



Jemena Electricity Networks (Vic) Ltd

Ring-fencing - Annual Compliance Report

2019 calendar year



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1. Overall compliance statement

Throughout the 2019 regulatory year, Jemena Electricity Networks (Vic) Ltd. (**JEN**) has maintained the compliance controls as described in Section 2 and Appendix A of this Report.

JEN considers it has complied with the Australian Energy Regulators (**AER**) Ringfencing Guideline (**Guideline**) obligations for the 2019 regulatory year with the exception of breaches reported to the AER as set out in Section 2.4.

2. Reporting details

2.1 Maintaining and establishing compliance

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

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

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

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

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

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

2.2 Reporting period

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

JEN has compiled this requirement by submitting this Report, based on data from the regulatory year of 1 January 2019 to 31 December 2019, by 30 April 2020. Refer to section 1.2 for a statement on JEN's overall compliance.

JEN has implemented processes that will require responsible persons within Jemena to complete their compliance responses by 30 November in the reporting year, to allow adequate time for this report to be prepared, validated and assessed by an independent authority during March and April. This will enable JEN to prepare and submit its Report, with due care and skill, in accordance with the Guideline.

To complete their compliance responses, the responsible persons need to certify that they are currently compliant and have complied since they last reported with the requirements of the obligation as well as the effective compliance measures are maintained to ensure future compliance. In this context, we note our enhanced approach to staff training conducted during 2019.

2.3 Measures to ensure compliance

Clause 6.2.1(b)(i) of the Guideline requires that the annual compliance report must identify and describe, in respect of the regulatory year, the measures the DNSP has taken to ensure compliance with its obligations under the Guideline.

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

In 2017, a dedicated project team in conjunction with relevant business owners implemented the required process and system changes to comply with the Guideline.

During the course of the implementation project, an independent authority was engaged to perform a gap analysis ("gap analysis review") to consider whether the controls identified and developed to achieve compliance would reasonably achieve compliance once implemented and operating effectively. Findings raised by the independent authority during the gap analysis review were addressed by JEN in November 2017.

This review further supported and reflected JEN's commitment to compliance, and JEN was accordingly able to demonstrate full compliance with the Guideline as at 31 December 2017.

As part of the implementation project, Guideline compliance controls were also embedded in JCARS. Through this system, Guideline obligations have been assigned to responsible persons, and all responsible persons are required to complete a compliance review and certification relating to their assigned obligation(s) within specified timeframes.

Appendix A sets out listed controls are in place and effective in demonstrating JEN's compliance to its electricity ring-fencing obligations.

As the Guideline's obligations are now embedded in the company-wide compliance program, they are reviewed periodically (via responsible persons and via assurance activities carried out by Jemena compliance functions), as is the case for all obligations in the JCARS system, to ensure continued monitoring and compliance. Since December 2019 the Guideline obligations in JCARS have been progressively reviewed to ensure continued accuracy and relevance and where appropriate updated or reassigned.

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

In 2019, JEN has maintained these compliance measures and further enhanced some of the compliance controls. Several of these enhancements reflect learnings from breach investigations and continue to be scoped and refined for implementation during 2020. The 2019 compliance activities are set out in **Appendix B**.

2.4 Reporting details

Clause 6.2.1(b)ii of the Guideline requires DNSPs to report any breaches of the Guideline by the DNSP, or which otherwise relate to the DNSP.

During the year, JEN reported 4 breaches to the AER as outlined in Table 2–1.

Table 2–1: Breaches reported during 2019 regulatory year

Obligation	Materiality as assessed by AER	Date reported	Further details
Physical separation (cl. 4.2.1)	Not material	14/10/19	Following an staff movement to a RESP of JEN, an employee retained inappropriate access to a JEN secure location for 3 days. Breach identified through internal controls.
Confidential information protection (cl. 4.3.2)	Not material	14/10/19	Following an staff movement to a RESP of JEN, an employee retained inappropriate access to JEN confidential information for 4 days. Breach identified through internal controls.
Disclosure of information (cl. 4.3.3)	Material	5/11/19	An employee emailed JEN confidential information to a third party. The third party did not use the information for any purpose and deleted electronic records of the information. Breach identified by an employee who was copied on the email in question.
Physical separation (cl. 4.2.1)	Material	21/11/19	In rectifying the 14/10/19 physical separation breach, it was identified that 4 other roles classified as “RESP” for ring-fencing had access to JEN secure locations for varying periods of time. This access was removed.

2.5 Other services provided by JEN

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

During the 2019 regulatory year, JEN did not provide any other services.

2.6 Transaction report

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

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

Throughout 2019, JEN also had a limited number of transactions with the following affiliated entities: SGSPAA, Jemena Limited, Jemena Gas Networks (NSW) Ltd and ZNX (2) Pty Ltd.

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

Further costing details are also summarised in **Appendix C**.

3. Independent assessment of compliance

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

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

Appendix A

Measures to ensure compliance

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	Control Name	Description	AER Guideline Obligation Clause Reference											
			3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Maintain Accounts	Cost Allocation	Non Discrimination	Physical separation	Staff Sharing	Branding and Cross Promotions	Office and Staff Registers	Information	Service Provider Conduct	Waiver	Compliance
1	Electricity Ring Fencing Compliance Manual	<p>What it is: Detailed manual that describes how Jemena has applied, and implemented practices to ensure JEN adheres to the Guideline.</p> <p>How it demonstrates and supports compliance with obligations: The manual has been written and reviewed by Jemena Regulatory and Legal employees to set out the basis of how the Guideline is applied and interpreted by Jemena/JEN.</p> <p>This demonstrates Jemena establishing internal procedures and knowledge to ensure compliance with obligations under the Guideline. Currency and relevance of this manual is achieved by an annual review, as well as amendment change events such as breaches, organisational changes, establishment of new businesses, waiver expiries/grants and revisions of the Guideline.</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2	Jemena Code of Conduct	<p>What it is: Jemena's Code of Conduct document explains the standard of behaviour that is required from staff members to act in</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

		<p>accordance with our values, comply with all relevant laws and regulations and operate in accordance with our desired culture of good corporate governance and compliance. The Code of Conduct relevantly includes a section specifically on ring fencing.</p> <p>How it demonstrates and supports compliance with obligations: Employment contracts for Jemena staff require compliance with the Code of Conduct.</p>											
3	Compliance Training	<p>What it is: We implemented appropriate staff training during the course of the year. In the first part of 2019, Jemena rolled out a training module to all staff which was completed by around 530 staff. During Q4 2019, following staff feedback and root cause analysis of breaches, this training was discontinued in favour of a more effective approach to training that involved face-to-face classroom style presentations and Q&A sessions with staff that has specific obligations to be aware of in performing their day to day role. (e.g. physical separation, information protection)</p> <p>How it demonstrates and supports compliance with obligations: The training program improvement (moving to more intensive training of key staff members) demonstrates our compliance culture of continuous improvement and responsiveness to root cause assessment. Jemena will continue to review its approach to training in 2020.</p>				✓	✓	✓	✓		✓		
4	Organisation Framework Design and associated	<p>What it is: Provides the business with an overview of the organisational framework at Jemena.</p> <p>It is used to assist decision making in changes to roles and organisational structures. This</p>	✓					✓					

assessment templates	<p>framework includes reference to how electricity ringfencing obligations apply to processes and decisions related to the Organisational Structure.</p> <p>Associated templates to assess impact also provide guidance to ensure that JEN designated roles and functions are identified and treated accordingly to the Guideline.</p> <p>How it demonstrates and supports compliance with obligations: In terms of electricity ring-fencing, it reinforces how organisation changes need to consider functional separation and staff sharing / separation obligations.</p>															
5 Contracting and Procurement Entity Procedure	<p>What it is: This procedure provides guidance on determining the appropriate contracting entity for the procurement of goods and services, revenue agreements and land agreements.</p> <p>How it demonstrates and supports compliance with obligations: In terms of electricity ring fencing, it provides instructions to use the appropriate legal entity for the procurement of goods and services, revenue agreements and land agreements, as relevant to JEN and / or affiliated entities providing contestable electricity services. It includes guidance on electricity ring fencing considerations.</p>	✓	✓													
6 Time writing business rules	<p>What it is: These documents provide staff with an overview of the rules and instructions relating to time writing for work.</p>		✓	✓												

	and activity list codes	<p>How it demonstrates and supports compliance with obligations: It supports adherence to Cost Allocation Methodologies which in turn supports JEN in maintaining separate accounts.</p> <p>As part of Jemena’s continuous improvement process, the cost allocation methodologies (CAM) are periodically reviewed to ensure that costs are appropriately allocated to its Asset Portfolio.</p>											
7	Transaction Report	<p>What it is: Report generated from SAP to identify and list JEN transactions to ensure transactions are raised in line with the CAM and cost allocation principles (CAP).</p> <p>How it demonstrates and supports compliance with obligations: Demonstrates all transactions between JEN and an affiliated entity</p>	✓	✓									
8	Secondment Guideline	<p>What it is: A guideline regarding how to manage issues relating to secondments (e.g. email, share drive access, cost centre allocations) in instances where personnel transfer from JEN to another role within Jemena particularly in the cases where the secondment is to support a RESP business).</p> <p>How it demonstrates and supports compliance with obligations: In terms of ring-fencing, this document provides guidance and clarifies responsibilities to ensure confidential electricity information is not inadvertently provided to an RESP as a consequence of staff secondments.</p>					✓			✓			
9	JEN Electricity Confidential Guideline	<p>What it is: This guideline articulates how to determine what is JEN confidential information and specifies associated rules relating to information sharing, taking into account</p>								✓			

		<p>Guideline requirements. This guideline will be merged with the Ring-Fencing Manual in 2020.</p> <p>How it demonstrates and supports compliance with obligations: This document demonstrates the establishment of internal knowledge and procedural information to ensure JEN complies with its obligations as regards confidential information under the Guideline.</p>											
10	JEN Information Sharing protocol	<p>What it is: Protocol and tools (register, process and request forms) outlining how JEN maintains and manages its obligations regarding</p> <ul style="list-style-type: none"> - Sharing Information with RESPs and other contestable electricity service providers; and - Obtaining customer consent to sharing of information. <p>How it demonstrates and supports compliance with obligations: This document demonstrates the establishment of internal knowledge and procedural information to ensure JEN complies with information sharing protocol obligations under the Guideline. This protocol will be merged with the Ring-Fencing Manual in 2020.</p>											✓
11	Fleet Asset Class Strategy	<p>What it is: This document provides guidance when “procuring, managing and disposing of fleet and plant equipment that is owned, leased and operated by our business.</p> <p>How it demonstrates and supports compliance with obligations: In terms of electricity ring-fencing, it specifies rules to</p>											✓

		restrict JEN procuring assets on behalf of a RESP.											
12	Contractor Management Procedure	<p>What it is: This document is used by Jemena Contract Managers who are responsible for ensuring that each contractor delivers to the requirements of the contract and minimising the risks to Jemena associated with this delivery.</p> <p>How it demonstrates and supports compliance with obligations: In terms of Electricity Ringfencing, this document puts in place procedures to ensure that relevant obligations in the Guideline are extended to contractors, in cases where the contractor is involved in supporting JEN to provide direct control services.</p>				✓						✓	
13	Asset Management Strategy	<p>What it is: This document provides a consistent, collaborative and integrated approach to the activities undertaken to manage the lifecycle of assets.</p> <p>How it demonstrates and supports compliance with obligations: In terms of Electricity Ringfencing this document provides for regulated assets to be managed in line with regulatory requirements so that cross promotion and cross subsidy does not occur.</p>			✓	✓			✓				
14	Scheduling Principles within Guidelines	<p>What it is: These principles have been documented and embedded in operational guidelines that work to ensure that JEN does not discriminate in the way it supplies (or markets) its direct control services between services supplied to RESPs and customers of RESPs and services supplied to competitors of those RESPs (and their customers).</p> <p>How it demonstrates and supports compliance with obligations: This demonstrates the establishment of internal</p>				✓		✓					

		knowledge and procedural information to ensure compliance with non-discrimination obligations under the Guideline.												
15	Procurement Policy	<p>What it is: The policy provides a framework to efficiently and effectively procure goods and services; provide guidance on roles and responsibilities of employees undertaking procurement activities; and detail the core principles that underpin those procurement activities.</p> <p>How it demonstrates and supports Jemena’s compliance with its obligations: In terms of Ringfencing, this policy puts in place procedures to procure goods and services.</p>				✓								
16	Accountability Model and End to End Processes	<p>What it is: The Accountability Model is a tool related to Jemena’s Enterprise Process Model (EPM). It provides a single source of truth for accountabilities across the business.</p> <p>The End to End processes is a tool related to Jemena’s Enterprise Process Model (EPM). Jemena’s 4 core End to End processes are Construction process, Maintenance process, Fault & Emergency process and Customer, Metering & Billing process.</p> <p>How it demonstrates and supports compliance with obligations: In terms of Electricity Ringfencing, it documents obligations in terms of staff/employee responsibilities (for example, of relevance to staff sharing).</p>						✓						
17	Waiver Register	<p>What it is: The Waiver Register published on Jemena’s website (click here) outlines all approved waivers of the Guideline.</p>											✓	

		<p>The compliance manual (Control 1 in this table) articulates responsibilities for the application process.</p> <p>How it demonstrates and supports compliance with obligations: This demonstrates the establishment of internal knowledge and procedural information to ensure compliance with the register obligations under the Guideline.</p>											
18	Staff Registers	<p>What it is: The Staff Register published on Jemena’s website identifies staff that may be shared between the provision of direct control services and contestable electricity services.</p> <p>The compliance manual (Control 1 in this table) articulates how, by who and when this register is reviewed and updated.</p> <p>How it demonstrates and supports compliance with obligations: This demonstrates establishment of internal knowledge and procedural information to ensure compliance with register obligations under the Guideline.</p>											
19	Office Register	<p>What it is: The Office Register published on Jemena’s website (click here) identifies Jemena premises dedicated to providing direct control services.</p> <p>The compliance manual (Control 1 in this table) articulates how, who and when this register is reviewed and updated.</p> <p>How it demonstrates and supports compliance with obligations: This demonstrates establishment of internal knowledge and procedural information to ensure compliance with register obligations under the Guideline.</p>											

20	Physical Separation	<p>What it is: Any personnel involved in provision or marketing of Contestable Electricity Services are not permitted to access office secure areas where JEN dedicated staff work.</p> <p>This is reflected in Jemena’s site manual, access restrictions (security access card) and requests forms (Onboarding checklist).</p> <p>How it demonstrates and supports compliance with obligations: This demonstrates establishment of procedural information and physical controls to ensure compliance with physical separation and information sharing obligations under the Guideline.</p>					✓						✓					
21	Checklist for publishing content on internet and intranet	<p>What it is: A checklist for determining whether information is suitable to be published on the Jemena website or on the intranet.</p> <p>How it demonstrates and supports compliance with obligations: This demonstrates establishment of, and embedding, procedural information to support information protections and cross promoting obligations. In establishing these checklists, both Jemena’s website and intranet site were reviewed to ensure compliance.</p>							✓				✓					
22	Brand Separation	<p>What it is: The Ovida brand has been established as the brand of Jemena’s RESP.</p> <p>Review of the external website has been conducted to ensure that Ovida is not promoted as part of the Jemena brand (which is associated with the delivery of direct control services). In addition, staff working in contestable electricity services are separated</p>							✓									

		<p>from JEN dedicated staff, and required to contact and communicate with customers via 'Ovida' branded emails. This is reinforced in the onboarding checklist.</p> <p>How it demonstrates and supports compliance with obligations: This demonstrates establishment of a separate RESP brand.</p>											
23	Compliance Reporting	<p>What it is: A compliance reporting process has been established, implemented and documented to facilitate the compilation, assessment and sending of this report to AER each year in line with the Guideline's requirements.</p> <p>The applicable Guideline obligations are logged in JCARS (obligation register), with the JCARS system periodically alerting responsible persons to assess and confirm compliance.</p> <p>This process is part of the annual certification process which also enables staff to receive assurance they understand and are appropriately managing their regulatory obligations.</p> <p>In addition, responsible persons are to log and treat breaches in JCARS in line with the Jemena breach reporting process.</p> <p>How it demonstrates and supports compliance with obligations: This demonstrates establishment of, and embedding, procedural information to support this business in maintaining and reporting on its compliance.</p>											✓
24	Financial statement preparation and audit	<p>What it is: Preparation by management and audit (reasonable assurance) by an independent registered company auditor of financial statements of:</p>	✓	✓									

	<ul style="list-style-type: none"> • the SGSPAA Group • stand alone financial statements for JEN and Jemena Gas Networks (JGN) • financial and non financial information disclosures in accordance with Regulatory Information Notices for JEN and JGN • summary financial information for certain gas pipeline entities/service providers within the SGSPAA group (GMRG information disclosures) . <p>How it demonstrates and supports compliance with obligations:</p> <p>This demonstrates establishment and embedding financial control across the SGSPAA group and entities within, with application of standard cost allocation principles amongst group entities. Annual independent audit conducted to support management's internal monitoring and compliance framework.</p>																
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Appendix B

2019 compliance initiatives

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The following table sets out compliance improvement activities for the regulatory year.

Table Error! No text of specified style in document.–1: Compliance improvement activities initiated during the 2019 regulatory year

Obligation	Improvement Activity	Status as at 31 December 2019
All	<p>Training</p> <p>The Regulatory Compliance Team undertook ring-fencing refresher training in February 2019 for Ovida representatives. During November 2019 the SGSPAA leadership team were briefed on ring-fencing requirements and tailored ring-fencing protocols for external interactions.</p> <p>Between October and December 2019, the Regulatory Compliance Team conducted enhanced face-to-face training for high compliance risk teams including ED Strategy and Commercial, ED Asset Management, Digital and Corporate Affairs and Marketing. This training largely replaced the online corporate training which is currently under review.</p> <p>The 2019 training focussed less on the theory of ring-fencing and technical concepts (per the previous training), and more on plain English actionable guidance to staff to ensure compliance was maintained. As a result of the information disclosure breach, this training stressed the importance of keeping JEN customer and network information confidential and not disclosing it unless required to deliver direct control services. Training videos are currently in development which emphasise this requirement.</p> <p>The Digital ServiceNow team (team responsible for actioning IT change requests) was specifically trained recognising their key role as the facilitator of staff access to SGSPAA (and JEN) IT systems. The Corporate Affairs and Marketing teams were also trained recognising their key role in corporate branding decisions, and presenting the Jemena, JEN and Ovida brands external (e.g. via media or external events).</p>	Complete
Co-branding / cross-promotion	<p>Business card review</p> <p>Following an newly-hired Ovida representative incorrectly ordering Jemena-branded business cards, and in line with auditors' findings to review detective control opportunities, Jemena reviewed its business card controls. This involved a two-step process to identify:</p> <ul style="list-style-type: none"> • for current Ovida representatives – ensuring they had access to Ovida business cards only; • for new Ovida representatives – ensuring the business card ordering process had appropriate warnings to ensure that these new employees did not inadvertently order (and use) Jemena business cards. <p>The intranet portal which is utilised to order business cards was updated to include a ring-fencing warning.</p>	Complete

Obligation	Improvement Activity	Status as at 31 December 2019
Information protection	<p>ECMS access review</p> <p>In line with auditors' findings to review detective control opportunities,, Jemena reviewed Ovida representative access to a key repository of JEN customer and network information (Jemena's Enterprise Content Management System (ECMS)). This review confirmed that Ovida representatives did not have access to the section of ECMS used by our Electricity Distribution functional group which supports JEN.</p>	Complete
Physical Separation	<p>Review of desks available on Level 15</p> <p>Level 15, 567 Collins St is one of JEN's secure locations. Staff that needed to be located in this area advised the Regulatory Compliance Team that desk space was becoming more limited. This might prompt staff who do (and should) work from this floor to work from another (unsecure) floor. The Regulatory Compliance Team engaged with management support staff located on that floor who advised that floor space was adequate. The Regulatory Compliance Team conducted a visual inspection of the floor and observed that there were sufficient desks available.</p>	Complete
All	<p>Zinfra status as an affiliate</p> <p>Shortly after commencement of the Guideline, JEN requested that Zinfra (an affiliate) advise JEN should it commence the provision of contestable electricity services itself, or provide services to support the provision of contestable electricity services. During the 2019 regulatory year, JEN reviewed certain Zinfra service contracts to assess whether Zinfra had commenced provision of contestable electricity services and become a RESP. This review found that Zinfra had not commenced provision of contestable electricity services, however had come relatively close. Therefore JEN considered it prudent to implement additional preventative controls. From December 2019, the Jemena Regulatory Compliance Team reviews the gating documentation of Zinfra's Commercial Review Committee to ensure that if Zinfra does intend to bid for the provision of contestable electricity services in the future, ring-fencing controls can be implemented prior to this occurring.</p>	Complete
Multiple	<p>AER review of 2018 compliance report</p> <p>The AER requested further information in relation to certain ring-fencing matters following the 2019 audit of the 2018 regulatory year. This included information in relation to cost allocation and physical separation controls. This information was provided by the due date.</p>	Complete
Physical separation and information protection	<p>Physical and IT access control framework</p> <p>In November 2019 JEN initiated a wide-ranging review of its ring-fencing compliance control framework particularly to identify options to replace manual controls with automated solutions. This review also implemented immediate (short-term) hypercare measures that require the Regulatory Compliance Team to review and approve all IT system requests made by employees that are tagged by IT as holding Ovida roles. The Regulatory Compliance Manager also reviews and approves all internal staff transfers between Jemena and Zinfra.</p>	In-flight. Expected to be completed Q3 2020.

Obligation	Improvement Activity	Status as at 31 December 2019
All	<p>Compliance manual</p> <p>In November 2019 JEN initiated a holistic review of its internal compliance manual following an organisational restructure. This review was to capture changes in roles arising from the restructure and also compliance lessons learnt during 2019.</p>	<p>In-flight.</p> <p>Finalised Manual (version 2) expected end-March 2020.</p>
Staff sharing register	<p>Staff sharing</p> <p>In December 2019 JEN commenced a review of roles following the corporate restructure to ensure it met its obligations to maintain the published staff sharing register. This review involved a detailed assessment of Zinfra and Electricity Distribution roles in particular. This review commenced in late 2019 following a major restructure and was finalised in February 2020 and a new register published on 18 February 2020.</p>	<p>In-flight.</p> <p>Updated register published February 2020.</p>

Appendix C Transactions Report

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Affiliated Entity	Cost Type	Nature of the Services Provided	Cost	Transaction Description and Purpose
JAM	Labour	All operational, network construction and non-network services, focusing on maintenance and operational network services, non-network, management and corporate support services such as Finance, HR and Legal.	47,161,785	Comprises direct labour time-writing to JEN projects and work activities using Cross Allocation Time Sheets (CATS) in Jemena's SAP system. Direct labour costs includes: Wages; Overtime; Allowances; Superannuation and defined benefit plan costs; Medical charges; Staff training; Welfare expenses; Personnel insurance; Uniforms & clothing; Annual, long service, personal and other types of leave; Payroll tax. Indirect labour costs are recovered as either Network or Corporate Overheads.
JAM	Material	As above	7,594,674	Material comprises costs that are direct: Direct acquisitions; Goods issued; and Other miscellaneous material costs. Indirect material costs are recovered as either Network or Corporate Overheads.
JAM	Contractor	As above	117,985,286	Contractor comprises cost that are direct: Contractor costs; and Consulting costs, in each case where JAM has engaged contractors to perform works or services in relation to JEN's network
JAM	Maintenance and Transmission	All operational, maintenance for network and non-network services, including the recording of the transmission type costs	72,447,912	Maintenance comprises work including the following: Feed-in Tariff; Transitional Feed-in Tariff; Use of System; Cross boundary charges; Grid Connection charges; Property tax; Maintenance Building & grounds and computer equipment; Security measures; Maintenance fees.

JAM	Administration	Provision of administration type services for the capex and operational activities.	2,051,909	Administration comprises work items of a back office /support nature that are directly attributable to JEN projects and work activities, such as: Office supplies; Utilities; External audit services; External legal services; Other professional fees & expenses; Licence fees (excluding motor vehicle rego fees); Subscriptions & registrations; Telephone, postage and courier service costs; Rental costs; Insurance (other than motor vehicle and personnel); Meter reading fees. In most cases, Administration costs are indirect in nature and recovered as Network or Corporate Overheads.
JAM	Fleet	Provision of fleet type services for the capex and operational activities.	3,457,367	Fleet costs comprises those that are directly attributable to JEN projects and work activities, such as: Fleet charges; Vehicle and major equipment maintenance; Fuel costs; Lease expense; Registration and third party costs; Unrecovered accident costs; Insurance. In most cases, Fleet costs are indirect in nature and recovered as Network Overheads.
JAM	Other	Provision of miscellaneous type services for the capex and operational activities.	2,000,787	This category comprises work items that are attributable to JEN projects and work items, such as: Tender expenses; Management fees; Marketing services; Travel and Accommodation expenses; Minor equipment. In most cases, other costs are indirect in nature and recovered as Network or Corporate Overheads.
JAM	Network Overheads	Provision of property, engineering and program management support type services for the capex and operational activities.	14,980,049	Network overheads comprise indirect costs that are recovered to capex or opex projects using costing sheets and assessment cycles in SAP. These costs consist of: Direct Support Allocations (DSA) (indirect labour recoveries); Non labour recoveries (such as Indirect materials, Indirect contractor costs, Indirect maintenance other, Administration costs and Other costs) Property recoveries; Store Recoveries; and Fleet costs.
JAM	Corporate Overheads	Provision of administration type services for the capex and operational activities.	14,375,417	Corporate overheads comprise indirect costs that are recovered to JEN capex or opex projects using costing sheets and assessment cycles in SAP. These costs consist of: Indirect labour recoveries; and Non labour recoveries (such as indirect materials, indirect contractor costs, indirect maintenance other, administration costs).

JAM	Settlement of receivables / payables	n/a	(357,961,320)	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
Jemena Ltd	Settlement of receivables / payables	n/a	434,474,738	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
SGSPAA	Settlement of receivables / payables	n/a	(38,765,480)	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
Jemena Gas Networks (NSW) Ltd	Settlement of receivables / payables	n/a	(1,109,718)	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
ZNX (2) Pty Ltd	Settlement of receivables / payables	n/a	(1,826)	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.