

Mr David Swift
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Australian Energy Market Operator
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Via email to david.swift@aemo.com.au

Dear David

AEMO Governance Review

Thank you for the opportunity to provide comments on the Australian Energy Market Operator's governance review consultation paper.

TransGrid agrees that such a review is both important and timely. However, given both the original commitment by the Ministerial Council on Energy in 2008 and the emphasis that the Standing Council on Energy and Resources (SCER) has recently put on ensuring that the national energy market institutions continue to demonstrate their full value to market stakeholders, TransGrid considers that the SCER should seek a fully independent review of AEMO's governance arrangements. Ideally, this would align with the already announced intention to review the performance of both the AEMC and AER in mid-2014.

TransGrid would welcome the opportunity to raise through that process a number of material concerns it has with the content of the consultation paper including proposals to amend the processes for the appointment and reappointment of Board members, their maximum terms and independence requirements and the question of AEMO being able to seek funding for work beyond its current remit.

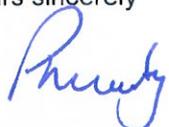
In relation to Board membership this ought to be determined by a process clearly separate from the existing Board and management of AEMO. Furthermore, it would seem reasonable to require Board membership to reflect the various energy sectors in proportion to their share of AEMO's membership. Arguably, this should include a reasonable opportunity for each sector to nominate and vet proposed appointments on behalf of that sector. This would be consistent with AEMO being established with 40% industry ownership.

In relation to changes to AEMO's remit, each proposed change should be first subjected to robust and transparent engagement with members. Proposals should be supported by a detailed explanation of each proposed change and the net benefits that would arise from that change. No change should be able to be effected without it first being subjected to an independent assessment on behalf of SCER to ensure, for example, that it is consistent with AEMO's current statutory functions.

I note that your current plan is to bring forward any recommendations for change to governance arrangements for the consideration of members at AEMO's Annual General Meeting this coming November. TransGrid considers that this would be inappropriate given the need to first hold a SCER appointed, fully independent review to properly address the concerns identified above.

Should you wish to discuss any of aspect of the above, please feel free to contact Mr Anthony Englund, Manager Regulation on (02) 9284 3148 or by e-mail anthony.englund@transgrid.com.au in the first instance, or myself on (02) 9284 3501.

Yours sincerely

 13/9/2013

Peter McIntyre
Managing Director