

Response to Queensland Energy Users' Network (QEUN) regarding feedback on AEMO's draft FY24 Budget and Fees

A response to a verbal submission and emails from Queensland Energy Users' Network (QEUN) to AEMO's draft FY24 Budget and Fees. Questions/comments from the discussion and emails are summarised and shown in breakout boxes.

AEMO's financial governance

How can stakeholders be confident in AEMO's financial management and governance following its accumulated deficit position stakeholders first became aware of in 2022?

AEMO acknowledges that we still need to build stakeholder confidence in our financial management and governance, following its accumulated deficit position which we are on track to remedy by FY25.

We have improved our FY24 budgeting process, transparency and engagement and we are already considering improvements we can make to the FY25 process also. We will also engage with the Financial Consultative Committee (FCC) to seek its members' feedback on potential improvements and welcome any suggestions.

In terms of AEMO's cost effectiveness and efficiency, we are committed to doing our work in a way that earns and maintains the trust of stakeholders and consumers. This includes a focus on the efficient and economical use of resources, managing risk, delivering sustainable outcomes in a timely way, and genuine engagement with stakeholders. We are enhancing our governance and project planning and delivery mechanisms and disciplines, and we are focused on providing accountability and transparency.

We are also conscious of AEMO's broader impact on industry costs and while we are progressing change on multiple fronts, we are also working to improve our coordination and planning so that we can optimise how we sequence and bundle reforms and solutions to reduce overall cost and impacts on industry.

Integrated System Plan (ISP)

Can AEMO please advise the cost of:

1. 2016 National Transmission Network Development Plan
2. the inaugural 2018 Integrated System Plan
3. 2020 Integrated System Plan
4. 2022 Integrated System Plan

In addition, can AEMO please advise the past financial contributions from Transmission Network Service Providers towards its National Transmission Planning function, and the financial contribution it expects to receive from TNSPs, by jurisdiction, towards its Integrated System Plan in FY 24, FY 25 and FY 26.

The ISP is a major piece of work for AEMO, required as part of our National Transmission Planner function, which is a regulatory requirement and published every two years. Developing the ISP is done in close consultation with stakeholders to ensure it presents the most accurate possible view of the transition

requirements for the energy transformation. It is an important piece of work to inform the energy transition and relied on by market participants, investors and government.

AEMO first delivered the ISP in 2018. Government policy, consumer sentiment and market investment has all changed significantly since this first ISP and the costs of delivering this ISP are not comparable to AEMO's current task in preparing the ISP. Going forward, the scope of the ISP is likely to change, reflecting Australia's [energy ministers'](#) desire for the ISP to grow and be a more holistic transition plan. The commonwealth is still considering the potential scope of a 'supercharged' ISP.

AEMO has an established an [ISP Consumer Panel](#), which meets regularly to ensure consumer views are represented within the ISP, and the [Advisory Council on Social Licence](#) to ensure community views are represented.

The historical and projected costs below of delivering the ISP exclude depreciation and amortisation and corporate overhead. The costs below are estimated. Forecast costs from FY24 include additional investment relating to continued evolution and expansion of the ISP.

Table 1: Estimated historical and forecast costs for delivering the ISP

Estimate costs of previous ISPs	Estimated forecast for delivering the ISP
FY21: \$4.6m	FY24: \$6.4m
FY22: \$3.5m	FY25: \$6.7m
FY23: \$4.4m	FY26: \$7.0m

The costs of the ISP are recovered through national transmission planning (NTP) fees. NTP accounts for 21% of the costs of the NEM functions segment. In addition to the ISP, NTP fees also include a range of forecasting activities and activities to review and plan the NEM transmission grid. Section 4.2.4 in the draft Budget and Fees sets out the budgeted fees for FY24.

We estimate the following costs for TNSPs per jurisdiction to the ISP. The estimation uses the same methodology as the estimation for the costs of the ISP. Contributions are based on consumption.

Table 2: Estimated contribution to ISP per jurisdiction

REGION	MWh FY 2021/22	ISP Estimate FY24 (\$m)	ISP Estimate FY25 (\$m)	ISP Estimate FY26 (\$m)
NSW	64,210,493	2.34	2.44	2.54
QLD	50,706,052	1.85	1.93	2.01
SA	11,254,751	0.41	0.43	0.45
TAS	10,526,517	0.38	0.40	0.42
VIC	39,579,697	1.44	1.50	1.57
TOTAL	176,277,510	6.43	6.69	6.97

Gas trading fund

What will AEMO do if it needs to trade gas and it has reached the \$35 million gas capacity trade limit?

As part of the Gas Market Reform Program, AEMO has established a trading fund to enable it to trade in natural gas if AEMO is of the opinion that the trade or purchase is necessary to prevent, reduce or mitigate an actual or potential threat it has identified. The maximum value AEMO can trade each financial year is \$35 million (subject to CPI). AEMO's preference is to not trade in its own markets or act as a trader of gas/capacity, meaning the use of the \$35 million gas capacity trade limit is a last resort and not very likely to occur. If a threat is identified, AEMO would, in the first instance, inform the relevant entities of the identified risk or threat and allow an industry-led response to resolve the issue. If the threat was not resolved, AEMO would consult impacted relevant entities and direct them to resolve the threat. AEMO may trade if the threat remains. If AEMO has exhausted the fund and a threat still remains, AEMO has the ability to issue directions to gas industry participants to resolve the threat.

Funding for consumer advocacy

AEMO does not sufficiently compensate consumer representatives for their contributions to its work. How does AEMO determine when to pay consumer representatives for their contributions?

AEMO recognises that consumers are at the heart of the energy transition and we are committed to keeping consumers informed about our work and to listening to the views and advice of consumers.

We are currently developing a guideline about when we offer to pay consumers/consumer advocates for their time for committees and advisory groups. At this stage, we intend to pay for time where there is a formal committee or panel stood up that requires members/participants to prepare and provide detailed input e.g. Financial Consultation Committee, Advisory Council on Social Licence, ISP Consumer Panel.

AEMO does not pay for time for consumers' general involvement in consultations and information sessions e.g. Forecasting Forum, Consumer Forum. In selecting consumer representatives for these panels, we do not take into account whether the representative requires payment for their time in our decision making.

Five-Minute Settlements

The Five-Minute Settlements project is a source of concern for stakeholders. Were there lessons learned?

AEMO initiated a post-implementation lesson learned review on the Five-Minute Settlement (5MS) implementation program. PwC was appointed to facilitate the review on behalf of AEMO with the following objectives:

- to understand the effectiveness of the 5MS implementation program and
- to identify improvement opportunities for future change implementation programs.

Attached to this response are two presentations which were given to the 5MS Executive Forum in May 2022, which speak to lessons learned and AEMO's planned response to these.

AEMO continues to evolve its enterprise program governance and processes to ensure that projects are well managed and delivered. As an example, an enterprise lessons learned register (capturing content from post-implementation reviews and other quality assurance mechanisms) ensures transparency and executive ownership of each identified action. Regular executive reporting triggers additional actions as required to support learnings being actioned in agreed timeframes.

AEMO's resourcing model

QEUN has concerns around AEMO's employment and consultancy costs.

AEMO is a labour-intensive, technology-reliant organisation. Reflecting this, the majority of AEMO's costs relate to labour, followed by IT&T and then consultancy.

AEMO's workforce resourcing model is to use permanent employees where there is an ongoing need for a role/where we have the skills already, and to use short-term or contracted employees where roles are not ongoing and can be reasonably acquired for the work. Noting that Australia is experiencing a very constrained labour market, this is impacting AEMO's ability to hire employees in some areas and in the desired time and is also impacting costs as AEMO competes in the labour market for talent.

It is appropriate for AEMO to use consultants where expert and independent advice is required. Consultants are used in a number of ways from input to a project, independent project assurance, auditing and more. This is normal practice for organisations.