

Webinar FY26 Draft Budget

10 April 2025

Yogesh Nagarajan

Manager, Planning and Partnering, Finance and Governance

Matthew Myers,
Group Manager, Stakeholder Engagement



Today's agenda

Time	Item	Speaker
3:00 pm	Welcome Acknowledgement of Country Housekeeping	Elizabeth Simonetti, Acting Manager, Consumer and Community
3:05 pm	Context setting	Matt Myers, Group Manager, Stakeholder Engagement
3:10 pm	Draft Budget and Fees	Yogesh Nagarajan, Manager, Planning and Partnering, Finance & Governance
3:40 pm	Participant Fee Structure Review	Matt Myers, Group Manager, Stakeholder Engagement
3:45 pm	Questions	Facilitated by Elizabeth Simonetti, Acting Manager, Consumer and Community



We acknowledge the Traditional Custodians of the land, seas and waters across Australia. We honour the wisdom of Aboriginal and Torres Strait Islander Elders past and present and embrace future generations.

‘Journey of unity: AEMO’s Reconciliation Path’ by Lani Balzan

AEMO Group is proud to have delivered its first Reconciliation Action Plan in May 2024. ‘*Journey of unity: AEMO’s Reconciliation Path*’ was created by Wiradjuri artist Lani Balzan to visually narrate our ongoing journey towards reconciliation – a collaborative endeavour that honours First Nations cultures, fosters mutual understanding, and paves the way for a brighter, more inclusive future.

Read our
RAP 



Housekeeping

- This session is being recorded for note-taking purposes only
- Muted unless talking, thank you
- Ask questions via the chat function throughout
- We will prioritise one question per person per topic so all voices can be heard, and come back to additional questions if time allows
- We will endeavour to follow up questions we do not get to in session
- Respectful and relevant
- Equal opportunity to engage

Information within the document sets out AEMO's budgeted revenue requirements and fees for the financial year ending 30 June 2026 (FY26), in accordance with clauses 2.11.3 and S6A.4.2 of the National Electricity Rules, clause 135CF of the National Gas Rules, clauses 1.65 and 2.24 of the Electricity Market Rules (formally the Wholesale Electricity Market Rules) and clauses 111A¹ and 114 of the Gas Services Information Rules.

Included in this document are additional segments which are not funded by market participants via fees. These are included for information, and do not form part of AEMO's public consultation.

The draft FY26 is presented in nominal Australian dollars, net of goods and services tax and amounts have been rounded to the nearest hundred thousand dollars, unless otherwise stated. Financials are presented consistent with management segments and have been prepared consistent with generally accepted budgeting principles.

¹ The Coordinator has made a final decision to disapply the GSI Rules related to AEMO's Allowable Revenue and Forecast Capital Expenditure and Budget (including GSI Rule 111A) as part of Final Rule Change Report – AEMO's Allowable Revenue Framework (GRC_2024_01) and made an Amending Rule allowing GSI Fees to be increased by an approved formulae. However, the Coordinator's Amending Rule has not yet become effective, and therefore, AEMO has made an Allowable Revenue and Forecast Capital Expenditure submission to the ERA for an increase in GSI Fees by the approved formulae.

AEMO's operating context

- Australia's energy systems are going through the most fundamental change since the National Electricity Market (NEM) was established in 1998. As a result, AEMO is being asked to do more.
- For example, in recent years AEMO has been asked by governments to play a stronger role in ensuring reliability on the east coast gas network, expanding the scope of the Integrated System Plan and to coordinate with industry to prepare for and respond to cyber security incidents.
- Connections in the NEM and Wholesale Electricity Market (WEM) are growing. AEMO's costs for these activities are funded directly by the organisation that owns the asset.
- The increasing complexity of the energy system is driving investment in operating technology systems and tools. This is important to ensure grids remain secure, reliable, resilient and safe.
- The evolving power system is also adding complexity and cost to AEMO's existing work planning and informing the future energy system.
- AEMO will always prioritise our core operational and planning responsibilities. Where work is better conducted by government or industry, we seek to transfer those roles to the most appropriate organisation. This is occurring with an upcoming transfer of our Victorian transmission network services to the Victorian Government's VicGrid agency.

FY26 Draft Strategic Priorities



1 Operating today's systems and markets

Operates secure and reliable energy system and markets

- Strengthen operational readiness by modernising technology systems and tools, enhancing operational capabilities and processes to manage emerging power system risks.
- Effectively manage known and emerging power system risks, including improving modelling, streamlining procedures and managing emerging risks.
- Improve cyber preparedness and resilience across AEMO and markets.
- Modernise and uplift AEMO's core digital systems to enhance their effectiveness and reliability.



2 Navigating the energy future

Plans and enables critical infrastructure delivery and market reforms

- Evolve energy system planning advice and reliability outlooks with a focus on CER, gas, and investment signals.
- Plan and report on emerging challenges through delivery of Engineering Roadmap priority actions, and future power system modelling strategy initiatives.
- Onboard and connect new generations efficiently.
- Plan and procure investments through jurisdictional services including tenders.
- Establish a national consumer energy resources (CER) taskforce roadmap, support stage 2 gas reforms, and develop framework for addressing gas supply shortfalls in the East Coast.



3 Engaging our stakeholders

Enhance relationships and trust with governments, industry and consumers

- Work closely with our stakeholder on each of our strategic work programs to build awareness, understanding, confidence and support for the actions needed to effectively and efficiently progress the energy transition
- Continue to build the capability and understanding of energy systems and markets with industry, consumers and governments through our Energy Education program
- Expand the reach and improve the accessibility and effectiveness of AEMO's communication by simplifying language, reaching through the right channels and exploring new ways to communicate.



4 Evolving the way we work

Modernise systems, uplift capabilities and optimise operating model

- Deliver on the commitments in the Reflect Reconciliation Action Plan (Reflect RAP).
- Uplift and enable capabilities for AEMO core and corporate functions, enabled through modern technology and systems.
- Optimise AEMO's operating model by simplifying how we work and implement best practice across AEMO.

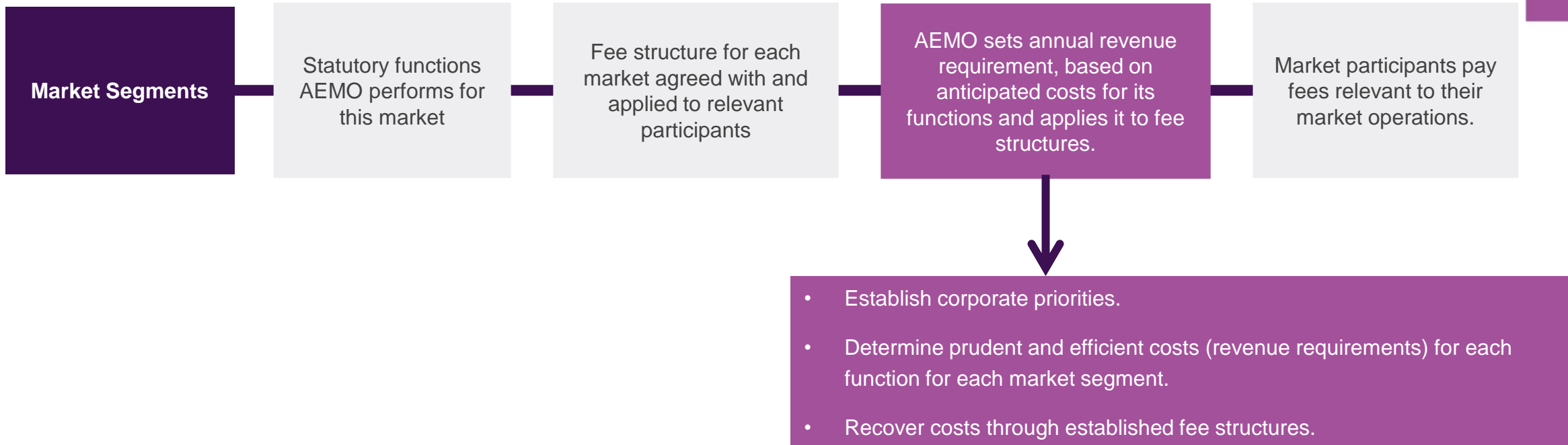
Market segments

Market fees-funded segments	Segment ²	Incorporates	Funding source/s	Consultation
	NEM Core	Safely, reliably, and securely operating the NEM.	NEM participants via fees.	Budget and fees
	NEM Functions	The operation and evolution of the NEM, including National Transmission Planning (NTP), implementing reforms, facilitating retail market competition, consumer/distribution energy resources integration, cyber security coordination and other functions.	NEM participants via fees.	Budget and Fees
	East Coast Gas	The operation and evolution of the East Coast Gas Markets.	East Coast Gas participants via fees.	Budget and fees
	WA Electricity and Gas	Safely, reliably, and securely operating the Wholesale Electricity Market (WEM) and perform some functions under the Gas Services Information (GSI) Rules in WA.	WEM participants via fees.	In accordance with WA jurisdictional requirement, set through separate process with Energy Policy WA and Economic Regulation Authority.
Direct funded segments	Segment	Incorporates	Funding source/s:	Consultation
	NEM Connections	Connections, registrations and onboarding activities in the NEM.	Connecting participants via charges.	Budget and fees. Rates for fee-for-service activities.
	Other	Capacity Investment Scheme (CIS), NSW Roadmap, Vic TNSP support and funded upgrade to core systems.	Via contractual or other arrangement with various jurisdictions.	In accordance with jurisdictional requirements.

How does AEMO set its budget and fees?



How we recover our costs



Note the diagram above relates to those segments funded through market participant fees. While AEMO was once funded almost solely by market participant fees, a growing portion of AEMO's work is funded through other means, including contractual agreements with governments for facilitating renewable energy investment.

Revenue model & financial principles

AEMO has an established revenue model and budgets according to a set of financial principles, which ensure prudence and good financial management.

Budget and Fees approach

- AEMO's annual total costs (or revenue requirements) are set out in the annual budget and fees and calculated based on the relevant market fee structure and legislation.

Cost recovery method

- Market funded segments: AEMO fully recovers the costs it incurs in carrying out its statutory functions under legislative instruments that govern the various energy markets and activities (e.g. relevant electricity and gas laws and rules)
- Direct funded segments: Include fee-for-service activities (e.g. NEM Connections) and contractual or other arrangements with various jurisdictions (e.g. Capacity Investment Scheme)

Operational vs capital costs

- Operational costs are recovered in the year they are incurred.
- Capital costs are debt funded and recovered through annual fees and charges via depreciation or amortisation costs (generally over 3-7 years).

Under and over recoveries

- Under and over recoveries for any functions are resolved in subsequent financial year/s through fee rates.
- The accumulated surplus/deficit position for each function are disclosed annually in AEMO's financial statements.

Liquidity management

- AEMO maintains cash and credit facilities and a liquidity buffer to cover short term cash variations and any lags in cost recovery. AEMO can also be the recipient of direct government funding for projects.

AEMO's financial principles



Efficient and cost-effective delivery



Balanced and sustainable cost recovery



Clear, ringfenced participant and member funds



Funding pathways for new investment



Very low tolerance for funding risk on contracted activities



Debt-to-assets ratio < 100%



Liquidity ratio > 50%



Timely provision of AEMO budgets to market participants

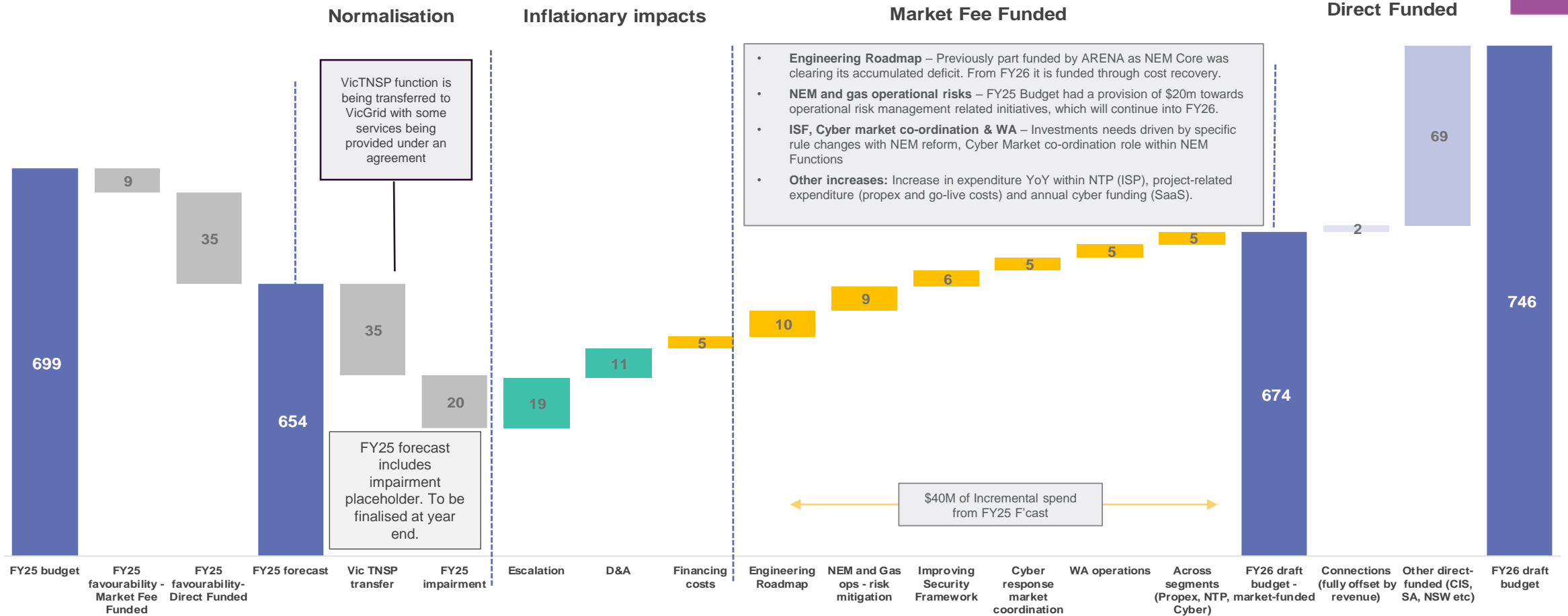
FY26 draft budget key takeaways

The budget and fees document and figures (other than those set through other processes) are draft, and AEMO is continuing to work through the material to confirm the final budget and fees for FY26. We welcome stakeholder input at this time.

- As committed, AEMO will clear its NEM Core deficit in FY25.
- An increase in the NEM Core fee in FY26 will enable investments to strengthen operational readiness and address key risks identified in the Engineering Roadmap.
- Our core operating costs have remained stable, reflecting labour and indexing increases by demonstrating our strong focus on prudence and cost management.
- Ongoing project costs (capital costs via depreciation and project operating costs) relating to NEM reform activities, continue to increase.
- A new rule has formalised AEMO's cyber response coordination, industry preparedness and uplift, risk mitigation and sharing cyber alerts. \$10m has been allocated to this work.
- In addition to AEMO activities, in FY26 we will commence an uplift to our core digital systems. This program of work is funded by the Australian Government and will enhance energy security and reliability.
- There is an increase in our East Coast Gas function costs to meet specific strategic initiatives such as supporting East Coast gas reform, East Coast Demand forecasting, Vic Gas market dispatch systems and growing complexity in gas forecasting.
- In WA, AEMO recovers its costs following an allowable revenue determination by the Economic Regulation Authority (ERA). The WA Allowable Revenue Framework review is underway for FY26 and the Wholesale Electricity Market (WEM) and Gas Services Information (GSI) fees are based on the previous Financial Year's WEM Market Fee rate with adjustments based on Wage Price Index and Consumer Price Index.

Opex FY25 forecast to FY26 draft budget

AEMO will clear NEM Core deficit and under spent to budget in FY25 and FY26 includes planned initiatives to manage increasing operational risks and obligations in the NEM, WEM and East Coast Gas.



NEM Core

Draft operating budget

Increasing operational complexity is driving increases in the NEM Core budget in FY26, primarily through labour, digital costs and depreciation and amortisation.

AEMO's Operations team is maintaining energy reliability and security in challenging conditions. Record renewable contributions, record minimum demands, and other new challenges are posing higher operational risks that require deeper data analysis and modelling, procedural revisions and increased resourcing to ensure we are prepared and can respond.

The budget process constrained cost increases to inflation (CPI / WPI), and specific operational initiatives to reduce risk.

Increase in costs primarily from:

- Engineering roadmap \$10m. This was previously part funded by ARENA. From FY26 this is included within the NEM Core fee;

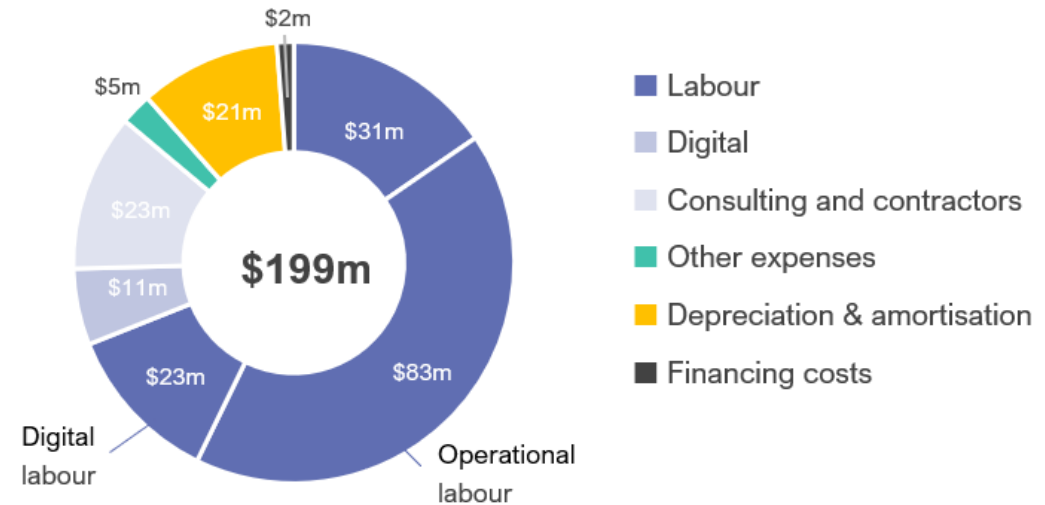
Partially offset by:

- Reduction in "Propex" expenditure aligned to central functions e.g. ERP of ~\$5m; and
- Slower FTE growth than previously planned, due to low availability of highly skilled resources to enable energy transition

Strategic initiatives reflect planned risk based opex investment requirements within NEM Core and Central functions, specifically to bolster AEMO's cyber defences (Annual Cyber Program).

NEM Core benchmark fee is modelled to increase in FY26 by 4.5%, consistent with the prior two years, and below the previously provided guidance of 6% - 8% increases.

Budgeted operating cost profile for NEM core FY26, \$m



	Budget FY25 \$m	Budget FY26 \$m	Variance \$m	Variance %
Gross revenue #	231.5	227.6	(3.9)	(1.7%)
<i>less: Recoverable costs</i>	<i>(15.8)</i>	<i>(0.5)</i>	<i>15.3</i>	<i>(96.7%)</i>
Net revenue requirement	215.7	227.1	11.4	5.3%
Operating costs	210.0	199.3	(10.7)	(5.1%)
<i>less: Recoverable costs</i>	<i>(15.8)</i>	<i>(0.5)</i>	<i>15.3</i>	<i>(96.7%)</i>
Net operating costs	194.2	198.7	4.5	2.3%
Annual surplus/(deficit)	21.5	28.4	6.9	N/A
Accumulated surplus/(deficit)	-	38.5	38.5	N/A

Consists of NEM Core revenue requirement and other revenue

NEM Functions

Draft operating budget

NEM Reform

In line with the NEM Reform Implementation Roadmap, in FY25 AEMO's Reform Program delivered several key projects, including the commencement of non-financial operations of Frequency Performance Payments (FPP) and Retail Market Improvements (Net System Load Profile and Metering Substitutions).

A number of projects are in flight during FY25, including the ST PASA Procedure and Recall Period Project, Enhancing Reserve Information Project, which are due to be completed in FY26.

National Transmission Planner (NTP)

NTP costs are in line with ISP expanded scope, as endorsed by the Energy and Climate Change Ministerial Council (ECMC) in March 2024, additional costs for preparing the new annual Enhanced Locational Information report and estimated costs of meeting new Australian Energy Market Commission rules (rule ERC0395 and rule ERC0396) in the development of the ISP.

Cyber Coordination

AEMO's cyber security coordination responsibilities is also included within this segment.

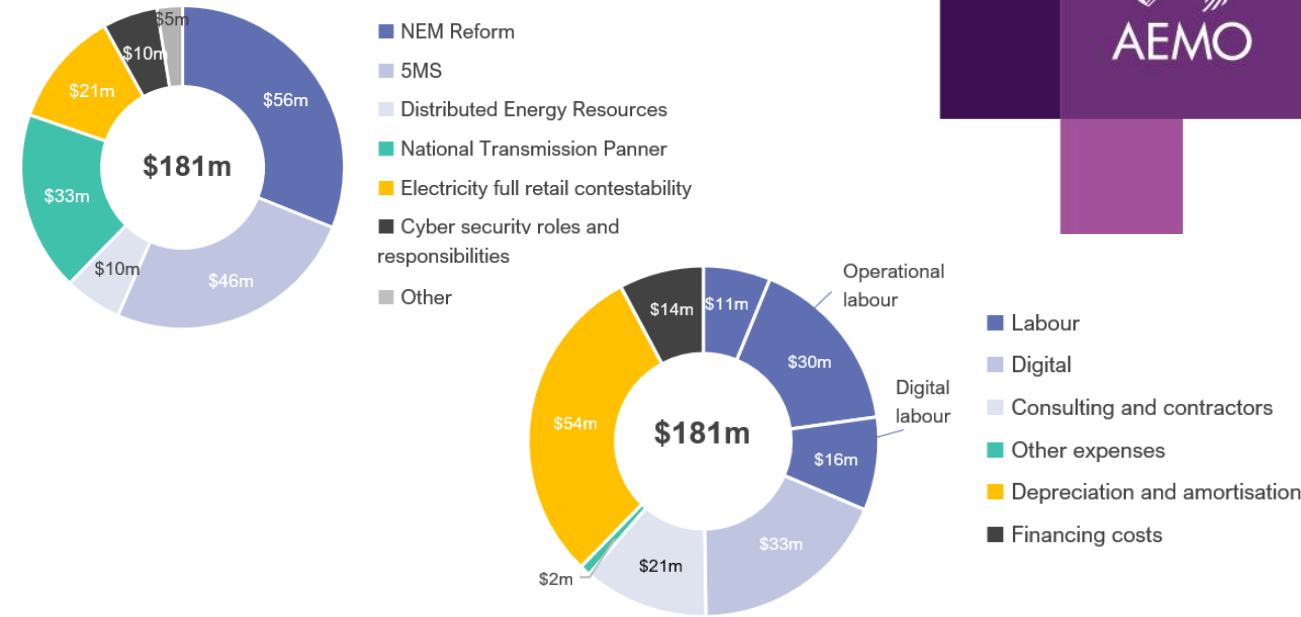
Increase within NEM Function costs primarily from:

- D&A and Financing costs increase of \$5m from "go-live" of initiatives
- Labour (Project to BAU) and feasibility Propex costs of \$5m.
- Cyber Market Co-ordination role expenditure of \$6m (total of \$10m in FY26 first full year of operation)

Partially offset by

- Various other NEM Functions had marginal decreases e.g. DER, 5MS, NTP etc

Budgeted operating cost profile for NEM Functions FY26, \$m



	Budget FY25 \$m	Budget FY26 \$m	Variance \$m	Variance %
Gross revenue	166.8	220.3	53.5	32.1%
<i>less: Recoverable costs</i>	(1.0)	(1.0)	(0.0)	2.4%
Net revenue requirement	165.8	219.3	53.5	32.2%
Operating costs	168.0	182.1	14.1	8.4%
<i>less: Recoverable costs</i>	(1.0)	(1.0)	(0.0)	2.4%
Net operating costs	167.0	181.1	14.1	8.5%
Annual surplus/(deficit)	(1.2)	38.1	39.3	N/A
Accumulated surplus/(deficit)	(15.8)	20.5	36.3	N/A

*FY25 budget operating costs increased by \$4.7m, to incorporate cyber security response market coordination activities into NEM Functions segment.

East Coast Gas

Draft operating budget

The East Coast Gas segment recovers the costs of operating the East Coast Gas markets, which include (not full list):

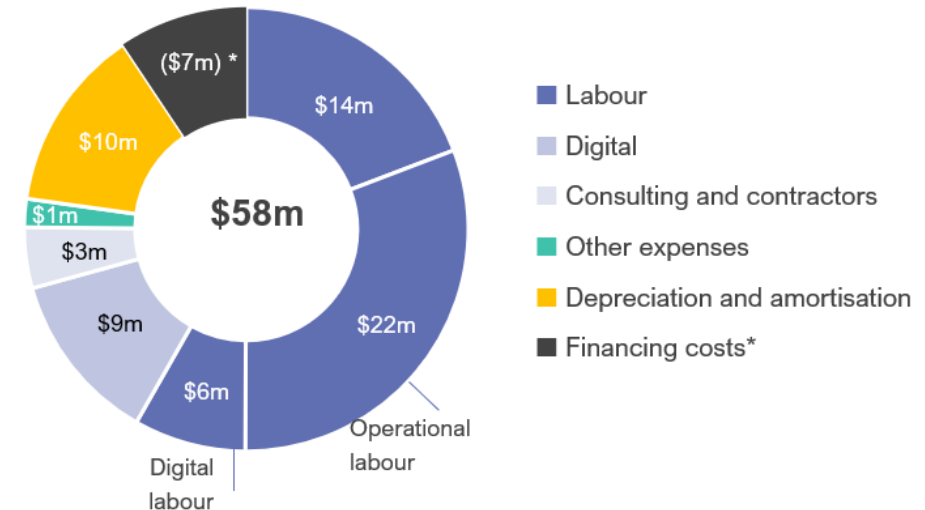
- Day Ahead Auction (DAA)
- Declared Wholesale Gas Market (DWGM)
- Gas Supply Hub (GSH)
- Retails Markets for NSW, QLD, VIC and SA
- Short-Term Trading Market (STTM)

Gas Reforms - In August 2022, Energy Ministers agreed to make a range of reforms to support a more secure, resilient and flexible East Coast Gas Market. AEMO anticipates making further investment towards Stage 2 gas reforms, subject to discussion with the Australian Energy Market Commission (AEMC) and consultation with market participants.

Increase of ~\$7m primarily related to:

- Labour ~\$4m wage inflation and to meet specific strategic initiatives such as supporting EC gas reform, East Coast Demand forecasting, Vic Gas market dispatch systems, Gas transmission Training Simulator and gas safety case.
- D&A of ~\$1m;
- An allocation of critical support projects such as the Annual Cyber program ~\$1.2m.

Budgeted operating cost profile for East Coast Gas FY26, \$m



*Net positive financing costs reflect a surplus of \$54m at the start of the year

	Budget FY25 \$m	Budget FY26 \$m	Variance \$m	Variance %
Gross revenue	55.1	60.6	5.5	9.9%
less: Recoverable costs	(8.3)	(10.9)	(2.6)	31.9%
Net revenue requirement	46.8	49.6	2.8	6.0%
Operating costs	59.5	69.4	9.9	16.6%
less: Recoverable costs	(8.3)	(10.9)	(2.6)	31.9%
Net Operating costs	51.2	58.4	7.2	14.1%
Annual surplus/(deficit)	(4.4)	(8.8)	(4.4)	N/A
Accumulated surplus/(deficit)	54.1	45.1	(9.0)	N/A

Draft operating budget

In 2024 AEMO proposed a shift to a revenue framework more suited to a dynamic, shifting energy landscape where AEMO was able to make investments as needed to respond to additional responsibilities and requirements.

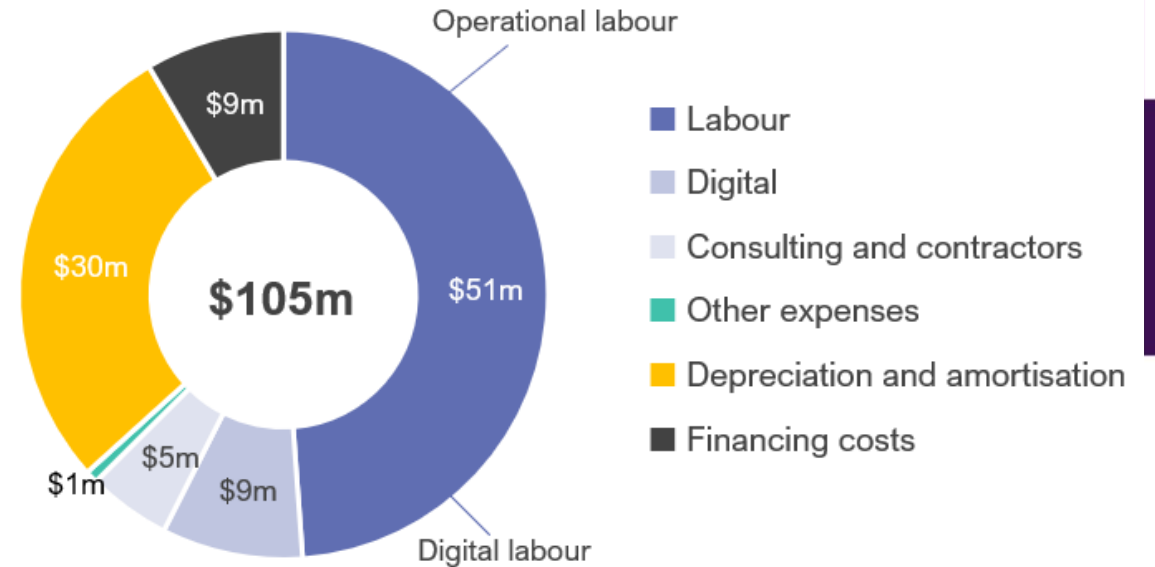
Stakeholders who engaged in the consultation on the proposed framework sought an ongoing role for the ERA in assessing AEMO's budgeted costs. Acknowledging the challenges posed by the existing revenue framework and stakeholder feedback, the Coordinator of Energy suspended the Allowable Revenue Framework (ARF), pending its review.

While the ARF Review is underway an interim arrangement for FY26 is in place. WEM and GSI fee will be based on the previous Financial Year's WEM Market Fee rate, GSI revenue requirement and WEM Application Fee rate, with 50% adjusted by the annual percentage change in the Wage Price Index (WPI) and the remaining 50% will be adjusted by the annual percentage change in the Consumer Price Index (CPI).

Growth in FY26 expenditure is aligned to the interim arrangement:

- Increased D&A and financing costs of \$4m from go-live of projects within the WA reform roadmap, as agreed with ERA
- Technology cost increases of \$6m related to the maintenance and run costs of new systems delivered via WEM Reform
- Labour cost increases to manage emerging risks and planning initiatives / modelling for the SWIS reform and WA engineering roadmap.

Budgeted operating cost profile for WA Electricity and Gas FY26, \$m

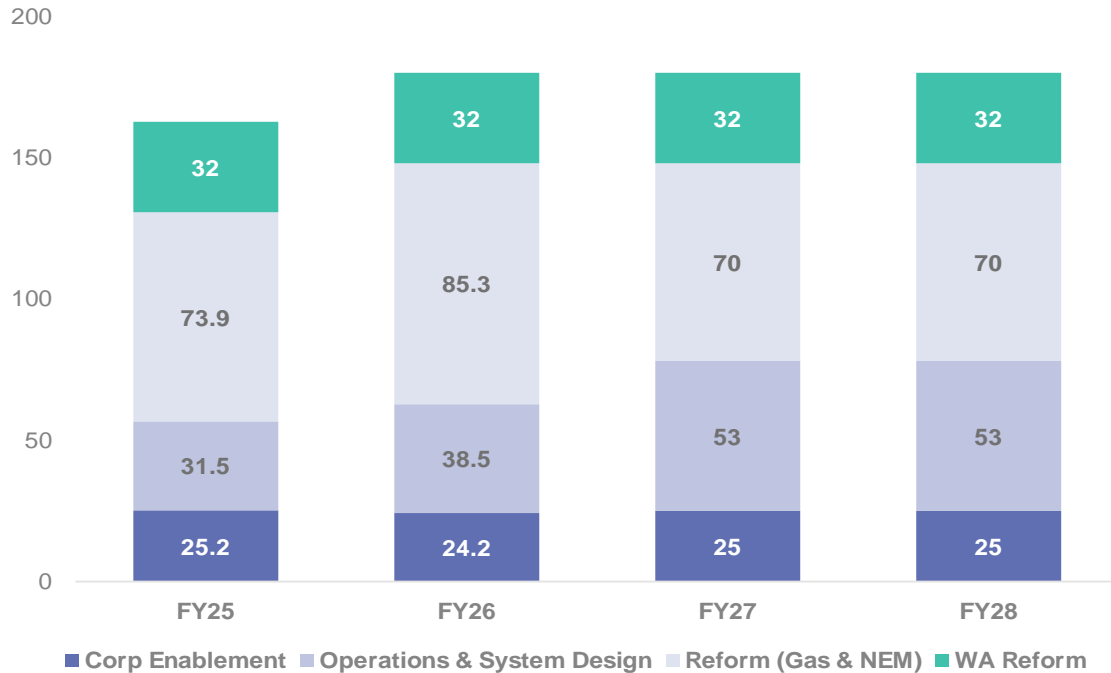


	Budget FY25 \$m	Budget FY26 \$m	Variance \$m	Variance %
Gross revenue	102.7	102.1	(0.6)	(0.6%)
<i>less: Recoverable costs</i>	-	(0.1)	(0.1)	-
Net revenue requirement	102.7	102.0	(0.7)	(0.6%)
Operating costs	92.8	104.9	12.1	13.1%
<i>less: Recoverable costs</i>	-	(0.1)	(0.1)	-
Net Operating costs	92.8	104.9	12.1	13.0%
Annual surplus/(deficit)	9.9	(2.8)	(12.7)	N/A
Accumulated surplus/(deficit)	0.9	(0.6)	(1.5)	N/A

Investment Plan FY26 – FY28 – Preliminary Draft

Investment is aligned to corporate plan priorities. Consistent with prior years, the majority of future spend is on regulatory reform programs.

Investment spend capped at \$180m pa to FY28



The investment profile has a capital investment cap of \$180m (excluding VNI West) reflecting the business' delivery capacity, with reform implementation requirements.

- For FY26 ~\$117m are linked to NEM / Gas / WA regulatory driven reform programs (light blue and green segments)
- ~ \$39m Operations Tools uplift and System Design related investments

For FY26, spend of about ~\$68m is already in execution stage. The investment demand register has a further ~\$70m of projects in planning stage and \$110m in Pre-planning.

Prioritisation of these projects is underway to fit within the \$180m cap.

Regulatory Reform (Gas, WEM and NEM)

Largest element of spend is on the multi-year programs like NEM2025 and the SWIS roadmap (WEM reform) program. These are key reforms driven by regulation.

Operations

Largest element of investment includes the Operational Technology Roadmap program of work to uplift controls room tools and systems, including replacement of the Short-Term Projected Assessment of System Adequacy (ST PASA).

Corporate Enablement & Cyber

Includes investment in operational data storage capability, corporate system enhancement, lifecycle digital spend and minor works to our core systems that support members, employees and consumers.

A list of projects under each program is included within the next slides.

Key Investments in FY26 – Preliminary Draft

Key program	Relevant business segment/s	Scope	Projects in planning and execution stages in FY26
NEM and East Coast Gas reforms	NEM Functions and East Coast Gas	<ul style="list-style-type: none"> • Delivery and implementation of reforms, including: <ul style="list-style-type: none"> • NEM Reform Program initiatives, as outlined in the NEM Reform Implementation Roadmap • East Coast Gas reforms • initiatives to enable reforms to be integrated and managed. • regulatory reform initiatives outside the scope of the two programs above. 	<ul style="list-style-type: none"> • Industry Data Exchange (IDX) • Identity and Access Management (IDAM) • Integrating Price Responsive Resources (IPRR) into the NEM • Improving Security Frameworks (ISF) • Metering Services Review (MSR) • Flexible Trading Arrangements (FTA) • Project Energy Connect – Market Integration • Gas Retail Initiatives (GRI)
Western Australia reforms	WA Electricity and Gas	<ul style="list-style-type: none"> • Delivery and implementation of a new WA Reform program initiatives to continue supporting the energy transition in Western Australia and improve the effectiveness of the WEM. • Enabling the integration of distributed (or consumer) energy resources and new technologies into the SWIS. • Delivering initiatives to implement critical engineering actions from the SWIS Engineering Roadmap. 	<ul style="list-style-type: none"> • Enhancements to market operations and system frameworks. • Refinements to the Reserve Capacity Mechanism (RCM) to ensure sufficient capacity. • Integration of Distributed Energy Resources (DER) to support greater system security and reliability. • Engineering actions required for operating the power system securely and reliably at times of high renewables contribution. • Strengthening digital infrastructure to enhance critical market systems and support ongoing reforms.

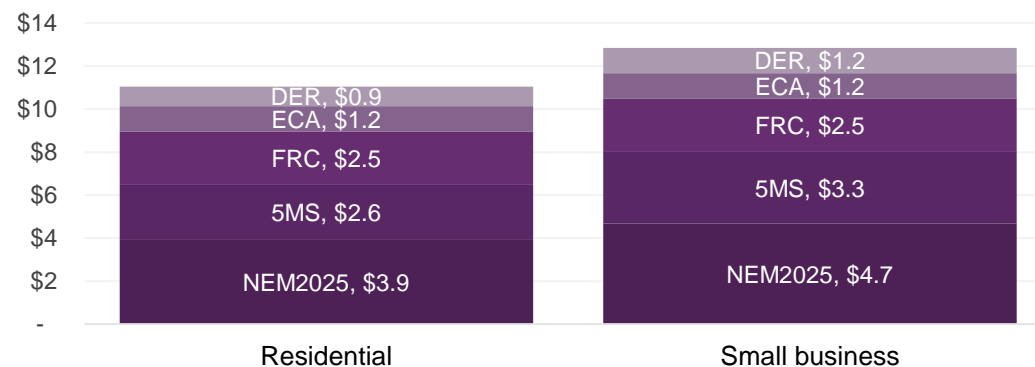
Key Investments in FY26 - Preliminary Draft

Key program	Relevant business segment/s	Scope	Projects in planning and execution stages in FY26
Operations technology	NEM Core and East Coast Gas	Upgrades to AEMO's operational digital systems and the integration of new and improved operational processes into digital systems, to ensure the continuity of reliable and secure energy supply in an increasingly complex operating environment.	<ul style="list-style-type: none"> • ST PASA • Real Time Systems • Victorian Gas market dispatch systems • East coast Gas system demand forecasting • Victorian Gas operational systems upgrade • NOS uplift • Wide area monitoring systems
Business technology	Where the benefit is shared across all market segment, costs are allocated proportionately across all segments.	<ul style="list-style-type: none"> • Modernisation of AEMO's business systems to ensure they are contemporary and support business efficiency, management and transparency. • Cyber security uplifts to address cyber risks and issues. • Digital lifecycle upgrades to ensure AEMO's business systems remain fit-for-purpose. 	<ul style="list-style-type: none"> • Digital annual lifecycle program • Annual cyber program • Minor works annual program • Other corporate systems

AEMO's component of customer's average annual electricity bill

	NEM Core	NEM Functions	Total	Bill† %
Residential	\$6.96 YoY \$0.22	\$11.04 YoY \$2.23	\$18.00 YoY \$2.45/16%*	0.93%
Small business customers	\$9.05 YoY \$0.29	\$12.85 YoY \$2.62	\$21.90 YoY \$2.91/15%#	0.52%

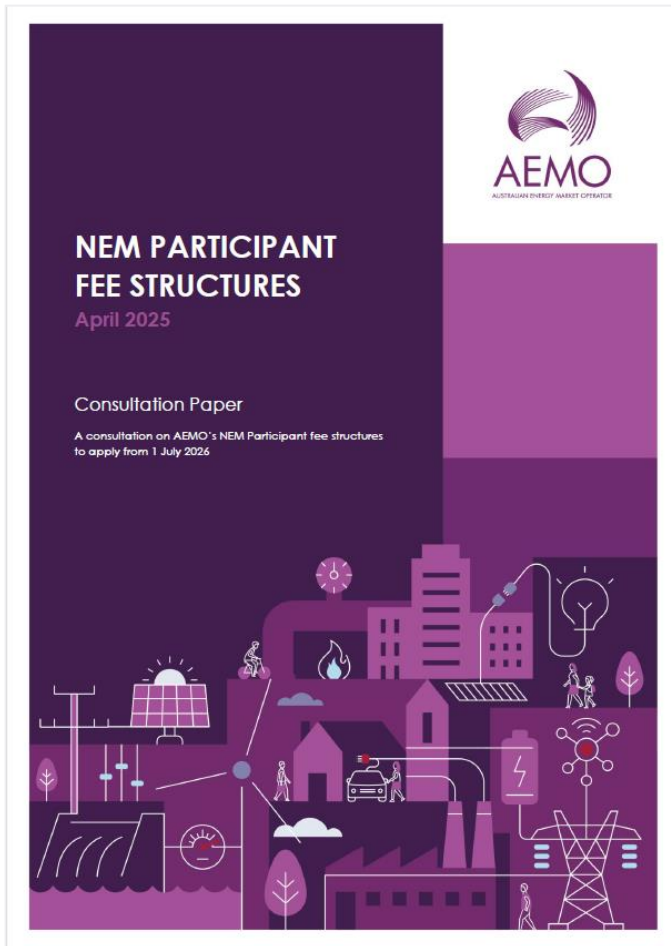
NEM Functions FY26



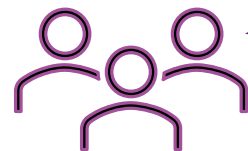
* Based on an average consumption of 4,000 kWh per year
 # Based on an average consumption of 10,000 kWh per year
 † Based on average annual bill from e.g. top 10 retailers based on published draft decision of Victorian Default Offer and Default Market Offer for 2025-26

NEM Participant Fee Structure consultation

AEMO is required under the National Electricity Rules (NER) to develop a participant fee structure in consultation with Registered Participants



- This consultation provides opportunity to ensure the NEM Participant Fee Structure is fit for purpose and aligned with a transitioning energy landscape and evolution of AEMO roles and responsibilities from 1 July 2026.
- The fee structure determines the allocation of costs to each Registered Participant or group of Registered Participants, the type and number of fees, the basis for charging fees and the period in which the fee structure should apply
- The current Participant fee structure for the NEM commenced on **1 July 2021** and will end on **30 June 2026**.
- AEMO will start formal consultation on **10 April 2025** on a new NEM participant fee structures with the publication of a Consultation Paper on [its website](#).



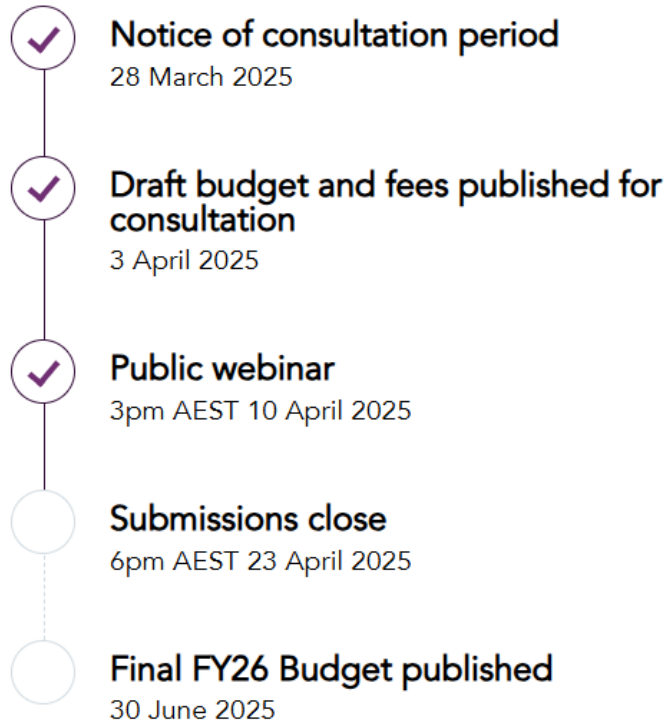
How can I participate in the consultation?

Stakeholders can participate in the consultation by making a submission to the Consultation Paper, or by joining a public webinar on Thursday 8 May 2025.

Please visit the [consultation web-page](#) for more information.

Q & A and feedback

Timeline



How can you contribute?

- Review the draft budget document on our website AEMO> Consultations> open and current> FY26 draft budget and fees
- Make a submission by **23 April 2025** by emailing stakeholderrelations@aemo.com.au