (P) PREVENTATIVE   (D) DETECTIVE   (M) MITIGATIVE
4.2.2 (a), (b), and (d)	Ring-008	Formal process governs the secondment of Ausgrid staff to any affiliate (P)
	Ring-016	Formal process governs the short-term supply of Ausgrid staff to any affiliate (P)
	Ring-024	Physical access granted to sites/offices is based on role and entity (P)
	Ring-055	Staff sharing requests can be routed to GRC team for advice/analysis/approval (P)
	Ring-056	Staff profile changes readily identified via HR Essentials system (P)
	Ring-065	GRC Perform Quarterly Reviews of Physical Access and Registers (D)
4.2.2 (c)	Ring-006	Performance Awards/incentives are not allowed where performance achieved by breaching regulatory requirements (P)
	Ring-022	Measures used to assess staff performance do not support cross-subsidisation (P)
4.2.3 (a) (i)	Ring-046	Separate branding guidelines established for affiliate (P)
	Ring-047	Separate ID Cards for PLUS ES staff (P)
4.2.3 (a) (ii)	Ring-011	Contact Centre scripts include generic references to contestable service providers (P)
	Ring-040	Ring-fencing issues highlighted in Contact Centre Management Reports (D)
4.2.3 (a) (iii)	Ring-011	Contact Centre scripts include generic references to contestable service providers (P)
	Ring-040	Ring-fencing issues highlighted in Contact Centre Management Reports (D)
4.2.4 (a) & (b)	Ring-028	Office and Staff Sharing registers are published on Ausgrid's external website and periodically reviewed for accuracy (D)
	Ring-065	GRC Perform Quarterly Reviews of Physical Access and Registers (D)
4.3.1	Ring-004	Affiliate staff do not have access to parent entity intranet site (P)
	Ring-005	Allowable uses of confidential information stored in ICT systems defined (P)
	Ring-020	ICT system access is permissioned based on Critical Operational Analysis (P)
	Ring-027	Processes to protect the privacy of confidential information are defined (P)
	Ring-044	Role based system access requirements defined for affiliate staff (P)
	Ring-051	User access control and review regularly undertaken by Cyber team following documented procedure (D)
	Ring-058	Identify Access Management (IAM) application automatically updates access based on role (P)
	Ring-063	Identity and access management system has specialised rules for secondary accounts associated with on-loan arrangements (P)
	Ring-064	The ICT team applies the documented information security incident management procedure for all information security incidents (P)
	Ring-075	Legal Regulatory and Compliance Privacy Playbook interrogates non-compliance with RFG re information sharing (D)
Ring-077	Approval checks for need to confirm when some types of sensitive or classified information can be shared via email outside Ausgrid (P)	

## APPENDIX A COMPLIANCE CONTROLS

RFG REQUIREMENTS MAPPED TO AUSGRID'S CONTROLS		
RFG CLAUSE	CONTROL #	CONTROL NAME & TYPE   (P) PREVENTATIVE   (D) DETECTIVE   (M) MITIGATIVE
4.3.2	Ring-004	Affiliate staff do not have access to parent entity intranet site (P)
	Ring-005	Allowable uses of confidential information stored in ICT systems defined (P)
	Ring-020	ICT system access is permissioned based on Critical Operational Analysis (P)
	Ring-027	Processes to protect the privacy of confidential information are defined (P)
	Ring-044	Role based system access requirements defined for affiliate staff (P)
	Ring-051	User access control and review regularly undertaken by Cyber team following documented procedure (D)
	Ring-058	Identify Access Management (IAM) application automatically updates access based on role (P)
	Ring-063	Identity and access management system has specialised rules for secondary accounts associated with on-loan arrangements (P)
	Ring-064	The ICT team applies the documented information security incident management procedure for all information security incidents (P)
	Ring-075	Legal Regulatory and Compliance Privacy Playbook interrogates non-compliance with RFG re information sharing (D)
	Ring-077	Approval checks for need to confirm when some types of sensitive or classified information can be shared via email outside Ausgrid (P)
4.3.3 (a), (b) and (c)	Ring-032	Information register is published on Ausgrid's external website and periodically reviewed for accuracy (D)
4.3.3 (d)	Ring-026	Process in place to allow confidential information shared with an affiliate to be equally available to other entities, including terms & conditions, is established and available on the website (P)
4.3.3 (e)	Ring-026	Process in place to allow confidential information shared with an affiliate to be equally available to other entities, including terms & conditions, is established and available on the website (P)
4.3.4 (a) & (b)	Ring-032	Information register is published on Ausgrid's external website and periodically reviewed for accuracy (D)
	Ring-065	GRC Perform Quarterly Reviews of Physical Access and Registers (D)
4.3.4 (c)	Ring-032	Information register is published on Ausgrid's external website and periodically reviewed for accuracy (D)
4.4.1 (a) & (b)	Ring-041	Ring-fencing related clauses included in legally approved templates used for procurement (P)
	Ring-053	PLUS ES External partner code of conduct addresses RF matters (P)
	Ring-059	Ausgrid External partner code of conduct addresses RF matters (P)
5.2	Ring-042	Ring-fencing waiver templates based on guideline requirements (P)
5.7	Ring-043	Ring-fencing waivers are published on Ausgrid's external website and periodically reviewed for accuracy (D)
	Ring-065	GRC Perform Quarterly Reviews of Physical Access and Registers (D)

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RFG REQUIREMENTS MAPPED TO AUSGRID'S CONTROLS		
RFG CLAUSE	CONTROL #	CONTROL NAME & TYPE   (P) PREVENTATIVE   (D) DETECTIVE   (M) MITIGATIVE
6.1	Ring-002	Ad-hoc ring-fencing communications issued to staff (P)
	Ring-007	Code of Conduct addresses various matters related to RF G (P)
	Ring-013	Controls reviewed and updated by SME's following non-compliance incidents (M)
	Ring-014	Controls reviewed and updated by SME's following regulatory changes (P)
	Ring-019	GRC team monitors changes in affiliate arrangements and assess versus regulatory requirements (P)
	Ring-031	GRC and Management issue ring-fencing compliance awareness materials (P)
	Ring-035	Responsibilities of DNSP entity staff to support ring-fencing compliance documented in a policy (P)
	Ring-036	Ring-fencing training program developed and implemented (P)
	Ring-037	Ring-fencing communications Information Sheet made available (P)
	Ring-038	Ring-fencing email address set up for queries and escalations (P)
	Ring-039	Ring-fencing intranet site established (P)
	Ring-060	Documented procedure in place to govern Corrective and Preventative Action Management (M)
	Ring-070	Training compliance report generated and reviewed weekly (D)
6.2.1 & 6.2.2	Ring-030	Regulatory Reporting calendar established and monitored (P)
6.2.3 (a) & (b)	Ring-076	Register of Ausgrid's regulated stand-alone power systems is displayed on website and periodically reviewed for accuracy (D)
	Ring-065	GRC Perform Quarterly Reviews of Physical Access and Registers (D)
	Ring-078	Quarterly Review of Scale of Ausgrid Business Activities as a supplier of other services as a SAPS Resource Provider (D)
6.3	Ring-025	Process established for the reporting and analysis of incidents with possible relevance to Ring Fencing, and also for timely notification of any non-compliances to regulator (D)
	Ring-038	Ring-fencing email address set up for queries and escalations (D)
	Ring-040	Ring-fencing issues highlighted in Contact Centre Management Reports (D)
	Ring-061	The GRC team monitors and investigates all potential breaches (D)
	Ring-080	Annual Compliance Review of '30 Minute jobs' data in CASS (D)



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