



Ergon Energy Corporation Ltd

Ring-Fencing Guideline Compliance Report

For the period 30 June 2020 to 31 December 2021

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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, OCM has been engaged per the engagement letter between Ergon Energy Corporation Limited (Ergon) and OCM dated 24 February 2022 as the qualified independent authority to provide reasonable assurance that Ergon’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 2020 to 31 December 2021.

1.2 Summary of Findings

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

| No. | Category | Ref. | Guideline Obligation | Results of Testing | Recommendation | Rating | Material Breach |
|-----|------------------------|----------|---|--|--|-----------|-----------------|
| 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. | Based on the testing performed we identified the following matter of exception against the Obligation: <ul style="list-style-type: none"> 78 employees involved in the provision or marketing of Direct Control Services (DCS) did not complete the ring-fencing training after 12 months of the training being assigned. This can result in ring-fencing matters going undetected. | To address the results of testing we recommend Management monitor the completion of: <ul style="list-style-type: none"> The ring-fencing awareness training module by the 78 identified employees in a timely manner. | Exception | No |
| 20 | Maintaining compliance | 6.1 | A DNSP must establish and maintain appropriate internal procedures to | | <ul style="list-style-type: none"> Ring-fencing awareness training by existing employees within an | Exception | No |

| No. | Category | Ref. | Guideline Obligation | Results of Testing | Recommendation | Rating | Material Breach |
|-----|---------------------------|---------------|---|--|--|-----------|-----------------|
| | | | ensure it complies with its Obligations under this Guideline. | <ul style="list-style-type: none"> It was noted that this is a recurring observation from the previous independent review. | <p>agreed and acceptable timeframe.</p> <ul style="list-style-type: none"> Ring-fencing awareness training by new employees, seconded and transferred employees prior to performing new duties. | | |
| 13 | Disclosure of information | 4.3.3 (a)-(g) | <p>A DNSP must not disclose confidential electricity information to any person, including a related electricity 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</p> | <p>Based on the testing performed we identified the following matter of exception against the Obligation:</p> <ul style="list-style-type: none"> One (1) employee who transferred from performing services on behalf of a DCS to a Related Electricity Service Provider (RESP) on 26/07/2021 had access to one higher-risk risk-fencing digital system after the secondment date. It was confirmed that the employee did not access the Ergon Energy system after the transfer date. However, there was an opportunity to access the system during the period which is considered a breach. | <p>To address the results of testing we recommend Management:</p> <ul style="list-style-type: none"> Reviews the processes in place to ensure user access is removed or adjusted in a timely manner for transferring employees. | Exception | No |

| No. | Category | Ref. | Guideline Obligation | Results of Testing | Recommendation | Rating | Material Breach |
|-----|----------|------|---|---|----------------|--------|-----------------|
| | | | <p>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, 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 other than</p> | <ul style="list-style-type: none"> It was confirmed that this breach has been recorded in the Ergon Breach Register for inclusion in the 2022 report; and reported to the Regulator. | | | |

| No. | Category | Ref. | Guideline Obligation | Results of Testing | Recommendation | Rating | Material Breach |
|-----|----------|------|--|--------------------|----------------|--------|-----------------|
| | | | a related electricity service provider of the DNSP; or (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. | | | | |

1.3 Rating Applied

The ratings applied to the results of our testing are defined below based on OCM’s interpretation of the Guideline. The evaluation of the results of our tests as they relate to the Obligation 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 Ergon

Opinion

We have undertaken a reasonable assurance engagement on whether Ergon'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 30 June 2020 to 31 December 2021. The Ring-Fencing Compliance Report will accompany this report, for the purpose of reporting to the Australian Energy Regulator (AER).

In our opinion, the Ergon'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 30 June 2020 to 31 December 2021.

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 Ergon

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 Ergon'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 30 June 2020 to 31 December 2021. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether Ergon'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 30 June 2020 to 31 December 2021.

An assurance engagement to report on the Ergon'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 Ergon staff about measures they have put in place to enable Ergon to comply with the Obligations;
- On a sample basis, inspecting documentation to evidence the measures; and
- Inquiring with management whether they are compliant with the Obligations and corroborating our inquiry with the results of our procedures.

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 30 June 2020 to 31 December 2021 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 Ergon 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 Ergon, 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.

O'Connor Marsden and Associates Pty Ltd

Wayne Gorrie
Partner

April 2021, Brisbane

2. Detailed Findings

The descriptions of the tests of compliance that were performed, findings relating to the tests of compliance or aspects of the engagement, our recommendations and conclusions 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"> All EQL Group companies have separate ABNs and are registered with ASIC. Ergon Registered Australian Company Number (ACN). <p>Tests Performed:</p> <ul style="list-style-type: none"> DNSP - We performed an ASIC search and ABN Lookup on Ergon Energy Corporation Limited. Retail - We performed an ASIC search and ABN Lookup on Ergon Energy Queensland Pty Ltd. We performed ASIC searches and ABN Lookups on Yurika Pty Ltd and its subsidiaries Metering Dynamics Pty Ltd (trading as Yurika Metering) and Ergon Energy Telecommunication Pty Ltd (trading as Yurika Telecoms). | 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"> The ACN number for Ergon Limited DNSP verified against distribution license. Ergon’s ACN number verified against the Distribution Annual Planning Report 2021, which is found in the Ergon website - Ergon Website We performed an ACN validation test on Ergon’s ACN number and confirmed that the ACN is valid. Parent Company - We performed an ASIC search and ABN Lookup on Energy Queensland Limited. | | | |
| 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"> Ergon Constitution. Board paper templates include means for identifying ring-fencing papers. A separate affiliated entity Yurika was established to perform “other services” outside distribution and transmission services which are performed by Ergon. | 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>Tests Performed:</p> <ul style="list-style-type: none"> We inspected Ergon’s Constitution to determine whether it addressed ring-fencing requirements and did not promote the services of Ergon’s unregulated assets. We inspected quarterly Board Papers (redacted copies) across the period to determine whether ring-fencing related meeting content was flagged appropriately. 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 Ergon has not provided contestable services to customers. We have also received confirmation from the Customer team that there were no ring-fencing related complaints for Ergon during the scope period. From a population of legal agreements between Ergon and service providers we obtained a sample to determine whether the ring-fencing requirements for service providers have been | | | |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|-------------------|-----------|--|--|--|--|--------------|
| | | | | included and agreements have been signed. | | | |
| 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) continues to incorporate ring-fencing requirements • Monthly variance analysis conducted. • 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 is produced monthly. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the CAM to determine whether it addresses the allocation of costs between distribution services and non-distribution services. • The CAM work paper is prepared annually as part of the corporate planning process to document the application of the CAM business | <p>Based on the testing performed we identified the following matters of improvement against the measures:</p> <ul style="list-style-type: none"> • The Cost Allocation Method document published on Ergon website was outdated. • The document was effective since 01/01/2022 and website was not updated up until 15/03/2022 (This is outside the scope period). • The website has been updated since with the new version. | To address the result of testing we recommend Management ensures updated versions are published on the website promptly prior to the effective date. | No Exception |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|---------------------------------|----------------|--|---|---|-------------------------------|--------------|
| | | | | <p>rules and other relevant rates for loading into target systems.</p> <ul style="list-style-type: none"> Version 3 of the Guideline states that DNSPs will need to provide a public register with additional information about regulated standalone power stations (SAPS) deployed in the market - This was out of scope given that the Compliance Report was prepared based on Version 2. From the population of monthly reconciliation reports we selected a sample to determine whether transactions were treated in accordance with the CAM and not in conflict with Guideline requirements. | | | |
| 4 | Cost allocation and attribution | 3.2.2 (a), (b) | <p>A DNSP must allocate or attribute costs to distribution services:</p> <p>- 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</p> | <p>Measure(s):</p> <ul style="list-style-type: none"> CAM continues to incorporate ring-fencing requirements Monthly variance analysis conducted. Monthly reconciliation of budget vs actual. A separate affiliated entity Yurika | 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>allocation and attribution of costs between distribution services and non-distribution services.</p> <p>- and must not allocate or attribute other costs to the distribution services it provides.</p> | <p>was established to perform “other services” outside distribution and transmission services which are performed by Ergon.</p> <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the CAM to determine whether it addresses the allocation of costs between distribution services and non-distribution services. • From the population of monthly reconciliation reports we selected a sample to determine whether transactions were treated in accordance with the CAM and not in conflict with Guideline requirements. • 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 Ergon has not provided contestable services to customers. | | | |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|---------------------------------|-----------|---|---|---|-------------------------------|--------------|
| 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"> CAM continues to incorporate ringfencing requirements Monthly variance analysis conducted. Monthly reconciliation of budget vs actual. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the CAM to determine that it addresses the allocation of costs between distribution services and non-distribution services. From the population of monthly reconciliation reports we selected a sample to determine whether transactions were treated in accordance with the CAM and not in conflict with Guideline requirements. | Based on the testing performed we have not identified any matters of exception. | There are no recommendations. | No Exception |
| 6 | Obligation not to discriminate | 4.1(b) | A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a | <p>Measure(s):</p> <ul style="list-style-type: none"> Staff are located in offices based on role and ring-fencing physical separation requirements to building services for appropriate ring-fencing | 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>competitor (or potential competitor) of arelated 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>physical separation based on DNSP/ RESP role.</p> <ul style="list-style-type: none"> • Call Quality Evaluations. • EQL ring-fencing training material. • Contract templates are ring-fencing compliant. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the office and accommodation arrangements to determine whether: <ul style="list-style-type: none"> ○ Ergon offices are separate from its affiliate and where staff are co-located in one building, Ergon staff are located on separately to RESP staff and segregation is maintained through the use of electronic access controls (where available), staff ID cards, signage, general awareness training, and building induction training. ○ Secure floors and offices have been identified. • From the population of | | | |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|----------|------|----------------------|---|--------------------|----------------|--------|
| | | | | <p>procurement contracts executed during the period we selected a sample to determine whether ring-fencing requirements for service providers have been included (where appropriate); and agreements have been signed and executed.</p> <ul style="list-style-type: none"> • From the population of call quality evaluations, we selected a sample to determine whether the evaluations assessed for discriminatory behaviour between a related electricity service provider and a competitor. • We inspected the Queensland government tender website QTender, utilised by EQL Group to ensure that contracts are not being granted without going out to tender or engaging in a fair selection process. • We inspected the EQL ring-fencing training material to determine whether it outlined that Ergon cannot discriminate (either directly or indirectly) between a related electricity service provider and a | | | |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|---|----------|--|--|--|--|--------------|
| | | | | competitor. | | | |
| 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"> Individual office security arrangements are based on type of offices (RESP only, DNSP only, mixed DNSP/RESP, regional). Staff re-located based on roles – DNSP/Corporate/RESP. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the office and accommodation arrangements to determine whether: <ul style="list-style-type: none"> Ergon offices are separate from its affiliate and where staff are co-located in one building, Ergon staff are located on separately to RESP staff and segregation is maintained through the use of electronic access controls (where available), staff ID cards, signage, and building induction training. Secure floors and offices have been identified. | <p>Based on the testing performed we identified the following matter of improvement against the measures:</p> <ul style="list-style-type: none"> Ten (10) employees seconded over the scope period failed to update their employment details on the company intranet. | To address the result of testing we recommend management establishes a process for employee movements i.e., secondments, transfers between entities to ensure ring-fencing compliance requirements, including updating contact details on the company intranet, completion of training and ensuring access to digital systems, information and physical access, are current. | No Exception |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|---------------|----------|--|--|---|---|-----------|
| | | | | <ul style="list-style-type: none"> For the staff seconded over the period, we inspected their physical access records across Ergon and the affiliate offices to determine whether they were restricted from entering secure floors or offices across Ergon’s offices whilst on secondment at the affiliate. | | | |
| 8 | Staff sharing | 4.2.2(a) | <p>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> | <p>Measure(s):</p> <ul style="list-style-type: none"> EQL employee induction and training material includes ring-fencing awareness requirements. All role descriptions updated to ensure description does not include a requirement to undertake both RESP and DNSP activities. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the training material to determine whether it includes the Obligation for a DNSP not to discriminate between a related electricity service provider and a competitor. We inspected a sample of Ergon role descriptions to determine whether their role did not require them to | <p>Based on the testing performed we identified the following matter of exception against the Obligation:</p> <ul style="list-style-type: none"> 78 employees involved in the provision or marketing of DCS did not complete the Ring-Fencing training within 12 months of the training being assigned. This can result in Ring-Fencing matters going undetected. It was noted that this is a reoccurring observation from the previous independent review. | <p>To address the results of testing we recommend Management monitor completion of:</p> <ul style="list-style-type: none"> The ring-fencing awareness training module by the 78 identified employees in a timely manner. Ring-fencing awareness training by existing employees within an agreed and | Exception |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|---------------|----------|---|--|--|---|--------------|
| | | | | <p>undertaken both RESP and DNSP activities.</p> | | <p>acceptable timeframe.</p> <ul style="list-style-type: none"> • Ring-fencing awareness training by new employees, seconded and transferred employees prior to performing new duties. | |
| 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 Framework User Guide. • Remuneration template is ring-fencing compliant based on staff position. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the Official Performance Framework User Guide to confirm that Leaders were not incentivised for growth in revenue for an unregulated service. • We inspected the program in place to oversee the allocation of KPIs across both Ergon and their | <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 |
|-----|------------------------------|----------|--|---|---|-------------------------------|--------------|
| | | | | <p>affiliated entity to determine whether Ergon staff were not incentivised to refer opportunity to their affiliated entities.</p> <ul style="list-style-type: none"> We inspected a populated incentive template of a EQL staff member to determine whether their incentives were contrary to the DNSPs Obligations. From the population of staff, we obtained a sample to test whether they were their performance measures provided incentive to act in manner that is contrary to the DNSP’s Obligations. | | | |
| 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</p> | <p>Measure(s):</p> <ul style="list-style-type: none"> Ring-fencing training. Ring-fencing training register. DNSP/RESP fleet follow approved Ring-fencing Branding Guidelines. Contract templates have been updated to reflect ring-fencing requirements where applicable. EQL email signature guidelines are in available on the EQL Brand | 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>the respective branding that the DNSP and the related electricity service provider are related.</p> <p>ii. Must not advertise or promote its direct control services and its contestable electricity services that are not direct control services together (including by way of cross-advertisement or cross-promotion.</p> <p>iii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</p> | <p>Centre.</p> <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected training material to determine whether it outlined the branding and marketing requirements as per the Guideline. • We inspected Ergon’s website to determine there are no contestable electricity services being promoted or referenced on the website. • We inspected EQL’s Branding Guidelines for Ring-fencing specific treatment of branding to determine whether Ergon promote the branding of their affiliates and included consideration of fleet. • We inspected Schedule 6 – Ring-fencing Requirements for Service Providers to determine whether Ergon promote their affiliates. • From the population of the Customer Feedback Register, we selected a sample of feedback items received (via the Ombudsman and Ergon directly) over the scope period to determine whether their customers expressed confusion over | | | |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|----------------------------|----------------|---|---|---|-------------------------------|--------------|
| | | | | <p>the brands when provided with service from Ergon staff.</p> <ul style="list-style-type: none"> • We inspected the EQL email signature guidelines to determine whether DNSP staff signatures: <ul style="list-style-type: none"> ◦ Are independent of branding used by RESP; ◦ Do not advertise or promote its direct control services and its contestable electricity services; and ◦ Do not advertise or promote contestable electricity services. | | | |
| 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</p> | <p>Measure(s):</p> <ul style="list-style-type: none"> • Staff sharing registers available on the Ergon website - Ring-Fencing Guidelines - Ergon Energy. • Register updated as required. • Staff sharing quick reference matrix available and easy to access on the EQL intranet. • Staff system access records. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We conducted a search for the | 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>must make the register publicly available on its website.</p> | <p>registers on the Ergon customer-facing website to determine whether they were in place.</p> <ul style="list-style-type: none"> • We inspected the registers to determine information that identified: <ul style="list-style-type: none"> ○ (a) the classes of offices to which it has not applied; and, ○ (b) the nature of the positions (including a description of the roles, functions, and duties) of its members of staff. • We inspected the staff sharing quick reference matrix and the clarity of instructions provided to determine whether a staff member working for the DNSP can be shared with the affiliate. • For the staff seconded over the period, we inspected their system access records across Ergon and the affiliate to determine whether they were accessing secure and contestable electricity information across Ergon whilst on secondment | | | |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|--|------------------|---|---|---|-------------------------------|--------------|
| | | | | at the affiliate. | | | |
| 12 | Protection of confidential information | 4.3.2 (a) (b) | <p>A DNSP must:</p> <p>(a) keep confidential electricity information confidential</p> <p>(b) only use confidential information for the purpose for which it was acquired or generated</p> | <p>Measure(s):</p> <ul style="list-style-type: none"> All commonly used SharePoint sites have been assessed to determine if they should be ring-fenced and action taken to remove RESP access where required and testing of access conducted. Procedures put in place requiring ring-fencing assessment of new SharePoint sites. 28 Applications containing information sources assessed to determine ring-fencing status and RESP access removed where required. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the procedures required to be followed for ring-fencing assessment of a sample of new SharePoint sites to determine whether it addressed Guideline requirements regarding the treatment of confidential information. From the 28 applications containing | 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 |
|-----|---------------------------|---------------|---|--|--|--|-----------|
| | | | | sources of information, we tested whether all staff seconded, and affiliate staff accessed secure information when not permitted. | | | |
| 13 | Disclosure of information | 4.3.3 (a)-(g) | <p>A DNSP must not disclose confidential electricity information to any person, including a related electricity service provider, unless:</p> <p>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</p> | <p>Measure(s):</p> <ul style="list-style-type: none"> All commonly used SharePoint sites have been assessed to determine if they should be ring-fenced and action taken to remove RESP access where required and testing of access conducted. Procedures put in place requiring ring-fencing assessment of new SharePoint sites. Document containing 28 applications of information sources assessed to determine ring-fencing status and RESP access removed where required. Review of IT user access to monitor any inappropriate access to systems for Ergon staff. Information sharing protocol. | <p>Based on the testing performed we identified the following matter of exception against the Obligation:</p> <ul style="list-style-type: none"> One (1) employee who transferred from performing services on behalf of a DCS to a RESP on 26/07/2021 had access to one higher-risk risk-fencing digital system after the secondment date. It was confirmed that the employee did not access the Ergon Energy system after the transfer date. However, there was an opportunity to access the system during the | <p>To address the results of testing we recommend Management:</p> <ul style="list-style-type: none"> Reviews the processes in place to ensure user access is removed or adjusted in a timely manner for transferring employees. | Exception |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|----------|------|---|---|--|---|---------------------|
| | | | <p>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, 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>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</p> | <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the procedures required to be followed for ring-fencing assessment of a sample of new Share Point sites to determine whether it addressed Guideline requirements regarding the treatment of confidential information. From the 28 applications of information sources population, we tested whether all staff seconded, and affiliate staff accessed secure information when not permitted. We obtained an IT user access listing for Ring-fenced systems deemed high-risk by business. We tested these against staff movement during the scope period. We have reviewed the information sharing protocol for consistency with the requirements of the Guideline. | <p>period which is considered a breach.</p> <ul style="list-style-type: none"> It was confirmed that this breach has been recorded in the Ergon Breach Register for inclusion in the 2022 report; and reported to the Regulator. <p>Based on the testing performed we identified the following matter of improvement against the measures:</p> <ul style="list-style-type: none"> One of the Ring-Fencing Digital Systems “PEACE” does not keep access log which can result in unauthorised access activities not being detected. An automated user access program validates PEACE system users to the Active Directory accounts database | <p>To address the results of testing we recommend that, until the replacement systems are implemented, manual reviews of existing user access to “PEACE” and other legacy Ring-Fencing applications be conducted periodically ensure there are no unauthorised users.</p> | <p>No Exception</p> |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
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| | | | <p>solely for the purposes of research by a legal entity other than a related electricity service provider of the DNSP; or</p> <p>(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> | | <p>and the employee Masterfile to validate that its users are current employees. However, a process to check that all PEACE users are authorised to have access to the system is not in place.</p> <ul style="list-style-type: none"> It was noted this is a legacy system that is being replaced as part of Energy Queensland's Digital Enterprise Building Blocks program. | | |
| 14 | Information register | 4.3.5 (a) - (c) | <p>(a) A DNSP must establish, maintain and keep a register of all:</p> <p>i. related electricity service providers;</p> <p>ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; who request access to information</p> | <p>Measure (s):</p> <ul style="list-style-type: none"> Information Register available on the Ergon website - Ring-Fencing Guidelines - Ergon Energy. Information Request Form. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the Information Register to determine whether: <ul style="list-style-type: none"> It was in place and that information disclosure is | <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 |
|-----|----------|------|---|---|--------------------|----------------|--------|
| | | | <p>identified in clause; 4.3.4(a), and must make the register publicly available 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> <p>i. identify the kind of information requested by the legal entity; and</p> <p>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> <p>(c) A legal entity may request that the DNSP include it on the information register in</p> | <p>accurate and reflects recent information sharing.</p> <ul style="list-style-type: none"> ○ It is designed to meet the requirements of the Guideline. ○ It is publicly available on the Ergon website. <ul style="list-style-type: none"> • 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 Ergon's customer-facing website to determine whether its Information Register was available for download. • Register is published are found on: Information Sharing Register - Ergon | | | |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|------------------------------|-----------|---|---|---|-------------------------------|--------------|
| | | | relation to some or all of the kinds of information 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) | <p>A DNSP:</p> <p>(a) must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with:</p> <p>i. clauses 4.1, 4.2.1,4.2.2 and 4.3.2 of the Guideline; and</p> <p>ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider</p> | <p>Measure(s):</p> <ul style="list-style-type: none"> Mandatory ring-fencing requirements are included in all service provider agreements - Schedule 6 – Ring Fencing Requirements for Service Providers. Contract templates have been updated to reflect ring-fencing requirements where applicable. Contracts register. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected Schedule 6 – Ring Fencing Requirements for Service Providers to determine whether it contained clauses or statements that provide direction to service providers of Ergon and its related bodies corporate on the Obligations under the Guideline that it must comply with under the terms of the | 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 |
|-----|------------------------------|-----------|---|---|---|-------------------------------|--------------|
| | | | was the DNSP. | <p>Contract.</p> <ul style="list-style-type: none"> From the population of Ergon’s procurement contracts, we selected a sample of procurement contracts executed during the period to determine whether: <ul style="list-style-type: none"> The ring-fencing requirements for service providers have been included (where appropriate) and The agreements have been signed and executed. | | | |
| 16 | Conduct of service providers | 4.4.1 (b) | <p>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> | <p>Measure(s):</p> <ul style="list-style-type: none"> Schedule 6 – Ring Fencing Requirements for Service Providers. Contract templates have been updated to reflect ring-fencing requirements where applicable. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected Schedule 6 – Ring Fencing Requirements for Service Providers to determine whether it contained clauses or statements that provide direction to 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 |
|-----|---|---------------|--|---|---|-------------------------------|--------------|
| | | | | <p>providers of Ergon and its related bodies corporate on the Obligations under the Guideline that it must comply with under the terms of the Contract.</p> <ul style="list-style-type: none"> From the population of Ergon’s procurement contracts, we selected a sample of procurement contracts executed during the period to determine whether: <ul style="list-style-type: none"> The ring-fencing requirements for service providers have been included (where appropriate) and The agreements have been signed and executed. | | | |
| 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 the | <p>Measure(s):</p> <ul style="list-style-type: none"> Waiver Register created and available on Ergon customer- facing website - Ergon Energy - Waiver Register <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Ergon’s customer-facing website to determine whether a Waiver | 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>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, inrelation 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 measures the DNSP proposes to undertake if</p> | <p>Register is publicly available - Ergon Energy - Waiver Register</p> <ul style="list-style-type: none"> We inspected a sample of applications in the Waiver Register to determine whether for 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. | | | |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|-----------------|---------|--|--|--|--------------------------------------|---------------------|
| | | | <p>the waiver were granted; and</p> <p>(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.</p> | | | | |
| 18 | Waiver register | 5.7 (a) | <p>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.</p> | <p>Measure(s):</p> <ul style="list-style-type: none"> Waiver Register created and available on Ergon’s customer-facing website - Ring-Fencing Guidelines - Ergon Energy. <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Ergon’s customer-facing website to determine whether a Waiver Register is publicly available - Ergon Energy - Waiver Register We cross-checked the details contained on the Waiver Register against the waiver decisions | <p>Based on the testing performed we have not identified any matters of exception.</p> | <p>There are no recommendations.</p> | <p>No Exception</p> |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|------------------------|---------|---|--|---|---|--------------|
| | | | | published on the AER website. | | | |
| 19 | Waiver register | 5.7 (b) | <p>The register established under clause 5.7(a) must include:</p> <p>i. the description of the conduct to which the waiver or interim waiver applies; and</p> <p>ii. the terms and conditions of the waiver or interim waiver; 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>Measure(s):</p> <ul style="list-style-type: none"> Waiver Register created and available on Ergon Website Ergon Energy - Waiver Register <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Ergon’s customer-facing website to determine whether a Waiver Register is publicly available. We inspected the applications in the Waiver Register to determine whether for 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 have not identified any matters of exception. | There are no recommendations. | No Exception |
| 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>Measure(s):</p> <ul style="list-style-type: none"> Ring-fencing Awareness training module has been significantly updated and rolled out. Ring-fencing training added to annual EQL Group compliance training requirements. | <p>Based on the testing performed we identified the following matter of exception against the Obligation:</p> <ul style="list-style-type: none"> 78 employees involved in the provision or | <p>To address the results of testing we recommend Management monitors completion of:</p> <ul style="list-style-type: none"> The ring-fencing | Exception |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|----------|------|----------------------|---|--|--|--------|
| | | | | <ul style="list-style-type: none"> Confidential Information Policy includes ring-fencing Obligations. Ring-fencing Breach Register is created, maintained and updated. Breach Materiality Calculator in place which assesses breaches to determine if material. Each breach is submitted with the outcomes of the materiality calculator. ring.fencing@energyq.com.au email address available for all staff to request clarifying advice on ring-fencing issues. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the Confidential Information Policy to determine EGL Groups approach to the management and handling of Confidential Information. We inspected a copy of Ergon’s Ring-fencing Breach Register to determine whether reportable breaches were classified as follows: <ul style="list-style-type: none"> Date of the breach; Reportable date of the breach; | <p>marketing of DCS did not complete the Ring-Fencing training after 12 months of the training being assigned. This can result in Ring-Fencing matters going undetected.</p> <ul style="list-style-type: none"> It was noted that this is a reoccurring observation from the previous independent review. | <p>awareness training module by the 78 identified employees in a timely manner.</p> <ul style="list-style-type: none"> Ring-fencing awareness training by existing employees within an agreed and acceptable timeframe. Ring-fencing awareness training by new employees, seconded and transferred employees prior to performing new duties. | |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|----------|------|----------------------|---|--------------------|----------------|--------|
| | | | | <ul style="list-style-type: none"> ○ The nature and cause of the breach; ○ Impacts of the breach; and ○ Remediation activities to address the breach. • We inspected the Reporting Potential Ring-fencing Breaches Guidance for Ergon staff to determine whether it provides guidance to EQL staff on how to identify, and escalate for investigation, potential breaches of the Guideline. • We inspected Ergon’s Breach Materiality Calculator to determine whether its suitability for supporting employees with maintaining compliance with the Obligations. • From the population of ring-fencing business enquiries, we inspected a sample of emails sent to ring.fencing@energyq.com.au to determine the types of enquiries made by employees and the responses provided to employees to support maintaining compliance with the Obligations. | | | |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|--------------------------|--------------------|---|---|---|-------------------------------|--------------|
| | | | | <ul style="list-style-type: none"> From the population of Ergon’s complaints, we selected a sample to determine whether potential ring-fencing reportable/missed breaches were contained in the Register. | | | |
| 21 | Annual compliance report | 6.2.1 (a), (b) (c) | <p>A DNSP must prepare an annual ringfencing compliance report each regulatory year.</p> <p>The annual compliance report must 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;</p> <p>iii. all other services provided by the DNSP in</p> | <p>Measure(s):</p> <ul style="list-style-type: none"> Annual Compliance Report 2019/20. Annual Compliance Report 2019/20 exceptions. Ring-fencing Breach Register is created, maintained and updated. Breach Materiality Calculator in place which assesses breaches to determine if material. Each breach is submitted with the outcomes of the materiality calculator. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected a copy of Ergon’s Annual Compliance Report 2019/20 to determine it addresses points (i) to (iv) of the Obligation and that the disclosures are consistent with our expectation based on the | 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>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 independent authority.</p> | <p>reasonable assurance procedures performed.</p> <ul style="list-style-type: none"> • We inspected the Annual Compliance Report 2019/20 to determine whether all open exceptions were addressed in the scope period. • We inspected a copy of Ergon’s Ring-Fencing Breach Register to determine if reportable breaches were classified as follows: <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 Ergon’s Breach Materiality Calculator to determine its suitability for supporting employees with identifying and subsequently reporting material breaches within 5 business days. | | | |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|---------------------|------|--|---|--|---|--------------|
| 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"> • Ring-fencing breach register is created, maintained, and updated. • Breach notification and reporting procedure in places. • Customer feedback and Ombudsman enquiry. • Breach Materiality Calculator in place which assesses breached to determine if material. Each breach is submitted with the outcomes of the materiality calculator. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected a copy of Ergon’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. • The breaches recorded in the Ring-fencing Breach Register are reported in the Draft Compliance Report. | <p>Based on the testing performed we identified the following matters of improvement against the measures:</p> <ul style="list-style-type: none"> • Breaches during the review period were investigated internally and reported in the annual compliance draft report. • None of these breaches were reported to the AER on the basis that they were immaterial. • Materiality Calculation Matrix was completed for each breach reported to determine status of materiality. Additional documentation to support the decision making process behind these calculations was not sighted. Additionally, process | <p>To address the results of testing we recommend:</p> <ul style="list-style-type: none"> • Management report all breaches regardless of materiality effective 03/02/2022 in line with Version 3 of the Guideline. | No Exception |

| No. | Category | Ref. | Guideline Obligation | Measures and Testing | Results of Testing | Recommendation | Rating |
|-----|----------|------|----------------------|---|---|----------------|--------|
| | | | | <ul style="list-style-type: none"> We inspected compliance breaches during the period against feedback received by customers via the call centre and Ombudsman (Customer Stories) to determine whether ring-fencing breaches were considered and subsequently reported in accordance with the Guideline. | <p>documentation did not include the requirement to complete the Materiality Calculation Matrix as part of the breach reporting process.</p> <ul style="list-style-type: none"> There is no process to ensure documentation evidencing involvement of the Regulatory Team in the decision-making process is retained in an easily retrievable manner. It is noted Version 3 of the Guideline requires the DNSPs to report all breaches regardless of materiality. | | |

Appendix A: Management Response

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

| No. | Category | Ref. | Guideline Obligation | Results of Testing | Rating | Material Breach | Management Comments |
|-----|---------------------------|---------------|--|--|-----------|-----------------|--|
| 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. | Based on the testing performed we identified the following matter of exception against the Obligation: <ul style="list-style-type: none"> 78 employees involved in the provision or marketing of DCS did not complete the ring-fencing training after 12 months of the training being assigned. This can result in ring-fencing matters going undetected. | Exception | No | Management will ensure all required staff complete their training. Additional monitoring controls will be established to support the effective oversight of Ring-Fencing training. |
| 20 | Maintaining compliance | 6.1 | A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline. | <ul style="list-style-type: none"> It was noted that this is a reoccurring observation from the previous independent review. | Exception | No | The updated ring-fencing awareness training has since been moved into the new learning platform and this will improve management oversight of training completion by staff. |
| 13 | Disclosure of information | 4.3.3 (a)-(g) | A DNSP must not disclose confidential electricity information to any person , including a related electricity service provider, unless: the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom | Based on the testing performed we identified the following matter of exception against the Obligation: <ul style="list-style-type: none"> One (1) employee who transferred from performing services on behalf of a DCS to a RESP on 26/07/2021 had access to one higher-risk risk-fencing | Exception | No | Ergon will review the processes in place to ensure user access is removed or adjusted in a timely manner for transferring employees. Digital are currently reviewing the processes in place to ensure user access is removed or adjusted in a timely |

| No. | Category | Ref. | Guideline Obligation | Results of Testing | Rating | Material Breach | Management Comments |
|-----|----------|------|---|--|--------|-----------------|---|
| | | | <p>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, 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>the disclosure is solely for the purpose of providing assistance to another Network Service Provider in response to</p> | <p>digital system after the secondment date.</p> <ul style="list-style-type: none"> • It was noted that the employee did not access the Ergon Energy system after the transfer date. • However, there was an opportunity to access the system during the period which is considered a breach. • It was confirmed that this breach has been recorded in the Ergon Breach Register for inclusion in the 2022 report; and reported to the Regulator. | | | <p>manner for transferring employees.</p> <p>The breach reporting process is also being reviewed.</p> |

| No. | Category | Ref. | Guideline Obligation | Results of Testing | Rating | Material Breach | Management Comments |
|-----|----------|------|--|--------------------|--------|-----------------|---------------------|
| | | | <p>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 other than a related electricity service provider of the DNSP; or</p> <p>(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> | | | | |