

MINUTES

MEETING: Financial Consultative Committee 2021 – Meeting 1
 DATE: Friday, 16 April 2021
 TIME: 2.00pm to 4.00pm (AEST)
 LOCATION: By Teams

ATTENDEES:

NAME	COMPANY
Julie Williams (Chair)	AEMO
Nino Ficca	AEMO
Tony Chappel	AEMO
Antara Mascarenhas	AEMO
Paul Italiano	TransGrid
Mike Hutchens	Energy Queensland
Jonathan Spink	Pacific Hydro
Ian Brooksbank	Hydro Tasmania
Michael O'Rourke	Stanwell
Katrina Porteus	Energy Consumers Australia
Raif Sarcich	Victorian Department of Environment, Land, Water and Planning
Jonathan Wills	NSW Department of Planning, Industry and Environment

GUESTS:

NAME	COMPANY
Paul Johnson	AEMO
Paul Marotta	AEMO
Brett Hausler	AEMO
Kevin Ly	AEMO

APOLOGIES:

NAME	COMPANY
Alastair McKeown	Energy Australia

Welcome

Nino Ficca, interim AEMO Chief Executive Officer, welcomed the attendees to the meeting and introduced each member. He explained the reasons behind the establishment of the Financial Consultative Committee (FCC), including enhanced transparency and deeper engagement in respect of AEMO's budget and fees processes. Mr Ficca noted that feedback and comments from members of the FCC will be provided to the AEMO Board and will help inform the Board's decisions on the 2021/22 budget.

Mr Ficca expanded on AEMO's evolving role and functions in the context of the significant transformation currently underway in the industry, which has increased the complexity of the operating environment and increased the scope of AEMO's responsibilities – and, in turn, increased costs.

Committee operation and working parameters

Tony Chappel, AEMO's Chief External Affairs Officer, spoke to AEMO's program to renew its engagement model, including the FCC and a new Markets Forum which will collaborate with industry from early on in seeking to identify cost-effective delivery pathways for market reforms, and a broader commitment to share emerging issues early and collaboratively.

Mr Chappel outlined that 2021 is the first year of the FCC's operation and the current arrangements will be interim but will be reviewed and refined before early 2022 when AEMO will commence the next draft budget and fees consultation.

He also committed to AEMO providing quarterly updates to the FCC, covering financial and major project updates, and publishing minutes on the AEMO website.

Proposed structure of subsequent three meetings

Julie Williams, AEMO's Chief Financial Officer, indicated that AEMO intends to hold three additional FCC meetings looking at AEMO's 2021/22 budget and corporate plan:

- The second meeting will be held in the week starting 10 May and will focus on the review of draft budget and corporate plan priorities for 2021/22. This will include projected revenue, expenses, and the major project horizon for next three years.
- The third meeting, to be held in the week starting 24 May, will focus on a second review of budget and corporate plan priorities for 2021/22, incorporating feedback on the first version.
- In the fourth meeting, to be held in the week starting 14 June, AEMO will present the final budget and corporate plan priorities for 2021/22, including finalised projected revenue, expenses, and project horizon projections for next three years.

AEMO financial update

Ms Williams outlined the operational context over the last year including the increased complexity of operations, the impacts of increased data requests, analysis and management, COVID-19, current and anticipated market reforms and the need for increased resilience due to escalating cyber security threats and extreme weather events, as well as AEMO's increased focus on stakeholder collaboration and engagement.

AEMO's three-year organisational excellence program and its progress to date was discussed, including cost savings already achieved. The next tranche of priorities for the program will focus on the skills, capabilities and tools required to serve the industry through transition, and continued efforts to improve collaboration with industry.

Ms Williams updated the meeting on AEMO's financial performance projected for 2020/21. While revenue was higher compared to budget due to higher connections and increased gas revenue, the projected revenue versus budget for 2020/21 was slightly down overall, due to the deferral of NTP revenue to 2021/22 based on agreed transitional arrangements.

On expenditure, AEMO's projection versus budget for 2020/21 was down, mainly due to lower consulting costs. This was largely due to the timing of activity on the Victoria – New South Wales Interconnector (VNI) West Regulatory Investment Test for Transmission (RIT-T), lower net labour costs, lower consulting and IT costs arising from the organisational cost reduction program, and COVID-19 impacts lowering training and travel costs.

The capital expenditure program for 2020/21 was explained. Forecast costs were lower than budget, mainly due to the current re-consideration by the Commonwealth Government regarding the model for implementing the Consumer Data Rights program. Other major

capital programs included Five Minute Settlement (5MS), Western Australian market reform, and AEMO's digital strategy.

AEMO's current cashflow position including debt facilities and measurement metrics was shared with the meeting. FCC members were asked for feedback on what metrics may be appropriate for AEMO to report on given its governance model.

Jonathan Spink (Pacific Hydro) asked whether AEMO might do any international benchmarking as a reference for the organisational excellence program. Julie Williams explained that it is hard to get a "like for like" business, but we are working with some similar international agencies to understand their benchmarking.

Ian Brooksbank (Hydro Tasmania) asked whether more information on discretionary and non-discretionary expenditure would be presented. Julie Williams indicated that AEMO plans to share this information in the next meeting.

Jonathan Spink noted that it would be helpful if, in what AEMO provides on expenditure, it could also present some comparative historical data. Mr Ficca indicated that while AEMO can provide some level of data, it would be subject to how the data was originally captured.

Update on NEM Electricity Fee Structure Review

Brett Hausler, AEMO's Chief Governance Officer & General Counsel, explained the background and fee principles behind the recent NEM Electricity Fee Structure Review undertaken by AEMO.

Kevin Ly, AEMO's Group Manager Regulation, explained the breakdown of the NEM allocated costs for both the two-year transition period starting 1 July 2021 and the subsequent three-year period from 1 July 2023 to 30 June 2026. Mr Ly also pointed out that the transmission structural arrangements in Victoria are different to other NEM regions and therefore the transmission operator in Victoria would be charged a relatively smaller amount compared to other transmission network service providers (TNSPs).

Paul Italiano (TransGrid) suggested that there may be functions performed by other TNSPs but not approved by the Australian Energy Regulator (AER).

Mr Ficca acknowledged this point.. Brett Hausler also indicated that AEMO can support Energy Networks Australia (ENA) and TNSPs on a rule change to enable TNSPs to recover Participant fees in a way that may be similar to the reallocation of national transmission planner costs rule change.

Questions and comments

Mr Chappel indicated that FCC members will receive their next meeting papers five business days before the next meeting.

Mr Ficca offered a consideration to the members and sought the members' views on whether capturing and articulating an industry view of the costs and benefits of our programs may be of greater value to stakeholders and customers.

Any other business

Ms Williams indicated that the next meeting will cover more detail around the budget and fees and offered members an opportunity for any final questions or comments. As nothing was raised, Ms Williams concluded the meeting and thanked all those who attended.