

Ring-fencing Annual Compliance Report

1 January – 31 December 2022



Contents

Overview	3
Introduction	4
The Guideline	4
Year in review	5
Compliance Reporting	7
Maintaining compliance	11
Registers	15
Waivers	17
Performance Improvement Observations	20
Other services provided by the DNSP	25
Transactions between the DNSP and RESP	27
Stand-alone Power Systems	29
Approach to Compliance	31
Independent Assessment	37

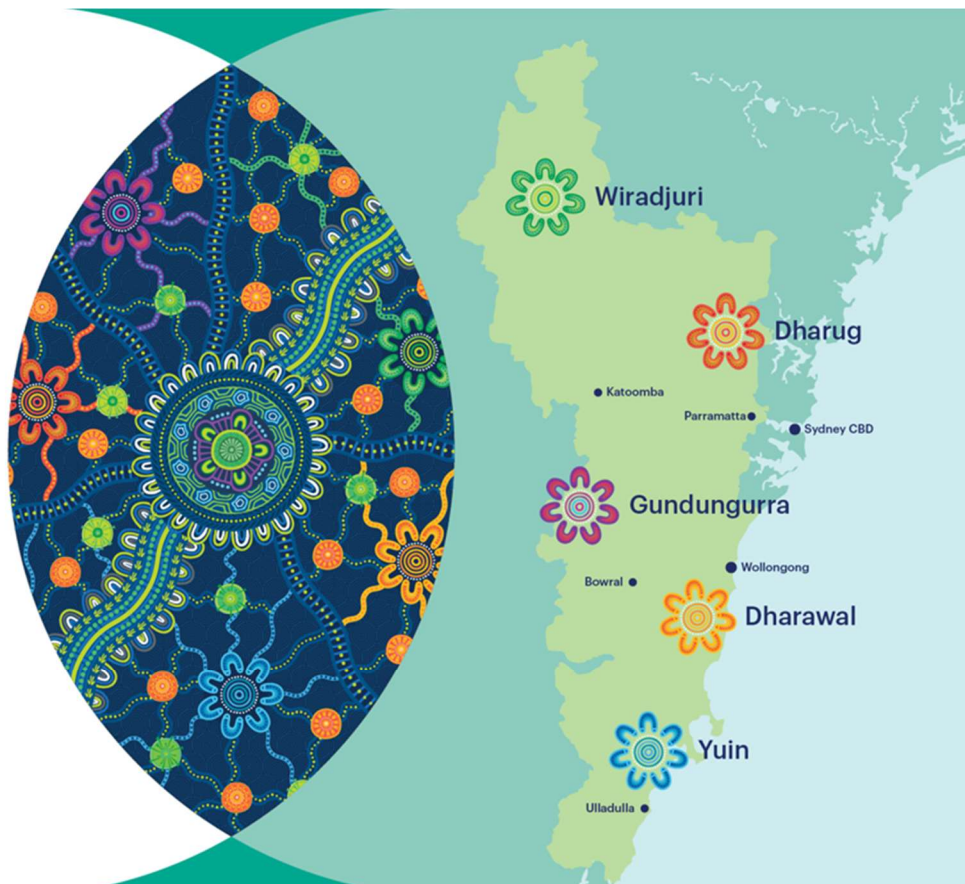


Acknowledgment of Country

Endeavour Energy acknowledges the Traditional Custodians of Country where we work — the people of the Dharug, Wiradjuri, Dharawal, Gundungurra and Yuin nations.

We recognise their continuing connection to the land, waters, and community and pay our respect to Elders, past, present and emerging.

POWER
together



Overview

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

Endeavour Energy is a safety-focused and customer-centred business determined to be the best performing network in Australia.

We service over 2.6 million people living and working across Sydney's Greater West, the Blue Mountains, the Southern Highlands, Illawarra and the South Coast of NSW. Our people take great pride in being of service to our communities by efficiently distributing electricity to our customers in a way that is safe, affordable, reliable and sustainable.

Due to rapid industry changes, we are transitioning from a traditional 'poles and wires' business to a customer-centred distribution 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.

The preparation and publication of this report is designed to satisfy Endeavour Energy's regulatory and reporting obligations with the Australian Energy Regulator's (**AER**) Electricity Distribution Ring-fencing Guideline (Version 3) (the **Guideline**) for the period 1 January to 31 December 2022 (the **reporting period**).

It is Endeavour Energy's expectation that this report will contribute to public confidence that the policy objectives of supporting competitive markets as well as providing market clarity and a level playing field for all energy service providers is being satisfied.

Throughout this reporting period, Endeavour Energy has been open to learning from challenges and failures, to improving our processes, and enhancing our capacity to achieve compliance in a range of circumstances. This report identifies each ring-fencing obligation and the compliance control that applies to each obligation.

Compliance Statement

Other than the identified breaches, and the potential impacts (if any) arising from clarification on the definition of marketing as it relates to corporate communications roles and social media in general, disclosed in Section 1 – Compliance Reporting, Endeavour Energy confirms that it has complied with the Guideline for the reporting period

Endeavour Energy's Values



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.

In addition to the content of this report it must 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 28 April 2023.

The Guideline

Clause 6.17.1 of the National Electricity Rules (**NER**) requires that all DNSPs must 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.

As per Clause 7.1(a), Endeavour Energy was required to comply with version 3 of the Guideline as soon as reasonably practicable but no later than the version 3 compliance date which was set to 3 February 2022; 3 months after the version 3 amendment was published. Endeavour Energy has complied with version 3 of the Guideline since 1 January 2022.

Section 2 details Endeavour Energy's compliance with the Guideline for the reporting period.

Year in review

2022

Endeavour Energy is a safety-focused and customer-centred business determined to be the best performing network in Australia. Our staff take great pride in being of service to our communities. We're continually working with our customers, stakeholders and regulators to adapt to rapid changes in our industry and enormous growth across our network.



2

breaches

Endeavour Energy reported two¹ breaches of the Ring-fencing Guideline to the AER during the reporting period.



47

compliance controls

Endeavour Energy has 47 compliance controls in place to manage ring-fencing compliance across the organisation.



10

PIOs closed

Endeavour Energy were handed 12 Process Improvement Opportunities from KPMG following the previous independent assessment. Ten have been closed.



1

class waiver granted

Endeavour Energy was granted one Class Waiver during the reporting period.



5

registers updated on time

All Endeavour Energy's registers were updated and published on the corporate website in accordance with the Ring-fencing Guideline.



1508

staff have undertaken training

Endeavour Energy released mandatory ring-fencing eLearning module to all permanent staff. 79.2% of staff have completed training as at 10 April 2023.

PARTNERING WITH THE BUSINESS

Endeavour Energy's regulatory compliance activities operate within a regulatory framework to facilitate uniform, clear and unambiguous compliance and reporting requirements. This framework and approach to compliance is intended to support the management of regulatory obligations, implementation of compliance activities and demonstration of compliance.

Responsive

Ensuring all inquiries regarding ring-fencing receive a timely response.

Collaborative

Working alongside staff to problem solve together. It's about working with one another's expertise to find the best solution for our business.

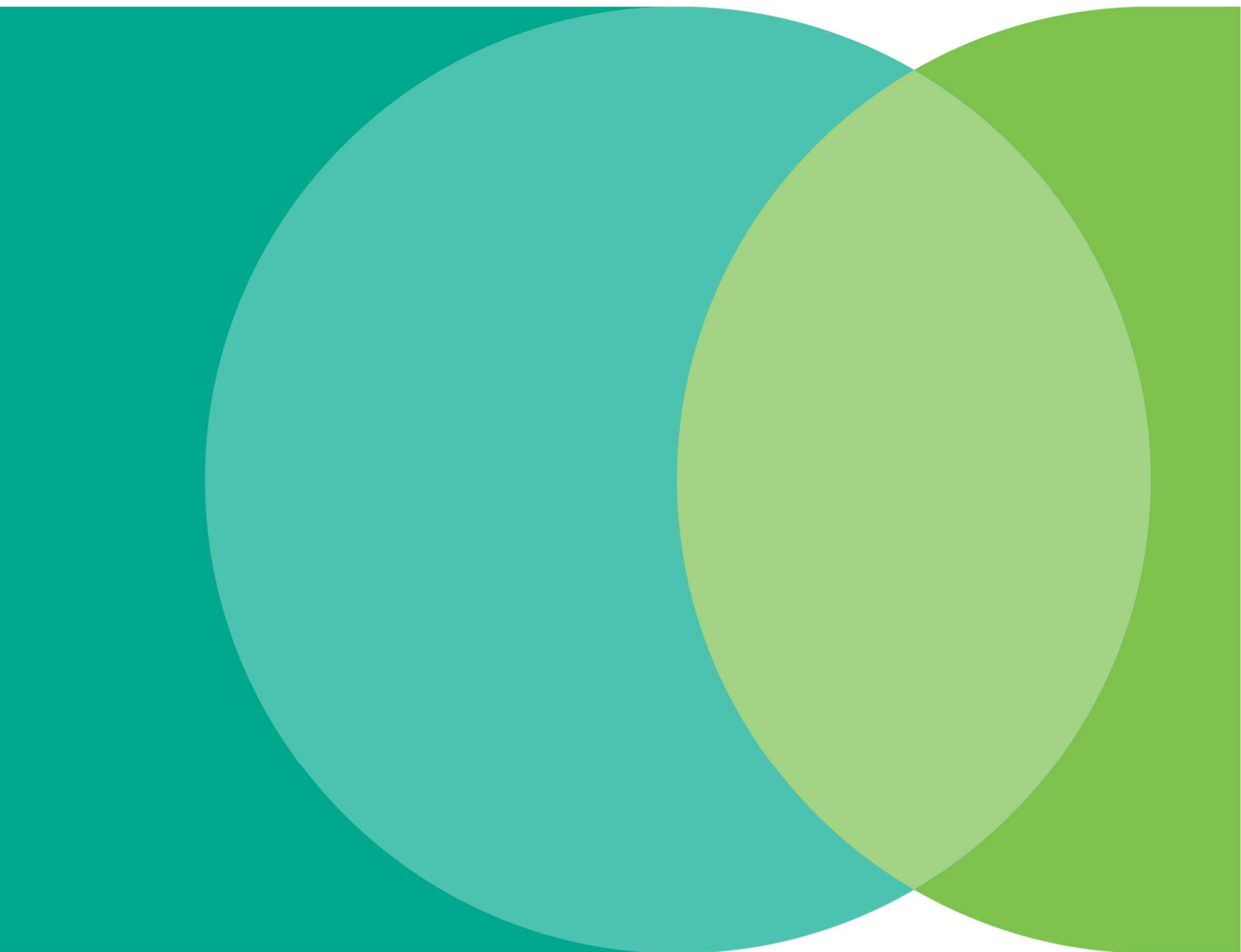
Informative

Educating and communicating to build greater understanding of the ring-fencing guideline and how staff can positively support compliance.

¹ Endeavour Energy reported two breaches of the Ring-fencing Guideline during the reporting period (1 January 2022 – 31 December 2022) and two breaches outside of the reporting period (during the period of independent assessment from 1 January 2023 – 17 April 2023 – Refer to Section 1 – Compliance Reporting).

Section 1

Compliance Reporting



Compliance Reporting

Endeavour Energy's Compliance Improvement Program

As part of the Regulatory Assurance Compliance Improvement Program, a targeted Compliance Testing Program (CTP) was implemented in FY21-22 to address each identified breach, or improvement opportunity, in response to Process Improvement Opportunity 12 (PIO2021-12) raised by independent assessor, KPMG. This CTP outlines corrective actions to address issues as well as assess and manage ongoing compliance risks.

The Regulatory Assurance team has:

- identified and assessed compliance risks;
- developed and implemented a comprehensive testing program;
- established effective controls; and
- provided ongoing monitoring and evaluation of the targeted program.

Since the implementation of the CTP, considerable uplift has been demonstrated. The CTP has been effective in ensuring greater accountability and more targeted enforcement in areas that require it. This has resulted in reduced risk of non-compliance, as well as an improved compliance culture across Endeavour Energy.

The Regulatory Assurance team will continue to monitor and assess the current program to identify any gaps or areas for improvement. An investment in Compliance Management Software during 2023 will also assist in automating and streamlining the compliance improvement processes already in place and improve reporting capabilities.

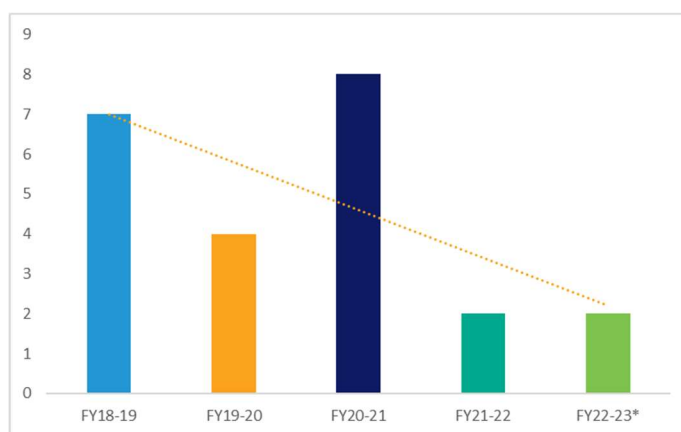
PIO2021-12 identified by KPMG in the prior reporting period is considered by Endeavour Energy to be closed. Ongoing monitoring and improvement to the CTP is essential in order to maintain a high standard of compliance. Regular reviews will continue to help identify any potential areas of risk or non-compliance. Additionally, procedures and controls will be reviewed regularly and included within the CTP to ensure the plan remains up to date and in line with the Guideline's requirements.

Endeavour Energy has identified an area of clarification required on the definition of marketing as it relates to corporate communications roles and social media in general. Endeavour Energy intends to clarify its approach in this regard in 2023 to ensure its ring-fencing approach remains compliant and is also appropriately aligned to the organisational design and risk appetite of the business.

Breach History

Breaches of the Guideline have been decreasing. This downward trend is encouraging and demonstrates that Endeavour Energy is taking compliance with the Guideline seriously and has put the necessary controls in place to ensure that all compliance activities continue to provide a clear, uniform and unambiguous position for all employees.

The breaches identified during reporting periods 2022 and 2023 have been as a result of extensive testing and inquiry by the Regulatory Assurance team and Endeavour Energy's independent assessor, KPMG. The chart to the right shows Endeavour Energy's breaches reported to the AER based on regulatory year for comparative purposes.



*as at 17 April 2023

Endeavour Energy is committed to taking all necessary steps to remediate identified breaches and ensure the highest levels of regulatory compliance are met. The Regulatory Assurance team continue to develop and implement corrective measures to address the reported breaches and ensure these are captured as part of the CTP within the overall Compliance Improvement Program.

Breaches of the Ring-fencing Guideline

Breaches Reported – 1 January to 31 December 2022

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 notified the AER of two breaches that were identified by our independent assessor, KPMG during the independent assessment of our Annual Compliance Report for the period 1 July 2020 to 31 December 2021 and included in our Ring-fencing Annual Compliance Report 20-21, Section 5 – Other Compliance Matters Identified. These breaches have therefore been included in this report for completeness as they were reported to the AER within the reporting period under review.

Reporting period impacted	Date reported to AER	Obligation	Issue	Identification	Remediation
1 January to 31 December 2022	8 April 2022	4.3.3 Obligation regarding sharing of information	Endeavour Energy's Information Sharing Protocol was not made publicly available on its website in accordance with clause 4.3.3(d) of the Guideline.	The Information Sharing Protocol not being publicly available on Endeavour Energy's website was identified as part of the annual compliance assessment process being undertaken by KPMG.	<p>The Information Sharing Protocol and Approach has been reinstated on Endeavour Energy's corporate website.</p> <p>Regulatory Assurance have undertaken a review of the Information Sharing Protocol and Approach in parallel with any recommendations made by the independent assessor to improve information sharing processes and access to all legal entities.</p>
1 July 2020 to 31 December 2021	24 April 2022	4.3.1 Obligation to protect ring-fenced information	Employees working for Endeavour Energy's RESP, Ausconnex, had access to shared corporate drives that could potentially contain ring-fenced information via access to network drives as a legacy from previous roles held at Endeavour Energy where access was not remediated.	The ring-fencing audit assessment undertaken by KPMG (auditor) raised concerns around the lack of remediation against access issues highlighted as a result of requesting samples of reports for monthly security calendar activities to review user access control.	<p>Endeavour Energy confirms the following controls are in place:</p> <p>When an employee is recruited into the RESP from Endeavour Energy, an email notification is sent by the Human Resources application to the ICT Ticketing System. The responsible ICT team adheres to the RESP Knowledge Base Article to ensure appropriate access is granted to the user. This process has been recommunicated to HR and ICT.</p> <p>Due to ICT system limitations, the Endeavour Energy email account of RESP employees is unable to be deactivated. For employee transfers from Endeavour Energy to Ausconnex an archive of emails is carried out by ICT removing previous emails to ensure RESP employees cannot access archived information from their Endeavour Energy email.</p> <p>As part of the ICT Monthly Security Calendar activities, the RESP employee access report is extracted and compared against a RESP termination report from HR to confirm correct user access. This process is a manual process and is carried out monthly.</p> <p>Formal communication has been issued to all RESP employees to remind them of their ICT restrictions and obligations.</p>

Breaches Reported – 1 January to 17 April 2023*

During the independent assessment of Endeavour Energy's Annual Compliance Report for 1 January to 31 December 2022, two breaches were identified by Endeavour Energy and reported to the AER. These breaches are listed below:

Reporting period impacted	Date reported to AER	Obligation	Issue	Identification	Remediation
1 January to 31 December 2023	30 March 2023	4.2.3 Obligation to have separate branding and avoid cross-promotion	Endeavour Energy employee posted on a social media platform mentioning both Endeavour Energy and Ausconnex in the same post with an accompanying photograph with both brands identified.	As part of the ring-fencing audit assessment undertaken by KPMG (auditor) a staff member reported in an audit interview that they had awareness of branding issues that had arisen that they rectified, however, did not report them to be considered as a ring-fencing breach.	<p>LinkedIn is a personal social media account and not affiliated with Endeavour Energy or Ausconnex and not used to advertise or promote direct control services or contestable electricity services but rather an individual's career experience.</p> <p>The employee was requested to remove the post immediately. Confirmation was received that this was carried out on 7 February 2023.</p> <p>A Ring-fencing Alert has been communicated to all Endeavour Energy and Ausconnex employees reminding employees of the obligations under clause 4.2.3 of the Guideline.</p>
1 January to 31 December 2022	17 April 2023	4.3.1 Obligation to protect ring-fenced information	An employee transferring to Endeavour Energy's RESP, Ausconnex, had access to emails and shared corporate drives that could potentially contain ring-fenced information via a legacy from their previous role held at Endeavour Energy where access was not remediated.	The ring-fencing audit assessment undertaken by KPMG (auditor) included ICT testing that looked at IT access for an employee that had transferred between Endeavour Energy and Ausconnex. Confirmation was provided that the employee's role was ring-fenced, however, when evidence was requested of the date the IT access was revoked, records did not align to the date of transfer for the employee.	<p>Endeavour Energy confirms the following controls are in place:</p> <p>When an employee is recruited into the RESP from Endeavour Energy, an email notification is sent by the Human Resources application to the ICT Ticketing System. The responsible ICT team must adhere to the RESP Knowledge Base Article to ensure appropriate access is granted to the user. This process has been recommunicated to HR and ICT.</p> <p>Due to ICT system limitations, the Endeavour Energy email account of RESP employees is unable to be deactivated. For employee transfers from Endeavour Energy to Ausconnex an archive of emails is carried out by ICT removing previous emails to ensure RESP employees cannot access archived information from their Endeavour Energy email.</p> <p>As part of the ICT Monthly Security Calendar activities, the RESP employee access report was extracted and compared against a RESP termination report from HR to confirm correct user access. This process is a manual process and is carried out monthly.</p> <p>Formal communication has been issued to all RESP employees to remind them of their ICT restrictions and obligations.</p> <p>Further to these controls, the ICT employees have been reminded that any exposure is to be reported to management or the Regulatory Assurance team to report as a ring-fencing breach. A Ring-fencing Alert has been communicated to all Endeavour Energy and Ausconnex employees reminding employees of the obligations under clause 4.3.1 of the Guideline.</p>

*Breaches identified and reported to the AER during the independent assessment period

Section 2

Compliance with the Ring-fencing Guideline

Maintaining compliance

Endeavour Energy maintains a layered compliance system that cascades from overarching business risk identifications and governance reporting regime, maintained by the corporate Governance, Risk and Assurance team, through to workplace instructions and reporting implemented by teams with functional responsibility.

Endeavour Energy's risk management and compliance framework is overseen by the Audit and Risk Committee (**ARC**) of the Board. Compliance and governance effectiveness is supported by independent review and assessment by the internal audit function as and if required.

Ring-fencing compliance is centrally coordinated and reported within the Regulatory Assurance section due to the broad subject matter expertise. Implementation of specific controls is allocated to responsible persons with the most direct line responsibility for the relevant control and/or compliance area. Regulatory Assurance reports on compliance-related matters to Executive Leadership Team (**ELT**) and ARC via Key Risk Indicator (**KRI**) Reporting and to the Board's Regulatory Committee who maintains a specific focus on compliance with regulatory obligations within its mandate. Regulatory Assurance update the Regulatory Committee on ring-fencing matters, including breaches via a Regulatory Assurance Update which also covers other areas of AER compliance such as Regulatory Information Notices (**RIN**) and the National Energy Customer Framework (**NECF**).

Endeavour Energy has established Company Procedure GRG0013 Compliance Reporting for Ring-fencing Guidelines to provide an overarching organisational framework for reporting compliance with the Guideline. The procedure specifically outlines the process and requirements for:

- notification of potential or actual compliance breaches to the AER;
- the business's Compliance Monitoring Framework Matrix; and
- the annual compliance reporting cycle.

Separately, Endeavour Energy operates a dedicated ring-fencing email box to allow internal and external persons to raise questions or concerns regarding ring-fencing compliance. This is monitored by the Regulatory Assurance team.

The outcomes of these separate processes are reviewed and collated for reporting and, where necessary, remediated.

Endeavour Energy has a broad range of specific controls in place as a means for achieving and maintaining compliance against each element of the Guideline. These controls are outlined in Appendix A to this report.

Obligation not to discriminate

Endeavour Energy does not directly or indirectly discriminate in favour of Ausconnex. All interactions with Ausconnex and its competitors are conducted in the same manner in terms of service and quality, terms and conditions, responsiveness, and reliability etc. Endeavour Energy's corporate website continues to direct customers on where to find an Accredited Service Provider (**ASP**) for contestable works.

Endeavour Energy's Ring-fencing Compliance Control Matrix at Appendix A details nine over-arching controls that support multiple obligations including the obligation not to discriminate. These Core Controls are supported by an additional 38 key controls supporting the individual obligations as listed.

Ring-fencing obligations have been and continue to be communicated to staff via internal communication channels and the annual eLearning module reinforces Endeavour Energy's Competing Fairly culture. All permanent staff, including Ausconnex, Alliance Partner Contractors and Agency Temp Contractors, receive the eLearning module. This training is automatically provisioned for all new starters via the onboarding curricula. Additional ring-fencing resources are available to staff via Endeavour Energy's internal SharePoint site.

Policies and Procedures are reviewed and updated in accordance with review cycles and communicated to all staff to ensure ongoing compliance and awareness of ring-fencing obligations.

MAINTAINING 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.



ESTABLISH & MAINTAIN ACCOUNTS

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.

The Accounting for Ausconnex Guideline, 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.



STAND-ALONE POWER SYSTEMS

Endeavour Energy has established a **Regulated Stand-Alone Power Systems (SAPS) Reporting Register**. This register is updated quarterly and identifies regulated SAPS used by Endeavour Energy to provide other services.

Endeavour Energy is considered a Category 3 DNSP under the Guideline. Appropriate cost allocation measures are in place to ensure SAPS generation services up to a **generation revenue cap** of 0.02% is monitored and accounted for.

This is a new requirement under version 3 of the Guideline. Endeavour Energy outlines compliance with the **SAPS National Framework** in Section 8 of this report.



PHYSICAL SEPARATION/ CO-LOCATION

Ausconnex employees remain **physically separated** from Endeavour Energy employees undertaking direct control services with 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 **rental agreement** is in place between the two entities for the lease of office and workshop space at these locations.

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

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

MAINTAINING 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 as well. This includes websites, report formats, digital forms and social media.



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 with ring-fencing requirements. This user access is tested in accordance with the ICT Security Calendar.

Data Loss Prevention (DLP) controls are in place to alert the Information Security Team if confidential information is sent outside of Endeavour Energy to an external third party or Ausconnex.



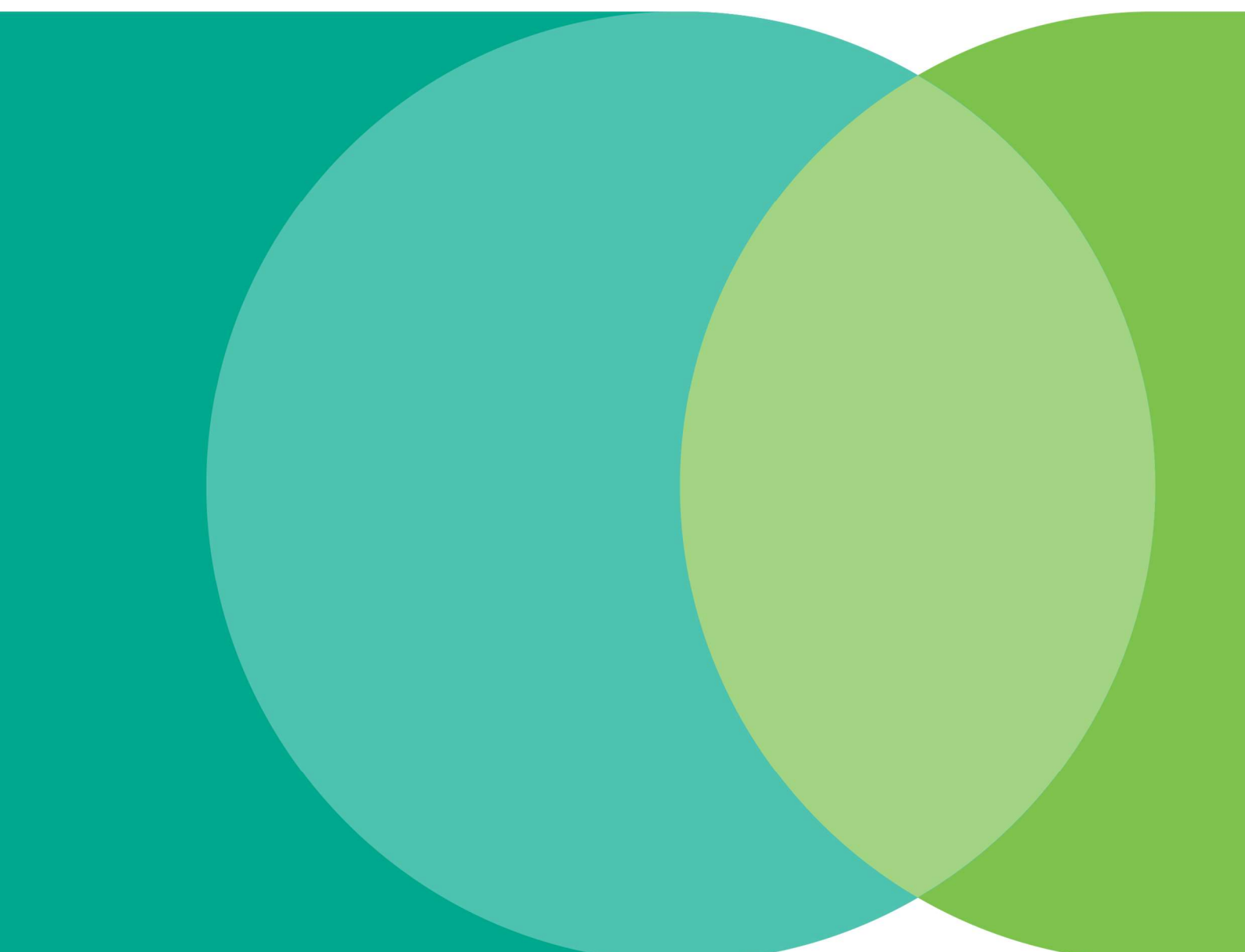
CONDUCT OF SERVICE PROVIDERS

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. For deviations to Endeavour Energy's Standard Commercial templates approval by the company's in-house legal team is required.

Section 3

Registers



Registers

Endeavour Energy has established, maintained and published registers during the reporting period in accordance with the Guideline. These registers have been updated no later than 15 January, 15 April, 15 July and 15 October 2022 and published on Endeavour Energy's corporate website. Each register was current at the time of publication.



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 – 13 April 2022, Q2 – 7 July 2022, Q3 – 10 October 2022, Q4 – 10 January 2023.



Office Sharing Register

The register lists the offices to which Endeavour Energy has not complied with the obligation to use a separate office in clause 4.2.1(a), by reason of one of the exceptions in clause 4.2.1(b)(i) or 4.2.1(b)(iii).

Updated: Q1 – 4 April 2022, Q2 – 5 July 2022, Q3 – 9 October 2022, Q4 – 4 January 2023.



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 – 15 April 2022, Q2 – 14 July 2022, Q3 – 13 October 2022, Q4 – 4 January 2023.



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 – 13 April 2022, Q2 – 5 July 2022, Q3 – 4 October 2022, Q4 – 3 January 2023.



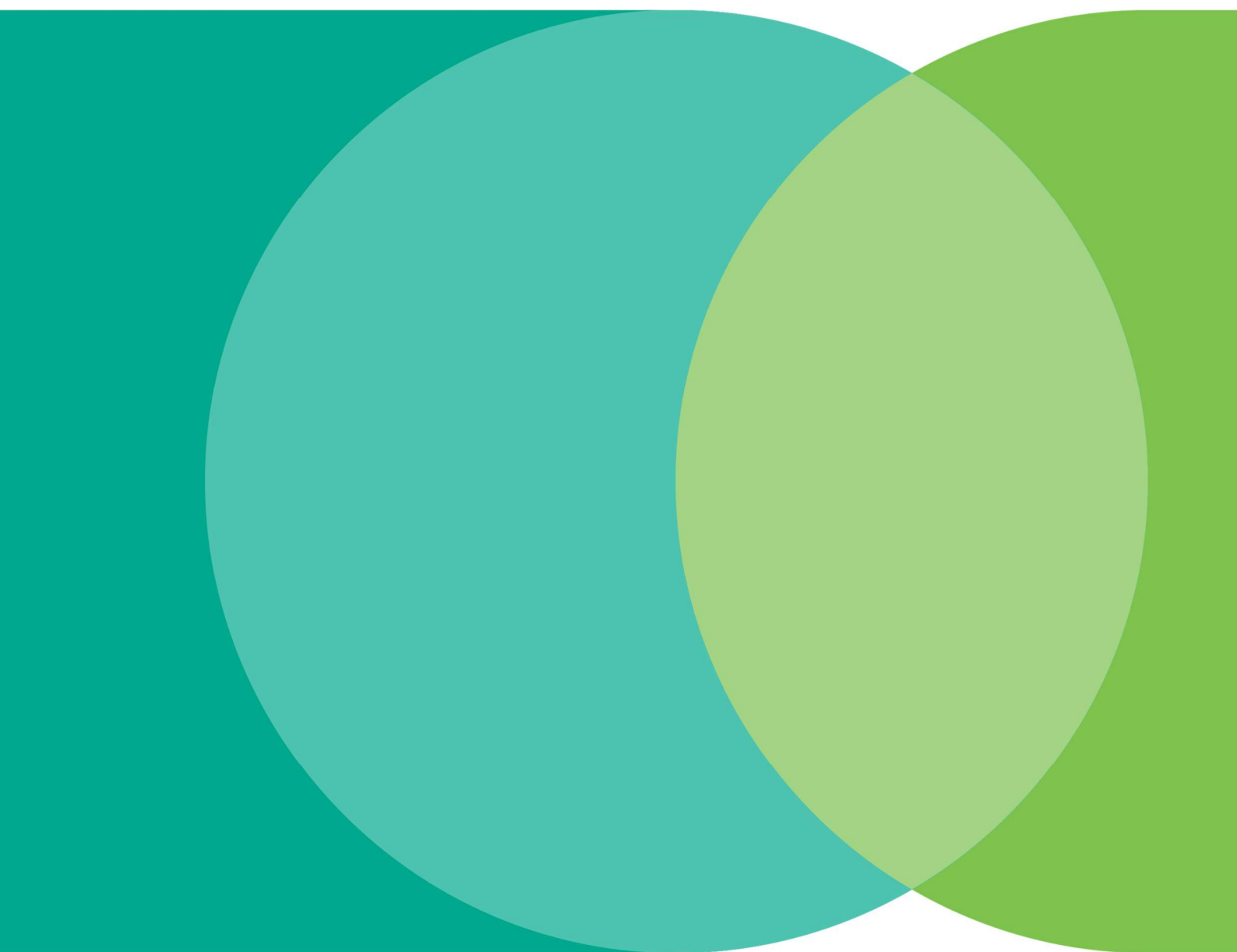
Waiver Register

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 – 14 April 2022, Q2 – 13 July 2022, Q3 – 13 October 2022, Q4 – 3 January 2023.

Section 4

Waivers



Waivers

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

Copies of Endeavour Energy's previous waivers and the AER's decision can be found on the AER's website.

Class Waiver for Reliability and Emergency Reserve Trader (RERT) services via voltage management

During the reporting period, the Australian Energy Market Operator (**AEMO**) applied for a Class Waiver to allow DNSPs to contract with AEMO to provide RERT services via voltage management. The class waiver exempts DNSPs from their obligations to comply with clause 4.2 of the Guideline (functional separation) in relation to the provision of RERT services via voltage management. This waiver is effective from 14 December 2022 to 15 April 2025.

This class waiver is subject to the following pre-conditions and conditions as published by the AER.

Pre-conditions:

The scope of the class waiver is limited to:

- DNSPs that negotiate with AEMO to enter into, and/or enter into, a RERT Panel Agreement with AEMO for the provision of short notice reserve via voltage management pursuant to rule 3.20.2 of the National Electricity Rules and clause 6 of the RERT Guidelines.
 - DNSPs must not contract with AEMO to recover payments for pre-activation of reserve.
 - If the DNSP's RERT Panel Agreement with AEMO ceases, the DNSP will no longer qualify for the class waiver (unless, and until, the DNSP commences negotiation to enter into a further RERT Panel Agreement with AEMO). For clarity, this class waiver expires on 15 April 2025, and will not apply to any RERT Panel Agreement (pre-existing or otherwise) beyond this date.
- DNSPs that meet the precondition of providing the AER with a copy of the RERT Panel Agreement entered into with AEMO.
 - Where possible, the RERT Panel Agreement should be emailed to AERringfencing@aer.gov.au immediately, or if it is being negotiated, within 20 business days of the agreement being finalised. The AER will treat this information as commercially sensitive and note our policies regarding information privacy and disclosure of information.

Conditions:

The class waiver is subject to the following conditions:

- DNSPs participating in the class waiver must provide the AER with quarterly performance reports, where RERT has been provided in that quarter, detailing:
 - the number of instances the DNSP provided short notice reserve to AEMO in a quarter (i.e. the number of times the reserve was activated by AEMO);
 - the volume (MW) of reserve provided in each instance that the DNSP provided short notice reserve to AEMO; and
 - the revenue received for each instance that the DNSP provided short notice reserve to AEMO.

These quarterly performance reports will be published on the AER website.

- DNSPs must notify the AER if the DNSP receives:
 - notification from a customer about any adverse impacts of the DNSP's provision of RERT services via voltage management; or
 - any other customer complaints relating to the quality of supply that may be associated with the provision of RERT services via voltage management.

Reporting

Endeavour Energy's Waiver Register was updated for the reporting period ending 31 December 2022 (**Q4**) to include the Class Waiver for RERT Services via voltage management. Endeavour Energy did not provide RERT Services via voltage management between the period 14 to 31 December 2022. Therefore:

- No quarterly performance report was submitted to the AER for Q4 as Endeavour Energy had not provided RERT Services between the period 14 to 31 December 2022; and
- No notifications or customer complaints were received regarding adverse impacts or relating to quality of supply that may have been associated with the provision of RERT Services during this period.

At the time of writing this Assurance Report, Endeavour Energy had not entered into a RERT Panel Agreement with AEMO for the provision of short notice reserve via voltage management pursuant to rule 3.30.2 of the National Electricity Rules and clause 6 of the RERT Guidelines. Once a RERT Panel Agreement is entered into with AEMO, a copy will be provided to the AER within 20 business days of the agreement being finalised.

Class Waiver for Central-West Orana Renewable Energy Zone (REZ)

To provide certainty to DNSPs participating in the competitive procurement process to build, own or operate network infrastructure for the Central-West Orana REZ, the AER granted a class waiver. The class waiver exempts the successful DNSP from complying with:

- 3.1(b) Legal separation;
- 4.2.1(a) Physical separation/ co-location;
- 4.2.2(a) Staff sharing; and
- 4.2.3(a) Branding.

The class waiver applies to the provision of REZ network services for the Central-West REZ only, should Energy Co select a DNSP to be the Network Operator. The class waiver expires at the end of the concession period agreed in the project deed signed between Energy Co and the successful participant in Energy Co's procurement process.

Conditions:

The class waiver is granted on the condition that:

- Any DNSP that is selected by Energy Co to be the Network Operator for the Central-West Orana REZ must amend its cost allocation methodology made under Chapter 6, Part F of the NER to include REZ network services for the Central-West Orana REZ. Under the NER, the AER must approve any amendments to a DNSP's CAM.
- The AER must be notified in writing by a DNSP that is selected by Energy Co to be the Network Operator for the Central-West Orana REZ of the length of the concession period within 30 business days of signing a project deed. The AER must also be notified of any variations to the length of the concession period within 30 business days of any such variation

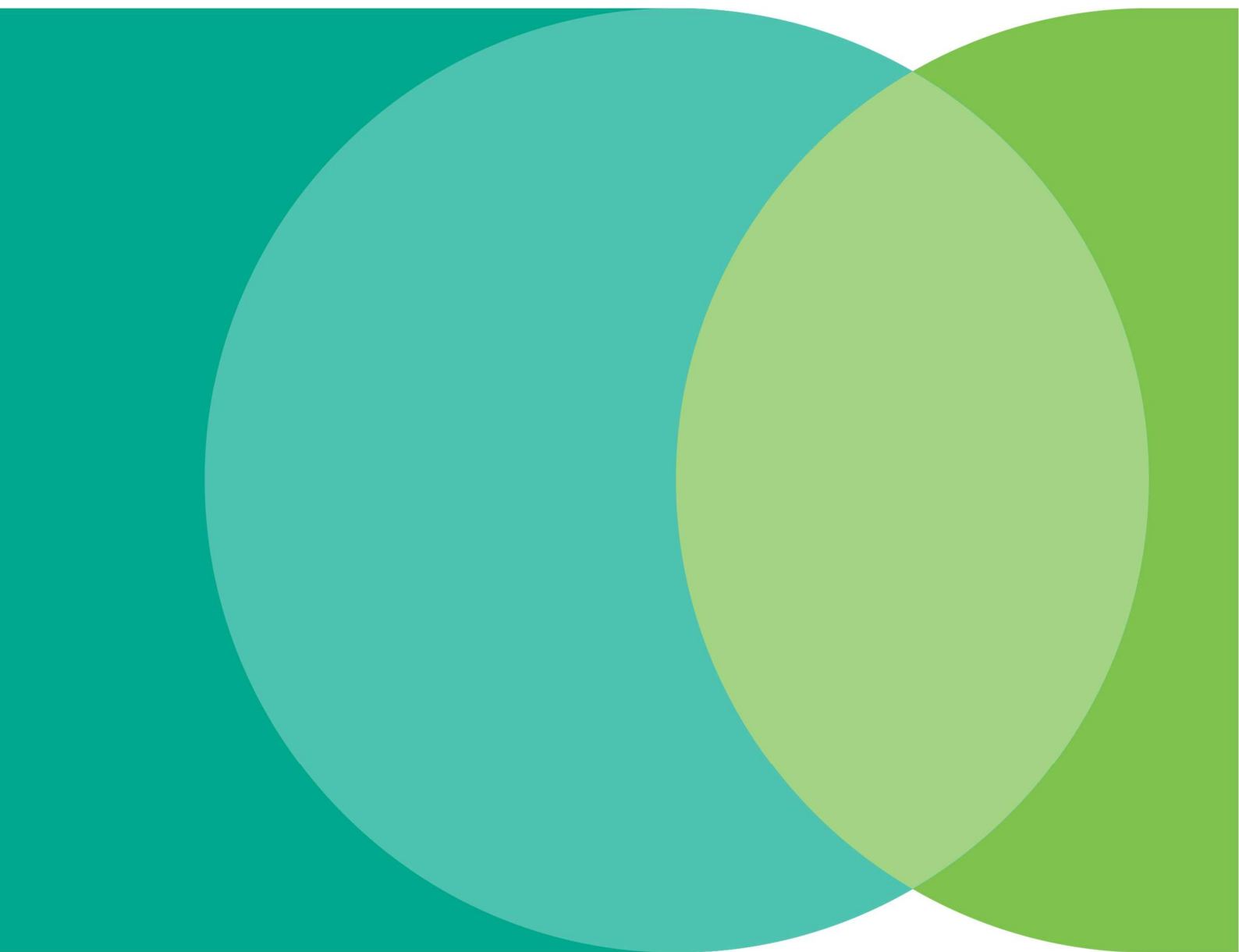
The class waiver will cease to apply to a DNSP who is not selected to build, own or operate the Central-West Orana REZ from the point in time when Energy Co has concluded the procurement process by signing a project deed with the successful participant.

Reporting

EnergyCo is yet to select a Network Operator for Central-West Orana REZ and therefore the class waiver does not yet apply.

Section 5

Performance Improvement Observations



Performance Improvement Observations

During the Annual Ring-fencing Compliance Assessment conducted by KPMG in early 2022, Endeavour Energy was presented with additional details on performance improvement observations (PIO) in relation to the compliance activities for the reporting period 1 July 2020 to 31 December 2021.

Endeavour Energy is committed to efficiently meeting its ring-fencing obligations and has made steady progress towards closing each of the PIOs identified by KPMG. Of the 12 PIOs identified, only 3 remain in progress with outstanding actions to close out during the first half of 2023.

Guideline Obligation	Observation	Performance Improvement Recommendation	Endeavour Energy Corrective or Remedial Action
4.1(b) and (c)	Since the previous round of annual Ring-fencing training, there have been several reported breaches with impacts across clauses 3.2.2 (a), 4.2.3 (a), 4.2.4, 4.3.2 and 4.3.4.	<p>Training content should be updated to include scenario-based learnings that highlight the root causes of these breaches and resulting impacts to staff involved and Endeavour Energy's compliance with the Ring-fencing Guideline.</p> <p>In addition, management should consider taking a targeted, risk-based approach to training, including consideration of:</p> <ul style="list-style-type: none"> - tailoring training modules and contents to specific audiences based on employee roles - extending training requirements to at-risk contractors, targeted around specific direct control services and breach scenarios; and - aligning training completion monitoring activities to the revised population of impacted staff and contractors. 	<p>PIO2021-3: Complete</p> <p>Endeavour Energy's eLearning module, Competing Fairly 3.0 was deployed to all permanent staff on 16 December 2022.</p> <p>In addition to all permanent staff, training was extended to include Alliance Partner and Agency Temp Contractors to ensure at-risk contractors were adequately briefed on the requirements of ring-fencing.</p> <p>The eLearning includes:</p> <ul style="list-style-type: none"> - the protection of ring-fenced information; - understanding Endeavour Energy's staff sharing protocols; - the importance of cost allocation and correct branding; and - includes scenario-based content specific to employee roles. <p>Completion of the eLearning was required by 16 March 2023; 90 days following its release</p> <p>Completion statistics continue to be monitored on a monthly basis. Post 16 March 2023, monthly reporting is provided to Executive Leadership Team Members who follow-up with those staff who have not completed the training by the required deadline.</p> <p>System-automated reminders are also issued from SuccessFactors to those staff who have not yet completed their training as a reminder. These reminders are sent every 7 days until training is completed.</p>
4.2.1(a)	We observed that no formal evidence of the monthly review of physical access was able to be produced for the months of July – October 2021 and December 2021.	We recommend that management implement a systematic process for completing and evidencing monthly physical access reviews.	<p>PIO2021-4: Complete</p> <p>Systematic process implemented for completion of monthly physical access reviews from February 2022.</p> <p>February to December reports received on time.</p>

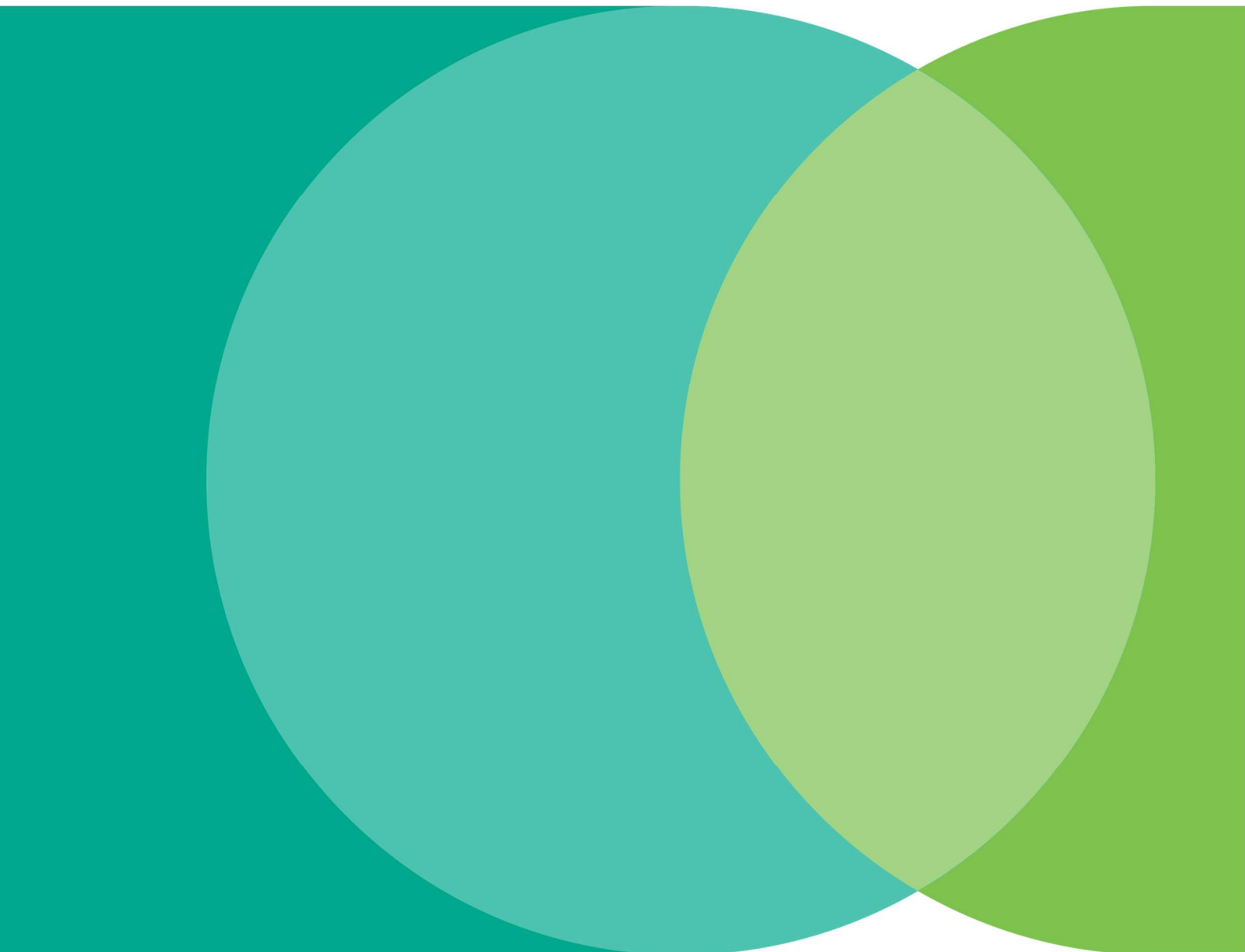
4.2.1(a)	Based on our site visits to the Glendenning and Huntingwood offices, we made observations and recommendations as detailed to the right.	<p>Based on our site visits to the Glendenning and Huntingwood offices, we recommend that management continue:</p> <ul style="list-style-type: none"> - monitoring the Glendenning shared office arrangement for appropriateness; - consider implementing a formal site risk assessment process on at least an annual basis, which includes consideration of physical site layouts, shared staff arrangements and history of breaches; - consider incorporating elements such as visual aids (e.g. posters) with messaging on the practical 'dos and don'ts' in common access areas to remind employees of the physical separation requirements in the Ring-fencing Guideline; <p>In addition, we understand that management is in the process of identifying and relocating to a new head office location. We recommend that, as part of this process, management consider how to appropriately restrict access to higher risk areas and employees that have access to confidential information in an open plan work environment.</p>	<p>PIO2021-5: Complete</p> <p>Formal site risk assessments continue to be carried out when there is a request to amend the Office Sharing Register. One formal risk assessment was carried out during the reporting period due to the refurbishment of the Ausconnex office and workshop at Hoxton Park.</p> <p>Regulatory Assurance conducted site visits to Ausconnex to monitor the shared office arrangement, check physical layout and, where appropriate, co-location arrangements. Site visits during the reporting period:</p> <p>Hoxton Park: 1 Glendenning: 2</p> <p>An Office Sharing screensaver deployed to all PCs on 21 June 2022 as a visual aid reminder of physical separation guideline requirements. This content was replaced on 22 August 2022.</p> <p>Meeting held with Manager Property to discuss office relocation to Parramatta Square. Project Dyurali Ngurang is Endeavour Energy's workplace transformation program and work is well underway to prepare our employees for relocation to Parramatta in 2023. Visual aid reminders for Huntingwood have therefore not been considered at this point in time.</p> <p>In preparation for the relocation to Parramatta Square scheduled for 2023, Regulatory Assurance will ensure the appropriate consideration is given to appropriately restricting access to higher risk areas and employees that have access to confidential information in an open plan work environment.</p>
4.2.2(a)	We observed that no formal documentation is maintained to evidence management's quarterly review of the Staff Sharing Register aside from the final date stamped register published to the Endeavour website.	We recommend that management consider formalising the quarterly review to document and evidence steps undertaken to check the completeness and accuracy of the Staff Sharing Register.	<p>PIO2021-6: Complete</p> <p>Staff Sharing Register Process "Quick Card" developed to formalise the quarterly review process for updating the Staff Sharing Register.</p>
4.3.4(d)	The Information Sharing Protocol does not clearly prescribe how Ausconnex and other legal entities can apply for access to the confidential information, resulting in Endeavour Energy receiving communication from requestors in various forms.	We recommend that Endeavour Energy update the Information Sharing Protocol to clearly define the process by which Ausconnex and other legal entities can apply for access to the confidential information.	<p>PIO2021-7: Complete</p> <p>Endeavour Energy's Information Sharing Protocol and Approach has been updated to clearly define the process by which Ausconnex and other legal entities can apply for access to information.</p>

4.3.5(a)	<p>We observed that information requests are received through various communication channels and there is no systematic process for recording, tracking and responding in a timely manner to the requestors.</p> <p>In all four samples selected for testing, the timeframe from initial request to the date that the information was shared with the requestor was greater than six months. We note that there was no evidence of information requested by or shared with Ausconnex during the regulatory period.</p>	Management should consider implementing a systematic process for recording, tracking and responding in a timely manner to the requestors.	<p>PIO2021-8: Complete</p> <p>The Data Governance and Reporting team have implemented a process for recording, tracking and responding to requests for information in a timely manner.</p>
4.4.1(a)	We observed that there is no systematic process for tracking contract deviations from standard terms and conditions nor a formalised process for performing the risk assessment associated with the removal of Ring-fencing obligations from those deviated terms and conditions, including consultation with the Regulatory Assurance team.	We recommend that management consider establishing a systematic and formalised process approving the removal of Ring-fencing obligations from third party contract terms and conditions.	<p>PIO2021-9: Complete</p> <p>A newly developed workplace instruction provides a framework to support Endeavour Energy's Supply Chain team when it comes to the inclusion of the Conduct of Service Providers ring-fencing clause. It provides a consistent corporate response to the application of that clause from the Ring-fencing Guideline across the company's procurement and purchasing-related activities.</p> <p>The workplace instruction was communicated to impacted stakeholders in March 2023.</p>
5.7	Although there are no active waivers in place for Endeavour Energy, the waiver register has not been published on the website, explicitly disclosing that they have no active waivers in place.	Management should consider providing clear disclosure on its website to reflect that there were no active waivers.	<p>PIO2021-10: Complete</p> <p>Endeavour Energy's corporate website was updated to reflect that there were no active waivers at the time that the PIO was issued.</p> <p>It was subsequently updated for Q4 in January 2023 to reflect the granting of the Class Waiver to AEMO for DNSPs to provide RERT Services via voltage management.</p>
6.1	Annual compliance attestation and the monitoring of potential and reported breaches are undertaken and recorded manually via a combination of email communication and Microsoft Excel worksheets.	We recommend that management consider opportunities to further automate these processes.	<p>PIO2021-11: Complete</p> <p>Business case approval has been given to implement Compliance Management Software in 2023 to automate the annual compliance attestation process.</p>
6.1	Endeavour Energy and KPMG identified a number of breaches associated with the period from 1 July 2020 to 31 December 2021.	As a result of the number of breaches identified in the current period, we recommend that management consider implementing a targeted compliance testing plan to monitor controls implemented to address previous breaches.	<p>PIO2021-12: Complete</p> <p>A targeted compliance testing plan has been implemented to monitor corrective actions identified as a result of a breach or audit finding. This ensures those action plans are implemented and remediation is monitored to demonstrate compliance with the Guideline.</p>

Various	<p>The following company policy documents had not been reviewed within the timeframes specified in the documents:</p> <ul style="list-style-type: none"> - GMM001 - Producing Advertisements, Communication and Promotional Materials (last review date January 2017); - Company Policy 14.1 - Advertising, Communication and Promotional Materials (last review date January 2018); - GMM003 - Purchase, Use and Issue of Branded Promotional Products (last review date August 2017); and - GAM1100 - Electricity Information Requests (last review date December 2017). <p>As a result, several of the documents above still reference the Ring-fencing Guideline 2016 (v1). In addition, we noted that GRG0013 Compliance Reporting for Ring-fencing Guideline refers to an October annual reporting period and does not specify the version of the Ring-fencing guideline with which the company is currently complying.</p>	<p>We recommend all of the documents are reviewed in conjunction with the adoption of the Ring-fencing Guideline 2021 (v3) during the 2022 regulatory compliance period.</p>	<p>PIO2021-1: In Progress</p> <p>GAM1100 and GRG013 have been reviewed and updated.</p> <p>Head of Corporate Communications is currently reviewing policies and procedures within her remit including GMM001, GMM003 and 14.1 with a view to streamline them into one overarching procedure that includes:</p> <ul style="list-style-type: none"> - any external advertisements, promotional material and/or communications need to adhere to agreed company messaging, brand guidelines and protocols; - the requirement to abide by ringfencing guidelines; and - to seek approval/guidance from Corporate Communications before distribution/publishing. <p>This is expected to be finalised by 30 June 2023.</p>
3.2.1(a) 3.2.2(a)	<p>The Accounting for Ausconnex internal procedure document refers to Ellipse (Endeavour Energy's ERP from 1 July 2020 to 30 September 2021) and Xero (Ausconnex's separate accounting system from 1 July 2020 to 30 September 2021).</p> <p>The approved CAM document refers to Ellipse (Endeavour Energy's ERP from 1 July 2020 to 30 September 2021) and related financial controls within that system.</p>	<p>Whilst both the Accounting for Ausconnex internal procedure document and the CAM document remain relevant at a principle level, the documents should be updated to reflect the use of the SAP accounting system and be made specific to post-ERP implementation process controls.</p>	<p>PIO2021-2: In Progress</p> <p>Accounting for Ausconnex has been reviewed and updated to reflect the use of SAP.</p> <p>The internal CAM process document was finalised and approved by the Head of Commercial Finance on 14 March 2023.</p> <p>The external CAM document will be reviewed in parallel with the 2024-29 Reset and outcome of Renewable Energy Zone bid.</p>

Section 6

Other Services provided by the DNSP



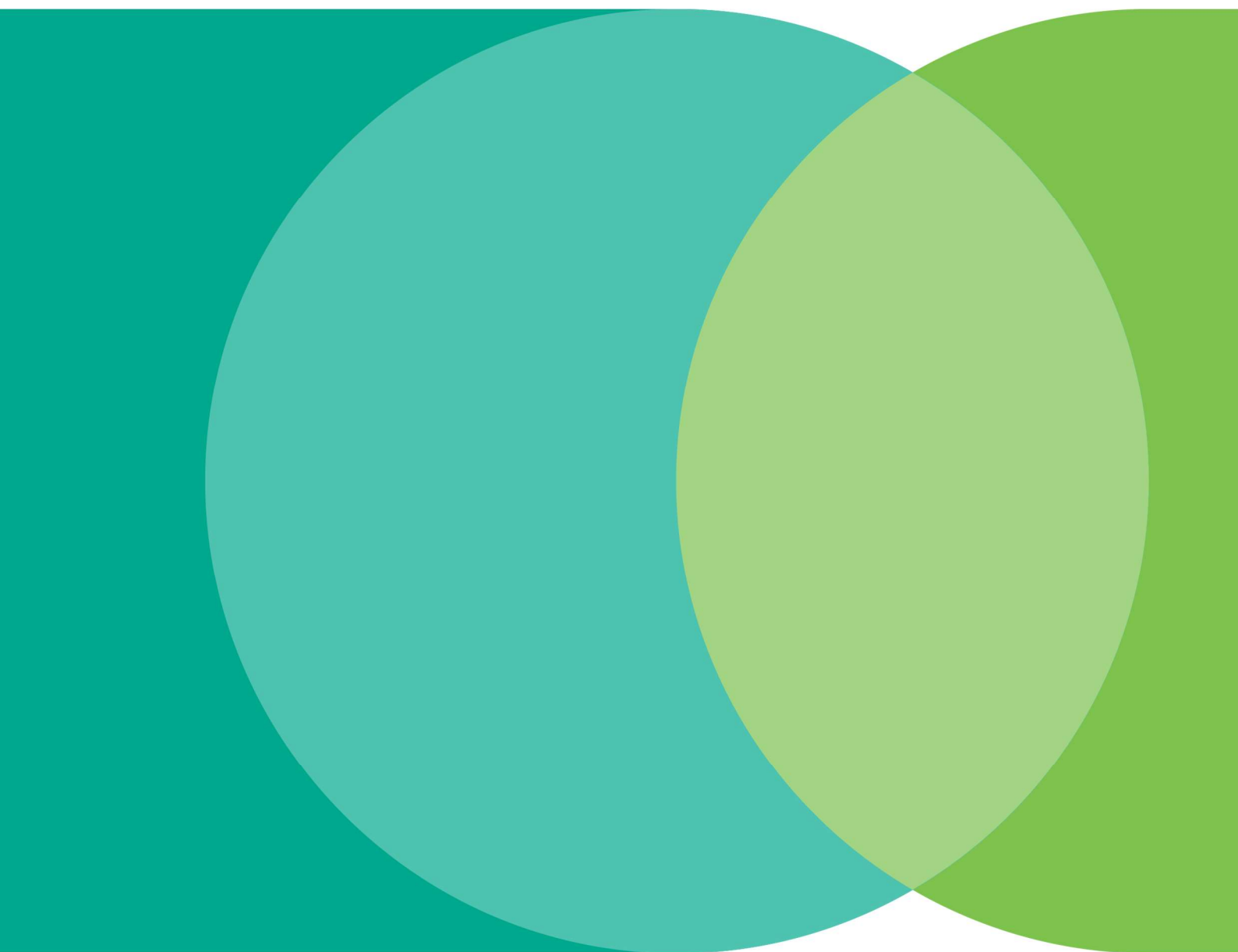
Other services provided by the DNSP

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 7

Transactions between the DNSP and the RESP



Transactions between the DNSP and RESP

Clause 6.2.1(b)iv requires that Endeavour Energy disclose the purpose of all transactions with the RESP. The table below outlines the transactions with the RESP grouped 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.

RESP	Purpose of Transaction	Nature and Status of Transaction
Network Unregulated Partnership trading as Ausconnex	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.</p> <p>This is expected to be an ongoing service provided to Ausconnex and charged based on size of occupancy area.</p>
Network Unregulated Partnership trading as Ausconnex	Provision of direct labour, materials, sub-contractor and other costs	<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.</p>
Network Unregulated Partnership trading as Ausconnex	Provision of corporate services	<p>Endeavour Energy provides corporate services to Ausconnex which includes, IT equipment, infrastructure and support, accounting, legal support and insurance. These are a fixed monthly charge to Ausconnex based on the estimated amount of work that Endeavour Energy corporate functions undertake as well as whether this is reasonable for a business the size of Ausconnex.</p>
Network Unregulated Partnership trading as Ausconnex	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>
Network Unregulated Partnership trading as Ausconnex	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>

Section 8

Stand-alone Power Systems

Stand-alone Power Systems

Regulated SAPS are split into the provision of two service groups:

1. Distribution services provided by DNSPs and regulated as such under the NER; and
2. Generation services provided by a SAPS resource provider.

Generation services provided by a SAPS resource provider is considered as an 'other service' under the Guideline and therefore to balance the objective of the Guideline and ensure that DNSPs deploy regulated SAPS that promote the long-term interests of the consumer, changes were made to the Guideline.

These changes include:

- providing an exemption to DNSP to provide generation services to regulated SAPS up to a cap on the revenue they may earn from these services; and
- implementing reporting obligations to promote transparency and provide information to assist market development for these services.

DNSP Category and Generation Revenue Cap

Endeavour Energy is captured under the definition of a Category 3 DNSP as per the definitions listed in clause 1.4 of the Guideline. The generation revenue cap for a Category 3 DNSP in a regulatory year is 0.02% of the DNSP's annual revenue requirement (**ARR**) for that regulatory year.

Compliance Controls

Endeavour Energy is in the process of designing and implementing specific controls to ensure compliance with the Guideline as well as the SAPS National Framework. These are outlined below:

- The SAPS performance and supply standards are to be published and specified in accordance with Table S5.13.1 of the NER. The standards accord to the SAPS quality of supply principle which states that SAPS customers should be no worse off (from a quality and reliability of supply perspective) than if they were connected to the interconnected grid. A program to monitor the performance of each Regulated SAPS will be established and implemented.
- A SAPS Customer Engagement Strategy, which outlines our process for engaging with affected SAPS customers, is being developed and is set out in Endeavour Energy's SAPS customer engagement document which will be published on the corporate website once finalised.
- Any customers proposed to be moved onto a Regulated SAPS will be engaged in a manner consistent with our SAPS customer engagement document and Endeavour Energy will give due regard to comments received in their response including implicit consent.
- Our Distribution Annual Performance Report (**DAPR**) will transparently describe the number of Regulated SAPS projects committed, implemented or considered in the past year and total number of customer premises transitioned to Regulated SAPS. It will also provide information on system limitations in the forward planning period for which a SAPS is a potential solution.
- Regulated SAPS customers will be provided with a choice in retail services. Provision of generation services from registered SAPS resource providers will be selected via a competitive tender process.
- Where Endeavour Energy acts as the SAPS Resource Provider, it will do so under the condition that the total amount of revenue received annual for the energy generated does not exceed the generation revenue cap of 0.02% of the AAR. Where this cap is exceeded, a waiver application will need to be made.

Reporting

Endeavour Energy keeps a register that identifies each Regulated Stand-alone Power System and updates this register on a quarterly basis. The register is published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year. At the time of publishing this report, Endeavour Energy has no Regulated Stand-alone Power Systems.

Section 9

Approach to Compliance

Approach to Compliance

A compliance and monitoring framework exists to ensure that each ring-fencing obligation and responsibility is understood and mapped to the responsible business function and accountable Executive Leadership Team Member.

Endeavour Energy continues to implement the requirements of the Guideline with an emphasis on a compliance philosophy over an enforcement philosophy, although both aspects are ultimately required. The importance of this delineation may not be obvious in the first instance; however, it is a critical underpinning of how Endeavour Energy has approached engaging with the requirements of the Guideline and embedding them within our business.

The identified controls continue to assist Endeavour Energy with the monitoring and maintenance of compliance with the Guideline.

Compliance and Monitoring Framework

Process and policy controls

Process and policy controls have been established to provide clear guidance and instruction to the business units undertaking activities of interest.

Contractual and financial controls

Contractual and financial controls 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 controls

Regulatory and reporting controls 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 a control in identifying issues before (and after) they arise to position Endeavour Energy for compliance. This is supported by online materials, such as FAQs, our Intranet site, SharePoint, online training modules and access to subject matter experts.

Transparency controls and processes

Transparency controls and processes are in place to provide increased visibility and accountability within Endeavour Energy for maintaining compliance with the Guideline; and transparency externally to empower stakeholders to ensure that Endeavour Energy is accountable for its ongoing compliance. Ring-fencing compliance has received its own internal branding at Endeavour Energy to assist staff in differentiating and identifying key internal communications.

People & Culture, ICT and physical access

Our People & Culture controls 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 controls are supported by the *ICT and physical access controls* applied to all roles.



Other Compliance Activities

Other than monitoring and reporting on the key compliance controls outlined in the Compliance Controls Matrix at Appendix A, Endeavour Energy has also undertaken a number of other key compliance activities during the reporting period.



myEndeavour SharePoint
Endeavour Energy's internal intranet site was moved to Microsoft SharePoint, rebranded to 'myEndeavour' and refreshed to include useful information and frequently asked questions regarding all areas of ring-fencing.

Breach Summary Review

- Regulatory Assurance developed a compliance testing plan based on previous breaches.
- The compliance testing was carried out monthly or quarterly depending on the action identified throughout the reporting period from 1 January to 31 December 2022.
- This targeted testing ensured that the remedial actions advised to the AER at the time of the breach notification remain in place and effective and no further breaches had occurred as a result of the same error or situation.



Ausconnex Onboarding

An onboarding message has been developed for staff transferring from Endeavour Energy to Ausconnex. The message acts a reminder to transferee that Ausconnex operates in the contestable market as an ASP and that there are guidelines in place to prevent Endeavour Energy from giving Ausconnex a competitive advantage over other service providers in that market.

It's important that all service providers within the contestable market compete fairly for work and are not advantaged or disadvantaged by their affiliation with a DNSP. The email outlines how the staff member can help support unprecedented economic growth throughout the region and power communities for a brighter future whilst still remaining within the confines of the Guideline.

The email asks the staff member to:

- follow Endeavour Energy's Information Sharing Approach and Protocol;
- avoid cross-promotion;
- correctly allocate costs; and
- follow Endeavour Energy's staff sharing protocols.

Screensaver Campaign

Regulatory Assurance increased ring-fencing awareness amongst staff through the use of screen savers promoting reminders on:

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

This campaign was split into two deployments:

- the first deployment was created on 21 June for avoiding cross-promotion and office sharing; and concluded on 21 August 2022;
- the second deployment was created on 22 August for correctly allocating costs and tips to understanding staff sharing which concluded on 10 November 2022.



Training

It is mandatory that all permanent Endeavour Energy Group staff undergo detailed online ring-fencing awareness training. All new starters are automatically allocated ring-fencing training as part of their onboarding curricula package through Endeavour Energy's internal eLearning platform, SuccessFactors.

Endeavour Energy's latest ring-fencing awareness eLearning module, Competing Fairly 3.0, was scoped and developed from July to October 2022 with training assigned to all permanent staff on Friday, 16 December 2022. This training is due within 90 days of roll-out to allow both office and field staff adequate time for completion. Staff receive a system-generated reminder 30 days prior to training falling due and further reminders every 7 days following that first message as a reminder to complete the outstanding module by the due date if they haven't already done so.

The latest training module is role-specific (field, office or Ausconnex), simplified, interactive and more engaging. Regulatory Assurance took on feedback received from previous training modules to ensure this latest module was effective and easily understood. Endeavour Energy's ring-fencing training modules are available for staff to access at any time should training refreshers be required.

Any staff member transferring or being seconded to Ausconnex, are reminded of their ring-fencing obligations via email and encouraged to re-familiarise themselves with the ring-fencing training modules available through SuccessFactors prior to transitioning to their new role.

APPENDIX A: COMPLIANCE CONTROLS MATRIX

Compliance Controls Matrix

The following table lists the compliance controls that assist Endeavour Energy with the monitoring and maintenance of compliance with the Guideline. Each control is mapped to obligations within Guideline.

Core Compliance Controls

Endeavour Energy's Core Compliance Controls are a list of 9 over-arching controls that support multiple obligations within the Guideline. These are assisted by an additional 38 controls that support compliance with the individual obligations under which they are listed.

Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.0.001	A ring-fencing intranet site is maintained to support employee awareness of Ring-fencing obligations.	3.1(a), 3.1(b), 3.2.2(a), 3.2.2(b), 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), 4.2.3(a), 4.2.4(a), 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), 6.3
RF.0.002	Endeavour Energy's corporate website directs customers to find an Accredited Service Provider for Contestable Works.	3.1(b), 4.1(b), 4.1(c), 4.1(d)
RF.0.003	Contractual arrangements between Endeavour Energy and Ausconnex are formally defined in a Business Support Agreement signed by both parties.	3.1(b), 3.2.1(a), 4.2.2(a), 4.2.2(b), 4.2.2(c), 4.2.2(d)
RF.0.004	An annual review is undertaken of the Accounting for Ausconnex Guideline that demonstrates the nature and extent of transactions between Endeavour Energy and Ausconnex	3.2.1(a), 3.2.2(a), 3.2.2(b), 3.2.2(c), 4.2.4(a), 4.2.4(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.0.005	Mandatory eLearning Training is deployed to all permanent employees of Endeavour Energy and Ausconnex on an as needs basis. A risk assessment is conducted annually to assess whether training is required.	4.1(b), 4.1(c), 4.1(d), 4.2.2(a), 4.2.2(b), 4.2.2(c), 4.2.2(d), 4.2.3(a), 4.3.1, 4.3.2, 4.3.3
RF.0.006	A training compliance report is generated and monitored for completion rates post-training deployment for a period of three months with reporting sent to Executive Leadership Team Members for follow up.	4.1(b), 4.1(c), 4.1(d), 4.2.2(a), 4.2.2(b), 4.2.2(c), 4.2.2(d), 4.2.3(a), 4.3.1, 4.3.2, 4.3.3
RF.0.007	Implementation of Company Procedure GAM1100 outlines the process for managing electricity information requests from both internal and external entities as well as support the Information Sharing Protocol and Approach published on the corporate website.	4.1(c), 4.3.1, 4.3.2, 4.3.3
RF.0.008	Implementation of Company Procedure GRG0013 addresses 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
RF.0.009	Utilising Data Loss Prevention to identify, monitor and prevent the release of sensitive information outside of Endeavour Energy in accordance with licence requirements.	4.3.1, 4.3.2, 4.3.3

Legal Separation		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.3.001	Endeavour Energy and Ausconnex have separate Australian Business Numbers (ABNs).	3.1(a)
RF.3.002	A clearly defined Legal Entity structure for the Endeavour Energy Group has been established.	3.1(a)
RF.3.003	Endeavour Energy's Distribution Licence under the Electricity Supply Act 1995 (NSW) is current.	3.1(a), 3.1(b)

Establish and Maintain Accounts		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.3.004	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.3.005	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)

RF.3.006	All costs are attributed in accordance with the Accounting for Ausconnex Guideline, which supports Endeavour Energy's approved Cost Allocation Methodology. The procedure is clearly documented and reviewed annually.	3.1(d)vii, 3.1(d)viii, 3.2.1(a), 3.2.2(a), 3.2.2(b), 3.2.2(c), 4.2.2(a), 4.2.2(b), 4.2.2(c), 4.2.2(d)
RF.3.007	Endeavour Energy's Cost Allocation Methodology is approved by the Australian Energy Regulator for the relevant regulatory period and published on the corporate website.	3.2.2(a), 3.2.2(b)

Offices, Staff, Branding and Promotions, Sharing of Information		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.4.001	Identity Access Management software provisions role-based access as per defined security definitions for ring-fencing.	4.1(c), 4.3.1, 4.3.2, 4.3.3
RF.4.002	Endeavour Energy's Information Sharing Protocol and Approach is available on the corporate website and outlines how information may be accessed.	4.1(c), 4.3.1, 4.3.2, 4.3.3, 4.3.4(a), 4.3.4(b), 4.3.4(c)
RF.4.003	Information Sharing Register is maintained on a quarterly basis and published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year.	4.1(c), 4.1(d), 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)
RF.4.004	User access reviews are carried out in accordance with Endeavour Energy's ICT Security Calendar.	4.1(c), 4.3.1, 4.3.2, 4.3.3
RF.4.005	A current rental agreement in place between Endeavour Energy and Ausconnex for lease of office and workshop space.	4.2.1(a), 4.2.1(b)
RF.4.006	Ausconnex maintain separate physical locations from Endeavour Energy staff providing Direct Control Services	4.2.1(a), 4.2.1(b)
RF.4.007	The Office Sharing Register is maintained on a quarterly basis and published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year.	4.2.1(a), 4.2.1(b), 4.2.4(a), 4.2.4(b)
RF.4.008	Ausconnex physical access reviews are carried out monthly.	4.2.1(a), 4.2.1(b)
RF.4.009	Quarterly site inspections are carried out of the Ausconnex office locations.	4.2.1(a), 4.2.1(b)
RF.4.010	The Staff Sharing Register is maintained on a quarterly basis and published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year.	4.2.2(a), 4.2.2(b), 4.2.2(c), 4.2.2(d), 4.2.4(a), 4.2.4(b)
RF.4.011	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), 4.2.2(d)
RF.4.012	Implementation of the Staff Segment Definitions to classify 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.4.013	The At-Risk Incentive/Reward Scheme for Contact Staff includes no 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.4.014	Endeavour Energy's Enterprise Bargaining Agreement includes no 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.4.015	Endeavour Energy branding is independent and separate from Ausconnex. Brand Guidelines for each entity have been established and documented.	4.2.3(a)
RF.4.016	Separate brand collateral, website and social media platforms has been established and implemented for Ausconnex.	4.2.3(a)
RF.4.017	Separate uniforms, personal protective equipment, identification cards and vehicle signage with the Ausconnex logo have been implemented	4.2.3(a)
RF.4.018	A quarterly review of Ausconnex and Endeavour Energy social media platforms and bi-annual review of websites is conducted to ensure compliance with guideline.	4.2.3(a)

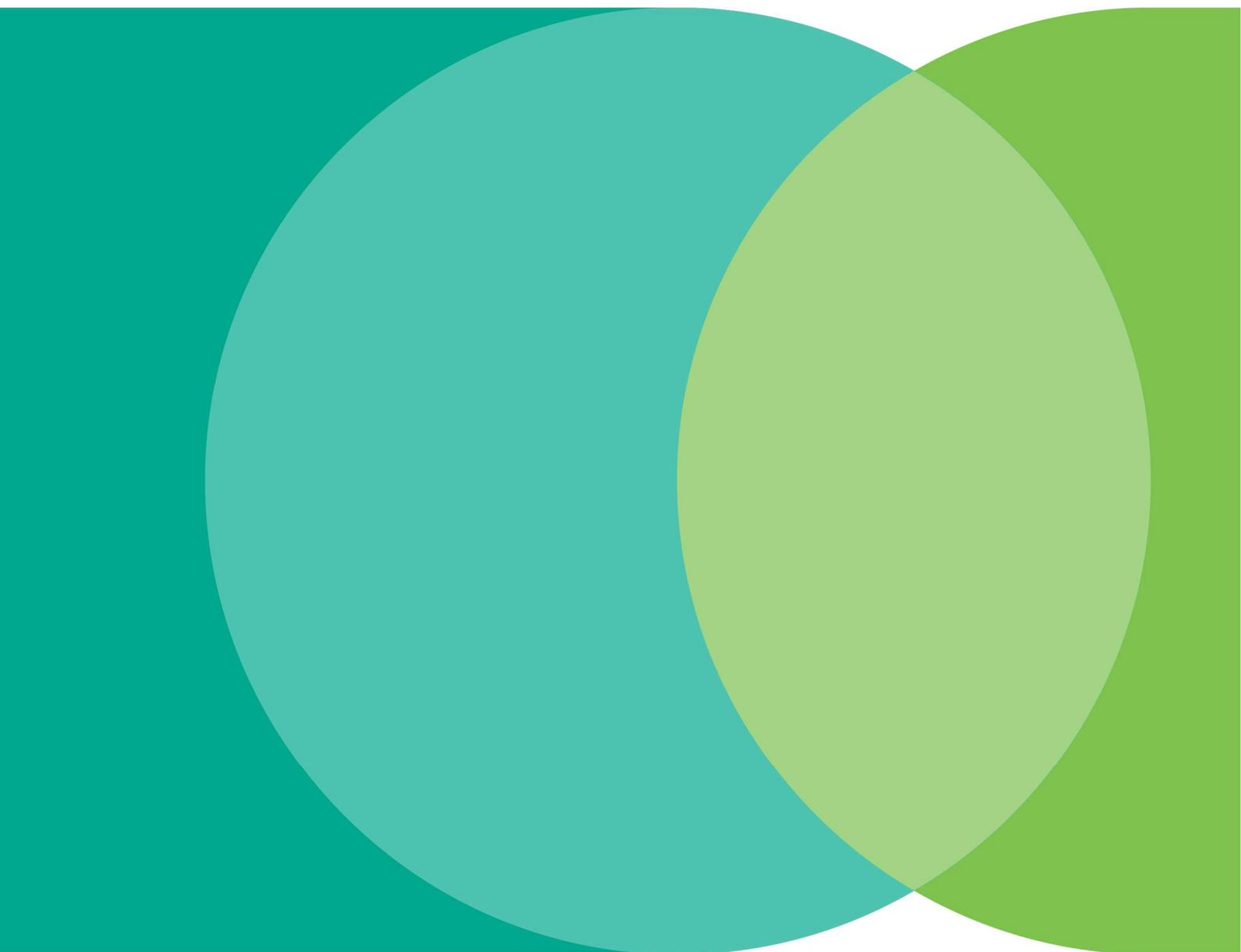
Service Providers		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.4.019	Endeavour Energy has standard terms and conditions that reflect the requirements of the Ring-fencing Guideline. New or varied contracts that deviate from these standard terms or conditions require approval.	4.4.1(a), 4.4.1(b)

Waivers		
Ref	Compliance Control	Ring-fencing Guideline Clauses
RF.5.001	The Waiver Register is updated on quarterly basis and published on Endeavour Energy's corporate 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 is completed via Compliance Management Framework Matrix by Endeavour Energy's key Branch Managers and Executive Leadership Team members	6.3
RF.6.002	Endeavour Energy maintains a dedicated ring-fencing email account to monitor inquiries, and correspondence relating to breaches or potential breaches or communication from employees or the Regulator.	6.3
RF.6.003	A regular update on Ring-fencing compliance is provided to the Board's Regulatory Committee.	6.3
RF.6.004	Endeavour Energy's Risk Management and Compliance Framework is overseen by the Audit and Risk Committee (ARC) of the Board.	6.1, 6.2, 6.2.2, 6.3
RF.6.005	Endeavour Energy's annual submission of the Ring-fencing Compliance Report to the Australian Energy Regulator is submitted on time and accompanied by an assessment of compliance by a suitably qualified independent authority.	6.1, 6.2.1, 6.2.2(a), 6.3
RF.6.006	Endeavour Energy's register of reported breaches is supported by copies of the ring-fencing breach report and cover letter submitted to the Australian Energy Regulator for each identified breach.	6.1, 6.2.1, 6.3
RF.6.007	Ring-fencing Alerts are communicated to all staff to increase awareness of breaches of the Ring-fencing Guideline.	6.3
RF.6.008	Endeavour Energy keeps a register that identifies each Regulated Stand-alone Power System and updates the register on a quarterly basis. The register is published on Endeavour Energy's corporate website no later than 15 January, 15 April, 15 July and 15 October each year.	3.1(d)vii, 3.1(d)viii, 3.2.2(b), 3.2.2(c), 4.1(d), 6.2.3(a), 6.2.3(b)
RF.6.009	A regulatory reporting calendar is generated and monitored for compliance with all mandatory reporting obligations including Ring-fencing.	6.1, 6.2.1, 6.2.2, 6.3
RF.6.010	Company Procedure GRG0013 outlines the internal process for reporting and analysing breaches of the Ring-fencing Guideline and notification to the Regulator.	6.3
RF.6.011	A ring-fencing inquiry register has been established to track and monitor inquiries, responses and investigations and any follow-up actions.	6.1

Section 10

Independent Assessment



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 engaged KPMG to undertake an Independent Assessment of Endeavour Energy's compliance against the Australian Energy Regulator's Electricity Distribution Ring-fencing Guideline (Version 3) requirements. The review covers the period from 1 January 2022 to 31 December 2022.

This assessment is provided as Attachment 2 to this report.

