

A summary of feedback and responses to AEMO's draft FY24 Budget and Fees

Background

AEMO published its draft FY24 Budget and Fees for consultation on 20 April 2023. Consultation closed on 4 May 2023. Consultation was publicised via the Consumer Forum on 20 April 2023 and the AEMO Communications email sent to several thousand stakeholders on 24 April 2023. An informational webinar was hosted on 1 May 2023 for interested stakeholders. A survey, free text and verbal feedback were offered to stakeholders to provide feedback on the draft document.

Consultation occurred with AEMO's [Financial Consultation Committee](#) (FCC) in the meetings leading up to the draft budget and fees being published for broader consultation.

Proposed improvements to FY25 Budget and Fee process

As a result of the feedback AEMO received on its draft FY24 Budget and Fees and through discussions with the FCC, AEMO is continuing to evolve the way it engages with market participants about its budget and fees to provide greater transparency for stakeholders. Proposed improvements for FY25 include:

- bringing the budget process forward so that consultation can occur earlier
- starting the process with strategy and priorities, then target setting in advance of drafting the budget
- mapping cost increases to strategic outcomes
- providing periodic progress updates against operating and project budgets
- providing a longer-term view of the budget (noting estimation uncertainty).

Feedback

AEMO received two pieces of formal feedback in relation to its draft budget and fees. This was from [Energy Networks Australia](#) (ENA), which provided a written response, and [Queensland Energy Users' Network](#) (QEUN), which provided written and verbal feedback. These submissions and responses are published on [AEMO's website](#).

An incomplete survey was also submitted. There was insufficient responses and feedback in the survey to inform AEMO's response or approach going forward.

Summary of feedback and AEMO's responses

AEMO needs to ensure that costs to market participants and consumers are as low as possible. AEMO's efforts to provide more transparency and certainty on costs through forums such as the Financial Consultative Committee (FCC) and the Reform Delivery Committee are welcome but concern remains about AEMO's ability to prudently and responsibly manage its finances.

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 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.

AEMO's strategic priorities (operating the system, navigating the future, engaging stakeholders and evolving the way the organisation works) are appropriate.

AEMO's strategic priorities endure in the FY24 Corporate Plan, which will be published in July.

Working with market participants and consumer representatives to deliver on priorities and keep costs down is essential.

AEMO recognises that consumers are at the heart of the energy transition and we are committed to doing our work in a way that earns and maintains the trust of all stakeholders and consumers. AEMO is continuing to improve and mature the way it engages with stakeholders. Our priorities with regards to engaging stakeholders are outlined in our [Corporate Plan](#).

A longer-term view of AEMO's budget is desirable to provide greater visibility of upcoming fee rates for participants.

AEMO currently presents a three-year forward outlook by segment on the budget to the Financial Consultative Committee (FCC) for its consideration. While implicit, this outlook provides a fee trajectory. The level of estimation uncertainty is high when preparing forecasts longer than a three-year period, given the evolving nature of the policy environment, industry and AEMO's work. AEMO will consult further with the FCC in relation to the potential extension of AEMO's budget.

AEMO needs to ensure it is applying the right mix of people resources, and not be over-reliant on consultancies at the expense of participants.

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.

AEMO needs to ensure that it is learning lessons from the delivery of its projects to ensure that current and future projects can be delivered more cost effectively and efficiently.

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.

How will AEMO avoid unbudgeted spend with regards to the \$35 million gas capacity trade limit.

In response to the requirements of the [East Coast Gas Reforms](#), 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.