



OFFICE OF THE CHIEF EXECUTIVE

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Mr David Swift
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Dear Mr Swift

AEMO Governance Review

Powerlink, as an Industry Member of AEMO, welcomes the opportunity to comment on AEMO's Governance Review Discussion Paper ("the Paper").

It is timely to conduct a robust transparent review of AEMO's governance. Powerlink understands that a review of AEMO's governance was to be organised by the Participating Jurisdictions three years after AEMO commenced operations in mid 2009. It is not clear from the Paper whether it forms a stage in that Jurisdiction driven process or is an independent exercise of AEMO. The Paper does state that AEMO managed an internal review of governance which led to recommendations being submitted to the Standing Council for Energy and Resources ("SCER") for noting. However, the Paper does not describe the recommendations submitted to SCER, state whether the proposals are consistent with those recommendations, or comment on whether SCER endorsed, rejected or proposed to act on those recommendations in any way.

Powerlink requests that AEMO provide details on the issues outlined above.

Notwithstanding the lack of clarity of the Paper's status, Powerlink notes that AEMO intends to progress the proposed constitutional amendments by the end of 2013. Powerlink therefore has a number of observations to make on AEMO's governance.

In a significant development for energy market and system governance, AEMO was established under the joint ownership of the Participating Jurisdictions and the Industry in the proportions of 60/40 respectively. This was intended to provide Industry with a greater capacity to influence the market and system operator's decision making and to hold it accountable for performance. Powerlink considers this to be a very good idea which should be developed further.

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Letter from Powerlink. AEMO Governance Review

AEMO's Constitution could be amended to:

1. give energy industry sectors board representation in proportion to their share of AEMO's membership (for example: electricity generators, networks and retailers) ; and
2. permit each sector to nominate its share of directors according to arrangements determined by the sector.

The sectors would need to demonstrate how their nominees contributed to composing a well-rounded Board meeting all the requirements of the skills matrix. This process could provide nominees directly to the SCER or be arranged to feed into the existing Board Selection Panel arrangements if SCER determines that it remains a suitable aid to its decision making.

Consistent with this proposal to strengthen the role of AEMO's Industry Members, Powerlink considers that directors approaching the end of their terms who wish to be re-appointed should be referred to their relevant energy industry sectors. The sector would be able to provide advice to the SCER or the Board Selection Panel, as the case may be, on a director's performance and their suitability for re-appointment.

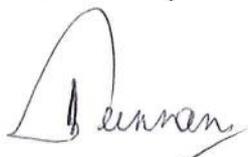
Last, Powerlink is concerned by the Paper's statement that there might be "merit in exploring options to widen the existing parameters to thereby enable AEMO a narrow remit in which to fund additional, and potentially closely defined, activities".

Powerlink recognises that it is necessary from time to time to consider whether the current roles and activities of institutions such as AEMO remain relevant or sufficient. However, Powerlink notes that the Paper contains no detail to explain why there might be merit in exploring options for AEMO to be able to raise revenue to fund and undertake new activities. Powerlink suggests that if AEMO would like to explore this idea further (now or in the future) it should define the contemplated activities, explain their compatibility with AEMO's current statutory functions and the value to be created by devoting resources to the activities. All of this information would assist Members' assessment of AEMO's suggestion.

Powerlink would appreciate a discussion with AEMO on the additional activities considered during this review.

Please do not hesitate to contact me if you would like to discuss this letter.

Yours sincerely



Maurie Brennan
Acting Chief Executive