

MINUTES

MEETING: Financial Consultation Committee 2022
 DATE: Friday, 29 April 2022
 TIME: 2.30pm to 3.30pm (AEST)
 LOCATION: By Teams

ATTENDEES:

| NAME | COMPANY |
|------------------------|---|
| Vanessa Hannan (Chair) | AEMO |
| Tony Chappel | AEMO |
| Jeff Forrest | Transgrid |
| Guy Mutasa | Energy Queensland |
| Jonathan Spink | Pacific Hydro |
| Paul Odendaal | Hydro Tasmania |
| Raif Sarcich | Victorian Department of Environment, Land, Water and Planning |
| Jonathan Wills | NSW Department of Planning, Industry and Environment |

APOLOGIES:

| NAME | COMPANY |
|------------------|----------------------------|
| Alastair McKeown | Energy Australia |
| Ian Brooksbank | Hydro Tasmania |
| Katrina Porteus | Energy Consumers Australia |
| Michael O'Rourke | Stanwell |

GUESTS:

| NAME | COMPANY |
|---------------------|---------|
| Violette Mouchaileh | AEMO |
| Brian Murray | AEMO |
| Kevin Ly | AEMO |
| Jane McNamara | AEMO |
| Paul Johnson | AEMO |
| Stewart Waters | AEMO |
| Reena Kwong | AEMO |
| Lance Brooks | AEMO |

Introduction & Welcome

Ms Vanessa Hannan, AEMO's Executive General Manager Finance & Business Services, welcomed the attendees to the meeting and outlined the agenda. Ms Hannan asked if there were any corrections or comments on the previous meeting Minutes. As there were no comments, the Minutes of the previous meeting held on Friday 25 March 2022 were accepted.

There was one action item from the previous meeting: sharing the findings of AEMO latest internal staff survey which will be held over until a meeting following the upcoming AEMO external stakeholder survey.

FY23 Budget and Forecast

Ms Hannan provided a brief update on the material covered previously at FCC meetings, including the financial principles endorsed, with feedback from this committee. An update on the FY22 forecast budget was provided indicating an approximately \$9 million better result than forecast in February 2022 with the budget back on track to the end of the year.

An update of the FY23 budget including a breakdown of overall revenue and Opex was provided which indicated that while labour costs were reduced, Depreciation & Amortisation and borrowing costs had increased.

A breakdown of overall capital expenditure for FY23 to FY26 and the debt profile associated with the capital outlook to FY28 was discussed. The impact and sensitivity to movements in Opex and Capex was also considered.

AEMO is proposing a 3-year recovery period for accumulated deficit which will have the deficit reduced to zero by the end of 3 years. The NEM core fee increases and deficit recovery pathway for FY23 to FY25 and a breakdown of draft FY23 NEM core fees and tariff revenue increases were shared.

Ms Hannan briefed the meeting on the indicative average impact of the draft NEM FY23 fee increases will have on residential, small businesses, industrials, generators, retailers and gentailers. The committee also discussed the initiatives that AEMO was undertaking to mitigate the fee impact such as the Default Market Offer (DMO) and Victorian Default Offer (VDO) determinations.

Mr Jeff Forrest, Transgrid asked about AEMO's hedging position.

Ms Hannan answered that the debt envelope was currently unhedged, but that this issues is being discussed at the AEMO Board meeting in May 2022.

Mr Paul Odendaal, Hydro Tasmania asked whether the increase in cost with labour are driven by salaries or additional FTEs.

Ms Hannan replied that the principal driver is FTE needed for reform activities and some FTEs from the previous year that couldn't be filled at that time due to labour shortages in the market.

NEM 2025 Reform Program – Declared NEM Project Consultation

Mr Kevin Ly, AEMO's Group Manager Reform Development & Insights presented on the NEM 2025 reform program and the declared NEM project consultation. Mr Ly, recapped on the NER requirements for NEM fees and the current core NEM fee allocation structure for FY23 and changes that will occur from FY24 to FY26.

Mr Ly provided a brief overview of the NEM 2025 reform program initiatives, discussed the two-stage process to determine whether a project is deemed a declared project and outlined the three declared NEM project criteria.

The timeline that AEMO will be undertaking to consult with stakeholders on this issue was outlined commencing with an initial consultation paper by 16 May 2022 and final report by 9 September 2022. AEMO preliminary recommendation is that the program meets all three criteria and is therefore likely to be determined a declared NEM project.

Mr Jonathan Wills, NSW Department of Planning, Industry and Environment asked whether the rules specify how the decision is made and by whom.

Mr Ly noted that the AEMO Board is the ultimate decision-maker but that extensive stakeholder consultation will be undertaken to help inform the Board's decisions.

General Discussion

Ms Hannan outlined proposed processes and timelines going forward. It is planned that the draft budget and fees will go to the AEMO Board in May 2022 for consideration, the approved budget and fees will then go to the relevant market bodies to be included in the DMO and VDO determination process with the budget and fee document to be published in late May/early June 2022.

Mr Tony Chappel, AEMO's Executive General Manager Corporate Affairs stated that we are proposing to the AEMO Board consider a 3-year recovery pathway for the accumulated deficit but if any committee member had a different option on this time period to please let us know.

Mr Jonathan Spink, Pacific Hydro stated that AEMO presented to the Clean Energy Council this morning and asked whether there was any feedback from that group.

Mr Chappel indicated that the feedback included frustration with the situation but also acknowledgement that Australia's energy transition requires a strong market operator.

Mr Chappel also suggested that we may look at getting back together as a committee in late May/early June 2022 following the release of the AEMO budget and fees document.

As there were no more questions or comments the meeting concluded at 3.25pm.

Action items

| Item # | Action | Responsibility | Due Date |
|--------|--|----------------|---|
| 5.1 | Share some of the findings of AEMO latest internal staff survey. | AEMO | At the relevant FCC meeting following the AEMO external stakeholder survey. |
| 5.2 | Determine if we reconvene following the release of the AEMO budget and fee document. | AEMO | Late May/early June 2022 |