



Please note that the information presented in this document were developed to enable discussion at the Financial Consultation Committee and are draft only and subject to change.

Financial Update 2020/21

Finance Consultation Committee
16 April 2021

Welcome

Nino Ficca, interim Chief Executive Officer



Committee operation & working parameters

Tony Chappel, Chief External Affairs Officer



Proposed structure of subsequent three meetings

Julie Williams, Chief Financial Officer



Upcoming meetings

2



Week starting
10 May 2021

Focus on the review of draft budget and corporate plan priorities for 2021/22. This will include projected revenue, expenses and major project horizon for next three years.

3



Week starting
24 May 2021

Focus on a second review of budget and corporate plan priorities for 2021/22, incorporating feedback on the first version.

4



Week starting
14 June 2021

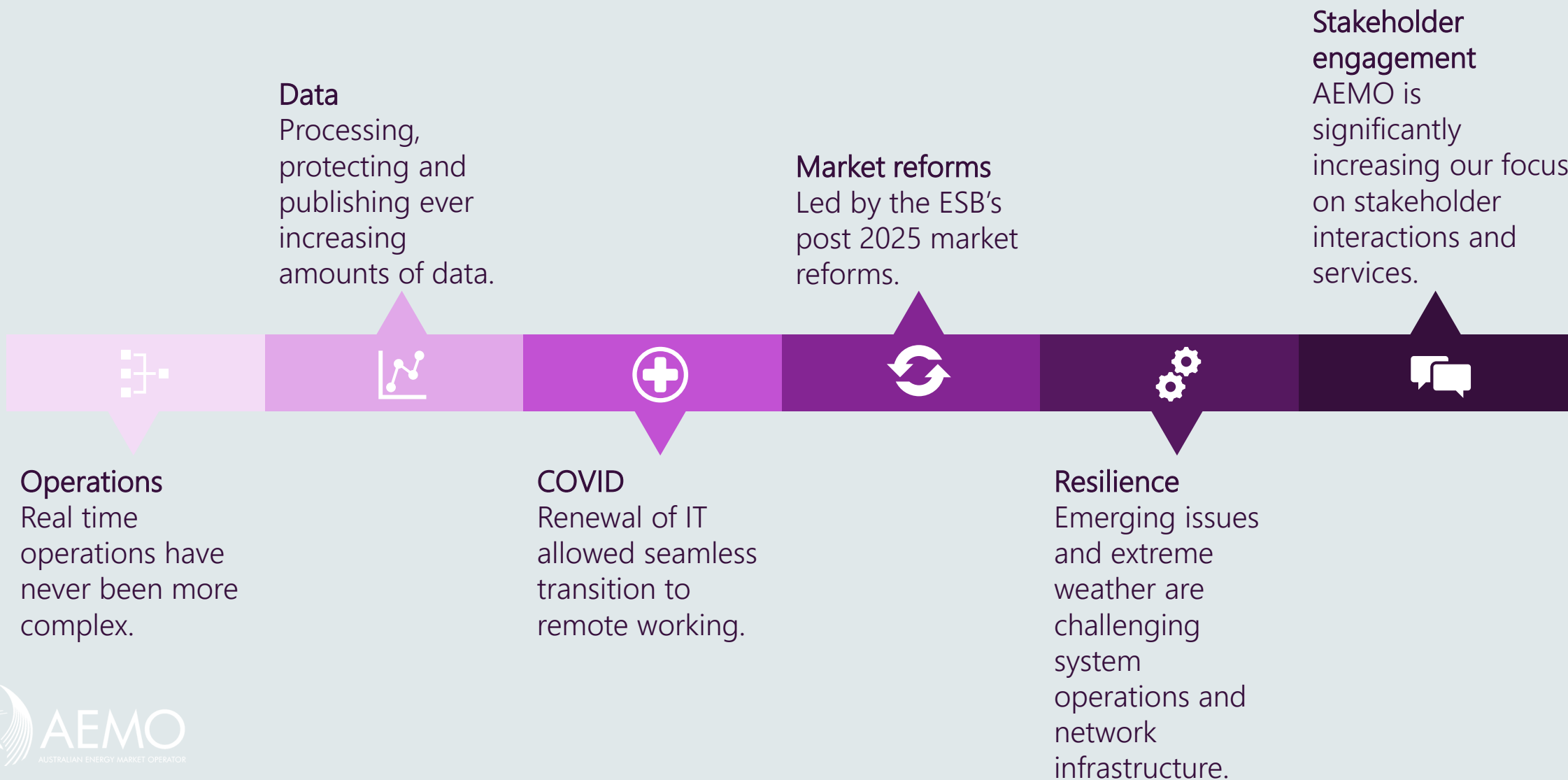
Final budget and corporate plan priorities for 2021/22, including finalised projected revenue, expenses and project horizon projections for next three years.

AEMO financial update

Julie Williams, Chief Financial Officer



Operational context – year to date





Organisational Excellence Program

- Listened to industry
- Developed a three year plan
- Initial phase (organisational re-design)
- Budget reductions achieved
- Priorities

Financial performance

Expenditure focus delivering lower operating financial deficit

Profit and loss (\$m)	AEMO 2020-21 Budget	AEMO 2020-21 Forecast	Variance	AEMO (ex Vic TNSP) 2020-21 Budget	AEMO (ex Vic TNSP) 2020-21 Forecast	Variance
Net Revenue	254	252	(2)	220	217	(3)
Operating Expenditure	279	266	13	248	241	7
Surplus / (Deficit)	(25)	(14)	10	(28)	(24)	4

Revenue

- Higher connections revenue, and
 - Increased gas revenue due to weather and COVID working from home;
- offset by
- Deferral of NTP revenue to FY22 based on agreed transitional arrangements

Expenditure

- Lower consulting costs largely due to timing of VNI West RIT-T activity
- Lower net labour cost, consulting and IT costs arising from organisational cost reduction program
- COVID impacts lowering training and travel costs

Capital expenditure

Capital Expenditure	Budget 2020-21	Forecast 2020-21
Major Programs (excluding Emerging Markets)		
Digital Strategy	62	51
5MS	36	42
WA Market Reform	15	17
Total Major Programs	113	110
Emerging Markets programs - net of funding		
Consumer Data Platform / Data Rights	28	2
Less Funding	(19)	(2)
VPP Trials	1	1
Less Funding	(2)	(1)
Market Place Trials	18	9
Less Funding	(9)	(2)
DER Other	6	3
Less Funding	(2)	(0)
Wholesale Demand Response	6	9
Total Emerging Markets	58	24
Less Funding	(32)	(5)
Other Projects		
Total Other Projects	25	23
Total Capital Spend incl. Funding	196	157
Less Funding	(32)	(5)
Net Capital Spend	164	152



On track to deliver key regulatory reform investment programs.



Equivalent of ~110 operational FTEs working on the total capital program in addition to ~140 Fixed Term Contract roles



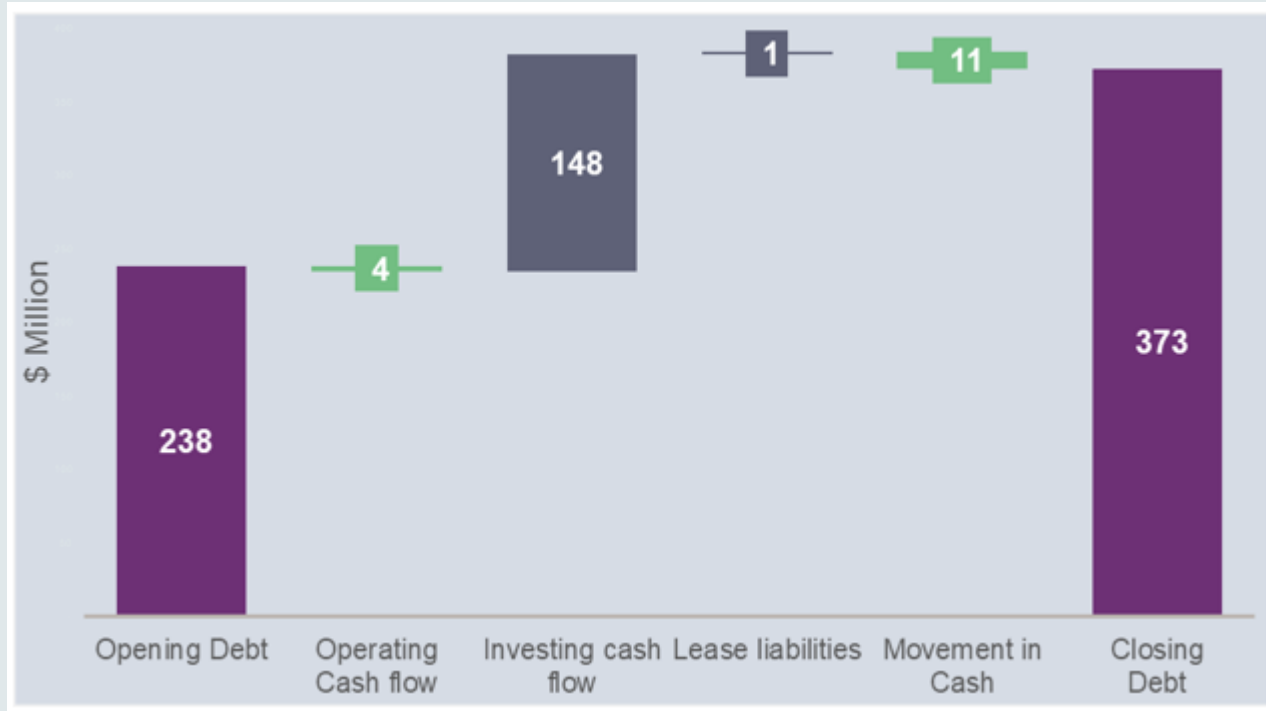
Operational FTEs contributing intellectual property and value as largely not back filled



Key variance in the program is Consumer Data Rights project

Cashflow & financing

Borrowings FY21



Debt facilities
\$500m
 FY20 \$500m

Headroom
\$127m
 FY20 \$265m

- Capital investments funded via debt and recovered over life of the asset

- Bank syndicated debt facility refinancing underway to reduce cost, extend tenor & lower liquidity risk by increasing 365 day facility by \$35m to \$50m

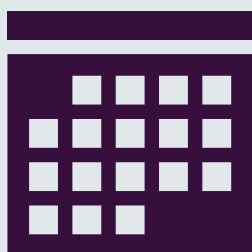
- Financial risk within tolerance: Debt to Assets ratio at 68%

Update on NEM electricity fee structure review

Brett Hausler, Chief Governance Officer & General Counsel

Kevin Ly, Group Manager - Regulation

Background & fee principles



This has been a significant consultation process for AEMO. Consultation on NEM fees commenced in August 2020.

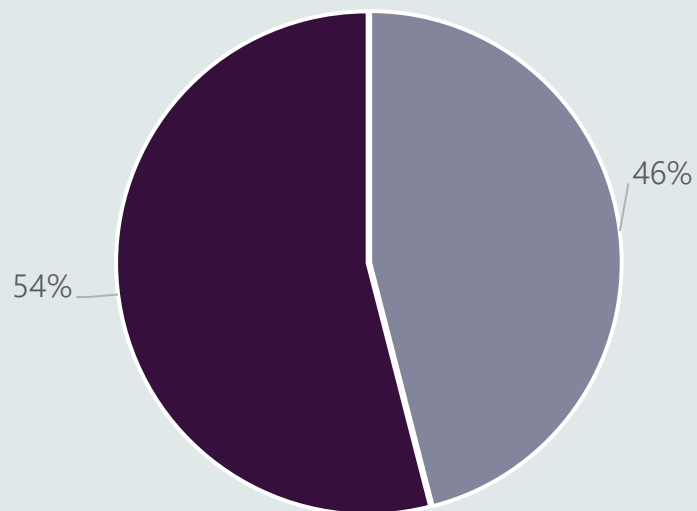
- ➔ A draft determination was issued in November 2020.
- ➔ Taking into account stakeholder feedback, a final report was published on 26 March 2021.

In conducting the fee review, AEMO had regard to the NEO, and must to the extent practicable apply the following fee principles:

- The structure of participant fees should be **simple**.
- The components of participant fees charged to each registered participant should be **reflective of the extent to which AEMO's budgeted revenue requirements involve that registered participant**.
- Participant fees should **not unreasonably discriminate** against a category or categories of registered participants.
- Fees and charges are to be determined on a **non-profit basis** that provides for full cost recovery.
- The structure of participant fees **should provide for the recovery of AEMO's budgeted revenue requirements on a specified basis**.

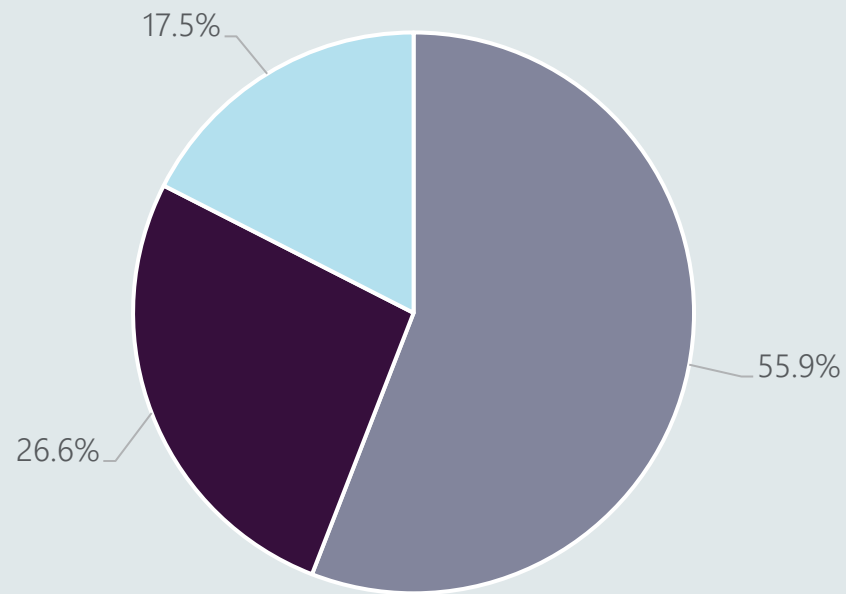
Update on NEM electricity fee structure review

NEM allocated cost (%) - transition period
(first 2 years)



- Wholesale Participants (ie. all Gens, MNSP, MASP/DRSP, SGA)
- Market Customers (ie. Retailers)

NEM allocated cost (%) - 01/07/23 to 30/06/26



- Wholesale Participants (ie. all Gens, MNSP, MASP/DRSP, SGA)
- Market Customers (ie. Retailers)
- TNSPs

Questions & answers

Tony Chappel, Chief External Affairs Officer



Any other business

Julie Williams, Chief Financial Officer





AEMO

AUSTRALIAN ENERGY MARKET OPERATOR