

Ring Fencing Policy

15 September 2022

Version 15.0

Document Number	BMSDOC-18-397
Document Owner Secretary	General Counsel and Company Secretary
Due Date for Review	15/09/2023

Department Review Required by:

- | | |
|---|---|
| <input type="checkbox"/> CEO | <input type="checkbox"/> Retail |
| <input type="checkbox"/> Finance | <input type="checkbox"/> People and Culture |
| <input type="checkbox"/> Engineering & Operations | <input type="checkbox"/> Commercial & Business Development |
| <input type="checkbox"/> Health, Safety and Environment | <input checked="" type="checkbox"/> General Counsel & Company Secretary |

Applicable to:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Tas Gas Networks | <input type="checkbox"/> Tas Gas Retail |
| <input type="checkbox"/> Gas Networks Victoria | <input type="checkbox"/> Gas Pipeline Victoria |
-

Ring Fencing Policy

Document History

Version No.	Published Date	Description of Change
1.0	June 2011	New document.
2.0	October 2011	Document update.
3.0	March 2012	Parent company details updated.
4.0	April 2012	GM title changed to CEO.
5.0	November 2013	Document review.
6.0	August 2014	Insert Works' Manual table, Properties and update Definitions table.
7.0	September 2015	Clarify Tas Gas and independent coordinator roles. New wording, ninth bullet, in Section 5.4.
8.0	February 2016	Transferred to new Brookfield template.
9.0	June 2017	Complete content review and update.
10.0	October 2018	Update in accordance with legal review conducted by DLA Piper 18 th September 2018.
11.0	October 2018	Amend review date.
12.0	04 May 2020	Updated contacts and Independent Controller references.
13.0	04 September 2020	Tas Gas format.
14.0	11 August 2021	Legislative References updated; Removal of references to separate offices; update to reflect energy procurement and sale not limited to TGR; Responsibilities of GM HSE moved to General Counsel; CEO details updated; commitments and policy statement combined.
15.0	23 August 2021	References to Independent Coordinator removed; Responsibilities of the Independent Coordinator split between CEO and General Counsel. CFO added as possible delegate to CEO for information/account access determination
16.0	15 September 2022	Document Review

References

Cited in this Document

Title	Document Number
Ring Fencing Procedure	BMSDOC-18-1649

Additional Reading

Title	Document Number
Code of Conduct Policy	BMSDOC-18-378
Gas Customer Transfer and Reconciliation Code – Office of the Tasmanian Economic Regulator	2011

Ring Fencing Policy

Table of Contents

1. SCOPE	4
2. DEFINITIONS.....	4
3. POLICY OBJECTIVES	5
4. RESPONSIBILITIES UNDER THIS POLICY	5
5. BACKGROUND	5
6. APPLICATION.....	6
7. JOINT CHIEF EXECUTIVE OFFICER AND/OR CHIEF FINANCE OFFICER.....	6
8. COMMUNICATION	6
9. COMMITMENTS AND POLICY STATEMENT.....	6

Ring Fencing Policy

1. SCOPE

This policy applies to Tas Gas Networks (TGN) and Tas Gas Retail (TGR), which are subsidiaries of Tas Gas Holdings Pty Ltd, and their directors, employees, contractors and sub-contractors as appropriate.

2. DEFINITIONS

Term	Description
Tas Gas	Tas Gas Holdings Pty Ltd includes, but is not limited to, the following subsidiaries: <ul style="list-style-type: none"> Tas Gas Holdings Pty Ltd (TGH) Gas Networks Victoria Pty Ltd (GNV) Gas Holdings Tasmania (GHT) Gas Pipeline Victoria PTY Ltd (GPV) Tas Gas Networks Pty Ltd (TGN) Tas Gas Retail Pty Ltd (TGR)
Approved Associate Contract	An Associate Contract approved by the AER under a decision of the AER under the National Gas Rules that approves an Associate Contract for the purposes of Chapter 4, Part 2, Division 4 of the National Gas Law.
Associate	Has the same meaning as would be given to that term under Division 2 of Part 1.2 of the <i>Corporations Act 2001 (Cth)</i> if sections 13, 16(2) and 17 did not form part of that Act.
Associate Contract	A contract, arrangement or understanding: <ul style="list-style-type: none"> (a) between TGN and an Associate of TGN in connection with the provision of a pipeline service; or (b) between TGN and any person in connection with the provision of a pipeline service— (i) that provides a direct or indirect benefit to an Associate; and (ii) that is not at arm's length.
CEO	The Chief Executive Officer of TGN and TGR.
Competitive Parity Rule	The rule that TGN must ensure that any pipeline services that it provides to an Associate of TGN are provided to that Associate as if that Associate were a separate unrelated entity.
Independent Retailer	An entity which holds a Gas Retail Licence issued or in force under the <i>Gas Industry Act 2019 (Tasmania)</i> and is not an Associate of TGN.
Marketing Staff	A person is Marketing Staff of TGN if the person: <ul style="list-style-type: none"> (a) is an officer, employee, consultant or independent contractor or agent of TGN; and (b) is directly involved in the sale, marketing or advertising of pipeline services (whether or not the person is also involved in other activities); A person is Marketing Staff of an Associate of TGN, if the person: <ul style="list-style-type: none"> (a) is an officer, employee, consultant or independent contractor or agent of the Associate; and (b) is directly involved in the sale, marketing or advertising of pipeline services (whether or not the person is also involved in other activities). A person is not Marketing Staff of TGN, or an Associate of TGN, if: <ul style="list-style-type: none"> (a) the person's function or role (as an officer, employee, consultant or independent contractor or agent of TGN, or an Associate of TGN) is only to provide technical, administrative, legal and accounting services to TGN or the Associate; or (b) the sale, marketing or advertising of pipeline services is only an incidental part of the person's function or role (as an officer, employee, consultant or independent contractor or agent of TGN, or an Associate of TGN). Example— A person in the position of general manager of marketing of TGN or an Associate of TGN would be Marketing Staff whereas a person in the position of chief executive officer, or chief financial officer, of TGN or an Associate of TGN would not be Marketing Staff.
Officer	In relation to a legal entity (such as TGN), a director or company secretary of the legal entity; a person who makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the legal entity; or a person who has the capacity to affect significantly the legal entity's financial standing.
OTTER	Office of the Tasmanian Economic Regulator

Ring Fencing Policy

Term	Description
Related Business	The business of producing, purchasing or selling natural gas or processable gas, but does not include purchasing or selling gas or processable gas to the extent necessary – (a) for the safe and reliable operation of the pipeline; or to enable TGN to provide balancing services in connection with the pipeline.
Ring-fenced Confidential Information	Information about gas networks, gas customers or gas services that is acquired or generated by TGN in connection with its provision of gas pipeline services, that is not already publicly available, and includes information of this kind that TGN derives from that information, or was provided to TGN by or in relation to a customer or prospective customer of gas pipeline services, but excludes aggregated financial information, or other service performance information, that does not relate to an identifiable customer, or class of customer.
Staff	Officers, employees, consultants, independent contractors and agents including any individuals (including secondees) otherwise made available to the entity by another entity.

3. POLICY OBJECTIVES

The objective of this policy is to ensure that practices are in place to maintain a non-discriminatory, fair and open market for all gas retailers in Tasmania with no competitive advantage being granted to TGR by TGN which could be to the detriment of any Independent Retailer and competition in gas retailing in Tasmania.

4. RESPONSIBILITIES UNDER THIS POLICY

Responsibilities under this policy are as follows:

- **Board and Directors of TGH** – shall ensure that TGN does not carry on any Related Business and maintain compliance with this Policy and the accompanying Procedure in respect of the gas network distribution activities of TGH and its related bodies corporate.
- **CEO** is responsible for ensuring this policy is: communicated and enforced throughout the business; and reviewed where there is a significant change to the legislation, business context and/or change to the risk profile. The CEO may delegate some of her responsibilities to the General Counsel or the Chief Financial Officer.
- **General Counsel** is responsible for: the overview and monitoring of compliance with this policy; providing an independent assessment; carrying out investigations; addressing potential breaches; and reporting any potential breaches to the CEO. The General Counsel is also responsible for ensuring this policy is: embedded into the day-to-day operations of all Staff; included in the induction process; and presented as an annual refresher to all Staff.
- **All Managers** are responsible for ensuring the appropriate working environment is maintained to ensure their Staff are easily able to adhere to the conditions set out in this policy.
- **All Staff** are responsible for being vigilant at all times to ensure the conditions set out in this policy are adhered to and to report any potential breaches to their manager or to the Manager Safety & Compliance as soon as they occur.

5. BACKGROUND

TGN is a legal entity and the holder of a Gas Distribution Licence in force under the Gas Industry Act 2019. TGN is a natural gas distributor and does not produce, purchase (other than for the safe operation of the network) or sell natural gas.

TGR is also a legal entity and the holder of a Gas Retail Licence in force under the Gas Industry Act 2019.

Clause 10.3 of TGN’s Gas Distribution Licence requires TGN to comply with any “code issued by the Director of Gas relating to the ring-fencing of accounts or operations.” As at the date of this Policy, no such code has been issued.

Ring Fencing Policy

The Allocation Agent Certificate issued to TGN by the OTTER includes a condition for the “ring fencing of Allocation Agent activities in terms of accounting and information”.

As at the date of this policy, TGN is expected to become subject to the structural and operational separation requirements set out in Part 2 of Chapter 4 of the NGL in 2023. These requirements include, in particular, the minimum ring fencing requirements set out in Division 2 and the Associate Contract requirements currently set out in Division 5.

In addition, TGN wishes to ensure a free, fair and open natural gas market with no competitive advantage granted to TGR by TGN as a result of it being an Associate, which may be to the detriment of an Independent Retailer and competition in gas retailing in Tasmania.

6. APPLICATION

This policy sets out the commitments made by TGN in relation to its natural gas distribution activities. The arrangements set out in this policy are considered to be the minimum requirements and any change to them which may dilute their effectiveness must be approved by the CEO.

7. JOINT CHIEF EXECUTIVE OFFICER AND/OR CHIEF FINANCE OFFICER

Nothing in this policy prevents TGN and TGR from engaging a joint CEO and/or Chief Finance Officer. These officers will be committed to the principles and obligations required under this policy and the CEO will have oversight and responsibility for its application. Any risk is further diminished because they are removed from the day-to-day activities where a breach would normally be expected to occur.

8. COMMUNICATION

This policy is to be:

- Communicated on at least an annual basis to all employees.
- Included in the induction package for employees.
- Included in the contract documentation for service and operations and maintenance contractors if appropriate.
- Communicated to any other consultants and contractors who may be involved in work relating to commercial arrangements and/or information systems as appropriate.

9. COMMITMENTS AND POLICY STATEMENT

TGN supports the promotion of fair and effective competition in the supply of natural gas as a key sustainability principle and as such considers it is in the best interests of TGN, TGR and their consumers. TGN has committed to compliance with the following conditions:

- TGN must comply with this Policy and the associated *Ring Fencing Procedure* (BMSDOC-18-1649) (**Procedure**).
- TGN must not carry on a Related Business, including (without limitation) the purchasing or selling of natural gas.
- TGN must prepare, maintain and keep:
 - a consolidated set of accounts in respect of the whole of the business of TGN;
 - separate accounts in respect of pipeline services provided by means of each pipeline owned, operated and controlled by TGN; and
 - separate accounts for ancillary services (including metering data provider and allocation agent duties as set out in the Gas Customer Transfer and Reconciliation Code (issued by OTTER)) and allocate shared costs across activities.

Ring Fencing Policy

- TGN must ensure that none of its Marketing Staff are officers, employees, consultants, independent contractors, or agents of an Associate of TGN that takes part in a Related Business.
- TGN must ensure that none of its officers, employees, consultants, independent contractors, or agents are Marketing Staff of an Associate of TGN that takes part in a Related Business.
- TGN must not:
 - i. enter into an Associate Contract that has; or
 - ii. vary an Associate Contract so that contract, as varied, has; or
 - iii. give effect to a provision of an Associate Contract that has, the purpose, or would have or be likely to have the effect, of substantially lessening competition in a market for natural gas services unless:
 - iv. that Associate Contract is an Approved Associate Contract; or
 - v. that provision is contained in an Approved Associate Contract.
- TGN must not:
 - i. enter into an Associate Contract that is; or
 - ii. vary an Associate Contract so that Contract, as varied, is; or
 - iii. give effect to a provision of an Associate Contract that is, inconsistent with the Competitive Parity Rule unless:
 - iv. that Associate Contract is an Approved Associated Contract; or
 - v. that provision is contained in an Approved Associate Contract.
- Subject to the provisions of the Procedure, TGN must keep Ring-fenced Confidential Information confidential, only use Ring-fenced Confidential Information for the purpose for which it was acquired or generated and provide access to any Ring-fenced Confidential Information it shares with an Associate of TGN that takes part in a Related Business to other legal entities on an equal basis.
- The General Counsel (or their delegate) will regularly brief each employee of TGN on the requirements of this Policy and the Procedure.
- Each employee will be provided with access to a copy of this policy and the associated *Ring Fencing Procedure* (BMSDOC-18-1649) as well as annual training.
- A review and an internal audit will be conducted every two years by the General Counsel, or their delegate who is not involved in the day-to-day affairs of TGN, to assess compliance with this Policy and the associated Procedure.
- On becoming aware of any suspected breach, Staff must advise their manager who must report the incident immediately to the General Counsel together with such information as may be necessary for the General Counsel to investigate the breach and to direct remedial action who will provide a written report to the CEO.