



**CitiPower and Powercor
| 2021 Ring-fencing
compliance report
| April 2022**

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1 Introduction

1.1 Background

On 30 November 2016 the Australian Energy Regulator (**AER**) released its Electricity Distribution Ring Fencing Guideline (**Guideline**) as made under clause 6.17.2 of the National Electricity Rules (**NER**). The Guideline commenced on 1 December 2016 and incorporates amendments made from time to time.

On 17 October 2017, the AER released a final amended Ring-fencing Guideline (version 2) and accompanying Explanatory Statement against which compliance has been assessed by CitiPower and Powercor. Under clause 6.17.1 of the NER, the Guideline is binding on distributors and seeks to prevent them from providing their affiliates, operating in unregulated markets, from having an unfair advantage, thus seeking to promote competition in the provision of electricity services.

The Guideline includes provisions in the following three broad areas:

- cross-subsidisation—preventing distributors from using regulated revenues to subsidise activities in unregulated markets
- discrimination—ensuring distributors treat affiliates and third parties equally
- information sharing—providing electricity information to all parties on an equal basis.

On 3 November 2021, the AER published the Ring-fencing Guideline (version 3) and accompanying explanatory statement. CitiPower and Powercor must comply with this version from 3 February 2022. Following advice from the AER, the 2021 annual compliance report and the independent assessment of compliance have been assessed against version 2 of the Guideline.

1.2 Purpose

The Guideline requires CitiPower and Powercor to prepare an annual ring-fencing compliance report for submission to the AER each regulatory year.

This Annual Ring-Fencing Compliance Report (**report**) has been prepared by CitiPower Pty Ltd (ACN 064 651 056) and Powercor Australia Ltd (ACN 064 651 109) (**CitiPower, Powercor, we, us, our**) for the year ended 31 December 2021. In accordance with the clause 6.2.1(a) of the Guideline, this report identifies and describes:¹

- the measures we have taken to ensure compliance with our obligations
- all 'other services' we provided
- the purpose of all transactions between us and affiliated entities
- any breaches of the Guideline.

This report represents CitiPower and Powercor's annual ring-fencing compliance report for the calendar year ending 31 December 2021. This report covers the period from 1 January 2021 to 31 December 2021. Annual compliance reports must be submitted to the AER within four months of the end of the year to which the compliance report relates.

In 2021, our regulatory arrangements changed. The 2016-2020 regulatory period was intended to end on 31 December 2020, however the Victorian Government extended the period by six months and it concluded on

¹ AER, Ring fencing Guideline, version 2, October 2017, 6.2.1(b).

30 June 2021. The timings were adjusted so that network prices would be updated on a financial year basis, rather than a calendar year. A new regulatory period commenced on 1 July 2021 and will end on 30 June 2026.

The ring-fencing reports will continue to be prepared on a calendar year basis, as required by clause 6.2.2 of version 3 of the Guideline.

This annual compliance report is accompanied by an independent assessment of compliance conducted by Deloitte, a suitably qualified independent authority (Attachment A). The assessment has been prepared in accordance with Australian Standards on Assurance Engagements ASAE 3100 Compliance Engagements issued by the Australian Auditing and Assurance Standards Board. Deloitte has conducted its assessment on a reasonable assurance basis in accordance with the AER's Ring fencing compliance reporting best practice manual version 2.²

We are not aware of any new material breaches of the obligations outlined in the Guideline. We note we identified a potential breach in December 2021 and reported this to the AER even though we concluded that a breach had not occurred. We notified the AER of these circumstances in the interests of transparency and in order to clarify and resolve an appropriate approach to take on similar matters in the future. On 17 March 2022 the AER advised they considered it is unlikely that Powercor had breached the Guideline. Please see section 5.2 for further information.

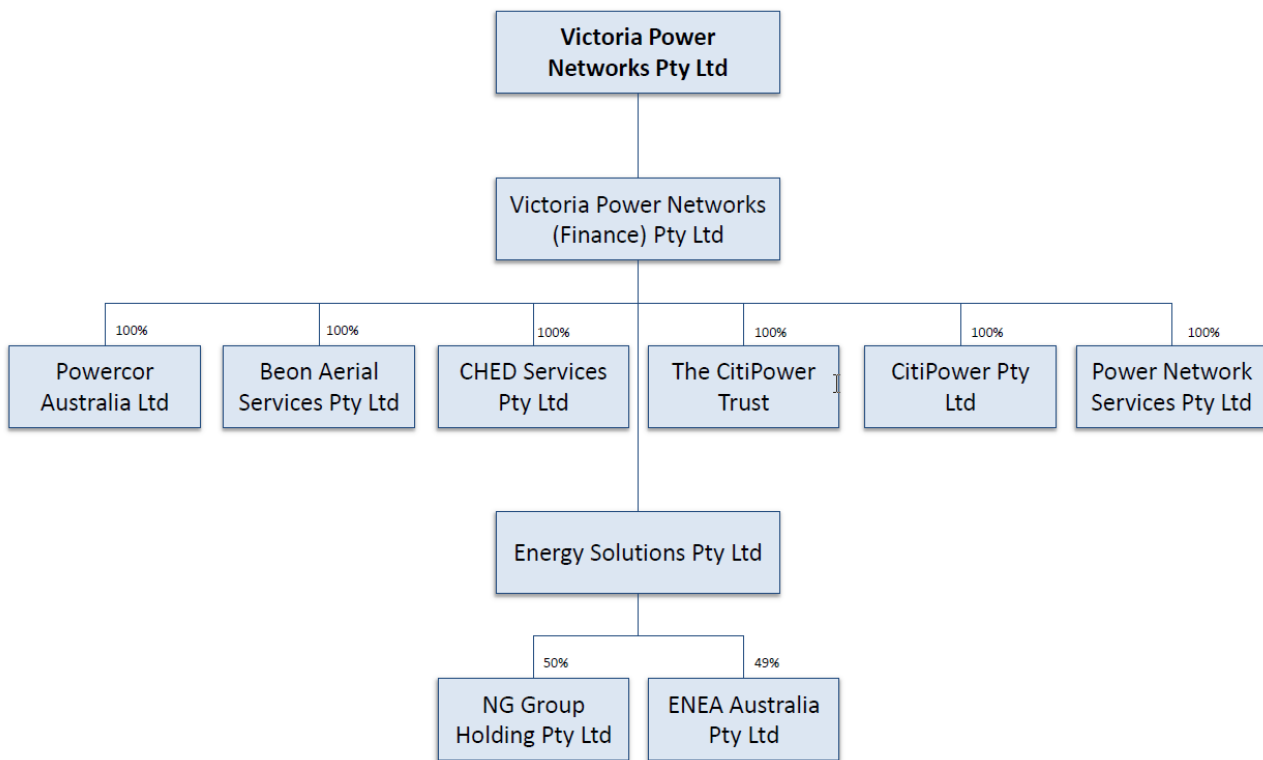
This report should be read together with our compliance strategy and waivers as published on our and the AER's websites.

1.3 Corporate overview

The figure below overviews our corporate structure at the end of 2021.

Figure 1 Overview of the CitiPower and Powercor corporate structure

² AER, Ring-Fencing Guideline compliance reporting best practice manual version 2, July 2019



Source: CitiPower and Powercor

Energy Solutions Pty Ltd trading as Beon Energy Solutions (**Beon**), CHED Services, Power Network Services (known as Network Services) and Beon Aerial Services are directly affiliated with us:

- Beon provides large-scale renewable energy and infrastructure projects, as well as design, construction and maintenance services which are contestable energy services for the purposes of the Guideline
- CHED Services Pty Ltd provides corporate services primarily to us, as well as to affiliates
- Power Network Services Pty Ltd provides design and field services primarily to us, as well as to affiliates and third parties.
- Beon Aerial Services, which provides LiDAR vegetation management services to CitiPower, Powercor and United Energy.

Beon also has ownership interests in other entities, specifically:

- Next Generation Electrical Group Pty Ltd (**NG/E**), which provides engineering, procurement and construction services, which are contestable electricity services for the purposes of the Guideline.
- ENEA Australia Pty Ltd (**ENEA**), which provides advice and support for companies in the energy sector. To CitiPower and Powercor, they provide a range of services including code reviews, forecasting, case studies, strategy modelling, policy writing, financial analysis, risk modelling, tax support and strategy development. The activities of ENEA do not fall within the definition of contestable electricity services, and thus are not a related electricity service provider for the purposes of the Guideline. For completeness, they are included within this ring-fencing compliance report to ensure appropriate controls exist between ENEA and Beon.

Other indirect affiliates do not appear in our corporate structure because they have other distinct parent ownership (or ownership shareholdings), or operate networks in distinct locations and with different management. We have not included those indirect affiliates within this compliance report.

For completeness, we note that Victoria Power Networks Pty Ltd is ultimately 51% owned by the Cheung Kong Holdings and 49% by Spark Infrastructure. Previously, Spark Infrastructure was a publicly owned company that was listed on the Australian Stock Exchange. On 22 December 2021, the ownership of Spark Infrastructure changed and it is now a privately owned company. It is owned by Pika Bidco Pty Limited, which is an entity owned by funds and/or investment vehicles managed and/or advised by Kohlberg Kravis Roberts & Co. L.P. and/or its affiliates, Ontario Teachers' Pension Plan Board and Public Sector Pension Investment Board.

1.4 Definitions

Unless otherwise defined, terms used in this report have the meaning given to them in section 1.4 of the Guideline.

1.5 Contact details

The contact person for further details in relation to this report is:

Brent Cleeve
Head of Regulatory Policy and Compliance
CitiPower, Powercor and United Energy
40 Market Street, Melbourne VIC 3000
Ph. (03) 9683 4465

2 Measures to ensure compliance

2.1 Annual compliance report and audit

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 distributor has taken to ensure compliance with its ring-fencing obligations.

We have applied the Guideline in accordance with our understanding of it as detailed in our compliance strategy.³

Deloitte conducted its 2021 regulatory year audit in two stages, with the first part conducted in November 2021 and the second part conducted in March 2022.

The scope of the Deloitte engagement included:

- interviewing key staff members responsible for legal, accounting and operational activities
- understanding the process for identifying and reporting breaches of the Guideline
- examining, on a test basis, the key controls that exist and the evidence supporting compliance
- reviewing the compliance report prepared by management and confirmed that the report has been prepared in accordance with the Guideline.

Deloitte is a suitably qualified independent auditor in accordance with the Guideline and the AER's audit guidance note.

2.1.1 Key risk areas

The ring-fencing audit and feedback from the AER relating to the 2020 year highlighted risk areas where we should focus our efforts to continue to improve our controls.

The key risk areas identified were:

- automate the updating of employee restrictions and email addresses when they are seconded or transferred
- update the information sharing register in a timelier manner
- implement a formal attendance register for in-person training related to ring-fencing
- update and maintain office and staff sharing registers on a quarterly rather than annual basis to provide transparency to us and stakeholders throughout the year.

2.1.2 Strengthening of controls to address key risk areas

In 2021 we undertook the following activities to strengthen our controls in response to auditor and internal feedback:

1. Strengthened staff sharing register – we comprehensively reviewed and updated our staff and office sharing register. This was reviewed more frequently with the latest update in December 2021.
2. Information sharing register – we updated the information sharing register in a timelier manner after we became aware of a request for information.

³ <https://www.aer.gov.au/system/files/Compliance%20Plan%20-%205%20May%202017.pdf>

3. Training – in February 2021 a separate field staff specific ring-fencing training commenced. The training covers issues specific to field staff who are likely to interact with the public. It emphasises the requirement to not recommend affiliates to the public. As a result of the coronavirus pandemic and working-from-home requirements, limited in-person training was provided in 2021. A formal attendance register was taken for those who participated.
4. Seconded or transferred staff - SalePointIQ was updated to automate the updating of employee restrictions and email addresses when they are seconded or transferred. A compliance event is now generated when issues are flagged in the system, and these events are transferred to the appropriate department for review. This ensures applications are removed from users ID's when staff are seconded or transfer between departments e.g. Powercor to Beon.

Controls will be reviewed in 2022 with the implementation of version 3 of the Guideline.

2.2 Prevention of cross subsidies

2.2.1 Legal separation

In accordance with clause 3.1 of the Guideline, CitiPower and Powercor may provide distribution services and transmission services but must not provide other services.

CitiPower Pty Ltd (ACN 064 651 056) and Powercor Australia Ltd (ACN 064 651 109) are registered in Australia by Australian Securities and Investment Commission (**ASIC**) under the *Corporations Act 2001* (Cth) and are, for the purposes of the Guideline, legal entities.

CitiPower and Powercor are stand-alone electricity distribution network service providers that only provide distribution services within our licensed distribution service area. Set out below are the categories of distribution services we provided during 2021, which are consistent with the AER's Victorian electricity distribution network service provider's final determination for the 2016-2020 and 2021–2026 regulatory control periods:

- standard control services
- alternative control services
- negotiated and unclassified services for the period to 30 June 2021, as approved in our waiver application.

We provided these distribution services to:

- electricity retailers
- end-use customers
- others—registered electrical contractors (**REC**), builders, developers, public lighting authorities including local councils and VicRoads and other distribution network service providers.

We have not provided any other material services as prescribed under the Guideline.

A separate affiliated entity, Beon, was established to perform “other services” outside distribution and transmission services which are performed by CitiPower and Powercor.

2.2.2 Establish and maintain accounts

In accordance with clause 3.2 of the Guideline, we establish and maintain appropriate internal accounting procedures to demonstrate the extent and nature of transactions between CitiPower and Powercor and affiliated entities.

Established documented work procedures are in place for Finance staff which provides instruction on how accounts are to be separated.

During the year we maintained a separate set of accounts for our businesses that are separate from our affiliate's accounts. Our 31 December 2021 financial statements were subject to an annual statutory audit engagement and our internal accounting procedures will be provided to the AER through the annual Regulatory Information Notice (**RIN**) responses in October 2022.

It is standard practice that monthly reviews of the financial balance sheets are undertaken to confirm that transactions have been allocated to the correct accounts. Discrepancies are immediately rectified. Established documented work procedures are in place for Finance staff which provides instruction on how costs are to be allocated amongst accounts.

During the year we ensured that costs for distribution services were allocated in accordance with the Cost Allocation Principles. Our Cost Allocation Methodology (**CAM**), as approved by the AER for the 2016-2020 regulatory period, was the basis for the audit for the transitional regulatory period from 1 January 2021 to 30 June 2021. The CAM, as approved for the 2021-2026 regulatory period, will be the basis of our annual audit during the RIN process for the 2021/22 financial year, the results of which will be provided to the AER on 31 October 2022.

Responsibility for compliance with the CAM principally rests with CitiPower and Powercor's Chief Financial Officer. The day-to-day responsibility for the CAM, including updating, maintaining, applying, internally monitoring and reporting on its application, including ensuring compliance is the responsibility of the finance team.

Our integrated business management system (**SAP**) is used to collect and record expenses and revenues including:

- the Chart of Accounts classifies all expenses and revenues by General Ledger account numbers, which map to reporting categories on the balance sheet, and profit and loss statement
- each expense or revenue transaction is also assigned to a profit centre. Each cost item is assigned to a function code and in some cases an activity type
- the records maintained in the SAP system, the processes for inputting records into the SAP system and corporate service break down of fees can be reviewed.

The basis of directly attributing costs in accordance with the CAM can therefore be readily verified by an independent third party and the outcome can be replicated.

Each month, Finance representatives' complete attestations confirming separate accounts have been maintained.

2.3 Offices, staff, branding and promotions

2.3.1 Physical separation/co-location

In accordance with clause 4.2.1 of the Guideline, CitiPower and Powercor use offices that are separate from any offices from which affiliated entities provide contestable services.

CitiPower and Powercor are located at 40 Market Street, Melbourne, whilst Beon is located at 11 Tavistock Place, Melbourne.⁴

We note the following key controls to ensure the ongoing physical separation from affiliates:

- Beon, NG/E and ENEA staff are prevented from physically accessing restricted floors at Market Street through their security access passes. The passes only allow these staff to access certain approved non-restricted floors if required.
- Every morning, the facilities team run a check of everyone with access to the Market Street office. If any affiliate staff are identified as having access without a valid reason under the ring-fencing guideline, then they are immediately barred from accessing Market Street in the Gallagher security system. Access is then modified to ensure entry to restricted floors is not allowed going forward.
- Monthly reports are run by the facilities team to demonstrate staff building access at a point in time. This report is reviewed by the Facilities Manager to ensure the accesses for the contestable service providers' staff remain restricted as appropriate for compliance with the Guideline, and any discrepancies are rectified. An attestation is then completed by the Facilities Manager on a monthly basis.

2.3.2 Staff sharing

In accordance with clause 4.2.2 of the Guideline, CitiPower and Powercor staff that are involved in the provision or marketing of direct control services are not involved in the provision or marketing of contestable services for affiliated entities.

CitiPower and Powercor maintain a staff sharing register, which is regularly reviewed. The staff sharing register is available publicly on the CitiPower/Powercor website.

2.3.3 Branding and cross promotion

In accordance with clause 4.2.3 of the Guideline, CitiPower and Powercor use branding that is independent and separate from that used by affiliated entities in providing contestable services. Also, CitiPower and Powercor do not advertise or promote direct control services and contestable services together, or contestable services provided by affiliate entities.

2.3.4 Office and staff registers

In accordance with clause 4.2.4 of the Guideline, CitiPower and Powercor has established, maintained and kept registers of offices and staff to which the staff sharing and office sharing obligations do not apply.

To ensure CitiPower and Powercor do not confer an unfair advantage on affiliates, we are required to publish staff sharing and office sharing registers.

In accordance with the Guideline, certain staff are allowed to be used, or shared, by us and our affiliates. Staff must be included on the register if they are eligible to be shared provided they:

- do not have access to electricity information - per cl. 4.2.2(b)(i)(a)

⁴ For completeness, we note that ENEA Consulting is located at Level 12, 360 Elizabeth Street, Melbourne VIC 3000; and NG/E is located at 3 Stewart Street, Richmond, Vic 3121.

- have access to electricity information but do not have the opportunity, in performing their roles, functions or duties of their position, to use electricity information to engage in discriminatory conduct - per cl. 4.2.2(b)(i)(b)
- fall within a list of specific functions as outlined - per cl. 4.2.2(b)(i)(c), or
- are an officer for us and the related electricity service provider - per cl. 4.2.2(d).

The publicly available staff sharing register comprises of a description of the shared staff positions and the services they provide; with which entity they are shared and the reason they may be shared. The ring-fencing compliance strategy published on our website describes the access to, and way in which shared staff use electricity information in performing their roles in more detail.

The Guideline also allows certain offices to be shared. The office register includes a list of all offices where staff listed on the staff sharing register are located, or the location of staff that only have access to electricity information for the purpose of providing corporate services. Not all staff at the listed locations are shared.

The staff and office sharing registers were maintained and updated again at the end of 2021, and can be found on our website <https://www.citipower.com.au/about-us/regulatory-information/regulatory-framework/>.

2.4 Information access and disclosure

2.4.1 Protection of confidential information

In accordance with clause 4.3.3 of the Guideline, CitiPower and Powercor do not disclose confidential information to any person, including affiliated entities, except in specified circumstances.

We consider that the protection of confidential information is a key ring-fencing compliance risk. In accordance with the information sharing provisions of the Guideline we keep an information sharing protocol which outlines the circumstances under which we will provide information to affiliates and other legal entities. An information register is also kept giving effect to the principle of equal access to information. The operation of the register is described in the protocol.

2.4.2 Disclosure and sharing of information

In accordance with clause 4.3.4 of the Guideline, CitiPower and Powercor provide access to any confidential information that is disclosed to an affiliated entity on an equal basis.

For the period 1 January 2021 to 31 December 2021, no confidential information was shared by CitiPower and Powercor with its affiliated entities, and no requests for access to our information register by competitors or potential competitors was received.

2.4.3 Information register

In accordance with clause 4.3.5 of the Guideline, CitiPower and Powercor has established, maintained and kept registers of affiliated entities and all legal entities who provide contestable services who have requested access to eligible confidential electricity information provided to affiliates and third parties.

The information register is one of the Guideline's mechanisms to ensure we provide eligible confidential electricity information to affiliates and third parties on an equal basis. Consistent with the Guideline, our register operates in the following way:

- affiliates, and non-affiliated entities that compete or are seeking to compete with our affiliates, who request access to confidential electricity information will be placed on the register (registered parties)
- registered parties must provide us with a description of the kind and purpose of confidential electricity information they would like to receive

- if an affiliate requests (and is provided with) information that matches the kind and purpose of information described by non-affiliated registered parties, that information will be provided to those non-affiliated registered parties on an equal basis
- if an affiliate has paid a fee to receive eligible confidential electricity information (in accordance with rules or procedures), then other registered parties will receive a notification that they can receive the same information if the same fee is paid
- information will be provided to registered parties on terms and conditions that require them to comply with the obligation to protect the information and to only disclose it to third parties (including affiliates) only on the basis of clause 4.3.2 and 4.3.3 (a)-(d) of the Guideline

Both the information sharing protocol and Information register are subject to an annual review and can be found here - <https://www.citipower.com.au/about-us/regulatory-information/regulatory-framework/>. In 2021 we added another non-affiliated party to the register at their request.

2.4.4 Website

In accordance with our current business practice, information for our corporate websites must be approved by Corporate Affairs prior to publication. Our training to Corporate Affairs has ensured these staff are aware of their obligations to not promote affiliates or their services on the website.

There are no references to affiliated contestable service providers on our websites. Bi-annual reviews are conducted to continue to ensure that the website continues to be compliant.

2.4.5 Call centre and printed materials

Scripts used by Contact Centre staff contain no references which could advantage affiliated entities. These scripts are reviewed annually.

To date we have not identified any printed material which advertises or promotes services provided by a related electricity service provider.

2.5 Conduct of service providers

In accordance with clause 4.4.1 of the Guideline, CitiPower and Powercor ensure that any new or varied agreement that it enters with a service provider requires the service provider to comply with the obligations relating to non-discrimination, office sharing, staffing and the protection of confidential information.

A legal review was undertaken in 2019 on our existing set of standard terms and conditions for service providers to ensure that any new or varied contracts are aligned with the Guideline.

Procurement staff received refresher training on the principles of ring-fencing in January 2021. The training was conducted in-person by the Regulation team and focused on how to apply ring-fencing principles when engaging a service provider. A Regulation team member is available at all times to assist Procurement staff with ring-fencing queries.

Procurement have implemented ring-fencing related KPIs so that their staff are financially incentivised by the company's bonus scheme to prevent ring-fencing breaches. This includes maintaining compliance for all eProcurement Requests over a certain value, by ensuring the correct procurement processes (including ring fencing requirements and appropriate Delegate of Authority) have been documented in the Request.

The standard ring-fencing terms and conditions used in procurement contract and purchase orders are periodically reviewed by Procurement and Legal. A decision framework to identify applicable contracts where ring-fencing clauses should be included is available on our intranet. Procurement staff is made aware of this

framework repeatedly at their team meetings, and periodic training is provided by the Regulation team where this framework is covered and promoted to the team.

No breaches were identified in 2021 in relation to procurement activities.

2.6 Staff training

Since 2018, we have had mandatory ring-fencing training for all office staff. This training was comprehensively refreshed in 2020, and is to be refreshed again in 2022 to incorporate any changes from the updated guideline (version 3). The training is required to be completed by all corporate staff on a two year cadence. New employees are required to undertake training as part of their induction into the company, and subsequently refresh the training together with all other office staff every two years. In 2021, our completion rate for the induction training (which includes the ring-fencing module) was 80.7%⁵. Where training has not been completed, reminder emails are sent out from the Training team's automated iLearn platform to noncompliant individuals. Our corporate induction sessions for new employees which are conducted in-person where possible, also incorporate an overview of ring-fencing and the impact on our businesses. In 2021, our completion rate for the corporate induction sessions was 94.6%⁶.

The ring-fencing champions program complements the ring-fencing awareness program by reinforcing awareness with nominated champions from high-risk business units. These champions are then responsible for reinforcing awareness and compliance in their business unit.

When taken together, the online training combined with other awareness activities provides our employee base a strong level of awareness and knowledge about ring-fencing.

2.6.1 Office staff

Staff in the following corporate functions are required to complete training:

- Finance
- Contact Centre
- Connections
- Corporate Affairs
- Network Services
- Program Delivery
- Construction and Maintenance
- Design
- Network Technologies
- IT
- Planning
- Regulation.

⁵ This is a blended rate across CitiPower, Powercor and United Energy

⁶ This is a blended rate across CitiPower, Powercor and United Energy

The training covers the following topics and ring-fencing clauses:

- Clause 3—Prevention of cross subsidies
- Clause 4.1—Obligation not to discriminate
- Clause 4.2—Offices, staff, branding and promotions
- Clause 4.3—Information access and disclosure

The training discusses the importance of complying with ring-fencing and the ramifications for not doing so. It also provides guidance for staff on the process to follow when they have ring-fencing queries. This includes seeking guidance from managers and sending queries to an internal ring-fencing mailbox to be answered by the Regulation team.

2.6.2 Field staff

In 2021, we rolled out field staff specific ring-fencing training. The training covers issues specific to field staff, who are likely to interact with the public. It emphasises the requirement to not recommend affiliates to the public. Field staff are those staff who work outside the office. They typically include line workers, apprentices, cable jointers, inspectors, commissioning workers, works co-ordinators, field leaders, electrical testers, team leaders and work delivery co-ordinators. Field staff training will be refreshed on a two year cadence.

In March 2022, our completion rate for the field staff specific ring-fencing online training was 85.2%.

The online training is only one part of a much broader ring-fencing awareness program in the business.

2.7 IT system controls

IT access continues to be a key risk area, which past audits have identified as an area for improvement. In 2021 we reported no breaches relating to IT access controls.

In 2021, we worked further to strengthen our IT access controls and continued to reinforce existing controls. Amongst other actions, this included:

- continuing to obtain monthly attestations from IT system owners to ensure that accesses to the various systems are appropriate, and continued to obtain a six-monthly attestation for the IT security review
- amending the IT attestation timeframe, with responsible IT staff now required to complete monthly attestations on the first of the following month for the prior month.
- In Systems Now, we added new controls where additional questions are asked in the process granting access to additional systems. The control is an additional approver who has been added to obtain sign off by system owners. Therefore access to systems will require manager approval, plus an additional approver by the system owner in order for access to be granted.

Further, following audits into Identity and Access Management (IdAM, by Internal Audit) and Ring Fencing (by Deloitte), IT undertook a series of projects to improve Identity and Access Management across all entities. The projects identified and confirmed that employee information, inclusive of access, is owned by the business and IT facilitates change requests from Human Resources (HR) and Payroll (Finance).

IT also implemented a project in 2021 to improve our Identity data and controls, by cleansing user account information in the system. A review was undertaken of data within our Active Directory and SAP (HR) environments and a number of data cleansing activities were conducted to remove duplicate identities and disable and off-board inactive accounts.

Further to the proactive controls within IT for account provisioning, IT conducted a series of workshops with business representatives from Human Resources and Finance to further improve business processes and ensure changes are coordinated, communicated and completed in a consistent and timely manner.

Today, there are two types of key IT controls deployed:

- Preventative controls - consistent and accurate requests from the business, continued training and awareness within IT. Requests from IT staff include contacting Regulation when unsure of ring-fencing controls, business owners being required to approve access and permissions, regular training to the IT Service Desk and reminders to IT system business owners of their ring-fencing obligations.
- Detective controls – monthly and six-monthly IT attestations, instigated from IT, and IT security audits and the ring-fencing audit.

2.8 Statement of compliance

Other than the potential breach set out in section 5.2, we confirm that we comply with the Australian Energy Regulator's (AER) Ring-fencing guideline (the Guideline) for the year-ended 31 December 2021.

3 Waivers

3.1 Waivers

Section 5 of the Guideline allows for a distribution network service provider (DNSP) to seek a waiver of obligations under clauses 3.1, 4.2 and/or 4.4.1(a) if certain conditions are met.

CitiPower and Powercor obtained a waiver in respect to the provision of negotiated and unclassified services until the end of the 2016-2020 regulatory period when these services were reclassified. The expiry of the waiver was extended by the AER to 30 June 2021 to align with the amended regulatory control period. Our waiver register was updated in July 2021 when this waiver expired.

As at 31 December 2021, CitiPower and Powercor do not have any waivers in force.

The expired waivers are kept in a register (including variations) in accordance with the Guideline and are publicly available on our website <https://www.citipower.com.au/about-us/regulatory-information/regulatory-framework/>.

4 Compliance and enforcement

4.1 Compliance framework

A corporate objective for CitiPower and Powercor is achieving full compliance with external obligations and audit requirements. Clause 6.1 of the Guideline requires distributors to establish and maintain appropriate internal procedures to ensure it complies with its obligations under the Guideline.

To this end, we have established frameworks, policies and processes designed to manage, monitor and report on compliance and to minimise the potential for breaches, fines or penalties, or loss of our distribution license. This has been prepared in accordance with the Australian Standard Compliance Programs (AS/ISO 19600:2015).

The Board has responsibility for ensuring the overall performance and has established a Risk Management and Compliance Committee (**RMCC**) to consider more complex issues in the areas of audit, risk management and compliance. The Executive Management Team (**EMT**) and the Chief Executive Officer are responsible for the effective management and compliance with all applicable regulation compliance obligations including ensuring all breaches are managed and reported appropriately.

Responsible managers within our businesses have been assigned to, and are responsible for, meeting compliance for specific economic regulation obligations. These obligations are allocated based on the activities of their position and include identification, management and reporting of any compliance breaches.

The Regulation team is responsible for the overall regulatory compliance policy and framework, and ensures this policy is appropriate and effective in managing the economic regulation compliance risks of our businesses. The status of our economic regulation obligations is monitored, reviewed and where applicable, reported to the EMT and RMCC.

CitiPower and Powercor have assigned ring fencing authorities and responsibilities to our staff/teams, as set out in Table 1 below.

Table 1 Assigned authorities and responsibilities

Staff/team	Authorities and responsibilities
General Manager Regulation	<ul style="list-style-type: none"> Approval of ring-fencing strategy
Regulation team	<ul style="list-style-type: none"> Ensure the list of regional offices remains up to date by reconfirming the analysis that identified the offices, as appropriate, and updating the list, if the criteria in the Guideline change Maintain a list of all the services offered by CitiPower/Powercor and ensure the delivery of them remains compliant with the Guideline obligations Manage the confidential information disclosure and sharing process, including ensuring the information register and information sharing protocol are up to date Manage the ring-fencing compliance monitoring and reporting process, including reporting to the Risk Management and Compliance Committee Provide advice and support to managers, who are responsible for the ring-fencing obligations Ensure the staff, office and waiver registers are kept up to date Manage the breach reporting process Be a resource for all staff in the business to seek ring-fencing advice Provide specific ring-fencing training as needed throughout the business

Staff/team	Authorities and responsibilities
Finance group	<ul style="list-style-type: none"> • Create and maintain procedures that demonstrate the extent/nature of transactions between the distribution business and affiliated entities • Maintain records that demonstrate the process for allocating costs between Distribution Services carried out by CitiPower/Powercor and non-distribution services provided by an affiliated entity
Human Resources group, Corporate Affairs and Call centre	<ul style="list-style-type: none"> • Ensure that CitiPower/Powercor's approach to remuneration, incentives and benefits does not create an incentive for staff to act in a manner that is contrary to the Guideline • Ensure that there is no printed material or call centre scripts cross promoting CitiPower/Powercor and contestable businesses
Procurement	<ul style="list-style-type: none"> • Ensure that new and varied supplier contracts incorporate the amended terms and conditions as part of their contract management system • Incentivise procurement staff to ensure compliance with ring-fencing
Information technology	<ul style="list-style-type: none"> • Ensure that IT controls are effective to prevent access to confidential information by contestable businesses • Periodically review and complete attestations to ensure there are no IT access breaches
All employees	<ul style="list-style-type: none"> • Notify their manager and the Regulation group of new commercial opportunities so ring-fencing implications can be considered • Ensure CitiPower/Powercor's competitors are not discriminated against, due to preferential treatment being given to their affiliates • Refer any requests for confidential information by an affiliate or external party to the Regulation group • Report any suspected breaches of the Guideline to the Regulation group or via email to the ring-fencing mailbox

We use the Quantate Compliance Program for assigning and tracking compliance responsibilities. The ring-fencing obligations are included in this system. Further, in 2021 we continued the monthly, quarterly and biannual ring-fencing attestations in Quantate.

Table 2 below summarises the controls taken to comply with each ring-fencing obligation.

Table 2 Controls for Guideline obligations

Guideline clause	Guideline text	Preventative controls	Detective controls
3 Prevention of cross subsidies			
3.1 Legal separation	<p>(a) A DNSP must be a legal entity</p> <p>(b) Subject to this clause 3.1, a DNSP may provide distribution services and transmission services, but must not provide other services.</p>	<ul style="list-style-type: none"> CitiPower and Powercor are separate legal entities with a registered Australian Business Number (ABN) which is distinct from its affiliated entities that provide “other services” A separate affiliated entity Beon was established to perform “other services” outside distribution and transmission services which are performed by CitiPower and Powercor A waiver was obtained from the AER in relation to unclassified services that are provided by the DSNP. This waiver expired on 30 June 2021 and the unclassified services have become alternative control services 	<ul style="list-style-type: none"> A monthly review of general ledger accounts is performed by the finance team and attestation is provided by the Financial Controller that no breaches of this requirement have occurred
3.2 Establish and maintain accounts	(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.	<ul style="list-style-type: none"> A separate general ledger is maintained for CitiPower/Powercor and its affiliates with separate GL accounts for transaction between affiliates 	<ul style="list-style-type: none"> A monthly review of general ledger accounts is performed by the finance group and an attestation is provided by the Financial Controller that no breaches in this requirement have occurred
3.2.1 Separate accounts			

3.2.2 Cost allocation and attribution

(a) A DNSP must allocate or attribute costs to distribution services in a manner that is consistent with the Cost Allocation Principles and its approved CAM, as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services.

(b) A DNSP must only allocate or attribute costs to distribution services in accordance with clause 3.2.2(a), and must not allocate or attribute other costs to the distribution services it provides.

(c) A DNSP must establish, maintain and keep records that demonstrate how it meets the obligations in clauses 3.2.2(a) and 3.2.2(b).

- Costs are attributed using profit centres and function codes within the ERP system (SAP) in line with the approved CitiPower and Powercor's Cost Allocation Methodology

- A quarterly review of cost attribution is performed by the finance team and attestation provided by the Financial Controller that this has been performed and whether any breaches have been identified

Guideline clause	Guideline text	Preventative controls	Detective controls
4 Functional separation			
4.1 Obligation to not discriminate	<p>(b) A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of:</p> <p>i. direct control services by the DNSP (whether to itself or to any other legal entity); and / or</p> <p>ii. contestable electricity services by any other legal entity.</p> <p>(c) Without limiting its scope, clause 4.1(b) requires a DNSP to:</p> <p>i. in dealing or offering to deal with a related electricity service provider, treat the related electricity service provider as if it were not a related electricity service provider (that is, as if it had no connection or affiliation with the DNSP);</p> <p>ii. in like circumstances, deal or offer to deal with a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider on substantially the same terms and conditions;</p> <p>iii. in like circumstances, provide substantially the same quality, reliability and timeliness of service to a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider;</p> <p>iv. subject to clause 4.3.3(b), not disclose to a related electricity service provider information the DNSP has obtained through its dealings with a competitor (or potential competitor) of the related electricity service provider where the disclosure would, or would be likely to, provide an advantage to the related electricity service provider.</p>	<ul style="list-style-type: none"> Mandatory online training on ring-fencing requirements is undertaken by new starters (whether office or field-based employees) upon commencement at the company as part of induction Mandatory online training for all office-based staff on the ring-fencing requirements is performed every two years Specific field staff training on ring-fencing requirements is performed every two years Approval of project costs and scheduling so that contestable services are not prioritised over direct control services 	<ul style="list-style-type: none"> An annual review of ring-fencing obligations by each responsible manager and General Manager and declaration of any breaches/no breaches occurring in relevant area of the business. This is then signed off by the relevant General Manager

Guideline clause	Guideline text	Preventative controls	Detective controls
4.2 Offices, staff, branding and promotions 4.2.1 Physical separation / co-location	(a) Subject to this clause 4.2.1, in providing direct control services, a DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.	<ul style="list-style-type: none"> CitiPower and Powercor have a separate office from Beon, ENEA and NG/E Beon, ENEA and NG/E staff are physically restricted from accessing certain floors of CitiPower and Powercor office through the use of the Gallagher security system (through electronic access cards and security doors) An office sharing register is maintained and reviewed by CitiPower/Powercor 	<ul style="list-style-type: none"> The Operations Manager Facility Management Services performs both a daily and monthly review of physical access restrictions for the CitiPower/Powercor building to identify any Beon, ENEA and NG/E Staff who have inappropriate access
4.2.2 (a) Staff sharing	(a) Subject to this clause 4.2.2, 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.	<ul style="list-style-type: none"> All office-based staff complete a mandatory online ring-fencing training; new employees complete an in-person (where possible) corporate induction course that includes an overview on ring-fencing, as well as online induction modules of which one includes ring-fencing training. These courses cover the requirement for staff to not provide or market contestable electricity service by a related electricity service provider. The online training was comprehensively updated and relaunched in 2020 and is performed every two years 	<ul style="list-style-type: none"> A bi-annual review is performed by the Regulation group for any changes to job descriptions or new roles to ensure that any shared staff are identified, and that shared staff are not in breach of the ring-fencing requirements
4.2.2 (c) Staff sharing	(c) The remuneration, incentives and other benefits (financial or otherwise) a DNSP provides to a member of its staff must not give the	<ul style="list-style-type: none"> On an annual basis the Head of Business Performance Management reviews the remuneration, 	

Guideline clause	Guideline text	Preventative controls	Detective controls
	member of staff an incentive to act in manner that is contrary to the DNSP's obligations under this Guideline.	incentives and other benefits of staff working for CitiPower and Powercor to ensure that these do not incentivise them to breach the ring-fencing requirements	
4.2.3 (a) Branding and cross-promotion	<p>(a) A DNSP:</p> <p>i. must use branding for its direct control services that is independent and separate from the branding used by a related electricity service provider for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the related electricity service provider are related;</p> <p>ii. must not advertise or promote its direct control services and its contestable electricity services that are not direct control services together (including by way of cross-advertisement 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>	<ul style="list-style-type: none"> • Contact centre scripts are utilised for scenarios where a customer requests contestable electricity services • Phone calls to the contact centre are monitored to detect any instances of cross-promotion • A monthly attestation is provided that this has occurred and whether any breaches identified were reported • Mandatory online training on the ring-fencing requirements undertaken by all staff. In 2020 this online training was comprehensively updated and relaunched and is performed for new employees as part of induction and for the rest of the business every two years • All field branding of the regulated business is separate from branding used by related electricity service providers 	<ul style="list-style-type: none"> • A bi-annual review of the CitiPower/Powercor website and social media content for any inappropriate co-branding or cross promotion
4.2.4 Office and staff registers	<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 clause 4.2.1(a) by reason of clauses 4.2.1(b)i. or 4.2.1(b)iii.; and</p>		<ul style="list-style-type: none"> • Annual review of the Staff and Office sharing register and verification it is publicly available on the website

Guideline clause	Guideline text	Preventative controls	Detective controls
	<p>(b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff to which it has not applied clause 4.2.2(a) by reason of clauses 4.2.2(b)i.a., 4.2.2(b)i.b., 4.2.2(b)iii. or 4.2.2(d);</p> <p>and must make the register publicly available on its website.</p>		<ul style="list-style-type: none"> Additional review of staff and office sharing register was performed in 2021
4.3 Information access and disclosure	<p>Subject to this clause 4.3, a DNSP must:</p> <p>(a) keep confidential information confidential; and</p>	<ul style="list-style-type: none"> Beon, ENEA and NG/E staff are restricted from accessing confidential electricity information through IT access controls 	<ul style="list-style-type: none"> Monthly review of IT user access to monitor any inappropriate access to systems for Beon, ENEA and NG/E staff
4.3.2 Protection of confidential information	<p>(b) only use confidential information for the purpose for which it was acquired or generated.</p>	<ul style="list-style-type: none"> In Systems Now, new controls were added where additional questions are asked in the process of granting access to additional systems 	<ul style="list-style-type: none"> Bi-annual review of IT user access for any inappropriate access to systems by Beon, ENEA and NG/E staff. As a part of this process the business owners of each ring-fenced application must approve access and permissions
4.3.3 Disclosure of information	<p>A DNSP must not disclose confidential 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 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</p>	<ul style="list-style-type: none"> Information sharing protocol and information sharing register is publicly available Beon, ENEA and NG/E staff are restricted through IT access controls from confidential information Decision matrix on IT access approval process and ring-fencing considerations provided to IT system owners 	<ul style="list-style-type: none"> Monthly review of IT user access to monitor any inappropriate access to systems for Beon, ENEA and NG/E staff Bi-annual review of IT user access for any inappropriate access to systems by Beon, ENEA and NG/E staff. As a part of this process the business owners of each ring-fenced application must approve access and permissions

Guideline clause	Guideline text	Preventative controls	Detective controls
	<p>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 to the extent necessary to respond 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 a related electricity service provider of the DNSP;</p> <p>(g) where another DNSP is an affiliated entity of the DNSP, the disclosure is to the part of that other DNSP that provides that other DNSP's direct control services; or</p> <p>(h) 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>		
4.3.4 Sharing of information	<p>(a) Subject to clause 4.1(c)iv. and to this clause 4.3.4, where a DNSP shares confidential information with a related electricity service provider, or where confidential information that a DNSP has disclosed under clause 4.3.3(f) is then disclosed by any person to a related electricity service provider of the DNSP, the DNSP must provide access to that confidential information (including the derived information) to other legal entities on an equal basis.</p> <p>(b) A DNSP is only required by clause 4.3.4(a) to provide information to a legal entity where:</p> <p>i. the legal entity has requested that it be included on the information register in respect of information of that kind; and</p>	<ul style="list-style-type: none"> Information sharing protocol and information sharing register is publicly available Beon, ENEA and NG/E staff are restricted through IT access controls from confidential information Decision matrix on IT access approval process and ring-fencing considerations provided to IT system owners 	<ul style="list-style-type: none"> Monthly review of IT user access to monitor any inappropriate access to systems for Beon, ENEA and NG/E staff Bi-annual review of IT user access for any inappropriate access to systems by Beon, ENEA and NG/E staff. As a part of this process the business owners of each ring-fenced application must approve access and permissions

Guideline clause	Guideline text	Preventative controls	Detective controls
	<p>ii. the legal entity is competing, or is seeking to compete, with the DNSP, or a related electricity service provider of the DNSP, in relation to the provision of contestable electricity services.</p> <p>(c) A DNSP is not required by clause 4.3.4(a) to provide information to a legal entity where the DNSP has disclosed the information in the circumstances set out in clauses 4.3.3(a) to (e).</p> <p>(d) Without limiting clause 4.3.4(a), a DNSP must establish an information sharing protocol that sets how and when it will make the information referred to in clause 4.3.4(a) available to legal entities and must make that protocol publicly available on its website.</p> <p>(e) Where a DNSP discloses information referred to in clause 4.3.4(a) to any other legal entity under this clause 4.3.4, it must do so on terms and conditions that require the other legal entity to comply with clause 4.3.2 and 4.3.3(a) to (d) in relation to that information as if the other legal entity was a DNSP.</p>		
4.3.5 Information register	<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;</p> <p>Who request access to information 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</p>	<ul style="list-style-type: none"> Information sharing protocol and information sharing register is publicly available 	

Guideline clause	Guideline text	Preventative controls	Detective controls
	<p>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 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.</p>		
<p>4.4 Service providers</p> <p>4.4.1 Conduct of service providers</p>	<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 this 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 was the DNSP.</p> <p>(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 under clause 4 of this Guideline.</p>	<ul style="list-style-type: none"> • Standard terms and conditions for CitiPower/Powercor supply contracts have been amended to include compliance with ring-fencing requirements. Purchase orders include ring-fencing clauses. These standard terms and conditions are included in all new and amended contracts for suppliers involved in the provision of direct control services • All non-compliant contracts from the prior audits have either expired or have been amended to include ring fencing clauses • Internal controls implemented within the procurement team to ensure Beon procurement staff cannot see CitiPower/Powercor tenders • Decision matrix provided to procurement staff to apply in contract negotiations • Procurement staff incentive scheme amended to include ring-fencing KPIs 	

Guideline clause	Guideline text	Preventative controls	Detective controls
5 Waivers			
5.7 Waiver register	<p>(a) A DNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) granted to the DNSP by the AER under clause 5 of this Guideline, and must make the register publicly available on its website.</p> <p>(b) 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;</p> <p>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>	<ul style="list-style-type: none"> Waiver register is maintained and publicly available 	
6 Compliance and Enforcement			
6.1 Maintaining compliance	<p>A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline. The AER may require the DNSP to demonstrate the adequacy of these procedures upon reasonable notice. However, any statement made or assurance given by the AER concerning the adequacy of the DNSP’s compliance procedures does not affect the DNSP’s obligations under this Guideline.</p>	<ul style="list-style-type: none"> Mandatory online training on the ring-fencing requirements is performed for new employees as part of induction and for the rest of the business every two years Specific field staff training on ring-fencing requirements is performed every two years 	<ul style="list-style-type: none"> General Manager annual compliance review and declaration
6.1 Compliance reporting	<p>(a) A DNSP must prepare an annual ring-fencing compliance report each regulatory year in accordance with this clause 6.2.1, and submit it to the AER in accordance with clause 6.2.2.</p>	<ul style="list-style-type: none"> Mandatory online training on the ring-fencing requirements is performed for new employees as 	

Guideline clause	Guideline text	Preventative controls	Detective controls
6.2.1 Annual compliance reporting	<p>(b) 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 accordance with clause 3.1; and</p> <p>iv. the purpose of all transactions between the DNSP and an affiliated entity.</p> <p>(c) The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.</p> <p>d) Annual compliance reports may be made publicly available by the AER.</p>	<p>part of induction and for the rest of the business every two years</p> <ul style="list-style-type: none"> • A mailbox is maintained by the Regulation group for CitiPower/Powercor to report any potential breaches • A materiality and breach reporting policy is available to all staff on the intranet • A monthly ring-fencing champions meeting is held to identify and assess any ring-fencing issues as they arise 	
6.2.1 Timing of Annual compliance reporting	<p>(a) A DNSP must submit its annual compliance report to the AER within four months of the end of the regulatory year to which the compliance report relates.</p> <p>[Note: as part of the transition to guideline v3, the AER has specified that Victorian DNSPs continue to provide reports on a calendar year basis]</p>	<ul style="list-style-type: none"> • Independent assessment of compliance conducted by Deloitte, a suitably qualified independent authority 	
6.3 Compliance breaches	<p>A DNSP must notify the AER in writing within five business days of becoming aware of a material breach of its obligations under this Guideline. The AER may seek enforcement of this Guideline by a court in the event of any breach of this Guideline by a DNSP, in accordance with the NEL.</p>	<ul style="list-style-type: none"> • Mandatory online training on the ring-fencing requirements is performed for new employees as part of induction and for the rest of the business every two years • A breach register is maintained and updated by the Regulation group 	<ul style="list-style-type: none"> • General Manager annual compliance review and declaration

Guideline clause	Guideline text	Preventative controls	Detective controls
		<ul style="list-style-type: none"> <li data-bbox="1182 440 1576 566">• A materiality and breach reporting policy is available to all staff on the intranet. In this policy we commit to report all potential breaches to the AER within five business days 	

5 Complaints and breach reporting

5.1 Complaints and investigations

We have not received complaints about our compliance with the Guideline during the 2021 regulatory year.

In the event that a complaint was received, we have established internal policies and procedures for responding in a timely manner and ensuring a satisfactory outcome.

5.2 Breach reporting

We have a thorough process in place to identify, investigate and report breaches as they arise.

Identify:

We have various means of identifying potential breaches as they arise, including:

- emails to the ring-fencing inbox. The inbox provides a means for staff to raise ring-fencing related concerns. The Regulation group monitors this inbox and carefully reviews all matters raised
- through monthly, quarterly, six-monthly and annual attestations, which are now managed through the Quantate system. The business completes attestations in a range of areas such as finance, IT, contact centre, facilities, printed materials and website monitoring
- through walk-up consults or phone calls with the Regulation group
- in meetings relating to business activities where ring-fencing issues or concerns may arise
- in the monthly ring-fencing champions meetings
- through annual ring-fencing audits, conducted by Deloitte.

Investigate:

We use a range of investigative tools to further understand the matters that give rise to a potential breach. This may include, for example:

- interviewing staff members (whether internal or from an affiliate) as to the particulars of a matter
- creating a timeline of events leading to the potential breach
- consulting with internal experts on processes and/or procedures
- seeking written evidence or other documentation, such as emails, invoices, contracts, manuals etc.

Investigations may be conducted by the Regulation group, Legal team, Internal Audit team, or a combination of these teams, on a particular matter.

Assess:

Should a matter be assessed to be contrary to the requirements set out in the Guideline, we will assess the materiality of the breach with reference to the following factors:

- relevant background information (e.g. documentation, environment) and context that has led to the breach
- the duration, recurrence and exposure of the breach, if relevant
- the seniority of staff who have committed the breach
- the purpose for which the Guideline was introduced and harm that it is seeking to prevent, and how the breach fits into that context

- the potential impact on competition and competitors in the market(s) or related market(s) arising from the breach
- whether the breach is an isolated incident or reflects a systemic issue.

Report:

Where we identify a breach, whether material or immaterial, we report this to the AER within five business days.

For any breach, whether material or immaterial, we add the breach to our breach reporting register and provide this to our auditors during the yearly audit.

Where we assess there is no breach, we may take action to strengthen or clarify the control environment or if not required take no action.

Table 3 below sets out the potential breach which occurred during the 2021 regulatory year. On 17 March 2022 the AER advised they considered it is unlikely that Powercor had breached the Guideline.

Table 3 Potential breach during the 2021 regulatory year

Obligation	Details	Remedy	Materiality assessment
Branding and cross-promotion 2021	<p>Powercor became aware of a potential breach after it received a copy of a recorded telephone call to the Beon call centre, where the call had been transferred to the Powercor call centre as an overflow facility for Beon.</p> <p>In the call, a customer based in Adelaide was seeking a regulated connection for a mining site in the Powercor area. As part of the connection, the customer was also seeking some contestable works.</p> <p>In the call to Beon, the customer seems to suggest that Powercor had recommended Beon to complete such works.</p>	<p>Following an internal investigation, Powercor concluded that a breach had not occurred.</p> <p>Our investigations involved identifying the potential people involved, and interviewing Powercor staff who had spoken with this customer. Those conversations indicated that the customer:</p> <ul style="list-style-type: none"> • was seeking a regulated connection with Powercor and as part of the connection, as well as some contestable works • explicitly asked Powercor for the names of companies who could perform the contestable works and Powercor responded that due to ring-fencing obligations Powercor cannot recommend anyone • then asked whether they could use Beon for the works and Powercor confirmed that they could, amongst other companies, but Powercor cannot recommend anyone. <p>These recollections were essentially corroborated by the customer's recollections,</p> <p>We concluded that, on balance, this conduct did not amount to a relevant "advertisement or promotion" and is therefore not a breach.</p> <p>Powercor notified the AER of these circumstances in the interests of transparency and in order to clarify and resolve an appropriate approach to take on similar matters in the future.</p>	No breach

5.3 Material breaches

We are not aware of any material breach of our obligations under the Guideline during 2021. Under version 2 of the Guideline, we were required to notify the AER within five business days of becoming aware of any breaches of our obligations.

5.4 Other services provided

We are not aware of having provided 'other services'—being services that are not transmission or distribution services—over 2021.

6 Transactions with affiliated entities

A list of the transactions between the distributors and affiliates is provided in Tables 4 and 5 below.

Table 4 CitiPower transactions with affiliates

Affiliate	Transaction	Nature of transaction	Value in 2020 (\$000)	Value in 2021 (\$000)
CHED Services	Corporate services	For the provision of management, administration, back office and other business functions	\$43,011	\$45,770
CHED Services	IT projects	For the provision of IT system enhancements	\$17,117	\$16,277
CHED Services	Infill insurance ⁷	For the provision of insurance on excesses	\$576	\$822
Power Network Services	Network services	For the provision of construction, maintenance, faults, emergency and related services	\$186,183	\$154,138
Power Network Services	Depot maintenance	For the use of distributor owned depots	\$108	\$94

Source: CitiPower

⁷ The premium that the Discretionary Risk management Fund charges the distribution businesses is set following an independent actuarial assessment performed by Marsh. As part of the actuarial review, Marsh will review past claims and future forecast losses. Factors such as claims history, changes in deductible levels etc can impact premium amounts.

Table 5 Powercor transactions with affiliates

Affiliate	Transaction	Nature of transaction	Value in 2020 (\$000)	Value in 2021 (\$000)
CHED Services	Corporate services	For the provision of management, administration, back office and other business functions	\$91,420	\$97,331
CHED Services	IT projects	For the provision of IT system enhancements	\$38,326 ⁸	\$33,222
CHED Services	Infill insurance ⁹	For the provision of insurance on excesses	\$2,352	\$2,040
Power Network Services	Management services	For the provision of management services	\$120	\$120
Power Network Services	Network services	For the provision of construction, maintenance, faults, emergency and related services	\$451,591	\$440,411
Power Network Services	Depot maintenance	For the use of distributor owned depots	\$513	\$481
Power Network Services	Capex lease	For the use of distributor owned fleet	\$2,108	\$2,354
Power Network Services	Corporate services	For secondment of staff to Beon through PNS ¹⁰	\$22,081	\$23,998
Beon Aerial Services	Corporate services	For secondment of staff to Beon Aerial Services	\$408	\$1,340

Source: Powercor

There are no contracts between CitiPower/Powercor and United Energy.

⁸ This figure does not align with the Regulatory Information Notices because for the purposes of ring-fencing we have included in this category IT capex on Alternative Control Services, metering and public lighting, Standard Control Services and digital innovation.

⁹ The premium that the Discretionary Risk management Fund charges the distribution businesses is set following an independent actuarial assessment performed by Marsh. As part of the actuarial review, Marsh will review past claims and future forecast losses. Factors such as claims history, changes in deductible levels etc can impact premium amounts.

¹⁰ The majority of Beon staff are contractually employed by Powercor, as they are seconded through our affiliated entity PNS. It was financially prohibitive to transfer employment contracts from Powercor to Beon when the ring-fencing guideline came into effect. Further, management have disclosed the arrangement to the AER and it was not identified by the AER to be of concern.