



Jemena Electricity Networks (Vic) Ltd

Ring-fencing - Annual Compliance Report

2020 regulatory year



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Ring-fencing - Annual Compliance Report

Contact Person

Brad Parsons
Regulatory Compliance Manager
Ph: (03) 9173 8397
brad.parsons@jemena.com.au

Jemena Electricity Networks (Vic) Ltd

ABN 82 064 651 083
Level 16, 567 Collins Street
Melbourne VIC 3000

Postal Address

PO Box 16182
Melbourne VIC 3000
Ph: (03) 9713 7000
Fax: (03) 9173 7516

1. Overall Compliance Statement

Throughout the 2020 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**) Ring-fencing Guideline (**Guideline**) obligations for the 2020 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 complied with this requirement by submitting this Report, based on data from the regulatory year of 1 January 2020 to 31 December 2020, by 30 April 2021. 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 assessor during March and April. This will enable JEN to prepare and submit its Report, with due care and skill, in accordance with the Guideline.

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

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

2.3 Measures to ensure compliance

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

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

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 assessor 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 assessor 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 the controls JEN has in place and how these are effective in demonstrating JEN's compliance to its electricity ring-fencing obligations.

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

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

In 2020, JEN has maintained these compliance measures and utilised learnings from breach investigations and observations from the independent review of our 2019 Ring-fencing Annual Compliance Report to further enhance our compliance controls. The 2020 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 3 breaches to the AER as outlined in Table 2-1.

Table 2–1: Breaches reported during 2020 regulatory year

Obligation	Materiality as assessed by AER	Date reported	Further details
Cross promotion (cl. 4.2.3)	Not material	28/02/2020	An employee forwarded an internal email relating to a promotion being run by a RESP of JEN to an external party from their Jemena email account. Breach identified through internal controls.
Physical separation (cl. 4.2.1)	Not material	05/03/2020	A JEN employee who is required to work within a secure location worked part time for three weeks on a project that was outside the secured area. Breach identified through internal controls.
Physical separation (cl. 4.2.1)	Not material	03/04/2020	A new employee of a RESP of JEN was assigned inappropriate access to a JEN secure location for 1 day. The employee's access pass was remediated in May but access to the building was prevented from the day the breach was identified due to Covid workplace restrictions. Breach identified through internal controls.

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 2020 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 Enterprise Resourcing Platform (**ERP**) system.

Throughout 2020, JEN also had a limited number of transactions with the following affiliated entities: SGSPAA, Jemena Limited, Jemena Gas Networks (NSW) Ltd and ZNX (2) Pty Ltd.

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

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

3. Independent assessment of compliance

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

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

Appendix A

Measures to ensure compliance

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	Control Name	Description	AER Guideline Obligation Clause Reference											
			3.1a	3.2a	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	Waivers	Compliance & enforcement
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 accordance</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

	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	Waivers	Compliance & enforcement
		<p>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 enhanced staff ring-fencing training during the course of the year. In the first part of 2020, Jemena conducted face to face training for key user groups within the business. Toward the middle of the year, video training was rolled out which was completed by 1,258 staff.</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 2021.</p>				✓	✓	✓	✓		✓			
4	Organisation Framework Design and associated	<p>What it is: Provides the business with an overview of the organisational framework at Jemena.</p>	✓						✓					

	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	Waivers	Compliance & enforcement
	assessment templates	<p>It is used to assist decision making in changes to roles and organisational structures. This framework includes reference to how electricity ring-fencing obligations apply to processes and decisions related to the Organisational Structure. 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</p>	✓	✓										

	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	Waivers	Compliance & enforcement
		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.												
6	Time writing business rules and activity list codes	<p>What it is: These documents provide staff with an overview of the rules and instructions relating to time writing for work.</p> <p>How it demonstrates and supports compliance with obligations: It supports adherence to Cost Allocation Methodologies (CAM) which in turn supports JEN in maintaining separate accounts.</p> <p>As part of Jemena's continuous improvement process, the CAM are periodically reviewed to ensure that costs are appropriately allocated to its Asset Portfolio.</p>		✓	✓									
7	Transaction Report	<p>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 Procedure and Checklist	<p>What it is: A procedure and checklist regarding how to manage issues relating to secondments (e.g. email, share drive access, cost centre</p>						✓			✓			

	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	Waivers	Compliance & enforcement
		<p>allocations) in instances where personnel transfer from JEN to another role within Jemena (or vice versa) particularly in the cases where the secondment is to support a RESP business).</p> <p>How it demonstrates and supports compliance with obligations: In terms of ring-fencing, these documents 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 Guideline requirements. This guideline was merged with the Ring-Fencing Manual in the May 2020 update.</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>									✓			

	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	Waivers	Compliance & enforcement
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>This protocol was merged with the Ring-Fencing Manual in the May 2020 update but remains on Jemena’s website to assist external parties understand JEN’s protocol.</p> <p>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.</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 restrict JEN procuring assets on behalf of a RESP.</p>									✓			

	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	Waivers	Compliance & enforcement
12	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 Ring-fencing this document provides for regulated assets to be managed in line with regulatory requirements so that cross promotion and cross subsidy does not occur.</p>			✓	✓				✓				
13	Non Discrimination Principles	<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 knowledge and procedural information to ensure compliance with non-discrimination obligations under the Guideline.</p>				✓		✓						

	Control Name	Description	AER Guideline Obligation Clause Reference												
			3.1a	3.2a	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	Waivers	Compliance & enforcement	
14	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 Ring-fencing, this policy puts in place procedures to procure goods and services.</p>				✓						✓	✓		
15	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>Jemena's Enterprise Process Model (EPM) documents Jemena's 4 core End to End processes; (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 Ring-fencing, it documents obligations in terms of staff/employee responsibilities (for example, of relevance to staff sharing).</p>						✓							
16	Waiver Register	<p>What it is: The Waiver Register published on Jemena's website (click here) outlines all approved waivers of the Guideline.</p>												✓	

	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	Waivers	Compliance & enforcement
		<p>The compliance manual (Control 1 in this table) articulates the responsible parties and frequency in which the register must be reviewed.</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>												
17	Staff Registers	<p>What it is: The Staff Register published on Jemena’s website (click here) identifies staff that may be shared between the provision of direct control services and contestable electricity services.</p> <p>The compliance manual (Control 1 in this table) articulates the responsible parties and frequency in which the register must be reviewed.</p> <p>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>								✓				

	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	Waivers	Compliance & enforcement
18	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 the responsible parties and frequency in which the register must be reviewed.</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	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>					✓				✓			

	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	Waivers	Compliance & enforcement	
20	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>								✓		✓			
21	Brand Separation	<p>What it is: The Ovida brand has been established as the brand of Jemena’s RESP. Review of the external website has been conducted to ensure that Ovida is not promoted as part of the Jemena brand (which is associated with the delivery of direct control services). In addition, staff working in contestable electricity services are separated from JEN dedicated staff, and required to contact and communicate with customers via ‘Ovida’ branded emails. This is reinforced in the onboarding checklist.</p> <p>How it demonstrates and supports compliance with obligations: This</p>								✓					

	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	Waivers	Compliance & enforcement
		demonstrates establishment of a separate RESP brand.												
22	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>												✓
23	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>		✓	✓									

	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	Waivers	Compliance & enforcement
		<ul style="list-style-type: none"> the SGSPAA Group stand-alone financial statements (Audited Base Accounts) for JEN and Jemena Gas Networks (JGN) financial and non-financial information disclosures in accordance with Regulatory Information Notices for JEN and JGN Disclosures under Part 23 of the National Gas Rules for certain gas pipeline entities/service providers within the SGSPAA group. <p>How it demonstrates and supports compliance with obligations:</p> <p>This demonstrates establishment and embedding financial control across the SGSPAA group and the entities within, with application of standard cost allocation principles amongst group entities. An annual independent audit is conducted to support management’s internal monitoring and compliance framework.</p>												
24	Quality Assurance	<p>What it is: Biannual quality assurance reviews targeting the high risk areas of physical separation, protection of confidential information and provision of contestable electricity services.</p>	✓				✓	✓			✓			✓

	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	Waivers	Compliance & enforcement
		<p>Reviews are completed by the Regulatory Compliance Manager to ensure ringfencing controls are operating as expected.</p> <p>How it demonstrates and supports compliance with obligations: In terms of RESP personnel, ensuring there is no unapproved access to JEN's secure office areas or digital repositories. In terms of Affiliate businesses, ensuring no work is undertaken that would be considered contestable electricity services.</p>												
25	Domain Migration Workflow	<p>What it is: An online form governing internal and intercompany transfers that workflows to the Group Network Pricing and Compliance Manager in the first instance for ring fencing assessment and approval.</p> <p>How it demonstrates and supports compliance with obligations: The workflow will not progress until approved by the compliance team. Once approved, tasks are generated to all relevant IT teams to facilitate the IT migration. It also generates email notifications to all relevant parties including the previous and receiving People Leaders and HR business partners.</p>	✓				✓	✓			✓			✓
26	Organisational Change Monitoring	<p>What it is: A scheduled review of organisational changes completed by the HR Services Manager 3 times per annum. The review requires a</p>	✓				✓	✓		✓	✓			✓

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	Waivers	Compliance & enforcement
	<p>notification to the Regulatory Compliance Manager of any organisational changes that have occurred in the previous 4 months, or which are planned in the upcoming 4 months.</p> <p>How it demonstrates and supports compliance with obligations: The review assists in ensuring the Staff Register is able to be updated and published in a timely manner in addition to providing sufficient lead time to ensure compliance can be maintained through larger organisational restructures.</p>												

Appendix B

2020 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 2020 regulatory year

Obligation	Improvement Activity	Status as at 31 December 2020
All	<p>Training</p> <p>A consistent theme identified when assessing the root causes of breaches was the ability for staff to translate how a ring-fencing situation materialises in their day to day work. Accordingly our 2020 training approach focussed on utilising our prior breaches as relatable guidance to staff to ensure compliance was maintained.</p> <p>The 2020 training was issued to all Jemena staff and also saw the inclusion of Zinfra staff within the Power Services and Projects and Construction teams, (who complete work for JEN). The training scope excluded Zinfra staff who were sufficiently removed from working on the JEN, for example, the Gas Services team or electricity teams whose work is conducted under contract for other distribution businesses.</p> <p>In July 2020, a series of training videos was released to enable Jemena and selected Zinfra staff to complete refresher training through the latter half of 2020, with three modules each tailored for the targeted audience:</p> <ul style="list-style-type: none"> • The general awareness video, covering the Guidelines key obligations was issued to 1,460 staff and completed by 1,258. In part, the completion rate was impacted by the pandemic which prevented field team members from completing their training during work group meetings as planned. • Tailored RESP and JEN dedicated modules were completed by relevant RESP and JEN staff. <p>During 2020, the Regulatory Compliance team provided a range of advice and proactive face to face interactions to enhance the businesses understanding and awareness of ring-fencing matters. Some examples include:</p> <ul style="list-style-type: none"> • RESP personnel—sharing the background and learnings from the seven breaches identified in 2019 and 2020. • Affiliate personnel within the Projects and Construction area—providing further explanation of general obligations under the Guideline. • Marketing personnel—providing guidance on branding and cross promotion. • Asset Management personnel—providing advice with regard to interactions with RESP personnel. • RESP personnel—branding advice in non NEM jurisdictions. 	Complete
Information protection	<p>ECMS access review</p> <p>In line with auditors' findings to review detective control opportunities, Jemena implemented a schedule for reviewing Ovida representatives access to a key repository of JEN customer and network information (Jemena's Enterprise Content Management System (ECMS)).</p> <p>To confirm and ensure no RESP personnel have access to the ring-fenced area of the ECMS, a review is completed by the Regulatory Compliance Manager no less frequently than bi-annually. The review involves obtaining an access permissions report from the Content Management team incorporating all RESP personnel.</p> <p>During 2020, reviews were conducted in April and August which 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

Obligation	Improvement Activity	Status as at 31 December 2020
Physical Separation	<p>Facilities access review</p> <p>In line with auditors' findings to review detective control opportunities, compounded by a further facilities access breach in early 2020, Jemena implemented a schedule for reviewing Ovida representative access to JEN's secure locations, (Level 15 Collins Street and all Victorian depots).</p> <p>To confirm and ensure no RESP personnel have access to the secure areas, a review is completed by the Regulatory Compliance Manager no less frequently than bi-annually. The review involves obtaining confirmation from the Facilities Management team that the correct access restrictions have been applied to RESP personnel.</p> <p>During 2020, the first review was completed in May where it was identified that the access pass for the breach reported in April had not been remediated correctly within the security system. However due to restrictions applied relating to attendance at the workplace as a result of the pandemic, correcting the access on the pass in May did not extend the severity of the breach. The second review was conducted in September which confirmed that Ovida representatives did not have access to any of the secure areas used by our Electricity Distribution functional group.</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.</p> <p>To confirm and ensure Zinfra has not commenced bidding for opportunities to provide contestable services, reviews of proposals considered by the Zinfra Commercial Review Committee (CRC) were completed by the Regulatory Compliance Manager to validate that none of the proposals relate to the provision of contestable electricity services.</p> <p>During the first quarter of 2020, the Group Network Pricing and Compliance Manager attended some CRC committee meetings and separately undertook reviews of proposals to maintain oversight from a ring-fencing perspective, however as all opportunities reviewed were identified as relating to Transmission or Distribution work, this process was modified to assess a retrospective sample of CRC proposals no less frequently than bi-annually.</p> <p>The first sample review conducted in September 2020 confirmed the sample of proposals for contracts did not identify any contracts that involve the provision of contestable electricity services.</p>	Complete
All	<p>JGN status as an affiliate</p> <p>In July 2020, Jemena Gas Networks (JGN) commenced consultations with the AER regarding the potential need for a waiver to progress JGN's Western Sydney Green Gas Trial. The AER considered the scope of the trial and were of the view that a waiver would not be required, but requested further consultation should the scope change.</p> <p>To ensure the trial remains in line with what was presented to the AER, an annual review of the trial is conducted by the Project Manager and Regulatory Compliance Manager. The review requirement was entered into Jemena's compliance management system with the first instance diarised to occur in July 2021.</p>	Complete

Obligation	Improvement Activity	Status as at 31 December 2020
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.</p> <p>A solution was identified and business case approved in August 2020. The solution involved assigning a ring-fencing classification to all SGSPAA positions and utilising identification management software to automatically create tasks for our Digital, Content Management and Facilities teams whenever a change to a position is detected.</p> <p>Hypercare measures introduced as part of the 2019 review remained in place through 2020 that require the Regulatory Compliance Team to review and approve all IT system requests made by employees that are tagged by IT as holding RESP roles. The Group Network Pricing & Compliance Manager also reviews and approves all internal staff transfers between Jemena, Zinfra and Ovida.</p> <p>The hypercare measures for staff transfers were made more robust in May 2020 as a result of Jemena's HR Services team implementing an online form that workflows to the compliance team for ring fencing assessments and approval, generates tasks to all relevant IT teams to facilitate the IT migration and also generate email notifications to all relevant parties including the previous and receiving People Leaders and HR business partners</p>	In-flight. Solution implemented February 2021.
All	<p>Compliance manual</p> <p>In May 2020, JEN updated its internal compliance manual to capture organisational changes arising from the 2019 restructure and to reflect learnings arising from breaches identified in late 2019 and early 2020.</p> <p>In December 2020 JEN initiated a review of its internal compliance manual as a result of a pending organisational restructure. This review will capture changes in roles arising from the restructure, compliance lessons learnt during 2020 and updated processes relating to the Physical and IT access control framework implemented in February 2021.</p>	In-flight. Finalised Manual (version 3) expected end-April 2021.
Staff sharing register	<p>Staff sharing</p> <p>During 2020, the staff sharing register was updated and published in February and May to reflect changes made as part of an organisational restructure.</p> <p>In December 2020, Jemena's HR team, (as part of their organisational change monitoring controls) advised the Regulatory Compliance Manager that a restructure would be occurring in April 2021. The Regulatory Compliance Manager has worked with HR to ensure compliance is maintained and to meet its obligations to maintain the published staff sharing register. The restructure will be completed by May 2021 at which time an updated register will be published.</p>	In-flight. Updated register to be published May 2021.

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.	12,904,004	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	6,577,050	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	115,780,223	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	86,070,337	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.	2,432,081	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.	1,971,820	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

Affiliated Entity	Cost Type	Nature of the Services Provided	Cost (\$)	Transaction Description and Purpose
				costs are indirect in nature and recovered as Network Overheads.
JAM	Other	Provision of miscellaneous type services for the capex and operational activities.	3,736,625	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.	16,639,006	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.	10,756,282	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	(354,827,868)	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
Jemena Ltd	Dividend Payments	Dividend payments to shareholders.	30,000,000	Dividend paid during the year.
Jemena Ltd	Settlement of receivables / payables	n/a	444,626,504	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
SGSPAA	Settlement of receivables / payables	n/a	(43,866,347)	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
Jemena Gas Networks (NSW) Ltd	Labour	All operational, network construction and non-network services, focusing on maintenance and operational network services, non-network, management and corporate support services such as	(37,950)	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.

Affiliated Entity	Cost Type	Nature of the Services Provided	Cost (\$)	Transaction Description and Purpose
		Finance, HR and Legal.		
Jemena Gas Networks (NSW) Ltd	Settlement of receivables / payables	n/a	(1,190,258)	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
ZNX (2) Pty Ltd	Labour	All operational, network construction and non-network services, focusing on maintenance and operational network services, non-network, management and corporate support services such as Finance, HR and Legal.	(532)	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.
ZNX (2) Pty Ltd	Settlement of receivables / payables	n/a	(350,203)	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.