

**Select Committee on Energy Planning and Regulation in Australia**  
Answers to questions on notice  
**Climate Change, Energy, the Environment and Water Portfolio**

**Inquiry:** Select Committee on Energy Planning and Regulation in Australia  
**Question No:** IQ24-000181  
**Hearing Date:** 29 October 2024  
**Division/Agency:** National Energy Transformation Division  
**Topic:** AEMO six-monthly reports  
**Hansard Page:** 42  
**Question Date:** 29 October 2024  
**Question Type:** Spoken

**Senator Van asked:**

CHAIR: Given that none of this is assessed on an economic basis, don't you think that we're now at a point—where we're seeing states having to go off on their own and do their own thing—that the experiment's done and dusted? It's about time to start looking at where we go to next with this process and trying to come up with a better planning process, a more complete one—one that delivers on our transition to net zero. For example, the national electricity objectives set an emissions reduction target. The ISP only models a percentage of renewables. They're not the same thing. There are some in-built problems which are being papered over by a lack of accountability. I think that states and the Commonwealth are starting to see issues arising with this that are only going to cause you and your minister problems down the track, as opposed to AEMO.

Mr Duggan: I'll just make two comments in response to that. One is that no sooner do they finish an ISP than they start the process for the next ISP. AEMO is currently gearing up to do the 2026 ISP. As part of that, as you know, they go through quite an extensive process of consultation around what they're planning and what they're proposing to do in that context. They make improvements and refinements over time on the basis of that consultation. The second point I'd make is that we also have a role to play here. Periodically there is a review done of the ISP; we completed a review within the past 12 months. We provided advice on that through to energy ministers. The energy ministers effectively agreed with that advice, and now we've got rule change requests in, to make improvements to the ISP. It's not a static document; it's a document that we seek to strengthen and improve over time. It's a fast-moving environment with lots of different perspectives being brought to bear on it. I personally have confidence in AEMO to take on board the feedback that they get. If I had a concern—if I had a particular perspective on it—I'd express it to AEMO as one of the government shareholders, and I'd anticipate that they would listen and they would respond to that.

CHAIR: But who's holding them to account—because none of the things they say they're going to achieve are being achieved.

Mr Duggan: This falls into the category of things that are AEMO statutory functions. Ultimately, for their statutory functions, they are accountable to the energy and climate ministers. They report to us every six months on progress against their priorities. We have a statement of expectations with AEMO that we set around what we as governments ask them to do. We monitor their progress, and we make an assessment as to whether or not we require changes or further interventions.

CHAIR: I will leave it there, but can I ask you to table next week the reports that AEMO give you every six months. Can you take that on notice?

Mr Duggan: I will do that.

**Answer:**

The Australian Energy Market Operator (AEMO) have submitted the following biannual reports since the Statement of Role was issued to AEMO by Energy Ministers in September 2022:

1. AEMO Biannual Report July to December 2022 (Attachment A)
2. AEMO Biannual Report January to June 2023 (Attachment B)
3. AEMO Biannual Report July to December 2023 (Attachment C)
4. AEMO Biannual Report January to June 2024 (Attachment D).

## **AEMO '6 monthly report' to energy ministers for the period 1 July to 31 December 2022**

AEMO's annual Corporate Plan for FY2023 was published in August 2022 and is available here: [fy23-aemo-corporate-plan.pdf](#)

The FY2023 Corporate Plan sets out four priority areas which incorporate core objectives and key performance indicator outcomes.

AEMO's role is to ensure safe, reliable and affordable energy today, and enable the energy transition for the benefit of all Australians.

### Strategic priorities

In FY2022, the AEMO Board and Executive identified four high-priority areas that would shape AEMO's strategic journey to deliver our core obligations, responsibilities and major workstreams. In our FY2023 Corporate Plan, we reaffirm the importance of each of the four priority areas.

AEMO remains committed in delivering these priorities. They will ensure we deliver our core obligations and responsibilities to the Australian energy industry, while simultaneously preparing for the energy systems and markets of the future. These priorities will drive critical change in the way we operate.

#### *Operating today's systems and markets*

Delivering electricity, gas and other statutory responsibilities that are fundamental to AEMO's role. AEMO is committed to maintaining secure and reliable operation of energy systems and markets while maximising benefits in the interest of consumers.

#### *Navigating the energy future*

Collaborating with our members and stakeholders to identify emerging issues, provide technical and economic expertise and support new and ongoing reforms. AEMO works to meet the physical and commercial challenges associated with the energy transition by collaborating with regulatory bodies, participants and consumers to develop and deliver the least-cost and lowest-risk outcomes for consumers.

#### *Engaging our stakeholders*

Being transparent, collaborative and stakeholder-focused. AEMO is committed to engaging with stakeholders for improved decision-making and outcomes. We continue to strengthen our external engagement across all functions to enhance the stakeholder experience, deliver better value to our members – ultimately to support better outcomes for energy consumers.

#### *Evolving the way we work*

Being a transparent, efficient, stakeholder and customer-focused business with clear accountabilities, and a sustainable financial footing for the future. This includes ongoing organisational efficiency, talent capability work, renewing our technology architecture, and embedding a consumer and stakeholder mindset in our culture and governance.

### Budget

Below is the FY2023 budget update, as at December 2022:

AEMO Enterprise	December 2022		
	YTD Actual	YTD Budget	Variance
	2022/23	2022/23	2022/23
	\$m	\$m	\$m
<b>REVENUE</b>			
Fees & Tariffs	188.9	191.8	(2.9)
TUoS Income	311.1	311.4	(0.3)
TUoS Network Charges	(330.8)	(331.8)	1.0
TUoS Funded Augmentations	25.8	25.9	(0.1)
Settlement Residue	39.9	9.9	29.9
Connections	12.5	17.3	(4.7)
Other Revenue	38.2	5.0	33.2
<b>NET REVENUE</b>	<b>285.6</b>	<b>229.4</b>	<b>56.2</b>
<b>OPERATING EXPENDITURE</b>			
Contractors	(2.6)	(1.1)	(1.4)
Gross Labour	(108.5)	(120.9)	12.4
Project Labour	16.4	18.7	(2.3)
Labour	(94.6)	(103.3)	8.6
IT & Telecommunications	(31.3)	(34.8)	3.5
General Expenses	(22.5)	(27.5)	5.0
Borrowing Costs	(4.2)	(4.7)	0.5
Recoveries	(4.0)	(4.8)	0.8
Depreciation & Amortisation	(29.3)	(37.9)	8.6
<b>TOTAL OPERATING EXPENDITURE</b>	<b>(185.9)</b>	<b>(213.0)</b>	<b>27.1</b>
<b>SURPLUS / (DEFICIT)</b>	<b>99.7</b>	<b>16.4</b>	<b>83.3</b>

### Emerging issues and key risks

AEMO faces a variety of strategic, operational and emerging risks given the nature of our functions. These include industry transformation, cyber security, regulatory, compliance, financial, prudential, reputational, people, operational and subsidiary risks.

Our strategic risks have been reviewed and factored into the development of this Corporate Plan's four high-priority areas, and key risk controls have been incorporated into the goals, outcomes and performance measures throughout this plan.

Key strategic risks for AEMO are set out below. Each key risk has mitigations and controls in place.

- Inability to maintain power and gas system security and reliability due to disruption, energy system challenges or external events.
- Cyber or security incident/s (internal, third party or external) result in interruption to the grid system and/or market suspension.
- Inability to transition the energy system to meet society's future needs.
- Failure to provide effective governance of and support to AEMO Services to enable its success.
- Inability to retain, develop, attract and/or utilise the right capabilities and talent.
- Inability to develop and maintain a high performing culture.
- Inadequate technology, processes and data compromise our ability to enable transformation.
- Ineffective program and portfolio management impacting energy industry reform.
- Inability to maintain member confidence and support in AEMO's strategic direction and key initiatives in an environment of increasingly divergent member interests.
- Failure to improve the financial health of AEMO to ensure adequate delivery of our role and activities.

In addition, AEMO will continue to update energy Ministers on emerging risks through the market bodies update item in the quarterly energy ministers meetings.

#### Governance

AEMO is governed by a Board of Directors, which oversees the management of AEMO's business affairs to meet the company's objectives and responsibilities under relevant legal and regulatory regimes, and also monitors the performance and cost-effectiveness of AEMO's operations and systems.

John Pittard retired from the Board at the 2022 AGM after eight years on the Board. Mr Pittard made a major contribution to AEMO governance, particularly in the digital domain, including as Chair of the Information Exchange Committee.

Glenn Jackson took over from Geraldine Leslie upon her departure from AEMO as Executive General Manager People and Culture (initially on an interim basis and then appointed in March 2023). Before joining AEMO, Glenn was the HR Director at Queensland Investment Corporation (QIC) for nearly 8 years and prior had executive level HR roles at QBE Insurance, the NAB and PwC.

## FY2023 Corporate plan measures

Priority	Measure	Actual YTD FY23	Compared to Target	Status and Exceptions	
P1	No region-wide system black event <sup>STI-KPI</sup>	0	0	On-Track	
	No preventable load shedding	0	0	On-Track	
	Meet Energy System Security	100%	100%	On-Track	
	Achieve forecast accuracy <sup>STI-KPI</sup>	92% & 123.77 MW	80% & 130MW	On-Track	
	Achieve all material prudential supervision obligations	100%	99%	On-Track	
	Settlement statements issued and settled on time	100%	99.9%	On-Track	
	No loss of system and/or market suspension due to preventable cyber incidents impacting AEMO's systems	0	0	On-Track	
	Maintain IT availability for NEM, Gas and WA markets and systems	100%	99.9%	On-Track	
P2	High Priority Regulatory Reform Projects delivered on time and to Budget <sup>STI-KPI</sup>	63%	85%	Amber	a
	FY23 roadmap initiatives to achieve 100% instantaneous renewables by 2025 delivered on time <sup>STI-KPI</sup>	1 completed; 11/12 in progress	10 Initiatives	On-Track	b
	AEMO initiatives within the Connections Reform Roadmap delivered to agreed timeline	100%	100%	On-Track	
	Effective delivery of jurisdictional support services (% outcomes delivered for each role)	100%	100%	On-Track	
P3	Achieve stakeholder satisfaction with specific AEMO engagement	EOY	52		c
	Achieve improved weighted stakeholder perception <sup>STI-KPI</sup>	EOY	55		c
	Achieve proponent satisfaction with AEMO's connection and onboarding processes	EOY	70		c
P4	No significant deterioration in AEMO's overall health and safety performance <sup>STI-KPI</sup>	0%	0%	On-Track	d
	Achieve FY23 Expenditure (net of recoveries) budget <sup>STI-KPI</sup>	Favourable to Budget	Budget	On-Track	e
	Capital portfolio completed on time, to scope and to approved budget in FY23 <sup>STI-KPI</sup>	83%	85%	Amber	a
	Achieve YoY improvement in employee engagement <sup>STI-KPI</sup>	EOY	69		c
	No negative impact to critical systems as a result of IT releases	Q3	90%	On-Track	f
	Achieve all material legal and reporting obligations	100%	100%	On-Track	

### Exception commentary

- |   |  |
|---|--|
| a | <ul style="list-style-type: none"> <li>Overall, 2 out of the 8 deliverables for the high priority reform projects have been achieved. The remaining deliverables are currently on track. The 3 projects expected to be delivered in FY23 are currently within budget. WEM Reform is forecasted to be unfavourable to budget (refer to 2.4.2.3.a) but is not included in the outcome of this measure as it will not be delivered in FY23.</li> <li>YTD Capital portfolio is in Amber status as some projects are forecasting to be unfavorable to budget. Project Managers are reviewing the controls that they have to return these projects to budget. YTD on Scope and on time is favourable to KPI measure. Full year measure is expected to be met.</li> </ul> |
| b | <ul style="list-style-type: none"> <li>Milestones: 10 of 12 initiatives are on track. Updates on when initiatives close out will be progressively provided over the year.</li> </ul>   |
| c | <ul style="list-style-type: none"> <li>Employee engagement, stakeholder and proponent satisfaction survey information will be available at the end of FY23.</li> </ul>   |
| d | <ul style="list-style-type: none"> <li>No deterioration to AEMO safety performance.</li> </ul>   |
| e | <ul style="list-style-type: none"> <li>YTD Expenditure (net of recoveries) is +\$26.2 million favourable to budget.</li> </ul>   |
| f | <ul style="list-style-type: none"> <li>Update will be provided after Q3 of FY23.</li> </ul>  |



## AEMO '6 monthly report' to energy ministers for the period 1 January to 30 June 2023

AEMO publishes several documents setting out its annual plans, budgets and performance:

- AEMO's annual Corporate Plan for FY2024 was published 31 July 2023 and is available here: [corporate-plan-2024-final.pdf \(aemo.com.au\)](#)
- AEMO's annual Budget and Fees for FY2024 was published 26 June 2023 and is available here: [aemo-fy24-budget-and-fees.pdf](#)
- AEMO's will publish its FY23 Annual Report in coming months and will be available here: [AEMO | Annual reports](#). Once available, a copy will be provided to Members, including governments.

### Purpose, vision and strategic priorities

The FY2024 Corporate Plan sets out AEMO's purpose, vision and four strategic priorities, and articulates major initiatives under each of these strategic priorities.

AEMO's purpose is to ensure safe, reliable & affordable energy and enable the energy transition for the benefit of all Australians.

AEMO's vision is to enable net zero.

AEMO's strategic priorities are:

#### *1. Operating today's systems and markets*

AEMO's most fundamental task is to keep the lights on and the gas flowing, matching energy demand and supply in real time around the clock and settling trades between wholesale energy sellers and buyers. In order to keep doing this dependably into the future, AEMO operating systems require modernising.

#### *2. Navigating the energy future*

Using and sharing the intelligence gathered in preparing electricity and gas outlooks, quarterly market insights, technical reports, the ISP and Engineering Roadmap, AEMO's reports provide unique insights into market and system dynamics.

AEMO is also collaborating with regulatory bodies, participants and consumers on new and ongoing reforms to develop and deliver the least-cost and lowest-risk outcomes for consumers.

#### *3. Engaging our stakeholders*

Building trusted relationships between AEMO and governments, industry, business, communities and consumers. It is vital AEMO shares with its diverse range of stakeholders the challenges the energy transition presents and work together to find solutions.

#### *4. Evolving the way we work*

Leading with our refreshed values of Character, Connection, and Commitment to harness our expertise, build trusted relationships and get what needs to be done within AEMO. AEMO is reworking and streamlining processes, devolving financial delegations, and aiming to improve the ease with which people work with, and within, the organisation.

### Emerging issues and key risks



AEMO faces a variety of strategic, operational and emerging risks given the nature of our functions.

AEMO will continue to update energy Ministers on emerging issues and risks through the market bodies update item in the quarterly Energy Ministers Meetings.

In addition, key strategic risks for AEMO as identified in the FY2024 Corporate Plan are set out below. Each key risk has mitigations and controls in place.

- Inability to maintain secure and reliable operation of energy systems and market.
- Cyber or security incident(s).
- Failure to restore following a cyber incident.
- Inability to transition the energy system.
- Inability to influence the transition of the energy market.
- Loss of stakeholder trust and confidence significantly impacting AEMO carrying out its role.
- Inability to effectively deliver agreed work programs.
- Inability to retain, develop, attract and/or utilise the required capabilities and talent.
- Inability to maintain a healthy and safe workplace for our people.
- Failure of technology, systems, processes and data that support AEMO's ability to maintain system operation and carry out its role.
- Inadequate financial governance and cost efficiency.

### Budget

AEMO's annual budget and fees are developed through early engagement with representative groups, alongside a market consultation process with our members and industry participants via the Financial Consultation Committee. In Western Australia, the fees and charges are approved by the Economic Regulation Authority.

For FY24, AEMO's revenue budget is \$507 million and the total operating expenditure budget, including Depreciation & Amortisation is \$531 million.

A summary of AEMO Group profit and loss is below, with full details of AEMO's annual Budget and Fees for FY2024 are available here: [aemo-fy24-budget-and-fees.pdf](#), as published on 26 June 2023.

Table 5 AEMO Group profit and loss summary

(\$M)	AEMO (EXCL. VIC TNSP)			VICTORIAN TNSP			AEMO		
	BUDGET FY23 (\$M)	BUDGET FY24 (\$M)	VARIANCE (\$M)	BUDGET FY23 (\$M)	BUDGET FY24 (\$M)	VARIANCE (\$M)/(\$M)	BUDGET FY23 (\$M)	BUDGET FY24 (\$M)	VARIANCE (\$M)
<b>REVENUE</b>									
Fees and tariffs	378.5	391.1	12.6	-	-	-	378.5	391.1	12.6
TUoS income	(0.0)	-	0.0	623.9	650.2	26.2	623.9	650.2	26.3
PCF fees	0.1	-	(0.1)	-	-	-	0.1	-	(0.1)
Settlement residue	(0.0)	(0.0)	0.0	20.0	25.6	5.6	20.0	25.6	5.6
Other revenue	60.4	82.3	21.9	66.0	91.5	25.5	126.4	173.9	47.4
Network charges	-	-	-	(663.3)	(733.8)	(70.4)	(663.3)	(733.8)	(70.4)
<b>NET REVENUE</b>	<b>438.9</b>	<b>473.4</b>	<b>34.5</b>	<b>46.6</b>	<b>33.5</b>	<b>(13.1)</b>	<b>485.6</b>	<b>507.0</b>	<b>21.4</b>
<b>OPERATING EXPENDITURE</b>									
Labour	205.2	235.4	30.2	17.8	26.8	9.0	223.0	262.2	39.2
Consulting	33.4	36.3	3.0	10.7	21.3	10.6	44.1	57.6	13.5
IT & telecommunications	72.4	75.7	3.3	-	0.3	0.3	72.4	76.0	3.6
Occupancy	10.5	13.0	2.5	-	-	-	10.5	13.0	2.5
Other expenses	31.4	40.7	9.3	3.3	5.2	1.9	34.7	46.0	11.3
Depreciation and amortisation	69.0	61.6	(7.4)	0.1	0.3	0.2	69.1	61.9	(7.2)
Financing costs	9.4	17.7	8.3	-	(3.2)	(3.2)	9.4	14.4	5.0
Corporate recovery (TNSP)	(18.0)	(22.3)	(4.3)	18.0	22.3	4.3	-	(0.0)	(0.0)
<b>TOTAL OPERATING EXPENDITURE</b>	<b>413.2</b>	<b>458.0</b>	<b>44.8</b>	<b>49.9</b>	<b>73.1</b>	<b>23.2</b>	<b>463.1</b>	<b>531.1</b>	<b>68.0</b>
<b>SURPLUS / (DEFICIT)</b>									
Annual surplus / (deficit)	25.7	15.4	(10.3)	(3.3)	(39.5)	(36.3)	22.4	(24.1)	(46.6)
<b>ACCUMULATED SURPLUS / (DEFICIT)</b>	<b>(37.3)</b>	<b>44.7</b>	<b>82.0</b>	<b>3.6</b>	<b>5.4</b>	<b>1.8</b>	<b>(33.7)</b>	<b>50.1</b>	<b>83.8</b>

## Governance

AEMO is governed by a Board of Directors, who are supported by a robust and fit-for-purpose governance framework. The Board and its Committees balance oversight of AEMO's policies, budget, fee structures and long-term strategy with management's delivery of AEMO's key organisational objectives and responsibilities, including business performance, risk management, stakeholder engagement and compliance.

### New board members

AEMO welcomed the appointment of Ms Christine Williams and Ms Kathryn Presser to the AEMO Board as independent non-executive directors, effective 9 January 2023.

**Christine Williams** is a professional lawyer, General Counsel and business executive with over two decades of experience.

Ms Williams has extensive experience as an M&A and funds management lawyer and senior business executive in the infrastructure, property, and financial services industries. Ms Williams was General Counsel for BT Asset Management Property Group and, until recently, an Executive Director and Global General Counsel for the Macquarie Group infrastructure and real asset funds management division for 21 years. Ms Williams is currently a non-executive director of Queensland Airports Limited, Port of Newcastle Property Trust Group and of not-for-profit organisations supporting indigenous education, the performing arts and affordable housing.

**Kathryn Presser** has over 30 years' experience in executive roles, having worked in several industries including resources, aviation, hospitality, banking and finance, and accounting advisory and audit firms where she has had extensive experience in the management of financial transactions, risk management and strategic planning.

Notably, Ms Presser has over 20 years' experience in ASX Top 200 listed Oil and Gas Company, Beach Energy, as the CFO/Company Secretary where she directed large financing transactions, major capital raising and a number of mergers and acquisitions. Ms Presser is a member of the International Women's Federation, a Fellow of the Chartered Institute of Company Secretaries, a

Fellow of the Governance Institute of Australia, a Fellow of the Certified Practising Accounting Association and a Fellow of the Institute of Company Directors.

#### FY2023 Corporate plan measures

Priority	Measure	Status
P1	No region-wide system black event <sup>STI-KPI</sup>	●
	No preventable load shedding	●
	Meet Energy System Security	●
	Achieve forecast accuracy <sup>STI-KPI</sup>	●
	Achieve all material prudential supervision obligations	●
	Settlement statements issued and settled on time	●
	No loss of system and/or market suspension due to preventable cyber incidents impacting AEMO's systems	●
	Maintain IT availability for NEM, Gas and WA markets and systems	●
P2	High Priority Regulatory Reform Projects delivered on time and to Budget <sup>STI-KPI</sup>	● (a)
	FY23 roadmap initiatives to achieve 100% instantaneous renewables by 2025 delivered on time <sup>STI-KPI</sup>	● (b)
	AEMO initiatives within the Connections Reform Roadmap delivered to agreed timeline	●
	Effective delivery of jurisdictional support services (% outcomes delivered for each role)	●
P3	Achieve stakeholder satisfaction with specific AEMO engagement	●
	Achieve improved weighted stakeholder perception <sup>STI-KPI</sup>	●
	Achieve proponent satisfaction with AEMO's connection and onboarding processes	●
P4	No significant deterioration in AEMO's overall health and safety performance <sup>STI-KPI</sup>	●
	Achieve FY23 Expenditure (net of recoveries) budget <sup>STI-KPI</sup>	●
	Capital portfolio completed on time, to scope and to approved budget in FY23 <sup>STI-KPI</sup>	● (a)
	Achieve YoY improvement in employee engagement <sup>STI-KPI</sup>	EOY (c)
	No negative impact to critical systems as a result of IT releases	●
	Achieve all material legal and reporting obligations	●

#### **Exception commentary**

(a)	<ul style="list-style-type: none"> <li>7 out of the 8 deliverables have been delivered on time. The remaining deliverable, although delayed, had no impact on the industry. A further deliverable (Gas Reform Tranche 1) was delivered on time and within budget. This deliverable had not been identified prior to this KPI being finalised.</li> <li>The high priority projects that were completed in FY23 were within budget. WEM Reform is the exception, with an additional budget of over \$20 million requested in March.</li> <li>Overall, 95% of the 73 projects that were completed in FY23 were on time, to scope and to approved budget. 99% were on time, 97% were to scope, and 89% were to approved budget.</li> </ul>
(b)	<ul style="list-style-type: none"> <li>All the 12 initiatives have been completed above the target of 10 initiatives.</li> </ul>
(c)	<ul style="list-style-type: none"> <li>Employee engagement result will be available late July.</li> </ul>

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AEMO's most fundamental task is to keep the lights on and the gas flowing, matching energy demand and supply in real time around the clock and settling trades between wholesale energy sellers and buyers. In order to keep doing this dependably into the future, AEMO operating systems require modernising.

#### *2. Navigating the energy future*

Using and sharing the intelligence gathered in preparing electricity and gas outlooks, quarterly market insights, technical reports, the ISP and Engineering Roadmap, AEMO's reports provide unique insights into market and system dynamics.

AEMO is also collaborating with regulatory bodies, participants and consumers on new and ongoing reforms to develop and deliver the least-cost and lowest-risk outcomes for consumers.

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Building trusted relationships between AEMO and governments, industry, business, communities and consumers. It is vital AEMO shares with its diverse range of stakeholders the challenges the energy transition presents and work together to find solutions.

#### *4. Evolving the way we work*

Leading with our refreshed values of Character, Connection, and Commitment to harness our expertise, build trusted relationships and get what needs to be done within AEMO. AEMO is reworking and streamlining processes, devolving financial delegations, and aiming to improve the ease with which people work with, and within, the organisation.

### Emerging issues and key risks

AEMO faces a variety of strategic, operational and emerging risks given the nature of our functions.

AEMO will continue to update energy Ministers on emerging issues and risks through the market bodies update item in the quarterly Energy Ministers Meetings, as well as through other forums.

In addition, key strategic risks for AEMO as identified in the FY2024 Corporate Plan are set out below. Each key risk has mitigations and controls in place.

- Inability to maintain secure and reliable operation of energy systems and market.
- Cyber or security incident(s).
- Failure to restore following a cyber incident.
- Inability to transition the energy system.
- Inability to influence the transition of the energy market.
- Loss of stakeholder trust and confidence significantly impacting AEMO carrying out its role.
- Inability to effectively deliver agreed work programs.
- Inability to retain, develop, attract and/or utilise the required capabilities and talent.
- Inability to maintain a healthy and safe workplace for our people.
- Failure of technology, systems, processes and data that support AEMO's ability to maintain system operation and carry out its role.
- Inadequate financial governance and cost efficiency.

### Governance

AEMO is governed by a Board of Directors, who are supported by a robust and fit-for-purpose governance framework. The Board and its Committees balance oversight of AEMO's policies, budget, fee structures and long-term strategy with management's delivery of AEMO's key organisational objectives and responsibilities, including business performance, risk management, stakeholder engagement and compliance.

#### *Board update*

A search process was undertaken through the second half of 2023 for a new Chair following Drew Clarke informing Ministers in April 2023 of his intention to retire and stand down from the company's Board.

While noting it is outside the time period of this report, Professor Mary O'Kane AC was appointed in March 2024 as the incoming Independent Chair of the AEMO Board, commencing 2 April 2024.

#### *Executive leadership team update*

In December 2023, Nevenka Codevelle commenced as Executive General Manager AEMO Services following an extensive recruitment process, taking over from Paul Verschuer who left AEMO. Ms Codevelle was previously AEMO's Executive General Manager Government and Stakeholder, with Paul Zennaro currently acting in that role while a recruitment process is undertaken.

### Budget

AEMO's annual budget and fees are developed through early engagement with representative groups, alongside a market consultation process with our members and industry participants via

the Financial Consultation Committee. In Western Australia, the fees and charges are approved by the Economic Regulation Authority.

Full details of AEMO's annual Budget and Fees for FY2024 are available here: [aemo-fy24-budget-and-fees.pdf](#), as published on 26 June 2023.

Below is the FY24 budget update, as at December 2023.

AEMO Consolidated P&L	Total Group		
by Segment (\$M)	ACT	BUD	VAR
<b>REVENUE</b>			
<b>Operational Revenue</b>			
Fees & tariffs	195.8	196.4	(0.7)
TUoS	322.1	322.3	(0.2)
Settlement residue	6.4	13.6	(7.1)
Negotiated Services Revenue	28.8	28.7	0.0
Connections revenue	19.7	18.7	0.9
Other revenue	39.0	38.5	0.4
less: Transmission Charges	(152.9)	(153.9)	1.0
less: Network Charges	(0.4)	(9.2)	8.8
less: Negotiated Services Charges	(206.7)	(206.5)	(0.1)
less: Recoverable Costs	(7.7)	(5.7)	(2.0)
<b>Total</b>	<b>244.0</b>	<b>243.0</b>	<b>1.0</b>
<b>Total Revenue</b>	<b>244.0</b>	<b>243.0</b>	<b>1.0</b>
<b>EXPENDITURE</b>			
<b>Labour Expenditure</b>			
Gross Labour	(145.2)	(151.0)	5.8
less: Capex labour	19.3	27.2	(7.8)
less: Propex & Opex labour	(0.2)		(0.2)
<b>Total</b>	<b>(126.1)</b>	<b>(123.8)</b>	<b>(2.2)</b>
Digital Cost	(31.9)	(41.1)	9.1
Consulting & Contractors	(26.3)	(29.1)	2.8
General Expenses	(16.9)	(18.1)	1.3
Depreciation & Amortisation	(40.4)	(34.8)	(5.6)
Financing Costs	(2.6)	(7.6)	5.0
<b>Total Expenditure</b>	<b>(244.2)</b>	<b>(254.6)</b>	<b>10.4</b>
<b>Operating Surplus / (Deficit)</b>	<b>(0.2)</b>	<b>(11.6)</b>	<b>11.4</b>
<b>Accumulated Surplus / (Deficit)</b>	<b>54.9</b>	<b>43.8</b>	<b>11.1</b>

## FY2024 Corporate plan measures

Priority	Measure	Status
P1	No region-wide system black event <sup>STI-KPI</sup>	●
	No preventable load shedding	●
	Maintain energy system security <sup>STI-KPI</sup>	●
	Achieve operational forecast accuracy	●
	Achieve all material prudential supervision obligations <sup>STI-KPI</sup>	●
	Settlement statements issued and settled on time	● (a)
	No loss of system and/or market suspension due to preventable cyber incidents impacting AEMO's systems	●
	Maintain IT availability for NEM, Gas and WA markets and systems	●
P2	High Priority Regulatory Reform Projects delivered to scope, on time and to Budget <sup>STI-KPI</sup>	● (b)
	Achieve the FY24 initiatives to prepare for 100% instantaneous renewable penetration, at times, by 2025	● (c)
	Improving connection process, transparency and satisfaction	Q1
	Effective delivery of jurisdictional support services	Q1
	Effective delivery of AEMO's Victorian declared network and National Electricity (Victoria) Act 2005 (NEVA) functions	●
P3	Improved stakeholder trust and confidence <sup>STI-KPI</sup>	EOY (d)
P4	No significant deterioration in AEMO's overall health and safety performance <sup>STI-KPI</sup>	●
	Achieve FY24 Expenditure Budget (net of recoveries) <sup>STI-KPI</sup>	● (e)
	Employee engagement <sup>STI-KPI</sup>	EOY (c)
	AEMO programs and projects in accordance with the Future State Architecture policy <sup>STI-KPI</sup>	●
	Achieve all material legal and reporting obligations	●

### Exception commentary

(a)	<ul style="list-style-type: none"> <li>Due to new rule change in the new WEM from the unexpectedly high Essential System Services costs, settlement of the first two trading weeks was deferred in Nov.</li> </ul>
(b)	<ul style="list-style-type: none"> <li>Overall the measure has been maintained as amber. 3 projects have been completed on time, to scope and to budget. A few projects are tracking amber due to some risks being managed.</li> </ul>
(c)	<ul style="list-style-type: none"> <li>12 of the 18 committed Priority Actions are underway and on-track for delivery in FY24. Although six activities are flagged as at risk, alternative delivery options continue to be explored.</li> </ul>
(d)	<ul style="list-style-type: none"> <li>Results will be available at the end of FY24.</li> </ul>
(e)	<ul style="list-style-type: none"> <li>Although FYTD Expenditure (net of recoveries) is \$5.1 million favourable to budget, some key risks are being actively managed.</li> </ul>

## AEMO '6 monthly report' to Energy Ministers for the period 1 Jan to 30 June 2024

AEMO publishes several documents setting out its annual plans, budgets and performance:

- AEMO's annual Corporate Plan for FY2025 was published in June 2024 and is available here: [aemo-strategic-corporate-plan-fy25.pdf](#)
- AEMO's annual Budget and Fees for FY2025 was published in June 2024 and is available here: [aemo-final-budget-and-fees-fy25.pdf](#)
- AEMO will publish its FY24 Annual report in due course and will be available here: [AEMO | Annual reporting](#). Once available, a copy will be provided to Members, including governments.

### Purpose, vision and strategic priorities

The FY2025 Corporate Plan sets out AEMO's purpose, vision and four strategic priorities, and articulates major initiatives under each of these strategic priorities.

AEMO's purpose is to ensure safe, reliable & affordable energy and enable the energy transition for the benefit of all Australians.

AEMO's vision is to enable net zero.

AEMO's strategic priorities are:

#### *1. Operating today's systems and markets*

AEMO's most fundamental task is to keep the lights on and the gas flowing, matching energy demand and supply in real time and settling trades with wholesale energy sellers and buyers. We will continue to modernise our operating systems, enhance cyber security and resilience, and reduce market and operational risks of the digital assets supporting our system and market operations.

#### *2. Navigating the energy future*

Using and sharing the intelligence gathered through operations and preparing our technical and market reports to make informed decisions.

We continue to collaborate with regulatory bodies, industry participants and consumers on reforms, and help identify and reduce barriers to investments in Australia's energy systems.

#### *3. Engaging our stakeholders*

Building trusted relationships between AEMO and governments, industry, business, communities and consumers. We are committed to enhancing trust by engaging closely and transparently with stakeholders to understand their perspectives and jointly working to achieve positive energy transition outcomes.

#### *4. Evolving the way we work*

Leading with our values of Character, Connection, and Commitment to harness our expertise, build trusted relationships and deliver what needs to be done within AEMO. We are streamlining processes while ensuring they remain dynamic and agile, and uplifting digital and data



capabilities. We aim to improve the ease with which people work with, and within, the organisation.

### Emerging issues and key risks

In order to navigate the inherent uncertainties facing the energy industry in our journey to net zero, AEMO will maintain a clear focus on our top risks. These risks are considered through the lens of our purpose to ensure safe, reliable and affordable energy and enable the energy transition for the benefit of all Australians. Our top risks are aligned and managed according to our Strategic Corporate Plan priorities.

AEMO's top risks are:

#### *1. Operating today's systems and markets*

- System and market security and reliability: increasing supply/demand volatility, extreme weather events, and rapid changes to the energy system and market
- Cyber security: evolving cyber threats against Australia's critical energy infrastructure

#### *2. Navigating the energy future*

- Energy system transition: inherent complexities and uncertainty in planning for Australia's energy transition
- Market and regulatory reform: policy and regulatory complexity, market transformation required to support operations and enable the transition
- Transformation and change: increasing volume and complexity of large scale change programs

#### *3. Engaging our stakeholders*

- Stakeholder trust & confidence: rapidly evolving stakeholder expectations across consumers, market participants, industry groups and Government

#### *4. Evolving the way we work*

- Right capabilities & talent: changing skill and capability mix required, now and into the future
- Technology, systems, processes & data: addressing technical debt and increasing operational requirements
- Financial sustainability: complexity in financial governance and funding arrangements
- Workplace health & safety: changing safety risk profile as AEMO's role and functions evolve

### Governance

AEMO is governed by a Board of Directors, who are supported by a robust and fit-for-purpose governance framework. The Board and its Committees balance oversight of AEMO's policies, budget, fee structures and long-term strategy with management's delivery of AEMO's key

organisational objectives and responsibilities, including business performance, risk management, stakeholder engagement and compliance.

#### *Board update*

As already noted in the most recent version of this report, Mary O’Kane AC was appointed in March 2024 as the Independent Chair of the AEMO Board, commencing 2 April 2024.

#### *Executive leadership team update*

In April 2024, Rebecca Irwin joined AEMO’s executive in the role of Executive General Manager Government & Stakeholder. Rebecca brings significant leadership experience to AEMO, including senior leadership roles across government and business, including Adelaide Brighton, Newcrest and BHP.

### Budget

AEMO’s annual budget and fees are developed through early engagement with representative groups, alongside a market consultation process with our members and industry participants via the Financial Consultation Committee. In Western Australia, the fees and charges are approved by the Economic Regulation Authority.

A summary of AEMO Group profit and loss is below, with full details of AEMO’s annual Budget and Fees for FY2025 are available here: [aemo-final-budget-and-fees-fy25.pdf](#)

FY24 actuals will be reported in the forthcoming FY24 annual report, which will be available here: [AEMO | Annual reporting](#).

**Table 7 AEMO Group consolidated\* profit and loss summary**

	<b>Budget FY24 \$m</b>	<b>Budget FY25 \$m</b>	<b>Variance \$m</b>
<b>Revenue</b>			
Fees and tariffs	391.1	538.7	147.6
TUoS income	650.2	753.8	103.6
Settlement residue	25.6	7.1	(18.6)
Other revenue	173.9	253.5	79.6
Network charges	(733.8)	(797.7)	(63.9)
Net revenue	507.0	755.4	248.4
<b>Operating expenditure</b>			
Labour	262.2	322.1	59.9
Consulting & contractors	57.6	84.1	26.5
Digital	76.0	122.7	46.7
Occupancy	3.8	4.0	0.1
Other expenses	46.0	67.6	21.6
Depreciation and amortisation	71.0	118.1	47.1
Financing costs	14.4	20.7	6.3
Total operating expenditure	531.1	739.4	208.3
Annual surplus / (deficit)	(24.1)	16.1	40.1
<b>Accumulated surplus / (deficit)</b>	<b>41.2*</b>	<b>29.6</b>	<b>(11.6)</b>

\*AEMO Group includes the consolidation of AEMO Services Limited and TCV.

#FY24 Budget accumulated surplus/deficit included a capital contribution of \$8.7m relating to establishment of the DWGM market system at the formation of VENCORP. This has been reclassified to reserves and comparatives adjusted to align with financial statements and FY25 Budget.

## FY2025 Corporate plan business and strategic measures

### 1. Operating today's systems and markets

Key measures for FY25	Target
No region-wide system black events	Nil
Maintain energy system security	99.9% of time systems remained within specific requirements
No preventable load shedding	Nil
Achieve operational forecast accuracy	80%
Achieve all material prudential supervision obligations	Nil breaches
Settlement statements issued and settled on time	99.9%
No loss of system and/or market suspension due to preventable cyber incidents impacting AEMO systems	Nil
Improved cyber preparedness and resilience across AEMO grids and markets:	
<ul style="list-style-type: none"> <li>AEMO remains engaged by Home Affairs in key Trusted Information Sharing Network roles</li> </ul>	N/A
<ul style="list-style-type: none"> <li>Participation rates in AEMO run exercises for critical market participants</li> </ul>	75%
<ul style="list-style-type: none"> <li>Participation rates in the AEMO run Australian Energy Sector Cyber Security Framework assessment program for critical market participant</li> </ul>	75%
Maintain high IT system availability for NEM, Gas and WA markets and systems:	
<ul style="list-style-type: none"> <li>AEMO's critical market and system services are available</li> </ul>	99.9%
<ul style="list-style-type: none"> <li>IT Change Management success rate</li> </ul>	97%

### 2. Navigating the energy future

Key measures for FY25	Target
High priority projects and initiatives delivered to scope, on time and to budget	Deliver 8 high-priority projects on time, to scope and budget
Achieve the FY25 initiatives to prepare for 100% instantaneous renewable penetration	>75% of initiatives complete
Delivery of NSW Customer Trustee functions and obligations to the satisfaction of the NSW Government	Program delivered to the satisfaction of the NSW government
Delivery of the CIS tender program to the satisfaction of the Commonwealth Government	Program delivered to the satisfaction of the Commonwealth government
Improving connection process and satisfaction:	
<ul style="list-style-type: none"> <li>Increase from FY24 in projects that complete each of the three connection phases within the Target Timeframes (Target timeframes: Application phase – 8 months; Registration phase – 4 months; Commissioning (reach full output) phase – 3 months)</li> </ul>	20%
<ul style="list-style-type: none"> <li>Proponent satisfaction score</li> </ul>	70%
Effective delivery of AEMO's Victorian declared network and National Electricity (Victoria) Act 2005 functions	85% of agreed outcomes delivered

### 3. Engaging our stakeholders

Key measures for FY25	Target
Achieve improved weighted stakeholder perceptions	Stakeholder perception score of 70%
Enhance transparency, accountability, collaboration with stakeholders	Stakeholder satisfaction score of 70%
Enhance broader reputation and credibility	Media impact score of >1.5
Engage effectively on delivery of our core roles	Stakeholder satisfaction scores of 70% in relation to the ISP, NEM Reform, WA operations, system planning and reform, and NEM operations engagement activities

#### 4. *Evolving the way we work*

Key measures for FY25	Target
Continue to strengthen Health, Safety and Wellbeing performance of AEMO	<b>Effective</b>
AEMO employee engagement	Employee engagement score of <b>73%</b>
Achieve FY25 Expenditure Budget (net of recoveries)	<b>Meet Budget</b>
Achieve all material legal and reporting obligations	<b>No material obligations breached</b>