

Ring-fencing Annual Compliance Report

1 January – 31 December 2024



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Overview

Endeavour Energy own and operate a network serving 1.2 million customers in Sydney's Greater West, the Blue Mountains, Southern Highlands, the Illawarra and South Coast of New South Wales (NSW). A population of 2.7 million depend on us every day for safe, affordable, reliable and resilient power so they can go about their lives and livelihoods, trusting us to look after their energy interests and plan and deliver a clean energy future that integrates distribution renewable energy zones, solar, batteries and electric vehicles at least cost for all. We power some of the fastest growing regions in NSW, including Sydney's Greater West, home to NSW's second international airport and the surrounding City of Bradfield.

Our purpose is powering communities for a brighter future. Due to rapid industry changes, we are transitioning from a traditional 'poles and wires' business to a customer-centred distributed system operator where energy flows in two directions and smart meters, batteries and solar generation enable customers to generate, store and sell electricity back into the grid as we move to a clean energy future.

Since 2017, Endeavour Energy has maintained a clear separation between the provision of regulated and unregulated services to meet the needs of customers in an evolving energy landscape. This separation was formalised with the creation of our affiliated entity, Ausconnex, which serves as Endeavour Energy's Related Electricity Service Provider (**RESP**).

This document is our annual compliance report under the Australian Energy Regulator's (**AER**) Electricity Distribution Ring-fencing Guideline (Version 3) (the **Guideline**) for the period 1 January to 31 December 2024 (the **reporting period**). In it, we have sought to demonstrate our continued adherence to the established requirements.

A **DNSP** must prepare an annual ring-fencing compliance report each **calendar year** in accordance with clause 6.2.1 and submit it to the AER in accordance with clause 6.2.2 of the Guideline.

During this reporting period, we have strengthened our internal processes and capacity to support compliance with the evolving regulatory landscape. Our ongoing commitment to improvement reflects our dedication to maintaining robust compliance measures, while navigating a rapidly changing energy environment.

This report identifies each ring-fencing obligation and the compliance measures that apply to each obligation. Our goal is to foster transparency and accountability, contributing to the public's confidence in the integrity of our operations. By adhering to the Guideline, we aim to support competitive markets, provide clarity within the sector and ensure a level playing field for all energy service providers.

Compliance Statement

Endeavour Energy confirms that it has complied with the Guideline for the reporting period.

Acknowledgement of Country

Endeavour Energy acknowledges the traditional custodians of Country where we work – the people of the Dharug, Wiradjuri, Dharawal, Gundungarra and Yuin nations – and recognises their continuing connection to Country, cultures and community.



Introduction

Clause 6.2.1(b) of the Guideline sets out those matters that Endeavour Energy is required to include in this report to demonstrate compliance with the Guideline. Specifically, the compliance report must identify and describe, in respect of the period to which the report relates:

- i. the measures the Distribution Network Service Provider (**DNSP**) has taken to ensure compliance with its obligations under this Guideline;
- ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP;
- iii. all other services provided by the DNSP in accordance with clause 3.1; and
- iv. the purpose of all transactions between the DNSP and an affiliated entity.

This report must also be accompanied by an assessment of compliance with each provision of the Guideline by a suitably qualified independent authority.

This report may be made public by the AER and has been prepared with the expectation that such disclosure will occur.

Endeavour Energy is required to submit this report and accompanying compliance assessment for the reporting period to the AER by 30 April 2025.



The Guideline

Clause 6.17.1 of the National Electricity Rules (**NER**) requires all DNSPs to comply with the Guideline published by the AER.

The AER published version 3 of the Electricity Distribution Ring-fencing Guideline on 3 November 2021, and as set out in the AER's Guideline, the objective is to:

- promote the National Electricity Objective by providing for the accounting and functional separation of the provision of direct control services by DNSPs from the provision of other services by them, or by their affiliated entities; and
- promote competition in the provision of electricity services.

The Guideline imposes obligations on DNSPs targeted at, among other things:

- cross-subsidisation, with provisions that aim to prevent a DNSP from providing other services that could be cross-subsidised by its distribution services; and
- discrimination, with provisions that aim to:
 - prevent a DNSP conferring a competitive advantage on its related electricity service providers that provide contestable electricity services; and
 - ensure a DNSP handles ring-fenced information appropriately.

This report

Section 1 of this report provides a comprehensive look at Endeavour Energy's compliance with the Guideline, focusing on effective reporting, strong governance, and the achievement of compliance throughout the reporting period.

BUILDING TRUST THROUGH COMPLIANCE: 2024 PERFORMANCE

Endeavour Energy prioritises integrity and accountability by implementing robust compliance measures and practices that align with the AER’s ring-fencing requirements, safeguarding consumer interests and promoting a level playing field.



ZERO BREACHES

Endeavour Energy had no breaches of the Ring-fencing Guideline to report to the AER during the reporting period.



42 COMPLIANCE MEASURES

Endeavour Energy has 42 measures in place to manage ring-fencing compliance across the organisation.



OPPORTUNITY FOR IMPROVEMENT ADDRESSED

Endeavour Energy has addressed the sole Opportunity for Improvement recommended by CutlerMerz Pty Ltd in the previous independent assessment.



ONE WAIVER APPLICATION GRANTED

Endeavour Energy was granted one ring-fencing waiver during the reporting period.

Endeavour Energy’s regulatory compliance activities are guided by a structured framework designed to ensure clear, consistent, and transparent compliance and reporting. This approach supports the effective management of regulatory obligations, the seamless execution of compliance activities, and the clear demonstration of compliance.



RESPONSIVE

Delivering proactive and collaborative communication, we foster a culture of transparency, operational excellence, and stakeholder engagement, ensuring trust, efficiency, and shared success.

INFORMATIVE

Providing clear, insightful information to empower informed decision-making while cultivating a culture of knowledge-sharing, transparency, and collaboration.

COLLABORATIVE

Embracing open communication, shared ideas, and mutual support, we cultivate an environment where diverse perspectives unite to inspire innovation and drive collective success.

PROACTIVE

Anticipating and addressing challenges before they arise, staying ahead of regulatory changes and compliance requirements to ensure timely management of obligations, minimise risks, and maintain adherence to relevant standards.

Section 1

Compliance with the Guideline

Compliance Reporting

Compliance Improvement Program

The targeted Compliance Testing Program (CTP), implemented in FY21-22, continues to address identified breaches and improvement opportunities. The CTP outlines corrective actions to resolve issues and actively assess and manage evolving compliance risks.

The CTP has enhanced accountability and enables more targeted enforcement in key areas, leading to a reduced risk of non-compliance. Additionally, it has fostered a deeper understanding of ring-fencing obligations across Endeavour Energy, further strengthening our compliance framework.

The Regulatory Assurance team within Endeavour Energy has maintained ongoing monitoring and evaluation of the program to identify potential gaps or areas for improvement. In 2023, investment in Resolver (compliance management software) enabled compliance improvement processes to be automated and streamlined, enhancing reporting capabilities and strengthening compliance “ownership” across Endeavour Energy. This ongoing investment supports Endeavour Energy’s commitment to driving continuous improvement and operational efficiency with the compliance framework.

Ongoing monitoring and improvement of the CTP will ensure that Endeavour Energy maintains a high standard of compliance. Regular reviews enable emerging risks or potential areas of non-compliance to be identified; in addition, procedures and controls have been integrated into the CTP, ensuring the program remains current and aligned with the Guideline’s requirements.

Endeavour Energy is committed to embedding awareness of its obligations under the Guideline, proactively identifying and addressing breaches and meeting its regulatory compliance obligations. The Regulatory Assurance team plays a critical role in this, driving the development and implementation of corrective actions and capturing these improvements as part of the CTP within the broader Compliance Improvement Program.

During the reporting period, **Endeavour Energy did not incur any breaches** of the Guideline. One breach was identified during the independent assessment

Identifying and assessing breaches of the Guideline

In alignment with Endeavour Energy’s core values, several channels are available for identifying and reporting ring-fencing related issues. These include:



Contacting the Regulatory Assurance team via telephone or MS Teams



Emailing the Regulatory Assurance team directly via ringfencing@endeavourenergy.com.au



Meeting with the Regulatory Assurance team face-to-face



Conducting an annual attestation with key stakeholders



Annual assessment of compliance by a suitably qualified independent authority

Endeavour Energy has established a comprehensive process for assessing potential breaches of the Guideline to ensure continuous compliance. Throughout the reporting period, no breaches were identified during the assessment process, demonstrating the effectiveness of the compliance framework.

Endeavour Energy’s Core Values

At Endeavour Energy, our purpose and values form the basis of everything we do and how we do it.



Breaches of the Ring-fencing Guideline

Breaches Reported – 1 January to 31 December 2024

Endeavour Energy must notify the AER in writing within 15 business days of becoming aware of a breach of its obligations under the Guideline, except for a breach of clause 6.2.2 or 6.3.

Endeavour Energy did not notify the AER of a breach during the reporting period.

Breaches Reported – 1 January to 11 April 2025*

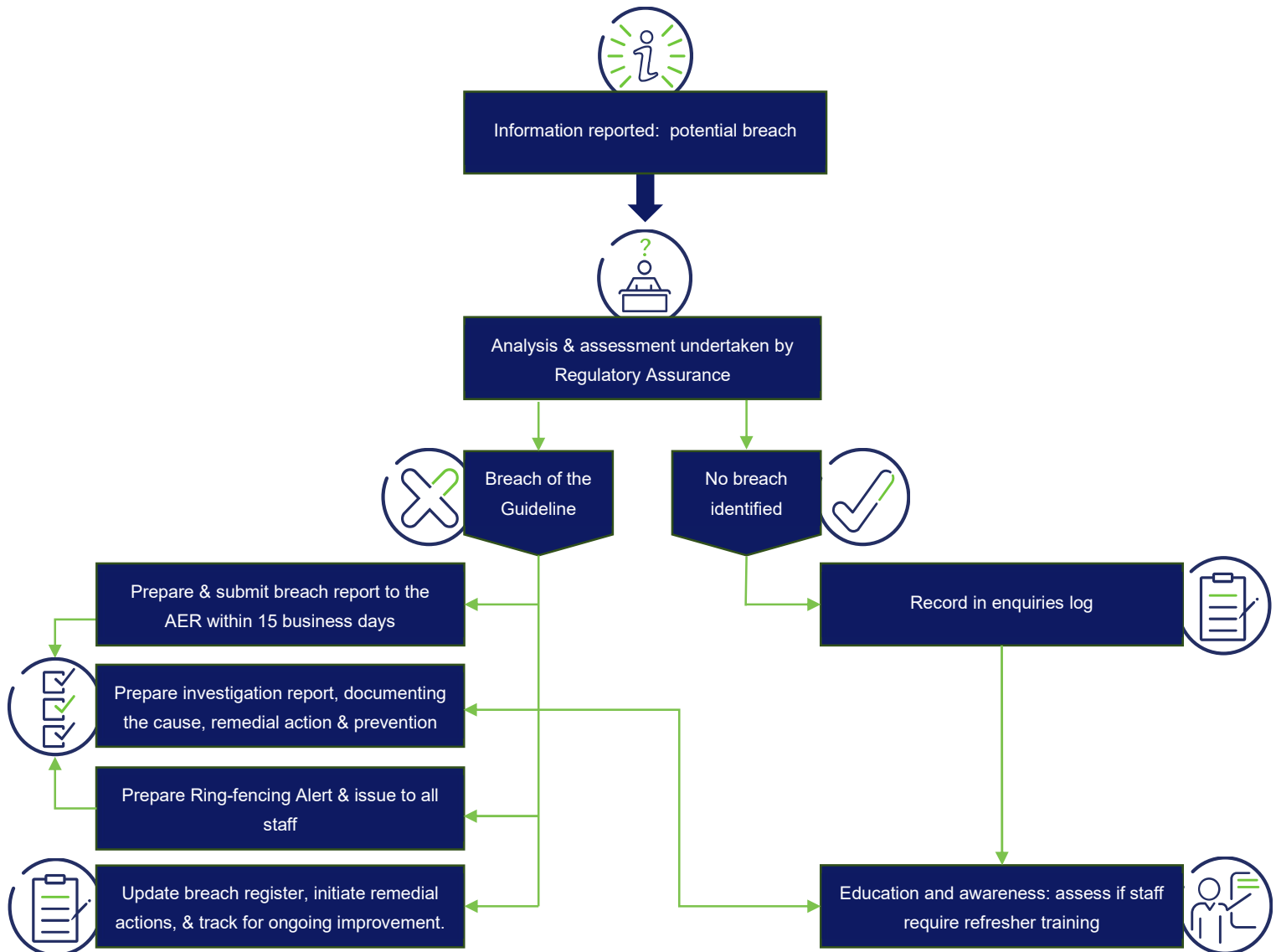
During the independent assessment of Endeavour Energy's Annual Compliance Report for 1 January to 31 December 2024, one breach was identified by the independent assessor and reported to the AER. This breach is listed below:

Obligation	Summary of breach notified to the AER
Office and staff registers – No later than 15 January, 15 April, 15 July and 15 October each year, a DNSP must publish, on its website, an updated version of each of the registers referred to in clause 4.2.4(a). Clause 4.2.4(b)	The Staff Sharing Register, for the period 1 October to 31 December 2024, was not published on Endeavour Energy's website by 15 January 2025.

*Breach identified and reported to the AER during the independent assessment period.

ASSESSING POTENTIAL BREACHES

An **assessment tree** is used to support the **identification and reporting** of ring-fencing related issues. This diagram displays the process undertaken when a potential breach is reported



Registers

In accordance with the Guideline, Endeavour Energy has maintained and published registers during the reporting period, with updates occurring on a quarterly basis (no later than the 15th of January, April, July and October) and subsequent publication on Endeavour Energy's corporate website.



Staff Sharing Register

The register lists those employees who hold positions in Endeavour Energy's DNSP business who, from time to time, are shared with Ausconnex. These positions have been assessed against the criteria set out in clause 4.2.2(b) of the Guideline and are considered to have met one or more of the exceptions from the obligation not to share employees between the DNSP and the RESP.

Updated: Q1 – 5 April 2024, Q2 – 10 July 2024, Q3 – 2 October 2024, Q4 – 7 January 2025.



Office Sharing Register

The register lists the offices in relation to which the obligation to use a separate office in clause 4.2.1(a) does not apply, by reason of one of the exceptions in clause 4.2.1(b)(i) or 4.2.1(b)(iii).

Updated: Q1 – 2 April 2024, Q2 – 4 July 2024, Q3 – 1 October 2024, Q4 – 1 January 2025.



Information Sharing Register

The register lists the legal entities who have requested access to information identified in clause 4.3.3(a), a description of the kind of information requested by the legal entity and whether the request was approved or declined.

Updated: Q1 – 1 April 2024, Q2 – 1 July 2024, Q3 – 1 October 2024, Q4 – 6 January 2025.



Regulated Stand-alone Power Systems (SAPS) Register

The register identifies each regulated stand-alone power system used by Endeavour Energy to provide other services. Endeavour Energy have not reported any regulated SAPS during the reporting period.

Updated: Q1 – 12 April 2024, Q2 – 1 July 2024, Q3 – 1 October 2024, Q4 – 1 January 2025.



Waiver Register

The register lists all waivers, including any variations, granted to Endeavour Energy and includes a description of the conduct to which the waiver applies and the terms and conditions of the waiver as set by the AER. Further details of Endeavour Energy's waivers are detailed in Section 4.

Updated: Q1 – 8 April 2024, Q2 – 3 July 2024, Q3 – 14 October 2024, Q4 – 3 January 2025.

Waivers

Endeavour Energy's Waiver Register is updated on a quarterly basis and published on the corporate website in accordance with clause 5.7(a) of the Guideline. The register includes a description of the conduct to which each waiver applies, and the terms and conditions of the waiver as set by the AER¹.

This section sets out Endeavour Energy's compliance with the terms and conditions of the three waivers which require reporting through this annual compliance report. The reporting period detailed is 1 July 2023 to 30 June 2024.

Endeavour Energy's contact is Matthew Pellow (matthew.pellow@endeavourenergy.com.au), Energy Storage Lead.

Batteries funded under the Commonwealth Government's Community Batteries for Household Solar Program

The Community Batteries for Household Solar Program allows eligible DNSPs to apply for funding to cover capital costs for 400 new community batteries on low voltage networks across Australia. Due to concerns regarding the potential for cross subsidisations, discrimination and subsequent impacts on competition on the market for battery services, the Guideline restricts DNSPs from leasing energy storage devices to another legal entity without a ring-fencing waiver from the AER.

This class waiver was granted on 3 February 2023 and expires on 30 June 2041 and is subject to the conditions published by the AER.

Reporting

Endeavour Energy's projects under the Community Batteries for Household Solar Program class waiver were initiated in July 2023, following execution of award agreements with the Commonwealth in June 2023. The award agreements specify that tendering for a market partner was planned for December 2023, however, this occurred in January 2024.

Endeavour Energy is currently in the advanced stages of negotiation for a capacity lease contract. Endeavour Energy aims to execute this contract during March/April 2025, subject to final negotiations, drafting, and approvals. The volume of battery capacity planned to be leased under this contract totals 1.52MW and 3.35MWh.

Ring-fencing waiver (streamlined process) – February 2023

Endeavour Energy applied to the AER for a ring-fencing waiver from clause 3.1 of the Guideline to conduct a trial with a confidential retail partner, by leasing three battery energy storage systems (BESS) across the Endeavour Energy network. The waiver was granted on the basis that the assets and associated costs are subject to reporting, noting that the AER reserves its right to amend its approach to considering future streamlined waiver applications as and when more information becomes available from waiver participants.

This waiver was granted on 13 February 2023 and expires on 31 December 2037 and is subject to the conditions published by the AER.

Reporting

Contractual relationship

The Trial Umbrella Agreement, between Endeavour Energy and its Retail Partner, is the executed contract governing the batteries covered by this ring-fencing waiver. This contract was executed on 6 July 2023 and information concerning the contractual relationship provided via email to the AER on 17 July 2023. There were no changes made to the contract arrangement during the reporting period.

Battery installation

The intended purpose of the three batteries installed is to provide network support services (peak shaving and voltage support) when required by Endeavour Energy. When not required for network support services, the batteries provide services in the National Electricity Market (NEM) wholesale market.

¹ Endeavour Energy's waivers and the AER's decision, inclusive of reporting requirements, are published on the AER's website.

Table 1: Battery information

Location	Capacity	Type
Unit 1		
Cnr Steeltrap Dr & Charles Smith Ave BUNGARRIBEE NSW 2767	30 kW, 79 kWh	Xolta BAT-79
Unit 2		
Sovereign Cir SHELL COVE NSW 2529	30 kW, 79 kWh	Xolta BAT-79
Unit 3		
Emily Cir, at Caley St BOWRAL NSW 2576	30 kW, 79 kWh	Xolta BAT-79

Informational summary

- Unit 1 was commissioned 1 August 2023 and commenced operations in the NEM. However, on 24 June 2024, it encountered a major fault, rendering it non-operational.
- Unit 2 was commissioned on 1 March 2024 and commenced operations in the NEM. However, on 24 June 2024, it encountered a major fault, rendering it non-operational.
- Unit 3 was installed in October 2023 but has encountered persistent technical issues that have prevented the unit from being successfully commissioned. Despite multiple attempts to resolve these technical issues, the unit was not commissioned during the reporting period and remains non-operational.
- Endeavour Energy plans to replace all three faulty units with batteries from a different manufacturer by mid-2025. Battery procurement and electrical design are underway for these replacements. Once the replacement battery units are commissioned, Endeavour Energy intends to operate them as originally intended and in accordance with the approved waiver.

Table 2: Quantified benefits and comparison of uses

Unit 1 ²	Unit 2 ³	Unit 3 ⁴
All services		
\$0	\$0	\$0
Direct control services⁵		
\$0	\$0	\$0
Other distribution services⁵		
\$3,349	\$693	\$0
Share of total benefit from direct control services⁵		
0%	0%	0%
Original estimate of RAB allocation⁶		
19%	45%	47%

Operational summary

During the reporting period, use of these batteries has been by the Retail Partner and not Endeavour Energy. As noted under the informational summary, Endeavour Energy has been required to attend to technical faults.

An operational summary of the batteries is provided below.

Table 3: Operational summary⁷

Volume dispatched	Frequency of dispatch ⁸
Unit 1	
20,928 kWh	95% (01/08/2023 – 24/06/2024)
Unit 2	
9,435 kWh	100% (01/03/2024 – 24/06/2024)
Unit 3	
0 kWh	Not applicable



Image: Unit 1 – Cnr Steeltrap Dr & Charles Smith Ave, Bungarribee

² Operational from 1 January to 24 June 2024.

³ Operational from 1 March to 24 June 2024.

⁴ Non-operational during the reporting period.

⁵ The battery provides continuous local power quality support. This will require a longer period of continuous uninterrupted operation to quantify and determine the value. The data provided is an estimate only.

⁶ As per Endeavour Energy's waiver application.

⁷ Endeavour Energy's waiver application did not contain any forecast of volume or frequency of battery operation.

⁸ The percentage is based on the period during which the battery was operational, not the full the reporting period.



Ring-fencing waiver (streamlined process) – March 2024

Endeavour Energy applied to the AER for a ring-fencing waiver from clause 3.1 of the Guideline to conduct a trial with a confidential retail partner, by leasing seven BESS across the Endeavour Energy network. The waiver was granted on the basis that the assets and associated costs are subject to reporting, noting that the AER reserves its right to amend its approach to considering future streamlined waiver applications as and when more information becomes available from waiver participants.

This waiver was granted on 25 March 2024 and expires on 31 December 2037 and is subject to conditions published by the AER.

Reporting

Contractual relationship

The Trial Umbrella Agreement, between Endeavour Energy and its Retail Partner, is the executed contract governing the batteries covered by this ring-fencing waiver. This contract was executed on 6 July 2023 and information concerning the contractual relationship provided via email to the AER on 17 July 2023. There were no changes made to the contract arrangement during the reporting period.

Battery installation

The intended purpose of the seven batteries installed is to provide network support services (peak shaving and voltage support) when required by Endeavour Energy. When not required for network support services, the batteries provide services in the National Electricity Market (NEM) wholesale market.

Table 4: Battery information

Location	Capacity	Type
Unit 1		
Thornett Way KIAMA DOWNS NSW 2533	200kW, 445kWh	Rolls Royce MTU ENERGYPACK QS
Unit 2		
Blair Athol Dr BLAIR ATHOL NSW 2560	200kW, 445kWh	Rolls Royce MTU ENERGYPACK QS
Unit 3		
Pangari Cres ST GEORGES BASIN NSW 2540	30kW, 65kWh	EcoJoule EcoSTORE Gen 1
Unit 4		
Norman Ave HAMMONDVILLE NSW 2170	30kW, 65kWh	EcoJoule EcoSTORE Gen 1
Unit 5		
Tannery Rd CAMBEWARRA NSW 2540	30kW, 65kWh	EcoJoule EcoSTORE Gen 1
Unit 6		
Hawthorne Rd BARGO NSW 2574	30kW, 65kWh	EcoJoule EcoSTORE Gen 1
Unit 7		
Railway Parade MACQUARIE FIELDS NSW 2564	30kW, 65kWh	EcoJoule EcoSTORE Gen 1

Informational summary:

- Unit 1 was commissioned on 1 May 2024 and commenced operations in the NEM. It has continued to operate without major issue.
- The other six units were not installed during the reporting period; however, the units were procured, and designs completed. Endeavour Energy expects to commission these units in 2025.

Table 5: Quantified benefits and comparison of uses

Unit 1 ⁹	Unit 2	Unit 3	Unit 4	Unit 5	Unit 6	Unit 7
All services						
\$0	\$0	\$0	\$0	\$0	\$0	\$0
Direct control services¹⁰						
\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other distribution services¹⁰						
\$13,973	\$0	\$0	\$0	\$0	\$0	\$0
Share of total benefit from direct control services¹⁰						
0%	0%	0%	0%	0%	0%	0%
Original estimate of RAB allocation¹¹						
45%	43%	49%	38%	36%	53%	51%

Operational summary

During the reporting period, use of the one operational battery unit has been by the Retail Partner and not Endeavour Energy.

The remaining battery installations are expected to occur in 2025, and begin dispatching direct control services soon after.

An operational summary of the batteries is provided in Table 6.

Table 6: Operational summary¹²

Volume dispatched	Frequency of dispatch ¹³
Unit 1	
25,356 kWh	92% (01/05/2024 – 30/06/2024)
Unit 2	
0 kWh	Not applicable
Unit 3	
0 kWh	Not applicable
Unit 4	
0 kWh	Not applicable
Unit 5	
0 kWh	Not applicable
Unit 6	
0 kWh	Not applicable
Unit 7	
0 kWh	Not applicable



Image: Unit 1 – Thornett Way, Kiama Downs

⁹ Operational since May 2024.

¹⁰ The battery provides continuous local power quality support. This will require a longer period of continuous uninterrupted operation to quantify and determine the value. The data provided is an estimate only.

¹¹ As per Endeavour Energy's waiver application.

¹² Endeavour Energy's waiver application did not contain any forecast of volume or frequency of battery operation.

¹³ The percentage is based on the period during which the battery was operational, not the full the reporting period.

Achieving Compliance

Endeavour Energy's risk management and compliance framework is overseen by the Board Audit and Risk Committee. The effectiveness of compliance and governance is assured through independent review and assessment by the internal audit function. Operationally, the layered compliance system cascades from an overarching business risk identification and governance reporting framework, managed by the corporate Risk and Governance team, through to workplace instructions and reporting implemented by teams with functional responsibility.

Ring-fencing compliance is centrally coordinated and reported within the Regulatory Assurance section due to the breadth of subject matter expertise required. To ensure effective implementation, accountability for the specific compliance measures lies with those responsible for the relevant measure and/or area. For a summary of the compliance measures in place to achieve and maintain compliance with each element of the Guideline, refer to **Appendix A**.

Regulatory Assurance reports on compliance-related matters, including ring-fencing, to the Executive Leadership Team and the Board (via the Audit and Risk Committee, and the Regulatory Committee).

Company Procedure GRG0013 *Compliance Reporting for Ring-fencing Guidelines* provides a consistent organisational framework for reporting compliance with the Guideline, setting out the process and requirements for:

- notification of compliance breaches to the AER;
- Endeavour Energy's Compliance Measures Matrix; and
- the annual compliance reporting cycle.

Compliance has been achieved through Endeavour Energy's comprehensive **risk management and compliance framework**, supported by robust reporting processes, education and awareness and effective compliance measures.

To facilitate ongoing engagement regarding ring-fencing compliance, the Regulatory Assurance team monitors a dedicated ring-fencing email inbox, enabling internal and external persons to raise questions or concerns regarding ring-fencing compliance. There is particular focus on ensuring that the DNSP does not discriminate in favour of Ausconnex, demonstrated by the DNSP ensuring parity in its treatment of Ausconnex and Ausconnex's competitors in relation to dimensions including service quality, terms and conditions, responsiveness and reliability.

Endeavour Energy's Ring-fencing Compliance Measures Matrix outlines the compliance measures that support each ring-fencing obligation.

Ring-fencing obligations are communicated regularly to staff through internal communication channels, the eLearning¹⁴ modules reinforcing Endeavour Energy's Competing Fairly culture, and Endeavour Energy's internal SharePoint site. Policies and procedures are regularly reviewed, updated and communicated to all staff according to established cycles, ensuring ongoing organisational compliance and awareness of ring-fencing obligations.



¹⁴ All permanent staff, including Ausconnex, Alliance Partner Contractors and Agency Temp Contractors, receive the eLearning module. eLearning modules are automatically provisioned for all new starters via the onboarding curricula.

ACHIEVING COMPLIANCE



LEGAL SEPARATION

Endeavour Energy is a **DNSP** and a legal entity.

Legal separation is achieved through the existence of Endeavour Energy's related electricity service provider (**RESP**), Ausconnex. Endeavour Energy (Network Operating Partnership) is **legally separated** from Ausconnex (Network Unregulated Partnership).

Endeavour Energy and Ausconnex have **separate Australian Business Numbers** (ABNs).

Contractual arrangements in relation to corporate services and asset sharing are formally defined in a Business Support Agreement between the two entities.



COST ALLOCATION

Endeavour Energy allocates costs to distribution services in a manner that is consistent with the Cost Allocation principles and the approved **Cost Allocation Methodology** approved by the Australian Energy Regulator and maintains appropriate records to comply with clauses 3.2.2 (a) and (b) of the Guideline.

"Accounting for Ausconnex Fundamentals" an **internal accounting procedure**, has been established and is reviewed on an annual basis in order to demonstrate the extent and nature of transactions between Endeavour Energy and Ausconnex.

Endeavour Energy's **financial data is audited annually** and provided to the AER via the annual Regulatory Information Notice process.



INFORMATION ACCESS & DISCLOSURE

Endeavour Energy's Information Sharing Protocol and Approach outlines the **guiding principles** for providing equal access to electricity information. The **Information Sharing Protocol and Approach** has been published on the corporate website.

The process for the management of electricity information requests from internal and external parties is documented in a **company procedure**. The **Information Sharing Register** is updated on a quarterly basis.

Additional scripts have been deployed in SAP to automatically provision **system access for employees** in accordance ring-fencing requirements. This user access is tested in accordance with the ICT Security Calendar.



STAND-ALONE POWER SYSTEMS

There are currently no Stand-Alone Power Systems (SAPS) on the Endeavour Energy network.

However, to ensure Endeavour Energy's compliance with SAPS-related requirements in the future (should this be required):

- Endeavour Energy has established a **Regulated Stand-Alone Power Systems (SAPS) Reporting Register**, which would be updated quarterly to identify regulated SAPS used by Endeavour Energy to provide other services; and
- acknowledging that Endeavour Energy would be considered a Category 3 DNSP under the Guideline, appropriate cost allocation measures are in place to ensure any SAPS generation services up to a **generation revenue cap** of 0.02% would be monitored and accounted for.

ACHIEVING COMPLIANCE



STAFF SHARING

Endeavour Energy has established **Staff Segment Definitions** to assist with the classification of positions according to the nature of services being provided, access to information and the ability for staff to discriminate within the context of their role.

A clearly defined process for updating the **Staff Sharing Register** quarterly has been documented and addresses the key requirements of the Guideline.

People and Culture processes are clearly defined and documented for all onboarding requirements and staff transfers between Endeavour Energy and Ausconnex.

Endeavour Energy's **eLearning module** reinforces to all staff the importance of consulting the Staff Sharing Register.



BRANDING & CROSS-PROMOTION

Endeavour Energy and Ausconnex continue to maintain **separate and distinct branding** with independent advertising, communication and promotional materials.

Each employee is tasked with the **responsibility** of ensuring worksite signage, uniforms, vehicles, plant and equipment are branded correctly.

Communication with employees as well as eLearning emphasises the importance of not promoting the two brands together. In addition to the areas identified in the field, Regulatory Assurance continues to perform quarterly reviews on **branding and cross-promotional compliance** with the Guideline across all digital platforms. This includes websites, report formats, digital forms and social media.



CONDUCT OF SERVICE PROVIDERS

All Endeavour Energy's Standard Commercial templates and Purchase Order terms include the **Conduct for Service Providers clause**.

Endeavour Energy's Supply Chain team have **established a framework** to support the negotiation process and provide a consistent corporate response to the application of the Conduct for Service Providers clause across the company's procurement and purchasing-related activities. Any proposed deviations to Endeavour Energy's Standard Commercial templates require approval from Endeavour Energy's Legal team.



PHYSICAL SEPARATION

Ausconnex employees remain **physically separated** from Endeavour Energy employees who undertake direct control services and have access to electricity information.

Ausconnex has premises located at Glendenning and Hoxton Park. Endeavour Energy operates a Central Logistics Facility function at Glendenning. The Endeavour Energy employees that are co-located with Ausconnex are physically separated within the office space and do not have access to electricity information. A **licence** is in place between the two entities for the office and workshop space at these locations.

Regulatory Assurance conducts **quarterly reviews** of physical separation arrangements.

The **Office Sharing Register** is updated quarterly.

Compliance Governance

Endeavour Energy's compliance measures framework ensures that each ring-fencing obligation and responsibility is understood and mapped to the responsible business function and accountable Executive Leadership Team Member.

The identified compliance measures continue to enable Endeavour Energy to monitor and maintain compliance with the Guideline.

Compliance Measures Framework

Process and policy measures

Process and policy measures have been established to provide clear guidance and instruction to the business units undertaking activities in relation to which the Guideline applies.

Contractual and financial measures

Contractual and financial measures have been established to provide governance around the types of interactions and services that Endeavour Energy and Ausconnex may provide or procure from the other and how these services will be charged and costed.

Regulatory and reporting measures

Regulatory and reporting measures have been established to support a compliance-orientated philosophy to the Guideline and embedding a "once-removed" approval process for some key changes to maintain a focus on securing compliance.

Embedding awareness of our obligations with employees allows them to act as an effective first line of defence in identifying issues and incidents to maintain Endeavour Energy's compliance with the Guidelines. This is supported by online materials, such as FAQs, our SharePoint site, e-learning modules and access to subject matter experts (in particular the Regulatory Assurance team).

People & Culture, ICT and physical access

Our People & Culture measures have been established to provide role clarity to limit the opportunity for inadvertent breaches of the Guideline and to address potential incentives to breach the Guideline. These measures are supported by the system-based ICT and physical access measures applied to all roles.

Process Improvement Opportunities

During the Annual Ring-fencing Compliance Assessment conducted by CutlerMerz Pty Ltd in early 2024, one process improvement opportunity was identified; this was successfully closed during the current reporting period.

More generally, Endeavour Energy remains committed to efficiently meeting its ring-fencing obligations and addressing compliance matters in a timely manner.

Enhancing compliance continues to be a priority, reflecting Endeavour Energy's ongoing commitment to regulatory excellence.

Independent Assessor's Observation

Following an identified breach related to an Endeavour Energy employee sending an email to Ausconnex and copying in Ausconnex's customer, Endeavour Energy undertook to continue building awareness of the ring-fencing requirements.

Performance Improvement Recommendation

There is an opportunity for Endeavour Energy to consider implementing automated rules within the email system that would flag communication from an Endeavour Energy email account to an Ausconnex email account, or that mentions the word "Ausconnex". This would notify the sender of the need to check compliance with ring-fencing requirements has been maintained prior to the email being sent. This would serve to strengthen the existing administrative controls associated with training and education.

Remedial action complete

Endeavour Energy has undertaken the recommended review to consider whether automated rules can be implemented within Outlook to "flag" this sort of correspondence; however, we have been advised that it is not possible to flag specific emails for review prior to being sent to achieve this outcome.

While this OFI has concluded, for completeness, we note that a broader Domain Segregation Project is underway, to reinforce the system-based ICT controls between Endeavour Energy and Ausconnex.

Other Compliance Activities

In addition to monitoring and reporting on the key compliance controls outlined in the Compliance Measures Matrix at Appendix A, Endeavour Energy also undertakes a number of other key compliance activities to support ring-fencing compliance.



Ausconnex Onboarding

An onboarding message (delivered via email) has been developed for staff transferring from Endeavour Energy to Ausconnex. The message acts as a reminder to the transferee that Ausconnex operates in the contestable market as an ASP and that there are guidelines in place to ensure that Endeavour Energy does not preference Ausconnex over other competitors.

The communication outlines how the staff member can help support unprecedented economic growth throughout the region and power communities for a brighter future while continuing to comply with the Guideline.

Breach Summary Review

Regulatory Assurance has developed a compliance testing plan informed by previous breaches.

This plan involves conducting compliance testing on a regular basis, depending on the actions identified following prior breaches of the Guideline.

Targeted testing ensures that the remedial actions that were previously advised to the AER at the time of a breach notification continue to be effective, and that no further breaches are occurring as a result of the same error or situation.

myEndeavour SharePoint

Endeavour Energy's SharePoint site, myEndeavour, serves as a platform for centralised information and frequently asked questions on all areas of ring-fencing.

eLearning

All Endeavour Energy Group staff are required to complete mandatory online ring-fencing training. New starters are automatically enrolled in this training as part of their onboarding curricula package through Endeavour Energy's internal eLearning platform, SuccessFactors.

The training module is tailored to specific roles (field, office or Ausconnex), and designed to be interactive and engaging. Endeavour Energy's ring-fencing training modules remain accessible to staff to enable refresher to be undertaken.

Screensaver Campaign

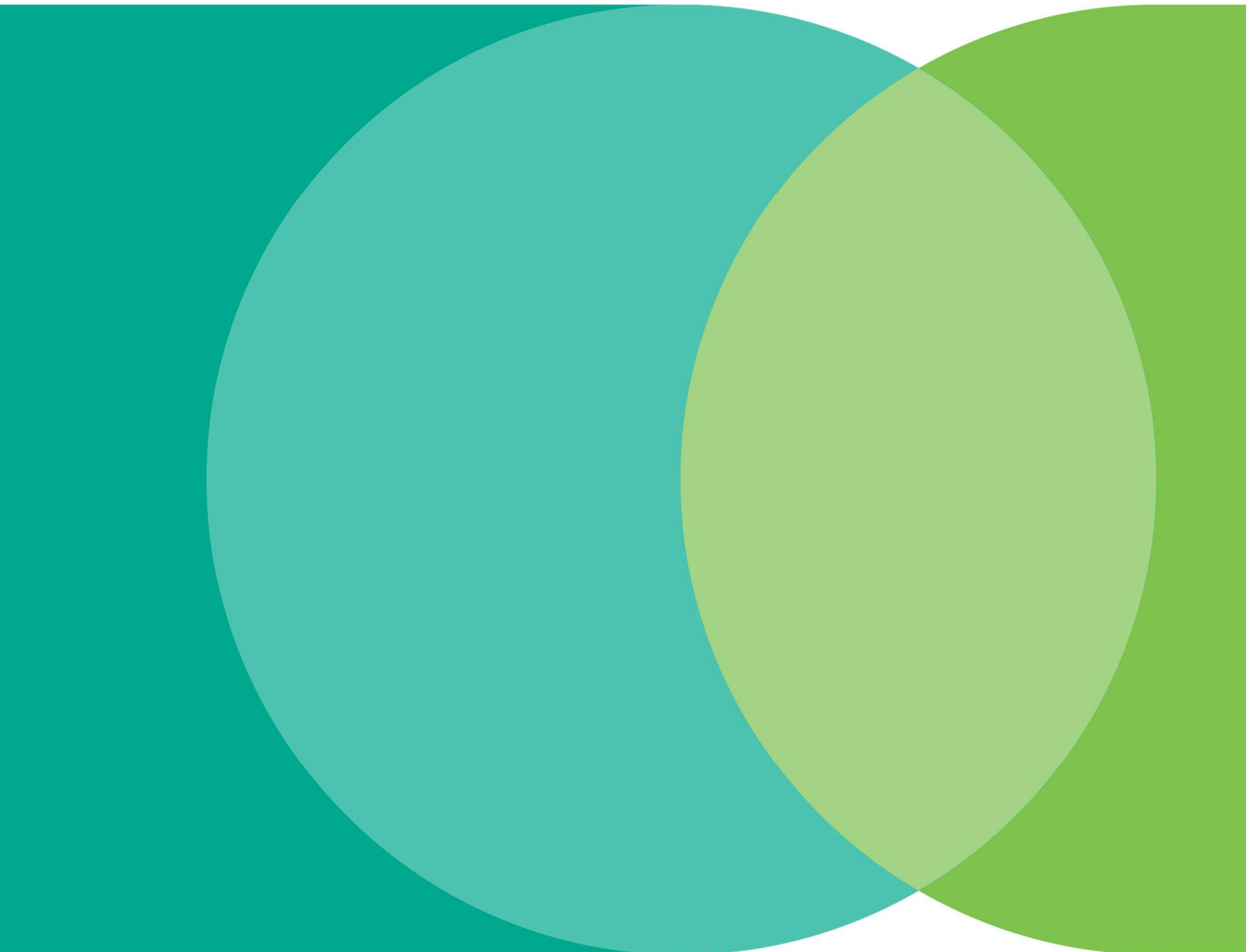
Regulatory Assurance increase ring-fencing awareness amongst staff through the use of computer screensavers promoting reminders on:

- avoiding cross-promotion;
- office sharing;
- correctly allocating costs; and
- tips to understanding staff sharing.

To amplify this campaign further and make use of the digital assets in Endeavour Energy's new Parramatta Square headquarters, in 2025, this campaign will be run again utilising Endeavour Energy's internal employee TV network.

Section 2

Other services provided by the DNSP



Other Services provided by the DNSP

Endeavour Energy provides other services being those directly addressed by clause 3.1(d)(i) of the Guideline which are also captured by the operation of the Shared Asset Guideline. Specifically, Endeavour Energy provides access to land and electrical infrastructure to other service providers, notably telecommunications companies, for a rental fee.

These other services do not interfere with the provision of standard control services. In some instances, “make ready works” undertaken by other service providers as a requirement for gaining access often augments or extends the life of the assets, providing standard control services at no cost to electricity customers.

Section 3

Transactions between the DNSP and RESP

Transactions between the DNSP and RESP

Clause 6.2.1(b)(iv) requires that Endeavour Energy (as DNSP) disclose the purpose of all transactions with the RESP, Ausconnex.¹⁵ The table below outlines the transactions with the RESP categorised by common purpose and nature.

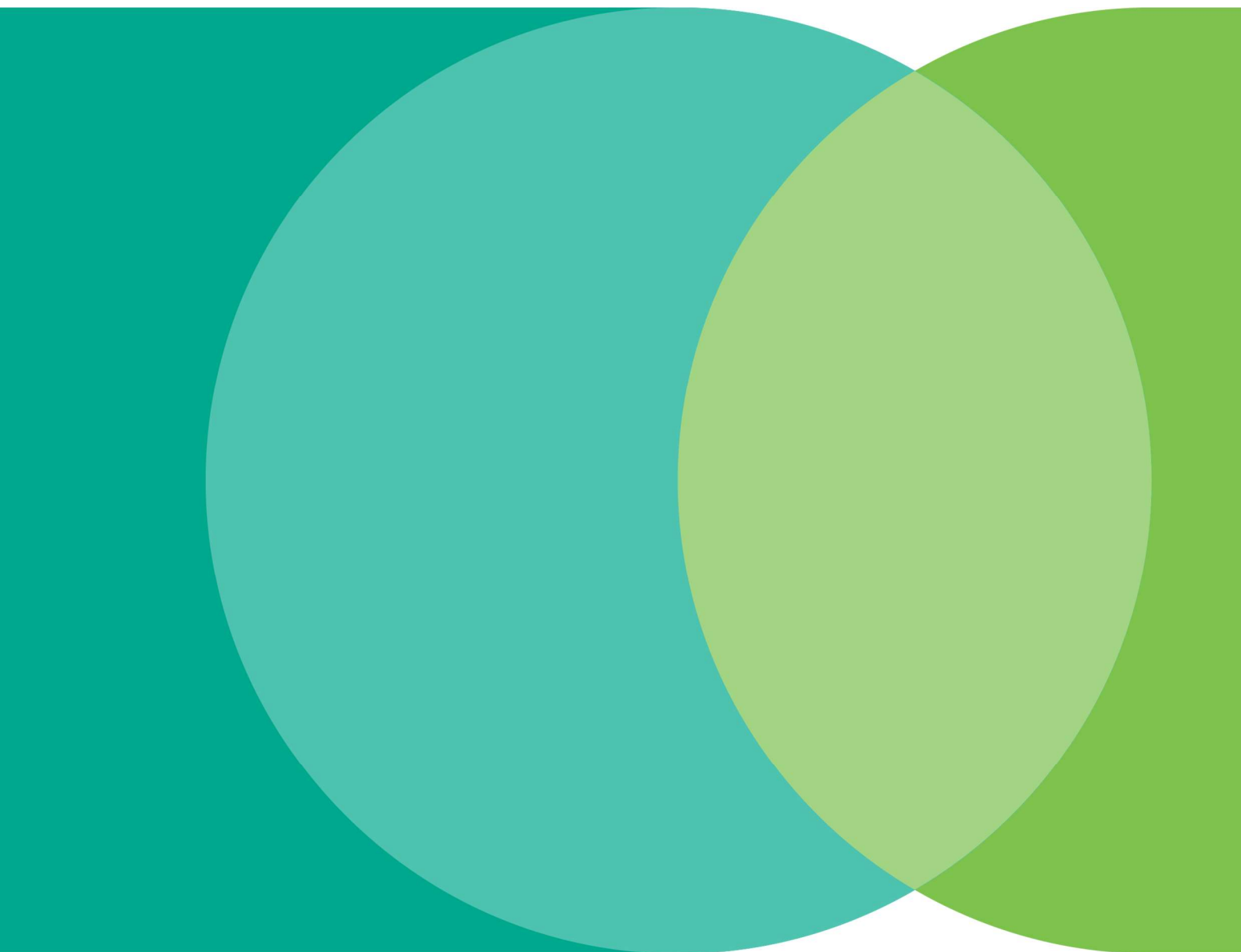
Due to the types of services undertaken by the RESP and the corporate services provided to the entity by Endeavour Energy, the transactions listed are exclusive payments to Endeavour Energy for corporate and other services provided to the RESP.

Purpose of Transaction between Endeavour Energy and Ausconnex	Nature and Status of Transaction
Rental of office space from Endeavour Energy	<p>Ausconnex rents office space on land owned by Endeavour Energy.</p> <p>The office and workshop occupied at Hoxton Park is physically separated from Endeavour Energy office areas.</p> <p>The office occupied at Glendenning is shared with Endeavour Energy's Central Logistics Function with appropriate controls in place for physical separation</p> <p>This is expected to be an ongoing service provided to Ausconnex and charged based on size of occupancy area.</p>
Option to Lease documentation for excess land from Endeavour Energy	<p>Ausconnex has entered an Option to Lease Agreement with Endeavour Energy for the right to exercise an option for the lease of land owned by Endeavour Energy.</p> <p>This option is for 12 x parcels of unused land adjacent to existing Endeavour Energy Infrastructure.</p> <p>This option is valid for a 3-year period and an annual option fee is payable from Ausconnex to Endeavour Energy. This fee has been determined by an independent third-party valuation.</p>
Provision of direct labour, materials, sub-contractor and other costs, including equipment/instrument usage	<p>Endeavour Energy provides services to Ausconnex which includes use of staff (either partly or wholly allocated to Ausconnex), materials and sub-contractors used on Ausconnex projects and any incidental costs which all are on-charged to Ausconnex. Costs associated with equipment and/or instrument usage are also on-charged to Ausconnex.</p>
Provision of corporate services	<p>Endeavour Energy provides corporate services to Ausconnex which includes IT equipment, infrastructure and support, accounting, legal support, insurance, corporate communications and logistics. These costs are charged monthly to Ausconnex based on the estimated amount of work that Endeavour Energy corporate functions undertake as well as whether it is reasonable for a business the size of Ausconnex.</p>
Provision of management resources	<p>Endeavour Energy provides management/administrative staff to Ausconnex on a full-time basis. The cost of these people is on-charged to Ausconnex.</p>
Provision of direct labour, materials, sub-contractor and other costs	<p>Endeavour Energy provides Network Ancillary Services. These are non-routine services distributors provide to individual customers on an 'as needs' basis. These costs are charged directly to Ausconnex as they are incurred.</p>
Provision of fleet services	<p>Endeavour Energy provides fleet services to Ausconnex which includes lease/rent charges for fleet vehicles solely for Ausconnex use. Associated costs including Tolls, Fuel, and Registration etc are on-charged to Ausconnex.</p>

¹⁵ Formally, this is the Network Unregulated Partnership trading as Ausconnex.

Appendix A

Compliance Measures Matrix



Appendix A: Compliance Measures Matrix

Compliance Measures Matrix

The table below outlines the compliance measures that support Endeavour Energy in monitoring and maintaining compliance with the Guideline. Each measure is mapped to relevant obligations within the Guideline to ensure appropriate coverage.

Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.0.001	Education and awareness is provided to employees to enhance their understanding and compliance with the Guideline, with the Ring-fencing Intranet site maintained by Regulatory Assurance to support employee awareness.	3.1(a), 3.1(b), 3.1(d)vii, 3.1(d)viii, 3.2.1(a), 3.2.2(a), 3.2.2(b), 3.2.2(c), 4.1(b), 4.1(c), 4.1(d), 4.2.1(a), 4.2.1(b), 4.2.2(a), 4.2.2(b), 4.2.2(c), 4.2.2(d), 4.2.3(a), 4.2.4(a), 4.2.4(b), 4.3.1, 4.3.2, 4.3.3, 4.3.4(a), 4.3.4(b), 4.3.4(c), 4.4.1(a), 4.4.1(b), 5.7(a), 5.7(b), 6.1, 6.2.1, 6.2.2, 6.2.3(a), 6.2.3(b), 6.3
RF.0.002	Company Procedure GRG0013 outlines compliance reporting requirements in line with the obligations set out in the Ring-fencing Guideline.	4.2.4(a), 4.2.4(b), 4.3.4(a), 4.3.4(b), 4.3.4(c), 5.7(a), 5.7(b), 6.1, 6.2.1, 6.2.2, 6.2.3(a), 6.2.3(b), 6.3
Legal Separation		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.3.001	Endeavour Energy maintains an Australian Business Number (ABN).	3.1(a)
RF.3.002	Endeavour Energy's Distribution Licence under the Electricity Supply Act 1995 (NSW) is current.	3.1(b)
RF.3.003	A clearly defined Legal Entity structure for the Endeavour Energy Group is maintained.	3.1(a)
RF.3.004	The Endeavour Energy website is maintained to enable customers to find information an Accredited Service Providers for Contestable Works.	3.1(a)
Establish and Maintain Accounts		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.3.005	Contractual arrangements between Endeavour Energy and Ausconnex are formally defined in the Business Support Agreement signed by both parties	3.2.1(a), 4.2.2(a), 4.2.2(b)
RF.3.006	The nature, extent, and attribution of transactions between Endeavour Energy and Ausconnex are defined and applied in accordance with the Accounting for Ausconnex Fundamentals, which supports Endeavour Energy's approved Cost Allocation Methodology.	3.1(d)vii, 3.1(d)viii, 3.2.1(a), 3.2.2(a), 3.2.2(b), 3.2.2(c)
RF.3.007	The allocation and attribution of costs are applied in accordance with Endeavour Energy's Cost Allocation Methodology, which is approved by the AER and published on the website.	3.2.2(a), 3.2.2(b), 3.2.2(c)
RF.3.008	An annual review is undertaken by Finance of the Accounting for Ausconnex Fundamentals document.	3.2.1(a), 3.2.2(a), 3.2.2(b), 3.2.2(c)
RF.3.009	Separate Financial and Accounting records are maintained for Endeavour Energy and Ausconnex.	3.2.1(a), 3.2.2(a), 3.2.2(b), 3.2.2(c)
RF.3.010	Annual Regulatory Information Notices and Financial Statements are audited by an external third party annually.	3.2.1(a), 3.2.2(a), 3.2.2(b), 3.2.2(c)

Offices, Staff, Branding and Promotions, Sharing of Information		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.4.001	A licence is executed between Endeavour Energy and Ausconnex for lease of office and workshop space.	4.2.1(a), 4.2.1(b)
RF.4.002	The Office Sharing Register is maintained on a quarterly basis and published on the website no later than 15 January, 15 April, 15 July and 15 October each year.	4.2.1(a), 4.2.1(b)
RF.4.003	Ausconnex maintain separate physical locations from Endeavour Energy staff providing Direct Control Services	4.2.1(a), 4.2.1(b)
RF.4.004	Ausconnex physical access reviews are carried out monthly to identify any anomalies with employee movements.	4.2.1(a), 4.2.1(b)
RF.4.005	Site inspections are carried out of the Ausconnex office locations to ensure compliance with the Guideline.	4.2.1(a), 4.2.1(b)
RF.4.006	The Staff Sharing Register is maintained on a quarterly basis and published on the website no later than 15 January, 15 April, 15 July and 15 October each year.	4.2.2(a), 4.2.2(b)
RF.4.007	A Staff Sharing Flowchart has been established to assess the application of ring-fencing clauses 4.2.2(a), (b), and (d).	4.2.2(a), 4.2.2(b)
RF.4.008	Staff Segment Definitions define the classification of positions according to the nature of services being provided, access to information and the ability to discriminate within the context of their role.	4.2.2(a), 4.2.2(b), 4.2.2(d)
RF.4.009	Endeavour Energy's At-Risk Incentive Reward Scheme for Contact Staff does not include any remuneration, incentive or other benefit to staff to act in a manner that is contrary to Endeavour Energy's regulatory obligations.	4.2.2(c)
RF.4.010	Endeavour Energy's Enterprise Bargaining Agreement for EBA staff does not include any remuneration, incentive or other benefit to staff to act in a manner that is contrary to Endeavour Energy's regulatory obligations.	4.2.2(c)
RF.4.011	Endeavour Energy Brand Guidelines outline the independent and separate representation of the regulated business, supported by the implementation of separate collateral, website and social media platforms.	4.2.3(a)
RF.4.012	Separate uniforms, personal protective equipment, identification cards and vehicle signage have been issued.	4.2.3(a)
RF.4.013	Regulatory Assurance undertake a periodic review of Endeavour Energy and Ausconnex corporate social media platforms and websites to ensure compliance with the Guideline.	4.2.3(a)
RF.4.014	Company Procedure GAM1100 outlines the process for managing electricity information requests as well as supporting the Information Sharing Protocol and Approach published on the website.	4.3.1, 4.3.2, 4.3.3
RF.4.015	Identity Access Management software provides role-based access as per defined security definitions for ring-fencing.	4.3.1, 4.3.2, 4.3.3
RF.4.016	Endeavour Energy's Information Sharing Protocol and Approach outlines how information may be accessed and is published on the website	4.3.1, 4.3.2, 4.3.3, 4.3.4(a), 4.3.4(b), 4.3.4(c)
RF.4.017	Information Sharing Register is updated on a quarterly basis and published on the website no later than 15 January, 15 April, 15 July and 15 October each year.	4.3.1, 4.3.2, 4.3.3, 4.3.4(a), 4.3.4(b), 4.3.4(c)
RF.4.018	User access reviews are carried out in accordance with the ICT Security Calendar and identifies anomalies with employee movements	4.3.1, 4.3.2, 4.3.3
Service Providers		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.4.019	Endeavour Energy's standard terms and conditions reflect the requirements of the Guideline, with any new or varied contracts that deviate requiring approval from the Legal team.	4.4.1(a), 4.4.1(b)

Waivers		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.5.001	The Waiver Register is updated on quarterly basis and published on the website no later than 15 January, 15 April, 15 July and 15 October each year.	5.7(a), 5.7(b)
Compliance, Reporting and Enforcement		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.6.001	An annual attestation of compliance with the Guideline is completed via Resolver by key stakeholders and their respective management team.	6.2.1
RF.6.002	A bi-annual update on compliance with the Guideline is provided to the Board's Regulatory Committee.	6.2.1
RF.6.003	Endeavour Energy's Annual Ring-fencing Compliance Report is submitted to the Australian Energy Regulator and accompanied by an assessment of compliance by a suitably qualified independent authority.	6.2.1, 6.2.2
RF.6.004	Regulatory Assurance maintain a regulatory reporting calendar to monitor compliance with all mandatory reporting obligations, including Ring-fencing.	6.2.1, 6.2.2
RF.6.005	The Regulated Stand-alone Power System Register is updated on a quarterly basis and published on the website no later than 15 January, 15 April, 15 July and 15 October each year.	6.2.3(a), 6.2.3(b)
RF.6.006	Regulatory Assurance maintains a dedicated ring-fencing email account to monitor internal and external correspondence relating to breaches or inquiries.	6.3
RF.6.007	Endeavour Energy's breach register is supported by copies of the ring-fencing breach report and cover letter submitted to the Australian Energy Regulator for each identified breach.	6.2.1, 6.3
RF.6.008	Ring-fencing Alerts are communicated to all staff to raise awareness of any breaches of the Guideline and to mitigate the risk of recurrence in the future.	6.3
RF.6.009	Company Procedure GRG0013 outlines the internal process for reporting and analysing breaches of the Guideline and notification to the Regulator.	6.3
RF.6.010	Regulatory Assurance maintains a ring-fencing inquiry register to track and monitor inquiries, responses and investigations, including any follow-up actions.	6.3

Appendix B

Independent Assessment

Appendix B: Independent Assessment

Clause 6.2.1(c) of the Guideline requires Endeavour Energy's annual compliance report to be accompanied by an assessment of compliance with the Guideline by a suitably qualified independent authority.

Endeavour Energy has engaged Ernst & Young to undertake the assessment of compliance for the period from 1 January to 31 December 2024. This assessment has been provided at Appendix B.

