

5 March 2026

Nigel Ray PSM
AEMO Governance Review Secretariat

By Email: AEMOGovernanceReview@dcceew.gov.au

Dear Mr Ray,

AEMO Governance Review – Submission on discussion paper

AEMO welcomes the opportunity to contribute to the important work of the Governance Review. As the independent, not-for-profit market and system operator and system planner for Australia's major electricity and gas markets, AEMO recognises that its governance arrangements must remain fit for purpose, particularly as its role and responsibilities evolve during a historic energy transformation. Given the pace of the energy transition and the significance for Australia's consumers and economic prosperity, the governance of AEMO must enable both agility and accountability. AEMO acknowledges that the Review is particularly timely given recent proposed gas reforms and NEM Review recommendations.

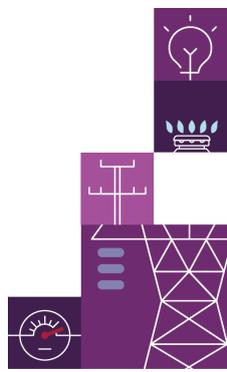
Since its establishment, AEMO has implemented significant changes to improve its accountability under the Energy and Climate Ministers Council (ECMC) governance framework and transparency to its stakeholders. AEMO is accountable to the ECMC under a Statement of Role and performance reporting framework and has been responsive to the allocation (and divestment) of additional functions and governance requirements. It has developed the Integrated System Plan (ISP) under the framework approved by Ministers in response to the Finkel Review and it has uplifted transparency and engagement on budgeting and expenditure through the Financial Consultation Committee (FCC).

With a focus on continuous improvement, AEMO considers there are further opportunities to enhance governance arrangements. AEMO is committed to working collaboratively with the Review to identify practical measures which enhance outcomes for the long-term benefit of Australian energy consumers.

Maintaining the momentum and focus on the transition

Australia, like many other countries, is going through a significant energy transition, with the next 5 years critical to its success. This period requires focus, certainty and confidence for AEMO to work with governments, industry and consumers to manage the complex operating conditions, ensure readiness for key system transition points, and build investor confidence.

AEMO's governance needs to be fit for purpose for the task at hand now, and robust for the future. When weighing the potential benefits of governance options, AEMO notes that consideration must be given to the impact of delivering our mandated functions that seek to maintain reliable, secure and affordable energy for all consumers. It will be critical for AEMO to maintain focus to deliver necessary reforms and continue to work closely with all our stakeholders, and retain access to the right combination of people and skills.



AEMO operates within a broader governance architecture

AEMO operates within a broader governance architecture established by Energy Ministers. These frameworks, which can be evolved, provide the guardrails, guidance, and checks and balances on the performance of AEMO functions.

As the discussion paper notes, AEMO is accountable to Energy Ministers collectively under the explicit governance framework specified in AEMO's Statement of Role¹. Energy governance is a shared responsibility between governments under a co-operative legislative and policy framework, as reflected in the Australian Energy Market Agreement (AEMA)². The Statement of Role specifically addresses AEMO's statutory functions and obligations, while also providing for the ECMC to set expectations as to priorities, review and comment on corporate plans, agree performance indicators and provide feedback on performance. AEMO works closely with all governments (federal, state and territory) to meet its responsibilities and seeks feedback from the ECMC and other stakeholders.

AEMO has no ownership interest in energy infrastructure and operates on a not-for-profit basis. AEMO's system and market operator functions are separated from energy policy development (set by governments individually or through ECMC processes), rule-making (Australian Energy Market Commission - AEMC), and regulatory and compliance functions (Australian Energy Regulator - AER), with an independent national body promoting the interests of consumers (Energy Consumers Australia) in a way that is unique to Australia. As a result, AEMO's functions are conferred and closely regulated by the co-operative energy legislation reflected in the AEMA, with separate jurisdictional legislation and market bodies for WA functions and some other jurisdiction-specific roles. AEMO performs its functions within the objectives, standards and obligations established by these energy laws and rules. These are developed within a framework that requires consultation and collaboration with a wide range of stakeholders to meet national and state energy objectives – putting Australian energy consumers at the heart of everything we do.

AEMO considers the architecture appropriate to enable responsible Ministers to exercise accountability and oversight. AEMO agrees that periodic reviews of these frameworks is good practice, and encourages consideration of mandated periodic reviews, or post implementation reviews of significant reforms, if appropriate to maintain stakeholder confidence.

AEMO further considers implementation of these frameworks could be enhanced through a number of proposals that are outlined in the attached submission. These proposals would provide enhanced governance feedback during the dynamic energy transition, while maintaining market confidence in the operational independence of AEMO and increased visibility of AEMO's governance to energy stakeholders.

AEMO's functions are in line with global practices

Since 2009, AEMO's governance and corporate structures have evolved to meet the changing requirements that come with the needs of the transition – with a strong focus on timely delivery and outcomes for consumers. This has included scaling to enable the introduction of new functions, implementing changes to existing market arrangements resulting from regulatory change, or divestment of functions including the recent transfer of the Victorian declared shared network function to VicGrid³. As indicated in the terms of reference, AEMO's governance must support flexibility and agility to meet its responsibilities given the pace of transition.

¹ Issued by the ECMC in 2022: https://www.aemo.com.au/-/media/files/about_aemo/board_and_governance/aemo-statement-of-role---160922.pdf?rev=7d824ea614604b9fb9896985547569ea&sc_lang=en

² Initially signed in 2004 and last amended 9 December 2013: <https://www.energy.gov.au/energy-and-climate-change-ministerial-council/energy-ministers-publications/australian-energy-market-agreement-amended-december-2013>

³ The Declared Network Functions were transferred to VicGrid, a Victorian government statutory business corporation, by legislation on 1 November 2025.

Like energy operators overseas which are recognised as AEMO's peers,⁴ AEMO's functions span system and market operation and system planning. AEMO performs these functions in line with the laws and rules, including to the security and reliability standards established according to the rules.

AEMO acknowledges stakeholder feedback expressed about the potential for AEMO to assess system needs in a way that prioritises security and reliability over consumer value. AEMO notes there is a need to balance these in the performance of its functions. There are several ways in which the regulatory architecture, discussed above, addresses this. The regulatory frameworks set the guiderails in which AEMO is to operate, often with limited discretion. AEMO is to perform its functions within the security and reliability standards determined by the AEMC or Reliability Panel and codified in the regulatory framework. In addition, there are internal structures, processes and procedures, transparency of decision making and outcomes, and external checks, which together play an important role in providing the appropriate oversight. For example:

- In the NEM, AEMO has a Reliability and Emergency Reserve Trader (RERT) function, to procure out of market reserves activated during tight operational conditions. The rules set out how and when the RERT can be used by AEMO, including consultation requirements with affected jurisdictions. RERT is to be procured to the Value of Customer Reliability (VCR) which is set by the AER, and AEMO reports publicly when it exercises the RERT function.
- AEMO also produces the ISP, which is discussed further throughout this submission, in line with frameworks defined within the rules and various guidelines set by the AEMC and AER. AEMO's modelling must aim to achieve the security and reliability standards set under the rules and the government policies defined within the AEMC Target Statement. AEMO conducts an extensive consultation process in the development of the ISP. AEMO notes several other issues raised with respect to the ISP program are framework related and will generally need to be addressed in the codified framework within which AEMO operates. AEMO welcomes the work currently underway by the AEMC to review the ISP arrangements and framework which can improve accountability and oversight with structured opportunities for challenge and adjustment, thereby increasing stakeholder confidence in the inputs and outputs of AEMO's planning processes at a time of rapid transformation.

AEMO acknowledges it could enhance the way it explains its decisions and how, where discretion is available, it balances security, reliability, and customer value. AEMO committed to this following recent feedback as part of its annual stakeholder survey.

The Review seeks views on whether there should be separation of AEMO's system and market operation functions from its system planning functions. AEMO does not support the separation of the system planning function for several reasons:

- **Operability across multiple time horizons:** As market operator, AEMO's role is to manage system needs over multiple time frames, using signals to inform actions required over the short, medium and long term horizons. To avoid the potential for disjointed or inconsistent signals across these horizons and maintain consistency and confidence of the market, it is important for these activities to be carried out by one operator.
- **Integrated outputs:** By leveraging operational and system planning capabilities and insights across AEMO functions and activities, AEMO can credibly produce integrated outputs and reports, drawing on a full range of expertise, such as the Transition Plan for System Security (TPSS), Electricity and Gas Statements of Opportunities (ESOO and GSOO) and the ISP. The performance of system operation and system planning in one organisation allows for this to occur, and is more than a simple flow of data, but allows for iterative processes to produce operable outputs. This cannot be replicated through arms-length data sharing arrangements.

⁴ Including operators in UK (NESO), Ireland (Eirgrid), New Zealand (Transpower), Germany (BNetzA), and the United States (ISO-NE, ERCOT, MISO, CAISO).

- **Synergies across people, processes and systems:** AEMO has a strong reputation as independent operator and planner, attracting and growing deep technical market and engineering capabilities to support the needs of the energy transition. As a national operator, with functions across the western, eastern and southern states, AEMO is able to provide career opportunities and access insights and capabilities to support delivery of all its functions. Supporting our people in carrying out their activities, AEMO utilises a wide range of integrated systems, processes and tools to perform work across system and market operation and planning functions. Facilitating a holistic consideration of system-wide impacts allows for more expedient delivery of government direction and policy changes compared to doing so across a more fragmented number of bodies.
- **International experience:** As noted previously, consistent with international practice, AEMO's functions span system and market operation and system planning. In recent years there has been a significant, and continuing, transformation in the role of international system operators, with growing recognition of the need for a more integrated and strategic approach to supporting the energy transition with governments for consumers. Similar to the Australian experience, system operators in overseas markets have increasingly seen their roles evolve in response to government policy directions, with a particular trend towards greater consolidation of functions, recognising the benefits of a single independent operator and planning body to leverage synergies in the context of a fast-moving energy transition.

AEMO acknowledges the Review is also exploring the role AEMO plays in longer term investment markets. Many international markets, and the WEM, have established capacity mechanisms implemented by the system and market operator, with some (e.g. NESO or EirGrid) having complementary investment schemes administered by the operator to leverage synergies. In the NEM and WEM, AEMO currently procures system security and reliability services from suitable facilities both through market mechanisms and contract procurement processes.

AEMO performs its existing service procurement functions in accordance with requirements and standards established by or under the market rules, supported by internal governance structures and processes designed to ensure appropriate cross-functional input, management oversight, probity, and Board reporting and accountability. Concerns have been expressed in respect of perceived conflicts AEMO may have in being involved in running procurement due to its industry membership and broader obligations as system operator and planner. Any such perceived conflicts are managed through well-defined tender guidelines and selection criteria, the exclusion of any conflicted AEMO directors and personnel must exclude themselves from tender assessment and decision making and, for certain significant procurements, the appointment of a probity adviser to oversee the tender process. Appropriate regulatory frameworks for decision-making, accountability and assurance, together with other enhancements identified in this submission, will be particularly relevant when considering the enhanced gas functions and market-oriented nature of the NEM Review recommendations.

Since 2020, some Australian jurisdictions have sought to introduce mechanisms to encourage longer term investment, and have had to design them to work with the NEM energy only market. In partnership with NSW, AEMO established a subsidiary (ASL) to be the Consumer Trustee under the NSW Roadmap legislation. In this role, ASL is required to act in the long term financial interest of NSW electricity customers. ASL's establishment as an AEMO subsidiary enabled it to leverage AEMO's market operator, system planning, and corporate service functions, but with a specific focus and a need to build capability quickly for the tendering aspect of its Consumer Trustee functions. AEMO acknowledges the context in which these governance arrangements were put in place has evolved, and review is timely in the context of proposed reforms to the NEM wholesale market settings.

AEMO is committed to increasing stakeholder confidence in its decision making

AEMO takes seriously stakeholder concerns about potential conflicts of interest arising from its roles or governance, and about its fiscal and decision-making accountability. In terms of corporate governance, AEMO's Constitution ensures there is no inherent structural conflict between AEMO's performance of its

statutory functions and the interests of either industry or government members. It gives the Board exclusive responsibility for performing AEMO's statutory functions, meaning AEMO members cannot override the Board in relation to how AEMO conducts those functions. Equally, any directors' personal conflicts of interest are rigorously managed in accordance with AEMO's Directors' Interest Protocol and directors also have legal obligations under the Corporations Act to disclose material personal interests.

While the risk of actual conflicts is appropriately managed, AEMO is committed to minimising the risks of potential perceived conflicts of interest. AEMO's submission includes a number of specific proposals for consideration by the Review to provide effective assurance in the management of real and perceived conflicts, while avoiding the disbenefits of unnecessary role separation including transaction costs, duplication, and risks arising from different entities performing inherently interrelated system and market functions.

Non-structural changes to enhance AEMO governance

Taking into account the Review's objectives, AEMO considers that a fit-for-purpose governance model is one that achieves the following outcomes:

- AEMO is, and is seen to be, independent, transparent and accountable for fulfilling its responsibilities efficiently.
- AEMO's functions, relationships and accountabilities are clear and continue to work effectively within the existing energy market framework to support the effective performance of its roles.
- AEMO's governance structure enables and supports the effective delivery of all AEMO's functions on an ongoing basis, to ensure secure, reliable and affordable energy and enable the energy transition in the long-term interests of Australian energy consumers.

AEMO encourages the Review to consider the extent to which clarifications and enhancements to existing governance arrangements could improve these outcomes in a timely way, at lowest cost to consumers and least risk to the energy transition.

In our detailed submission, AEMO presents various measures including:

- Adjustments to the existing ECOMC governance framework oversight of AEMO including extended ECOMC reporting.
- Clarify AEMO's relationship with the industry by providing additional clarity within energy governance instruments and AEMO's Constitution around independence and prioritisation of a skills-based Board
- Enhancements to AEMO Board appointment processes.
- Greater use of panel and committee structures including appropriate external expertise for input to, and oversight of, key activities (e.g. similar to the investment committee structures deployed by other organisations or independent challenge panel structures being introduced by Ofgem in Great Britain).
- Further enhancements to financial oversight processes including the FCC, structured value for money assessments, extended cost forecasting and reporting on variance, and periodic or post-implementation reviews for critical deliverables (along the lines of the current ISP transparency reviews which the AER conducts under the rules at different stages of the ISP processes or checkpoints for investment processes).

Alternative corporate structures

AEMO is a company limited by guarantee incorporated under the *Corporations Act 2001* (Cth), a structure commonly used by not-for-profit entities, including some involving intergovernmental co-operation for nationally significant service delivery. Key features of a company limited by guarantee are:

- Members do not hold shares, so the company cannot be listed on a stock exchange and members cannot profit from selling shares or increase their interest by buying shares.
- Dividends are not distributed to members (unlike companies limited by shares).
- Members' liability is limited to the amount they guarantee to contribute if the company is wound up (under AEMO's Constitution, member's liability is limited to \$1).
- Directors are subject to the same legal duties and liabilities as directors of other public companies.

AEMO notes the discussion paper seeks feedback on potential changes to the statutory form of AEMO, including transitioning to a corporate Commonwealth entity or another type of independent statutory body such as a South Australian entity similar to the AEMC. To assist the Review, AEMO has included a comparative overview of the features of these options at Appendix A4 of the Submission. AEMO's detailed submission also considers what might be involved in structural change and whether additional benefits might be realised.

AEMO also notes that, if there are features or requirements within Public Governance and Performance Accountability legislation or statutory corporation structures that are deemed appropriate for AEMO, these could be incorporated into AEMO's Statement of Role or the energy laws that confer on AEMO its various functions without necessarily requiring corporate structural changes.

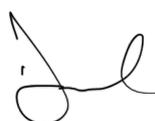
In summary, AEMO considers there are material opportunities to improve the effectiveness, clarity and transparency of the governance framework. However, it is equally important that options do not weaken market confidence in AEMO's independence or capability during the energy transition. We recognise the need for stakeholders to continue to have confidence in our processes and look forward to providing more clarity on those matters and engaging with the Review and other stakeholders on improvements to deliver greater transparency and strengthen existing arrangements.

Thank you for the opportunity to make this submission. AEMO looks forward to opportunities to improve governance outcomes providing benefits to energy consumers and increased stakeholder confidence and transparency. AEMO would be happy to provide more information to assist the Review or discuss any aspect of our submission. Please contact Violette Mouchaileh, Executive General Manager, Policy and Corporate Affairs at violette.mouchaileh@aemo.com.au with any questions or to arrange a meeting.

Yours sincerely,



Mary O'Kane
Chair



Daniel Westerman
Chief Executive Officer

Attachment – Detailed Submission to AEMO Governance Review discussion paper

Attachment – Submission to the AEMO Governance Review discussion paper

1 Overview

This is AEMO’s detailed submission to the discussion paper on the Review of AEMO governance, initiated by the Energy and Climate Change Ministerial Council (ECMC) under terms of reference (ToR) dated 4 February 2026.

In preparing this submission, AEMO has reflected on feedback received from a range of stakeholders in the course of performing our functions, and as part of themes emerging over previous reviews. We have taken the feedback themes into account in considering how aspects of our current governance arrangements are working in practice, and where we consider enhancements could be made. Suggestions for potential change are included in this submission, and AEMO would welcome the opportunity to engage further with the Review (and other government and industry stakeholders) on how these changes might address the Review objectives and impact the broader energy sector and consumers.

Submission structure

- Section 2 describes AEMO’s current functions and governance arrangements and how they fit within the broader context of Australia’s energy market framework and the energy transition
- Section 3 provides an overview of the key Review objectives and discussion of how AEMO has interpreted these in respect of carrying out its role
- Sections 4 to 6 discuss each of the core focus areas highlighted in the Review discussion paper, including discussion on the extent to which existing governance arrangements meet – or can be enhanced to better meet – the key Review objectives
- Section 7 provides some short closing remarks summarising the key themes of this submission
- Appendix A1 provides a list of frequently used abbreviations in this document, with links where relevant
- Appendix A2 presents a detailed summary of AEMO’s current organisational governance arrangements and the evolution of its functions
- Appendix A3 provides a consolidated table of measures identified as potential enhancements to AEMO’s existing governance arrangements
- Appendix A4 compares requirements applicable to entities subject to the Public Governance and Performance Accountability Act, South Australian statutory corporations (under the AEMC model) and AEMO’s current structure, in key areas of governance focus such as reporting, budgeting, management and independence.

2 AEMO and the energy landscape

This section presents AEMO's current functions and governance arrangements and how they fit within the broader context of Australia's energy market framework and the energy transition.

2.1 AEMO operates within a broader energy governance architecture

AEMO is the independent operator and planner of Australia's two major electricity systems, it operates the associated wholesale and retail markets and other east coast gas trading and retail markets, and it exercises gas supply adequacy information and management functions. AEMO's purpose is to ensure secure, reliable, and affordable energy and enable the energy transition in the long-term interests of consumers.

Australian governments have established a cooperative framework for energy market governance and regulation. AEMO's energy functions are conferred under a national legislative model - reflected in the [Australian Energy Market Agreement](#) (AEMA), and separate legislation for Western Australia's (WA) wholesale electricity market (WEM) and gas supply information (GSI) functions. AEMO and its subsidiary, AusEnergy Services Limited (ASL), also have roles under jurisdiction-specific instruments. AEMO conducts its functions having regard to the objectives and within principles and obligations codified in these energy laws and rules, under the ultimate policy direction of the [Energy and Climate Change Ministerial Council](#) (ECMC). Its structure and governance are intended to ensure day to day independence within the rules-based frameworks, with accountability to energy ministers collectively.

Energy market rule-making, standard-setting and regulatory functions are undertaken by separate market institutions:

- Under the national energy framework, the [Australian Energy Market Commission](#) (AEMC) is responsible for energy market development and rule-making, consistent with the ECMC's energy policy statements issued to the AEMC. The [Australian Energy Regulator](#) (AER) is the economic regulator and monitors and enforces compliance, and Energy Consumers Australia (ECA) is the independent national body promoting the interests of consumers. The National Electricity Law (NEL) also provides for an additional body – the [Reliability Panel](#). The Panel is established by the AEMC with representative membership as provided in the National Electricity Rules (NER) and has both advisory and decision-making functions in relation to standards and guidelines for the security and reliability of the NEM, within which AEMO must endeavour to operate the power system.
- In WA, energy market development and rule-making powers (including security and reliability standards) are retained within government, under processes overseen by the [Coordinator of Energy](#). WA's [Economic Regulation Authority](#) (ERA) is the economic and compliance regulator.

As the independent system and market operator, AEMO provides technical expertise to inform policy development and rule-making processes carried out by the ECMC, other energy market bodies or by individual governments. While AEMO contributes to the market development process in this way, it does not have policy-setting responsibilities.

AEMO is answerable to the regulators for compliance with its statutory obligations.

AEMO, the AEMC and the AER are members of the Energy Advisory Panel established by the ECMC in 2023.

AEMO has no ownership interest in energy infrastructure and operates on a not for profit, full cost recovery basis.

For more information on how AEMO performs its functions, see AEMO's latest [Strategic Corporate Plan](#), [Budget and Fees](#) and [Annual Report](#).

2.2 Current AEMO governance arrangements

The discussion paper includes an overview of AEMO's current governance arrangements. A more detailed summary is set out in Appendix A2, covering legal structure, membership, Board appointments and governance, accountability, reporting and oversight, financial management, and the ASL structure.

2.3 Evolution of AEMO's functions

2.3.1 The 2009 starting point

Energy Ministers agreed to consolidate the market and system operation and planning functions of five predecessor bodies¹ in 2009, implementing a major recommendation of a 2007 report to COAG by the Energy Reform Implementation Group².

The existing electricity market operator, NEMMCO, was the corporate vehicle used to establish the new AEMO. The main corporate structure changes at that time were to provide for 40% industry membership (previously NEMMCO only had government members)³, a more independent process in relation to Board appointments, and industry experience as a requirement for the Board.

2.3.2 Changing functions

At the time of AEMO's establishment, its functions were:

- Systems operation – NEM and the Victorian principal gas transmission system
- Market operation – wholesale and retail market for the NEM, Victorian wholesale gas market and retail gas markets for NSW/ACT, Queensland, SA and Victoria
- Planning information – independent expert information to help stakeholders identify efficient energy supply developments, initially the electricity and gas statements of opportunities and new 'national transmission planner' functions, including development of the national transmission network development plan (NTNDP).

AEMO had additional specific jurisdictional functions under the NEL – South Australian advisory functions previously undertaken by the Electricity Supply Industry Planning Council, and Victorian electricity transmission planning and procurement functions previously undertaken by VENCORP⁴.

Jurisdictions have conferred additional functions on AEMO over the years, including:

- WEM independent market operator and GSI functions (2015)
- Independent system operator for the WA south west interconnected system (SWIS) and WA gas retail market operator (2016)
- Independent market operator for the gas short term trading market (2010), gas supply hub (2014), and gas capacity trading and day ahead auctions (2019)

¹ NEMMCO, Victorian Energy Networks Corporation (VENCORP), Gas Market Company (GMCo), Retail Energy Market Company (REMCo), and Electricity Supply Industry Planning Council (ESIPC)

² Energy Reform The way forward for Australia: https://www.energy.gov.au/sites/default/files/energy-reform-way-forward-aust-final-report-exec-summary-2007_0.pdf

³ VENCORP and ESIPC were statutory corporations, REMCo and GMCo were industry-owned companies.

⁴ AEMO transferred these Victorian transmission functions to VicGrid, a new Victorian statutory business corporation, in 2025. AEMO continues to provide power system analysis support and services to VicGrid under Victoria's national electricity law application legislation.

- Functions to support the establishment and operation of renewable energy zones under NSW electricity infrastructure investment legislation (2020), including as Energy Security Target Monitor (AEMO has since resigned from that role) - with ASL established to carry out the separate role of Consumer Trustee
- East coast gas system reliability and supply adequacy functions (2023)
- Capacity investment scheme (CIS) administration (2023-24) - supported by ASL.

Since 2009, systems and markets have changed significantly. Electricity systems are no longer characterised by gradual demand growth with relatively stable centralised, large traditional supply sources, steady transmission investment and a relatively small number of long-term power system equipment providers. As a result, many of AEMO's initial core functions have also evolved through significant rule changes to keep pace with the changing energy landscape and policy direction.

AEMO's governance and corporate structure facilitate flexibility to evolve to meet changing requirements, whether this requires the *divestment of functions* (e.g. the transfer of the Victorian declared shared network functions to VicGrid in 2025), or scaling to enable the introduction of *new functions with critical deadlines* where required by the ECOM (e.g. implementation of new east coast gas system reliability and supply adequacy functions, which were delivered within 10 months from concept to go live), or implementing changes to existing market arrangements resulting from rule changes (e.g. refer to AEMO Integrated east coast Reform Roadmap ([AEMO | NEM Reform Program](#)) or implementation of new WA market which went live in 2024 and management of ongoing WEM reform – refer: [AEMO | WA Reform Program](#)).

AEMO is well positioned to adapt and evolve its functions as required, and has a strong change and delivery capability, including working with governments, market bodies, and industry to roll out changes. This flexibility is required whether AEMO is performing functions itself or supporting another party to do so.

2.4 AEMO and the energy transition

Consistent with many other countries around the world, Australia is undergoing a significant energy transition driven by the exit of aging generation fleets, the rapid development and uptake of new energy supply and energy-consuming technologies, the collective energy decisions of Australian energy consumers, and government policy to decarbonise the economy. The national electricity system and SWIS host increasing large-scale and distributed renewable generation capacity and storage, dramatically changing the role of traditional synchronous coal and gas generation in electricity supply. The transition has implications for maintaining system security and reliability across time horizons from real-time operations to long-term planning.

Regulatory reforms have already been introduced to facilitate the transition and respond to some of its operational challenges in the NEM and WEM. Reforms have focussed on system security issues to address technical system requirements such as frequency control, inertia and system strength. Renewable energy zone (REZ) planning arrangements are enabling the integration of storage systems and hybrid facilities to participate in the NEM and promoting more timely transmission investment. A major WEM reform in October 2023 supported investment in and integration of more renewables and storage into the SWIS.

The NEM will become increasingly dependent on the east coast gas system (ECGS), as gas-powered generation will be needed to back up variable renewable energy. The current reform environment for the ECGS focuses on enhancing supply adequacy, reliability, and market transparency. These reforms aim to maximise gas availability for peak demand periods and align the system with Australia's broader energy

transition goals. The role of the gas system in WA will similarly be vital to the energy transition. The WA Government has updated the domestic gas policy to encourage investment and firm up future gas supply⁵.

A transformation of this magnitude presents significant and complex challenges particularly around timely investment and infrastructure delivery, efficient market structures and effective governance frameworks to facilitate the necessary investment while maintaining appropriate regulation to encourage best practice. AEMO's 2024 Integrated System Plan (ISP) identified, to meet government policies as defined in the AEMC Target Statement, a further 20GW of generation and storage and 2,090 km of transmission is needed in the NEM this decade, and the 2025 WEM Electricity Statement of Opportunities (ESOO) identified a need for investment in 2,836 MW of new capacity by 2035⁶. Roles and risk profiles are changing across the energy sector, as well-established business models become less viable and new opportunities arise around energy market participation and new services. Consumers are driving many of these changes, with over 4.2 million households having invested in rooftop PV across the NEM and WEM and the growing adoption of other Consumer Energy Resources (CER) such as batteries and electric vehicles⁷.

Industry participants are highly aware of the opportunities and challenges posed by the energy transition and are seeking to secure financing, resources, and materials to commission much needed electricity infrastructure in a timely manner.

Given concerns around meeting investment needs, individual governments have stepped in through policies such as the Commonwealth's Capacity Investment Scheme (CIS)⁸, NSW's Electricity Infrastructure Roadmap reforms⁹ and SA's Firm Energy Reliability Mechanism¹⁰. Government intervention signals a view that existing market regulation could not deliver the levels of investment in the timeframes needed.

To secure the necessary investment on the scale required to navigate this transition, equity and debt markets must continue to have confidence in the transparency, independence and governance of Australian energy markets.

⁵ WA Government, [WA Domestic Gas Policy](#), September 2024.

⁶ With the SWIS Transmission Plan also setting out the significant investment in transmission infrastructure and renewable energy generation required to support the energy transition in WA.

⁷ Clean Energy Council Rooftop Solar and Storage Report, January-June 2025

⁸ The CIS aims to underwrite 32 GW of new capacity in the WEM and NEM by 2030, comprising 23 GW renewable and 9 GW clean dispatchable capacity.

⁹ Designed to deliver at least 12 GW of generation infrastructure, and 2 GW and 16 GWh of long duration storage infrastructure by the end of 2029.

¹⁰ Targeting 2.3 GW of long duration dispatchable capacity each year to 2030-31.

3 Key Review objectives

The ToR indicate that the Review will consider whether potential amendments to AEMO's existing governance arrangements are needed to:

- enhance transparency and accountability
- streamline processes and minimise duplication
- better reflect the current environment and practices.

AEMO understands these to be the primary objectives of the Review and that changes should be assessed on their ability to better achieve them – while ensuring that governance arrangements can support AEMO to remain **flexible and agile** to meet its evolving responsibilities.

AEMO has sought to apply each of these objectives to its activities and current governance frameworks. The rest of this section sets out how AEMO interprets the objectives in an outcomes-focused way, highlighting factors that may be useful for the Review's considerations.

3.1 Enhance transparency and accountability - objectives

Independent system and market operator

- AEMO is demonstrably independent in its system and market operator functions and system planning, while operating under codified legislative and regulatory instruments or agreements. Demonstrated independence, predictability and transparency help to maintain stakeholder confidence and achieve efficient cost outcomes in a capital-intensive energy transition. This is a fundamental priority shared by comparable market operators in other jurisdictions
- Clear and well-understood frameworks should be in place, and work in practice, to support the actual and perceived independence of Board and management decision-making in statutory and rules-based functions such as dispatch, settlements, system security, system planning and procurement/ investment-related functions
- Potential reforms which may reduce perceived independence or increase the risk of perceived bias or adverse influence should be avoided or minimised, e.g.:
 - Replacing or diluting codified decision frameworks, which balance policy objectives in an explicit form, with ad hoc direction rights, veto powers, etc.
 - Determination of planning or forecasting outcomes without published methodologies and assumptions.
 - Entities with commercial interests or exposures having decision or veto rights over operational, planning, forecasting, investment or market-administration functions.

Shared roles of Governments

- Governance frameworks should reflect that energy is a shared responsibility among governments (State, Territory and Federal) and that AEMO currently reports to the ECMC under intergovernmental arrangements. AEMO maintains a trusted working relationship with all governments in performing its functions.
- Reform options should avoid creating dual accountabilities for the same function without clear provisions to allow for conflict resolution, to minimise undue delay or influence in decision-making.

Transparency

- AEMO's governance framework (including corporate structure) is clearly and publicly articulated in up-to-date instruments (such as inter-governmental agreements, Ministerial statements, AEMO's Constitution, legislation) and is sufficiently robust and transparent to permit market participants and other stakeholders to assess AEMO's performance against its stated objectives and priorities. AEMO continually looks to uplift its transparency.

3.2 Streamline processes and minimise duplication - objectives

Effectiveness

- AEMO's governance framework (including corporate structure) is effective in ensuring AEMO's accountability for performing statutory roles and functions, achievement of its objectives, its performance against agreed performance indicators and its regulatory compliance.

Responsibility without appropriate decision rights

- AEMO's Board provides appropriate and effective oversight and management of decision-making in the exercise of powers and performance of functions conferred on AEMO and any subsidiaries of AEMO. In relation to subsidiaries, there should be absolute clarity on decision rights between the parent and subsidiary on appointment processes and matters that impact AEMO, including assurance of performance, legal compliance, governance integrity, solvency and risk management. The Review may also wish to consider the extent to which government objectives are best met through regulation or instruments of direction.

Clarity of legal and institutional arrangements

- AEMO's governance frameworks operate effectively within existing legal and institutional arrangements including the complementary roles of other market bodies which also have reporting relationships with the ECMC
- Reform options need to avoid creating legal exposure incompatible with AEMO's corporate form and statutory roles. For instance:
 - Informal influence may create reputational and legal risk, including potential liability for AEMO directors who are responsible under the AEMO Constitution for ensuring AEMO carries out its statutory functions in compliance with the relevant laws and rules and having regard to the relevant market objective
 - Statutory liability limitations apply to AEMO consistent with its role and status as an independent not-for-profit market and system operator under the NEL, National Gas Law (NGL) and WA legislation
 - AEMO's corporate form, cost recovery mechanisms and statutory duties all have implications for its capacity to '[receive and respond] to instructions/directions from Energy Ministers to meet their expectations' in a way that is compatible with the Board's responsibilities and duties.
- AEMO should not be assigned functions (or left with residual functions), without clear statutory authority and appropriate resourcing.

3.3 Better reflect the current environment and practices - objectives

Agility in the energy transition

- AEMO continues to meet *existing* system planning and market and system operator responsibilities as they become more challenging during an historically significant energy transition, including ensuring the integrity of the ISP, timely and robust connection assessments, maintaining essential system services and cybersecurity

- AEMO's governance and corporate structure facilitate ongoing flexibility to meet changing requirements, whether this requires the *divestment of functions* or scaling to enable the introduction of *new functions with critical deadlines* where required by the ECMC.

Ability to secure required resources

- AEMO must be able to continue to retain and attract the right talent in a globally competitive energy sector. While the Board remains accountable for efficient staffing expenditure, it is also important that AEMO's employee value proposition is competitive to secure required skills.
This recognises the 'value for money' outcomes at stake for consumers through the efficient operation and planning of the energy system and market.

Sections 4 to 6 discuss each of the core focus areas highlighted in the Review discussion paper – the governance framework, membership structure and Board appointments, and budgeting and responsiveness. Those sections include AEMO's perspective on the extent to which existing governance arrangements meet – or can be enhanced to better meet – the key Review objectives discussed in this section.

4 Governance framework

AEMO notes the consultation questions in the discussion paper set out a range of potential options for consideration in relation to AEMO's corporate structure or functional separation.

This section provides discussion regarding these arrangements and also highlights measures that may be considered as potential enhancements to existing frameworks.

4.1 AEMO functional synergies

The Review seeks feedback on separating functions from AEMO including separation of system and market operation functions from its system planning function.

In any consideration of possible functional separation, retaining the ability to efficiently manage security and reliability through the energy transition and for the future must be paramount. As described in section 2.4, the transition is fast-paced, with interdependencies across the sector and the wider economy. AEMO has a whole-of-system perspective and culture, providing synergies across people, systems and expertise that are necessary to address and solve system needs, considering the technical and market impacts of changing energy use and technologies.

AEMO acknowledges stakeholder feedback expressed about the potential for AEMO to assess system needs in a way that prioritises security and reliability over consumer value. AEMO notes there is a need to balance these in the performance of its functions. There are several ways in which the regulatory architecture, discussed above, addresses this. The regulatory frameworks set the guiderails in which AEMO is to operate, often with limited discretion. AEMO is to perform its functions within the security and reliability standards determined by the AEMC or Reliability Panel and codified in the regulatory framework. In addition, there are internal structures, processes and procedures, transparency of decision making and outcomes, and external checks, which together play an important role in providing the appropriate oversight. For example:

- In the NEM, AEMO has a Reliability and Emergency Reserve Trader (RERT) function, to procure out of market reserves activated during tight operational conditions. The rules set out how and when the RERT can be used by AEMO, including consultation requirements with affected jurisdictions. RERT is to be procured to the Value of Customer Reliability (VCR) which is set by the AER, and AEMO reports publicly when it exercises the RERT function.
- AEMO also produces the ISP, which is discussed further throughout this submission, in line with frameworks defined within the rules and various guidelines set by the AEMC and AER. AEMO's modelling must aim to achieve the security and reliability standards set under the rules and the government policies defined within the AEMC Target Statement. AEMO conducts an extensive consultation process in the development of the ISP. AEMO notes several other issues raised with respect to the ISP program are framework related and will generally need to be addressed in the codified framework within which AEMO operates. AEMO welcomes the work currently underway by the AEMC to review the ISP arrangements and framework which can improve accountability and oversight with structured opportunities for challenge and adjustment, thereby increasing stakeholder confidence in the inputs and outputs of AEMO's planning processes at a time of rapid transformation.

AEMO acknowledges it could enhance the way it explains its decisions and how, where discretion is available, it balances security, reliability, and customer value. AEMO committed to this following recent feedback as part of its annual stakeholder survey.

4.1.1 Integrated system and market operation and strategic planning

AEMO considers that maintaining strategic planning functions within the remit of an independent system and market operator under an appropriate rules-based framework is necessary to support:

- The provision of credible independent technical expert advice into government policy-making and AEMC rule-making processes to enable alignment with operational realities essential for a well-functioning energy system
- High quality, trusted gas and electricity forecasting and planning reports to support efficient, informed and timely commercial decisions in operational timescales, and investment decisions for the long term
- More expedient delivery of changes compared with a more fragmented structure across multiple bodies with separate, narrower perspectives.

The complexities of integrating renewable and consumer energy resources, managing grid stability, and adapting to new technologies are not unique to Australia, although the characteristics of Australia's networks and supply mix mean that some challenges have been experienced earlier. In recent years there has been a significant, and continuing, transformation in the role of system operators internationally, with growing recognition of the need for a more integrated and strategic approach to supporting the energy transition with governments for consumers. As energy systems become more complex and the pace of technological change accelerates, system operators are uniquely positioned to provide the technical expertise and insights needed to inform effective energy policy, market design and the integration of innovative solutions for grid stability and renewable energy integration.

Insights from international comparative analysis demonstrate general trends towards evolving the system operator role from real-time and near-term management to encompass strategic planning and whole-of-system coordination across electricity, gas, and emerging technologies; more government direction and oversight; and consolidation of institutions or their responsibilities. For context, of the nine peer system operators that AEMO has reviewed,¹¹ all have long term system and transmission planning activities integrated with their system operator and transmission system operator functions.

AEMO considers there are clear benefits of integrating planning with system and market operation function, consistent with the drivers for greater consolidation of these functions among international peer operators:

- Operability across multiple time horizons: As market operator, AEMO's role is to manage system needs over multiple time frames, using signals to inform actions required over the short, medium and long term horizons. To avoid the potential for disjointed or inconsistent signals across these horizons and maintain consistency and confidence of the market, it is important for these activities to be carried out by one operator
- Integrated outputs: By leveraging operational and system planning capabilities and insights across AEMO functions and activities, AEMO can draw on a full range of expertise to produce credible, integrated outputs and reports, such as the Transition Plan for System Security (TPSS), Electricity and Gas Statements of Opportunities (ESOO and GSOO) and the Integrated System Plan (ISP). Combining system operation and system planning in one organisation allows for multidisciplinary, iterative processes to produce operable outputs that cannot be replicated through arms-length data sharing arrangements between separate bodies
- Synergies across people, processes and systems: AEMO has a strong reputation as independent operator and planner, attracting and growing deep technical market and engineering capabilities to

¹¹ This includes operators in UK (NESO), Ireland (Eirgrid), New Zealand (Transpower), Germany (BNetzA), and the United States (ISO-NE, ERCOT, MISO, CAISO).

support the needs of the energy transition. As a national operator, with functions across the western, eastern and southern states, AEMO is able to access insights and capabilities to support delivery of all its functions. AEMO utilises a wide range of integrated systems, processes and tools to support its people in their work across its system and market operation and planning functions. Facilitating a holistic consideration of system-wide impacts allows for more expedient delivery of government direction and policy changes compared to doing so across a more fragmented number of bodies.

While there do not appear to be net benefits in the structural separation of system planning, AEMO notes there are further opportunities to refine (and regularly review) the codified framework governing AEMO's planning functions so its outputs remain fit for purpose – particularly the ISP. AEMO welcomes the work currently underway by the AEMC to review the ISP arrangements and framework which can improve accountability and oversight with opportunities for challenge and adjustment, thereby increasing stakeholder confidence in the inputs and outputs of AEMO's planning processes at a time of rapid transformation.

This is further discussed in section 4.3.

4.1.2 Long term investment markets

AEMO acknowledges the Review is exploring the role AEMO plays in longer term investment markets. Many international markets, and the WEM, have established capacity mechanisms implemented by the system and market operator, with some (e.g. NESO or EirGrid) having complementary investment schemes administered by the operator to leverage synergies. In the NEM and WEM, AEMO currently procures system security and reliability services from suitable facilities both through market mechanisms¹² and contract procurement processes¹³.

AEMO performs its existing service procurement functions in accordance with requirements and standards established by or under the market rules, supported by internal governance structures and processes designed to ensure appropriate cross-functional input, management oversight, probity, and Board reporting and accountability. Concerns have been expressed in respect of perceived conflicts AEMO may have in being involved in running procurement due to its industry membership and broader obligations as system operator and planner. Any such perceived conflicts are managed through well-defined tender guidelines and selection criteria, the exclusion of any conflicted AEMO directors and personnel must exclude themselves from tender assessment and decision making and, for certain significant procurements, the appointment of a probity adviser to oversee the tender process. Appropriate regulatory frameworks for decision-making, accountability and assurance, together with other enhancements identified in this submission, will be particularly relevant when considering the enhanced gas functions and market-oriented nature of the NEM Review recommendations.

Australian jurisdictions seeking to introduce mechanisms to encourage longer term investment have had to design them to work with the NEM energy only market. AEMO's subsidiary ASL was initially established in partnership with the NSW government to act as the consumer trustee for the NSW Electricity Infrastructure Roadmap, performing that function in the long-term financial interests of NSW electricity customers. ASL's establishment as an AEMO subsidiary enabled it to leverage AEMO's market operator, system planning, and corporate service functions, but with a specific focus and a need to build capability quickly for the tendering aspect of its consumer trustee functions. Reflecting its original purpose and needs, ASL has different

¹² For example: frequency control ancillary services.

¹³ For example: system restart services, reliability reserves and other essential system security services where relevant conditions are met.

membership and a different Board appointment process to AEMO. It is now also the scheme administrator for SA's Firm Energy Reliability Mechanism and supports AEMO in its CIS functions.

AEMO acknowledges the context in which these governance arrangements were put in place has evolved, and it is timely to review them in conjunction with the design of effective governance for the administration of the proposed Electricity Services Entry Mechanism. AEMO looks forward to working with jurisdictions and other stakeholders on developing fit-for purpose options for the long term.

4.2 Improving role governance within AEMO structures – ISP focus

Where functional separation is unlikely to deliver net benefits but perceptions of role conflicts remain, there is merit in exploring how the potential for any conflict could be addressed by improving formal role governance, including clear lines of accountability and practical transparency initiatives. This section illustrates potential improvements in the context of AEMO's ISP.

The ISP framework in the NER replaced the previous national transmission network development plan in 2018, implementing a key recommendation of the 2017 Finkel Review. Since then, several reforms have changed the ISP's inputs, scope, purpose and governance, including the introduction of 'actionable' ISP projects¹⁴, alignment with other planning and regulatory investment processes, introduction of the ISP consumer panel¹⁵, enhanced consideration of gas and consumer energy resources, and requirements to account for jurisdictional emissions reduction policies.

ISP development is a multi-stage, extensively consulted process over the two years between each final ISP. Under the NER, it involves a wide range of prescribed and discretionary inputs and considerations, with all inputs, assumptions and scenarios consulted on and then reviewed by the AER for transparency¹⁶. The ISP must identify efficient pathways to deliver all government policies set out in the AEMC's Target Statement and achieve power system security and reliability needs (as set in the rules or Reliability Panel standards). In doing so, AEMO must apply all NER requirements and the forecasting and cost benefit analysis guidelines maintained by the AER.

AEMO has sought to adopt a continuous improvement approach to the process of developing the ISP, responding to stakeholder feedback and developments in AEMO's modelling and scenario planning capabilities. In developing the 2026 ISP, AEMO is implementing process enhancements resulting from the ECMC's ISP review finalised in 2024, in addition to new rule requirements. AEMO's [2026 Draft ISP](#)¹⁷ lists how each action is being implemented. In terms of transparency and accessibility, this includes the publication of a June 2025 [guideline](#) on jurisdictional policy inclusions, and the release in July 2025 of an [ISP toolkit](#) to help consumers and community advocates understand more about the ISP and how they can contribute to its development.

In December 2025, the AEMC initiated its mandated [review of the ISP](#) alongside its consideration of a [rule change proposal](#) to modify how jurisdictional policies are accounted for in the ISP. The AEMC's review and associated rule change proposal provide a timely opportunity for comprehensive investigation of how the ISP governance is working, and to identify further potential reforms to enhance its capability and responsiveness to deliver fit-for-purpose outcomes for the energy transition. This may include, for example, the development of more structured processes by which assumptions, inputs or outputs can be challenged and adjusted in a timely way as the energy environment and outlook evolves, with appropriate levels of scrutiny and consultation in a framework that considers both investment certainty and long term consumer benefit.

¹⁴ These are projects identified, following extensive modelling and consultation, as critical transmission developments.

¹⁵ The role of the ISP Consumer Panel is to bring a consumer-focused perspective to the ISP development process. AEMO engages with the ISP Consumer Panel on a continuous and ongoing basis, seeking advice and input on matters of both substance and process.

¹⁶ The draft ISP also undergoes equivalent consultation processes and a transparency review.

¹⁷ AEMO, Draft 2026 Integrated System Plan for the National Electricity Market, p. 108, table 13.

Further, consideration could be given to creating clear lines of accountability or oversight for strategic planning decisions around the ISP, recognising the inherent uncertainty involved in the energy transition and potential divergence in government policy directions. The model set out for Britain's Strategic Spatial Energy Plan (SSEP)¹⁸ may be a useful example. This model requires the National Energy System Operator (NESO) to implement a governance structure that includes a number of targeted advisory groups including government and regulator representation, engagement with experts and other stakeholders, and review of pathway options by an SSEP committee (governments and the regulator, Ofgem). The development process incorporates 'stage-gate decision points', including approval by the UK Energy Secretary and Ofgem of NESO's SSEP methodology, and a decision by the UK Energy Secretary on the single pathway option used to produce the final SSEP, subject to environmental assessment. Overall, the governance structures are intended to "ensure accountability and that the SSEP is underpinned by a clear, democratic mandate while fully respecting NESO's operational independence."¹⁹

4.3 Non-structural changes to enhance AEMO governance

AEMO has examined the existing arrangements and identified a range of measures that may assist in better meeting the Review objectives (set out in section 3) without a new corporate structure. In identifying these measures, AEMO has reflected on what we have heard as areas of concern from stakeholders via this Review as well as more broadly through feedback received through AEMO's own engagement and consultation processes.

Such measures would have the benefit of being faster and less challenging to implement (for AEMO, governments and other stakeholders) than a change in corporate form, acknowledging that some measures would take more resourcing, time and safeguards to implement and manage the risks of disruption than others. In general, delivery of non-structural measures is likely to involve significantly less disruption and potential impact on other transition reform priorities.

AEMO discusses a range of potential non-structural measures in the following sections relating to both 'Membership structure and Board of directors' (Section 5) and 'Budgeting and implications for AEMO's responsiveness to governments' (Section 6). AEMO welcomes consideration of other enhancement measures that may also be identified via the Review process.

A consolidated table of these potential measures is set out in Appendix A3.

4.4 Consideration of alternative corporate structures

The ToR directs the Review to consider AEMO's membership and corporate structure, and specifically whether its governing legislative framework should be provided by:

- Corporations law (*Corporations Act 2001* (Cth))
- the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act), or
- a new statutory establishment under the South Australian (SA) Parliament.

AEMO notes membership structural changes can be considered separately to corporate structures.

As AEMO is currently a Corporations Act company, we understand this broadly represents the status quo. Within that model, as indicated in this submission, there is also potential to formalise additional governance measures to achieve similar additional checks and controls to those applicable to a PGPA Act entity, if considered appropriate for AEMO and its role.

¹⁸ UK government [Commission to NESO for the Strategic Spatial Energy Plan](#), endorsed by the Scottish and Welsh governments.

¹⁹ Department for Energy Security & Net Zero, Strategic Spatial Energy Plan: Commission to the National Energy System Operator, p.11

This section focuses on discussion of the alternative corporate structures of a PGPA Act entity or an SA statutory corporation, comparing them with the status quo, highlighting any governance differences that could feasibly be applied to AEMO without changing its structure, and identifying differences that seem inappropriate for AEMO as an independent market and system operator within the current energy framework.

4.4.1 What's involved in structural change

AEMO understands there are (broadly speaking) three possible alternative corporate structures under consideration by the Review:

1. Change the membership of AEMO so that it becomes a Commonwealth company (CC) under the PGPA Act by virtue of Commonwealth control (either majority or wholly-owned). This would require the resignation of state and territory members, as a minimum. Removing industry membership would require either 75% approval of members, and also 75% approval of industry members, or legislation to override those requirements under the Corporations Act
2. Transfer AEMO's functions, people, assets and liabilities to a corporate Commonwealth entity (CCE) subject to the PGPA Act. We understand this would require Commonwealth legislation to establish a new operator entity and to effect the transfer, as well as amendments to the existing national energy legislation and other governing instruments, including the AEMA
3. Transfer AEMO's functions, people, assets and liabilities to a statutory corporation established under a new South Australian Act. AEMO understands this would be a model similar to the AEMC's, with effective direction, accountability and reporting under ECMC processes rather than South Australian public sector legislation. Similarly, this would require legislation to effect the transfer and changes to the national energy legislation and governing instruments.

AEMO welcomes the Review's close consideration of the relative benefits and risks of any new entity structure. AEMO welcomes the Review's close consideration of the relative benefits and risks of any new entity structure, while noting that the transfer of some or all of AEMO's functions to a new corporate entity would be a very significant exercise, with considerable risk of disruption to the energy transition even with careful management.

The table in Appendix A4 provides AEMO's understanding of the key governance features of a CC, CCE or SA statutory corporation, compared with AEMO's existing governance framework.

Based on AEMO's analysis - other than the question of membership itself - most significant public governance-type requirements appropriate for AEMO appear to correspond with broadly equivalent measures already applicable under the Corporations Act or within energy market governance arrangements.

On the question of AEMO's capacity to protect and share information with governments, highlighted in the discussion paper, it is worth noting that recent legislative amendments to both the NEL and NGL have given AEMO the ability to disclose confidential information to Energy Ministers and departments where appropriate²⁰. AEMO would be happy to discuss any specific concerns about national security risks with the relevant agencies.

If the Review concludes that additional requirements drawn from public sector legislation should apply to AEMO, there would be merit in considering the extent to which equivalent benefits could be achieved by enhancements within AEMO's existing governance structure, including national energy legislation and governance instruments.

²⁰ NEL section 54C(2), NGL section 91GC(2).

5 Membership structure and Board of directors

AEMO notes the issues raised in the discussion paper in relation to its membership structure and Board, in particular relating to the potential for actual or perceived conflicts of interest.

A summary of AEMO's existing governance frameworks is set out in Appendix A2, covering details relating to membership, Board appointments and governance and accountability.

The management of perceived conflicts is paramount for AEMO in the performance of its functions.. AEMO recognises the importance of demonstrating its independence to maintain market confidence, build trust and effective social licence. There are three key dimensions to the management of potential role conflicts and individual decision-making (separate to organisational structure considerations).

- AEMO's role requires it to make decisions that balance potentially competing objectives or considerations. These are typically made within parameters, principles or priorities set externally in codified energy laws and rules or documented in procedures. The legislated energy objectives provide independent guidance and accountability, with transparency through consultation for significant changes
- In terms of corporate governance, AEMO's constitution ensures there is no inherent structural conflict between AEMO's performance of its statutory functions and the interests of either industry or government members. Article 8.3 gives the Board exclusive responsibility for discharging AEMO's statutory functions, meaning AEMO members cannot override the Board in relation to how AEMO conducts those functions
- Equally, any directors' personal conflicts of interest are rigorously managed in accordance with AEMO's Directors' Interest Protocol and directors have legal obligations under the Corporations Act to disclose material personal interests.

While the risk of actual conflicts is appropriately managed, AEMO is committed to minimising the risks of potential perceived conflicts of interest.

The rest of this section discusses a range of potential non-structural improvement measures that the Review may wish to consider in addressing issues identified in the discussion paper in respect of AEMO's membership structure and Board appointment processes.

These measures are likely to provide effective assurance in the management of perceived conflicts, while avoiding the dis-benefit of unnecessary role separation including transaction costs, duplication, and risks arising from different entities performing inherently interrelated system and market functions.

5.1 ECMC governance of AEMO

As discussed in section 2 and Appendix A2, AEMO conducts its functions within the objectives, principles and obligations codified in the energy laws and rules, under the ultimate policy direction of the ECMC. This combination of requirements is intended to enable AEMO to manage and resolve conflicting considerations and objectives that will inevitably arise in the course of carrying out its functions.

An option available to the Review would be to consider refinements to the existing ECMC governance framework, particularly to address perceived concerns relating to accountability. The key elements could include:

- **Reissue the AEMO Statement of Role and ECMC Strategic Energy Plan** to address outdated elements. Where appropriate, this could include aspects of any PGPA Act requirements that are not considered adequately covered within the existing governance framework
- **Introduce documented ECMC feedback to AEMO** on its regular performance reports submitted under the Statement of Role
- **Uplift the visibility of the governance framework** on the ECMC and AEMO websites and in AEMO's public reporting, for example by:
 - elevating the focus and discussion of ECMC priorities in AEMO's Statement of Corporate Intent (Strategic Corporate Plan)
 - AEMO's Annual Report addressing ECMC feedback on performance, in addition to broader stakeholder satisfaction.
- **Formalise input to AEMO's draft Statements of Corporate Intent from ECMC**
- Further improve clarity of the energy market governance framework within which AEMO operates, such as:
 - **Update the AEMA** which addresses the respective roles of governments, and the independent operation of AEMO
 - **Update the AEMO Board appointment process** (discussed below).

Updating and strengthening these frameworks can enhance accountability by providing for clear and transparent direction to AEMO in relation to the appropriate balance of matters relating to public interest objectives, industry objectives and national security concerns (identified as a priority consideration in the Review discussion paper).

5.2 Clarify AEMO's relationship with the energy industry

AEMO notes the concerns raised by some stakeholders in relation to the potential for industry influence as it undertakes its functions – either through AEMO's corporate form and membership, or its Board structure which can include a minority of 'non-independent' Directors, including with concurrent industry roles.

AEMO understands these concerns focus on the perception or potential for conflict. AEMO is not aware of instances of actual unmanaged conflicts or evidence of undue influence from a particular industry participant or sector. The detailed description of AEMO governance arrangements in Appendix A2 may clarify some misconceptions about industry membership, director appointments, Board governance and AEMO's framework for managing directors' personal conflicts. However, AEMO recognises there is value in making these arrangements more accessible and considering appropriate enhancements to increase stakeholder confidence in AEMO's independence and capacity to meet current and evolving functions. In that context, AEMO has identified some potential changes for the Review's consideration:

- **Explicit AEMO Board management responsibility in primary legislation.** Energy legislation (e.g. the NEL and NGL) could be amended to explicitly state that the AEMO Board is responsible for decision making in relation to its statutory functions, to the exclusion of members, along the lines of the current article 8.3 of the AEMO Constitution. The primary benefit would be increased transparency and confidence that this is an enduring principle, helping to correct perceptions of any undue influence by AEMO's members.
- **Clarify AEMO's Constitution to confirm it provides for a skills-based Board.** AEMO notes the misconception that it has 'industry' directors who are in some way 'nominees' or represent the interests of industry members. Rather, relevant energy industry experience is part of the mix of skills and experience

required for the AEMO Board as a whole and can be provided by directors who may or may not be 'independent' (noting that a majority of the Board must be independent). The existing definition of independence in part 1 of schedule 2 of the Constitution focusses heavily on the relationship of a potential director to AEMO or an AEMO member. Part 2 of schedule 2, dealing with skills and experience, could appropriately be reviewed given the changing nature of the energy ecosystem and AEMO's evolving role. An updated Constitution may help to reduce perceptions of inherent conflict in AEMO's Board and membership structure, while clarifying the appropriate expertise needed at the Board level.

- **Highlight and enhance ability to establish committee or advisory panel structures.** The governance model for the National Energy System Operator (NESO) in Great Britain may provide a useful example for how new committee structures could be introduced to meet evolving needs. As discussed in section 4.2, this model requires NESO to implement a governance structure that includes a number of targeted advisory groups including government and regulator representation, engagement with experts and other stakeholders. Similar practices have been adopted for the Capacity Investment Scheme (CIS) Investment Committee. There may be circumstances where it would be appropriate for decisions or oversight to be delegated to a committee and external expertise and assurance can be brought in to augment skill sets in the right areas, without wholesale change and without undermining, or potentially conflicting with, the role of the Board.

5.3 Clarify and streamline AEMO Board appointments

AEMO notes the process for appointing AEMO directors has received criticism from stakeholders in relation to limited transparency, complexity and delays. Appendix A2 provides detail on the process for Board appointments, which is subject to an ECMC protocol and independent selection panel process covering all the energy market institutions.

AEMO has received anecdotal feedback that some candidates are deterred from applying to director roles due to a lack of confidentiality in the lengthy process. Separately, stakeholder feedback to the Senate Select Committee Inquiry²¹ indicated that AEMO members reviewing proposed Board nominations were regarded as a 'rubber stamp'. AEMO supports the Review's examination of existing appointment processes to consider where changes might help to streamline processes and support bringing a broad range of relevant skill-based talent to the table.

AEMO has identified potential measures to support a simplified Board appointment process for consideration by the Review:

- **Target timeframes** for each stage in the Board appointment process to avoid undue delays. While timeframes are set out in existing Protocols, there may be value in strengthening their application and making them transparent
- **Streamlining the independent market body selection panel process** with the AEMO Board nomination process to minimise duplication and the experience of 'three selection processes' for candidates (i.e. AEMO nominations committee, Independent Selection Panel, ECMC)
- **Streamlining Member consultation on the independent selection panel's report**, recognising Energy Ministers are the ultimate decision-makers and preserving greater confidentiality for candidates.

²¹ The 2024 Senate Select Committee Inquiry on Energy Planning and Regulation in Australia.

6 Budgeting and implications for AEMO's responsiveness to governments

AEMO notes the Review is considering AEMO's budget setting and oversight and acknowledges it is appropriate to consider whether there is sufficient transparency and accountability in current processes as AEMO's role continues to evolve, particularly given the importance of maintaining effective checks and balances on costs ultimately passed through to consumers.

In its discussion paper, the Review notes the increase in AEMO budget costs over the past five years. AEMO's cost increases over this period reflect both new responsibilities and increasing complexity in operating existing functions, as well as implementation of a broad range of market reform initiatives tasked by government and policy makers.²²

AEMO's budget and fees reflect the costs associated with the functions and services it provides for each of the segments in which it operates. AEMO appreciates this is an area where stakeholders have raised concerns and recognises it is accountable to its stakeholders for the responsible and efficient use of resources. AEMO has sought to elevate the transparency and engagement relating to its decision making and budget setting, cost drivers and consultation processes in response to feedback.

AEMO recognises that further enhancements can be made to continue building stakeholder confidence in AEMO's financial governance arrangements as they mature further, and the value that additional transparency, robustness and accountability can bring to those arrangements. This section discusses these opportunities.

6.1 Current financial governance

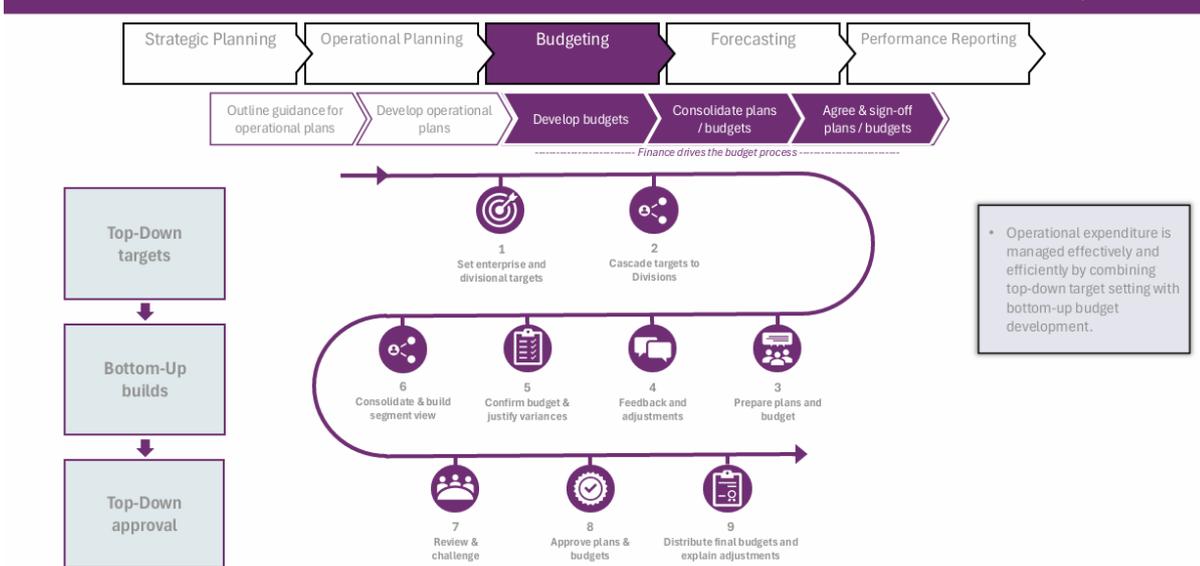
The AEMO budget and fees are set reflecting AEMO's Corporate Plan (i.e. the Statement of Corporate Intent contemplated under the AEMO Statement of Role). AEMO annually reviews its Corporate Plan priorities and initiatives in line with legislative requirements, to implement any policy or regulatory change, and uplift our ways of working. AEMO consults on its Corporate Plan annually, alongside its budget and fees.

AEMO's fees are primarily recovered from market participants in line with fee methodologies determined in accordance with the relevant market rules. Every 5 years AEMO reviews and determines, following extensive consultation, the fee methodology that apply to the NEM markets it operates. Every 3 years AEMO also does this for the gas markets it operates. Some market services are directly funded – in general, specific requests from government and connection processes.

AEMO's Board oversees and determines AEMO's budgeted requirements and fee setting for its functions in accordance with statutory requirements and with the national energy objectives paramount. There are extensive internal processes that govern the development of AEMO budget and fees, as outlined in the diagram below.

²² See: [AEMO | NEM Reform Implementation Roadmap](#) and [AEMO | WEM Implementation Roadmap](#).

Budget Process | Hybrid Top-Down, Bottom-Up



AEMO also has investment governance practices, supported by an Enterprise Portfolio Office (EPO), which evaluates and assesses proposed AEMO investments prior to consideration by AEMO Board. Part of the EPO’s practices includes the setting up of program governance and performance reporting, external assurances, and post implementation reviews. For significant sized programs, AEMO has adopted the practice of bringing in an independent advisor that provides independent reporting directly to the CEO or AEMO Board.

AEMO consults publicly on draft budgets and fees, in addition to seeking input from its Financial Consultation Committee (FCC) (see below), consumer information presentations and engagement with relevant regulators.

As part of its practices, AEMO has also undertaken high level comparative analysis with the costs of its global peers²³. This helps inform AEMO management and Board processes. AEMO has also shared these comparisons externally (the extended pack can be found here [fcc-meeting-1-agenda.pdf](#)). AEMO is committed to regular benchmarking as one tool among others to inform its practices.

In addition to public consultation on AEMO’s Strategic Corporate Plan and budget and fees, in 2021, AEMO established the FCC comprising a breadth of stakeholders including government, industry and consumer representatives, to provide greater transparency of, and feedback and input on, AEMO’s budget planning, investment, management and cost recoveries.²⁴

The FCC’s primary purpose is to:

- assure stakeholders of AEMO’s balance sheet health and provide financial transparency
- build stakeholder confidence in AEMO’s financial management and commitment to being cost-effective
- build stakeholders’ confidence that AEMO is maturing its financial management, governance, accountability and transparency
- grow stakeholders’ understanding of the budget and fee impacts of AEMO’s evolving roles and responsibilities.

²³ See information shared with the FCC in November 2025 regarding international peer comparisons here: [fcc-meeting-1-agenda.pdf](#)

²⁴ AEMO shares detailed information with the FCC relating to its budget setting processes and cost drivers. More information about the FCC, including materials and minutes from FCC meetings can be found here: [AEMO | Financial Consultation Committee](#)

In WA, the Economic Regulation Authority (ERA) determines AEMO's allowable revenue and forecast capital expenditure for AEMO's WEM and GSI functions. Until 2025, this was undertaken on a three-yearly basis, with provision for AEMO to submit in-period funding requests to facilitate recovery of costs that were not anticipated, uncertain, or previously rejected for the current regulatory period. This process is currently under review.

Following feedback from stakeholders, AEMO uplifted its engagement and transparency practices relating to policy and reform change implementation. The following is now in place:

- In 2021, AEMO commenced a process where it shared cost estimates for changes being considered by government policy and AEMC rule changes. This was to ensure AEMO costs were taken into account in decision making. These are publicly available in AEMO submissions
- AEMO introduced a Reform Delivery Committee to assist with sequencing and delivery of reform changes. This is supported by a Strategic Regulatory Implementation Roadmap and supporting artifacts that transparently outline the sequencing of reform implementation
- AEMO engages on business cases for major investments and publishes status updates on investments including tracking to costs estimates, and lessons learnt from reform processes.

Similar structures have also been introduced in Western Australia.

Consistent with other Review objectives, AEMO has sought to identify enhancements that could be made within existing frameworks, which are set out below for consideration. AEMO cautions that any additional measures will have cost implications, some potentially requiring significant investment in finance and reporting systems and processes. The costs and expected net benefits of each measure require analysis to ensure that energy consumers see real benefits over time. It is appropriate for the Review to consider the need for enhanced oversight, balanced with the need to ensure that any revenue approval processes do not become a quasi-cost benefit assessment on government policy that AEMO has been tasked with delivering (whether by legislative change, ECOM or AEMC rule changes, or ECOM / Ministerial requests), and that the costs of such processes do not outweigh the benefits.

6.2 Improved assurance of AEMO cost efficiency

The following measures have been identified as options to support enhanced transparency and assurance of AEMO's budget setting processes, within existing governance settings.

- **More structured self-assessment to ECOM** against a consistent scale (Exceeded / Met / Below) for its agreed performance measures²⁵
- **Uplift the existing Financial Consultation Committee.** This could include elevating the FCC's oversight, ensuring executive representation from AEMO and external strategic executive representation of major fee payers, and potentially an independent chair. This would see the FCC performing a similar role to an independent challenge panel, noting this would require review of the FCC terms of reference and appropriate resourcing
- **Expand stakeholder reporting** to demonstrate how AEMO responded to stakeholder feedback during the period
- **Review duration of AEMO cost forecasting and reporting against material deviations.** This could include producing a 5-year financial projection with segmented breakdown, with executive representation

²⁵ For example, Ofgem requires quantified reporting by NESO against system outcomes (e.g. constraint cost savings, frequency excursions, critical infrastructure outages, forecasting accuracy and carbon and energy transition measures) to performance and incentives.

of departmental costs and drivers and alignment to long range business plans, assisting feepayers with cost forecasting

- **Value for money assessment** based on demonstrated system benefits or avoided system costs. This could be set out as a portfolio view of capital investment over a multiple year time horizon, highlighting AEMO's anticipated capital spend. This would increase visibility over capital delivery to support value for money of expenditure, noting the need to deliver policy outcomes and updated rule requirements²⁶
- **Sharing post-implementation reviews** – while part of AEMO standard operating practice, post-implementation reviews could be undertaken following delivery of major policy initiatives and programs (e.g. linked to Strategic Corporate Plan initiatives). AEMO could undertake these in consultation with stakeholders and publish the findings along with AEMO commitments against any findings
- **Independent assessment.** AEMO could consider appointing, at certain points, an independent assessor to undertake a periodic review of its practices.

6.3 Responsiveness to governments instructions/directions

AEMO notes the Review is considering how AEMO's cost recovery framework affects its ability to respond to instructions or directions from Energy Ministers. AEMO acknowledges it is appropriate for the Review to consider whether these arrangements continue to be sufficiently flexible to meet the expectations of Energy Ministers.

As noted in section 2.3 of this submission, AEMO has demonstrated its capability to respond to priority reform initiatives directed by the ECMC. Current arrangements also provide flexibility for individual Energy Ministers to request AEMO input on necessary matters. In doing so, AEMO may serve the needs of multiple jurisdictions with varying priorities.

AEMO recognises that there may be sensitive government matters that require its input from time to time, and also the importance of carrying out tasks to support these considerations as far as possible. AEMO also notes that in order for its costs to be allocated as efficiently and as appropriately as possible, and to ensure appropriate protections where it may be asked to undertake tasks outside its statutory functions and powers, it is important that AEMO has a clear mandate for carrying out such requests. This can help to clarify appropriate cost recovery for directed activities (and avoid potential concerns regarding cross subsidisation of such costs) and help to maintain the boundary between policy direction and operational independence.

²⁶ Ofgem's Final RIO2 determination noted that the then ESO forecast £2 BN in net benefits for consumers over the R110-2 period.

7 Closing messages

AEMO would like to thank the Review for the opportunity to input this submission and to engage in the consultation process. We welcome the work of the Review team to continue to identify opportunities to enhance the operation of AEMO's governance frameworks.

In sharing this submission, AEMO has sought to present some practical and constructive measures to further improve these arrangements alongside some matters to consider when reflecting on structural change.

AEMO looks forward to engaging on these and other matters as part of the Review and with interested stakeholders.

A1 Appendix – List of abbreviations

Abbreviation	Meaning/Link
AEMA	Australian Energy Market Agreement
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator Limited
AER	Australian Energy Regulator
ASL	AusEnergy Services Limited
CC	Commonwealth company, as defined in the PGPA Act
CCE	Corporate Commonwealth entity, as defined in the PGPA Act
CEO	Chief Executive Officer
CIS	Capacity Investment Scheme
ECGS	East Coast Gas System
ECMC	Energy and Climate Change Ministerial Council
ERA	Economic Regulation Authority (WA)
ESEM	Electricity Services Entry Mechanism, recommended by the NEM wholesale market settings review
ESM Rules	Electricity System and Market Rules (for the WEM)
ISP	Integrated System Plan
MCE	Ministerial Council on Energy (original designation for the ECMC, referred to in the national energy laws and the AEMA)
NEL	National Electricity Law (Schedule to the <i>National Electricity (South Australia) Act 1996 (SA)</i> , applied as a law of each participating jurisdiction and the Commonwealth)
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company Limited (former name of AEMO)
NER	National Electricity Rules
NESO	National Energy System Operator (GB)
NGL	National Gas Law (Schedule to the <i>National Gas (South Australia) Act 2008 (SA)</i> , applied as a law of each participating jurisdiction and the Commonwealth)
NGR	National Gas Rules
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i> (Cth)
SEP	Strategic Energy Plan published by the ECMC, December 2019
SoR	AEMO's Statement of Role issued by the ECMC, September 2022.
SWIS	South West Interconnected System – the electricity network serving the south of Western Australia
ToR	Terms of reference for the AEMO governance review issued by the ECMC dated 4 February 2026
WEM	Wholesale Electricity Market (for WA's SWIS)

A2 AEMO's current governance arrangements and evolution of functions

A2.1 Governance arrangements

A2.1.1 Legal structure and key governance instruments

AEMO is a company limited by guarantee incorporated under the *Corporations Act 2001* (Cth), a structure often used by not-for-profit entities, including some involving intergovernmental co-operation for nationally significant service delivery. Key features of a company limited by guarantee are:

- Members do not hold shares, so the company cannot be listed on a stock exchange and members cannot profit from selling shares or increase their interest by buying shares.
- Dividends are not distributed to members (unlike companies limited by shares).
- Members' liability is limited to the amount they guarantee to contribute if the company is wound up (under AEMO's [Constitution](#), members' liability is limited to \$1).
- Directors are subject to the same legal duties and liabilities as directors of other public companies.

AEMO has a subsidiary, [AusEnergy Services Ltd](#) (ASL - see below), also a company limited by guarantee.

As a Corporations Act company, AEMO is governed by its [Constitution](#) and the requirements of the Corporations Act. In exercising its energy market functions, AEMO is required to act in accordance with the regulatory frameworks established under the energy laws, primarily the National Electricity Law (NEL) and National Gas Law (NGL) as applied in participating jurisdictions, the *Electricity Industry Act 2004* (WA) and the rules and regulations made under each of those laws.²⁷ AEMO's discretion is limited by those regulatory frameworks, and guided by the national energy objectives prescribed in the NEL and NGL, or the state electricity objective in the WA Act. The objectives under each law are broadly the same – to promote efficient investment in, and efficient operation and use of, the relevant energy services for the **long term interests of energy consumers** with respect to:

- price, quality, safety, reliability and security of supply and (where relevant) energy systems, and
- reducing greenhouse gas emissions.

In addition, the ECMC has established a [Statement of Role](#) (SoR) for AEMO, which also incorporates assessment and reporting requirements to the ECMC linked to the achievement of the current [Strategic Energy Plan](#) (SEP). AEMO's governing legislation and Constitution have priority over the Statement of Role if there is any inconsistency.

A2.1.2 Ownership and membership

Members' rights are defined by AEMO's [Constitution](#) and the Corporations Act. Voting rights are split between two member categories:

- Government members comprising Australian Federal, State and Territory governments except the Northern Territory (60% voting power), and

²⁷ Including the National Electricity Rules (NER), National Gas Rules (NGR) and Electricity System and Market (ESM) Rules. For more information and links to the legislation and regulation that prescribe AEMO's functions, see <https://www.aemo.com.au/learn/legislation-and-regulation>

- Industry members (40% voting power).

All registered participants in every AEMO-operated market and information service²⁸ are eligible to become industry members, of which there were 95 in December 2025. The majority of registered participants have not opted to take up AEMO membership. For context, as of 22 December 2025, there were 644 registered participants in the NEM alone (108 of whom are registered in multiple categories), spanning network businesses, retailers, traders, aggregators, generators and storage providers. There are additional registered participants in the WEM, the Victorian declared wholesale gas market, gas short term trading markets, gas bulletin board and WA gas bulletin board, gas supply hub, pipeline capacity trading markets, and the gas retail markets in every mainland jurisdiction except the Northern Territory – all of whom are eligible for industry membership.

Other than matters reserved to a company's members under the Corporations Act, AEMO's Constitution only provides for members to vote on three matters: a report of the [Independent Energy Appointments Selection Panel](#) before candidates for board vacancies are submitted to the ECMC (articles 7.3 and 7.4 – see [AEMO Board appointments](#) below), a recommendation to nominate an incumbent Chair for reappointment by the ECMC (article 7.4A), and certain proposed activities **not** related to AEMO's statutory functions such as acquiring or disposing of a business or making a material financial commitment toward starting a significant new business (article 8.4). Because of their limited 40% voting power, industry members' approval is only required for decisions which the Corporations Act requires to be passed by special resolution ($\geq 75\%$ votes in support) such as amending the Constitution and varying the rights of a class of member.

Importantly, the Constitution (article 8.3) gives the Board exclusive responsibility for performing AEMO's statutory functions. AEMO members cannot override the Board in relation to how it conducts those functions, either collectively or individually. This means that membership of AEMO does not confer greater influence than any other stakeholder over how AEMO performs its energy market, system, planning or other statutory functions. Irrespective of AEMO membership, registered participants (and other interested parties) can and do engage extensively with AEMO through stakeholder consultations, working groups and forums relevant to the markets they participate in.

A2.1.3 AEMO Board appointments

The AEMO Constitution requires between five and ten directors. AEMO's Chair and the majority of the Board must be independent, i.e. free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment or could reasonably be perceived to do so. Schedule 2 of the Constitution also prescribes a list of relationships that preclude independence. The Board must regularly assess the independence of each director.

Schedule 2 of the Constitution requires director appointments to ensure the board as a whole will have a set of core skills and experience (including energy industry experience) that are highly relevant to AEMO's energy market functions and corporate responsibilities. Directors that bring industry experience to the Board (between three and six of them) may or may not be independent, noting the overall majority of directors must be independent. Directors are not nominated by industry members, and are not appointed to represent their interests. Any conflicts of interest are managed as described below ([AEMO Board governance](#)). These are important safeguards for AEMO's independence.

The ECMC appoints all AEMO directors (except the Managing Director) in accordance with the AEMO Constitution and documents maintained by the ECMC (the *Protocol for Appointments to Australian Energy Market Governance Institutions & Panels* and *Independent Energy Appointments Selection Panel Terms of*

²⁸ The NEM, WEM, Declared Wholesale Gas Market, Short Term Trading Hubs, Gas Bulletin Board and Gas Supply Hub (trading exchange).

Reference). These documents require the Independent Energy Appointments Selection Panel appointed by Ministers to conduct a process and prepare a report providing at least two suitable candidates for each vacant director position for approval by AEMO members. If AEMO members approve the report, the report is submitted to the ECMC for a decision by Ministers. The appointments protocol and selection panel terms of reference also cover the nomination, recommendation and appointment processes for AEMC commissioners, AER board members and Energy Consumers Australia directors. The process for each energy market body is different based on the requirements of its respective establishing legislation or constitution.

As of March 2026, the [AEMO Board](#) comprises ten Directors: the independent non-executive Chair, the Managing Director and CEO (CEO) and eight non-executive Directors.

A2.1.4 AEMO Board governance

The roles, responsibilities, and powers of the AEMO Board are set out in the Constitution. All directors also have fiduciary duties to the company (as a whole) under the Corporations Act, with potential civil or criminal liability for breach.

The Board is the only decision-making body that is responsible for the performance of AEMO's statutory functions. Under article 8.3 of the AEMO Constitution, the Directors, to the exclusion of the members, have responsibility for satisfying any requirement or discharging any duty under the national energy laws or any other law or legislative instrument.

The Board has delegated:

- day-to-day management of AEMO to the CEO, and
- the exercise of specified statutory powers and performance of specified statutory functions to the CEO or sub-delegates appointed by the CEO.

The AEMO Board has established the following subcommittees: Finance, Risk & Audit; Technical, Markets & Systems; People; and Nominations. It has also established Investment Committees for tender functions in relation to the national Capacity Investment Scheme (CIS) and the SA-VIC CIS tender, which include personnel from other organisations.

Directors' conflicts of interest are managed in accordance with AEMO's [Directors' Interest Protocol](#), which addresses declaration of interests and management of conflicts (both in relation to release of sensitive information to conflicted directors and the deliberation process). Directors have legal obligations under s.191 of the Corporations Act to disclose material personal interests.

A2.1.5 How AEMO is accountable for performance

AEMO has legal accountability for compliance with requirements that are set for it within the energy policy framework and direction established by relevant governments.

AEMO conducts its functions within strictly regulated limits, established by laws, rules, procedures and other instruments. AEMO does not make the rules for any of its markets. Under the national energy laws, the AEMC as rule-maker must have regard to statements of policy principles issued by the ECMC. In the NEM, a separate Reliability Panel²⁹ either sets or advises on supply reliability and system security standards within which AEMO must plan and operate the system. Where AEMO itself issues procedures and guidelines, these

²⁹ Appointed by the AEMC and chaired by an AEMC representative. One member represents AEMO. There are currently 8 other members representing different market segments, including consumers.

are established within the purposes and requirements of market rules and the legislated energy objectives, and consulted on where relevant with registered participants and others affected by them.

Government accountabilities

Under the AEMA, the jurisdictions have agreed that the ECMC will not be engaged directly in the day-to-day operation of the energy markets or the conduct of regulators, consistent with their independent status.

AEMO is, however, accountable to the ECMC for its performance in accordance with the SoR and the ECMC's latest SEP (December 2019). The initial (and still current) SoR was issued to AEMO in September 2022, implementing a recommendation from two previous governance reviews of energy institutions³⁰. Consistent with the SoR and SEP, AEMO develops an annual work plan with key priorities and performance indicators included in its statement of corporate intent (in the form of its [Strategic Corporate Plan](#)). AEMO self-assesses and publicly reports on its performance in its [Annual Report](#), in addition to delivering progress reports to the ECMC every six months against the work plan, budget, key priorities and emerging issues. The SoR provides for Energy Ministers to approve and give feedback on plans, priorities and performance indicators. AEMO also seeks and receives regular structured feedback on its plans and performance from governments and a diverse range of other stakeholders.

There is a high level of regular engagement between AEMO and jurisdictions. In addition to regulatory reporting and consultations, AEMO engages with governments regularly to discuss insights and data contained within AEMO's reports, operational insights and other matters. For example, AEMO consults with jurisdictions to identify the government policies it considers in ISP modelling³¹.

AEMO is not generally subject to direction by a Minister in relation to the performance of its statutory functions. However, the ECMC (and individual Ministers) may ask AEMO "for information, a report or other services" under the NEL or NGL. AEMO must comply with a request made under these provisions. For example, the Australian Government requested AEMO to administer the CIS under section 51 of the NEL. AEMO must comply with a request made under these provisions.

AEMO assists Parliaments on energy issues by appearing before and providing evidence to parliamentary inquiries and supports jurisdictions in meeting their Parliamentary reporting and scrutiny requirements.

Industry and consumer accountabilities

AEMO engages extensively with market participants in performing its functions in a range of ways, including formal consultations on proposed AEMO decisions and procedures, regular industry forums and technical working groups, ad hoc briefings and email communications on significant developments or incidents, workshops, information and education webinars, and committees, including the [Financial Consultation Committee](#) and the [NEM Reform Delivery Committee](#).

Formal consultations are undertaken in accordance with requirements in the energy market rules, and can be extensive for significant publications like the ISP. In developing the 2026 draft ISP, AEMO engaged 1,400 stakeholders, delivered 37 presentations and reports, hosted 17 webinars, and considered 241 written submissions.

A2.1.6 Financial management

The national energy laws allow AEMO to fully recover the costs of performing its statutory functions, on a not-for-profit but full cost recovery basis. AEMO's costs allocated to each of its NEL and NGL market, system and planning functions are primarily recovered from relevant registered participant categories through a budget

³⁰ Vertigan review (2015) and Edwards review (2020)

³¹ See AEMO's published [guideline on consultation with jurisdictions for the ISP](#)

and fees set in accordance with the rules, in consultation with stakeholders. See, for example, details of the [FY 2026 budget and fee consultation](#).

AEMO also recovers costs through other mechanisms such as jurisdictional funding, where it undertakes specific tasks or functions at the request of a jurisdiction, including the Commonwealth or connections fees.

In 2021, AEMO established an advisory [Financial Consultation Committee](#) comprising a breadth of stakeholders including government, industry and consumers, to provide greater transparency of, and feedback on, AEMO's budget planning, investment, management and cost recoveries.

WA's Economic Regulation Authority (ERA) determines AEMO's allowable revenue and forecast capital expenditure for AEMO's WEM and GSI functions. Until 2025, this has been undertaken on a three-yearly basis, with provision for AEMO to submit in-period funding requests to facilitate recovery of costs that were not anticipated, uncertain, or previously rejected for the current regulatory period. Energy Policy WA is presently reviewing the allowable revenue framework in the ESM Rules and the GSI Rules.

A2.1.7 Oversight and assurance

The Board's responsibilities include monitoring AEMO's compliance with ethical, legislative and regulatory requirements including energy laws and rules, workplace health and safety, diversity and inclusion, and corporate governance and reporting obligations. AEMO's approach to managing compliance is set out in the AEMO Group [Compliance Policy](#).

Registered participants may raise disputes with AEMO about matters prescribed in the disputes frameworks in Chapter 8 of the NER and Part 15C of the NGR. Disputes are determined by an independent body appointed by the AER, the [Wholesale Energy Market Dispute Resolution Adviser](#) (WEMDRA). An equivalent disputes regime applies in the WEM.

The Australian Energy Regulator (AER) monitors and enforces AEMO's compliance with its obligations in performing AEMO's statutory functions under national energy legislation, with the ERA performing an equivalent function for AEMO's compliance with the ESM Rules and GSI Rules.

The NEL and NGL also provide that a person aggrieved by a decision, act or omission of AEMO can apply to the courts for judicial review.

A2.1.8 AusEnergy Services

AEMO's subsidiary, ASL, is also a company limited by guarantee incorporated under the Corporations Act. It has two members: AEMO holding 70% of voting rights and the NSW Government holding 30%. Membership is also open to other Australian jurisdictions. ASL is governed by a Constitution and Members Agreement.

ASL is the Consumer Trustee appointed under the *Electricity Infrastructure Investment Act 2020* (NSW) and the Scheme Administrator appointed under the *National Electricity (South Australia) (Firm Energy Reliability and Orderly Exit Management) Regulations 2025* (SA). It also supports AEMO's CIS functions. See <https://asl.org.au/our-role> for more information on ASL's roles.

A3 Consolidated table – potential non-structural enhancements to existing governance arrangements

Section	Potential enhancement measures
Issues associated with Membership Structure and Board of Directors	
Section 5.1 – ECMC Governance of AEMO	<ul style="list-style-type: none"> • Reissue the AEMO Statement of Role and the ECMC Strategic Energy Plan to address outdated elements. Where appropriate, this could include aspects of any PGPA Act requirements that are not considered adequately covered within the existing governance framework. • Introduce documented ECMC feedback to AEMO on performance reports that AEMO submits. • Uplift the visibility of the governance framework on the ECMC and AEMO websites and in AEMO’s public reporting, for example by: <ul style="list-style-type: none"> – elevating the focus and discussion of ECMC priorities in AEMO’s Statement of Corporate Intent (Strategic Corporate Plan) – AEMO’s Annual Report addressing ECMC feedback on performance, in addition to broader stakeholder satisfaction. • Formalise input to AEMO’s draft Statements of Corporate Intent from ECMC. • Further improve clarity of the energy market governance framework within which AEMO operates, such as: <ul style="list-style-type: none"> – Update the AEMA which addresses the respective roles of governments, and the independent operation of AEMO – Update the AEMO Board appointment process.
Section 5.2 – Clarify AEMO’s relationship with the energy industry	<ul style="list-style-type: none"> • Explicit AEMO Board management responsibility in primary legislation. Energy legislation (e.g. the NEL and NGL) could be amended to explicitly state that the AEMO Board is responsible for decision making in relation to its statutory functions, to the exclusion of members, along the lines of the current article 8.3 of the AEMO Constitution. The primary benefit would be increased transparency and confidence that this is an enduring principle, helping to correct perceptions of any undue influence by AEMO’s members. • Clarify AEMO’s Constitution to confirm it provides for a skills-based Board. AEMO notes the misconception that it has “industry” directors who are in some way “nominees” or represent the interests of industry members. Rather, relevant energy industry experience is part of the mix of skills and experience required for the AEMO Board as a whole and can be provided by directors who may or may not be ‘independent’ (noting that a majority of the Board must be independent). The existing definition of independence in part 1 of schedule 2 of the Constitution focusses heavily on the relationship of a potential director to AEMO or an AEMO member. Part 2 of schedule 2, dealing with skills and experience, could appropriately be reviewed given the changing nature of the energy ecosystem and AEMO’s evolving role. An updated Constitution may help to reduce perceptions of inherent conflict in AEMO’s Board and membership structure, while clarifying the appropriate expertise needed at the Board level. • Highlight and enhance ability to establish committee or advisory panel structures. The governance model for the National Energy System Operator (NESO) in Great Britain may provide a useful example for how new committee structures could be introduced to meet evolving needs. This model requires NESO to implement a governance structure that includes a number of targeted advisory groups including government and regulator representation, engagement with experts and other stakeholders. Similar practices have been adopted for the Capacity Investment Scheme (CIS) Investment Committee. There may be circumstances where it would be appropriate for decisions or oversight to be delegated to a committee and external expertise and assurance can be brought in to augment skill sets in the right areas, without wholesale change and without undermining, or potentially conflicting with, the role of the Board.
Section 5.3 – Clarify AEMO’s Board appointment process	<ul style="list-style-type: none"> • Target timeframes for each stage in the Board appointment process to avoid undue delays. While timeframes are set out in existing Protocols, there may be value in strengthening their application and making them transparent. • Streamlining the independent market body selection panel process with the AEMO Board nomination process to minimise duplication and the experience of ‘three selection processes’ for candidates (i.e. AEMO nominations committee, Independent Selection Panel, ECMC).

Section	Potential enhancement measures
	<ul style="list-style-type: none"> Streamlining Member consultation on the independent selection panel's report, recognising Energy Ministers are the ultimate decision-makers and preserving greater confidentiality for candidates.
<p>Budgeting and implications for AEMO's responsiveness to governments</p>	
<p>Section 6.2 – Improved assurance of AEMO's cost efficiency</p>	<ul style="list-style-type: none"> More structured self-assessment to ECMC against a consistent scale (Exceeded /Met/Below) for its agreed performance measures. Uplift the existing Financial Consultation Committee ensure representation from strategic executive level of major fee payers. This would enable it to perform a similar function to an independent challenge panel. This may require consideration of the sufficiency of its resourcing. Expand stakeholder reporting to demonstrate how AEMO responded to stakeholder feedback during the period. Review duration of AEMO cost forecasting and reporting against material deviations. This could include producing a 5-year financial projection with segmented breakdown, assisting fee payers with cost forecasting. Value for money assessment based on demonstrated system benefits or avoided system costs. This could be set out as a portfolio view of capital investment over a multiple year time horizon, highlighting AEMO's anticipated capital spend. This would increase visibility over capital delivery to support value for money of expenditure, noting the need to deliver policy outcomes and updated rule requirements. Sharing post-implementation reviews – while part of AEMO standard operating practice, post-implementation reviews could be undertaken following delivery of major policy initiatives and programs (e.g. linked to Strategic Corporate Plan initiatives). AEMO could undertake these in consultation with stakeholders and publish the findings along with AEMO commitments against any findings. Independent assessment. AEMO could consider appointing, at certain points, an independent assessor to undertake a periodic review of its practices.

A4 Comparative table – Responsibilities of PGPA Act entities, SA statutory corporations, AEMO status quo

PGPA Act - CCE	PGPA Act - CC	SA Corporation (AEMC model)	AEMO current
Board composition & overall governance			
<p>Accountable Authority (AA) is the governing body prescribed in establishment act (can be called a board, council or similar).</p> <p>AA responsible for governance that promotes proper use and management of CCE's public resources, promotes CCE's purposes and its financial sustainability. Includes maintaining appropriate risk management and internal control systems, and additional requirements in PGPA Rule (e.g. anti-fraud & corruption measures).</p>	<p>No PGPA provision. Board appointments and overall governance responsibilities in accordance with CC's constitution and Corporations Act, which covers equivalent requirements to CCE</p>	<p>AEMC has 3-5 Commissioners, all formally appointed by SA Governor on Minister's recommendation, but on the nomination of at least 2/3 of eligible ECMC members.</p> <p>Functions and objectives conferred on the AEMC under national energy laws.</p>	<p>Directors appointed by ECMC in accordance with AEMO Constitution (incorporating majority independence requirement, skills matrix, Board selection panel, AEMO member voting and ECMC appointment). AEMO members (>50%) can only accept or reject the submission to ECMC of the selection panel's candidate list.</p> <p>Governance responsibilities under constitution and Corporations Act, covering equivalent requirements to CCE. (Constitution 8.1 and 8.3 – Directors to manage AEMO's business and discharge statutory functions).</p>
Fiduciary duties			
<p>General duties of all CCE 'officials'³² include duty of care and diligence; to act honestly, in good faith and for proper purpose; no improper use of position or information; disclosure of interests.</p>	<p>No PGPA provision - Corps Act applies.</p>	<p>Commissioners must disclose interests, and the SA Governor may remove them from office for misconduct or failure to satisfactorily carry out official functions. AEMC Act does not impose other fiduciary duties equivalent to PGPA Act or Corps Act.</p>	<p>Corps Act – directors' duties of care and diligence, act in good faith in best interests of corporation (as a whole) and for proper purposes, no improper use of position or information, disclosure of interests.</p>

³² An 'official' is a member of the AA, an officer, employee or member of the CCE, plus (under the PGPA Rules), officials, officers and staff of other commonwealth entities/companies or state/territory departments or authorities whose services are made available to the CCE. For non-corporate entities the list of officials is further expanded to include consultants, contractors and others involved in the performance of its functions.

PGPA Act - CCE	PGPA Act - CC	SA Corporation (AEMC model)	AEMO current
Independence			
<p>AA must keep responsible Minister informed of activities and significant decisions, and give them (and the Finance Minister) any information they require about activities.</p> <p>Finance Minister can make government policy orders applicable to the CCE.</p> <p>Corporate plans must be consistent with Cth Government published key priorities & objectives, where relevant to CCE's purpose</p>	<p>Only wholly-owned CCs have equivalent requirements for Ministerial information provision and government policy orders.</p> <p>However, all CC corporate plans must be consistent with any relevant Cth Government key priorities & objectives, as for CCEs.</p>	<p>Not subject to direction by SA Minister in performance of its functions. Instead may be subject to direction by ECMC under national energy laws, and has been given a Statement of Expectations by Energy Ministers</p>	<p>Statement of Role sets ECMC expectations of AEMO, including to prioritise Strategic Energy Plan outcomes and objectives.</p> <p>Statements of corporate intent (required under AEMO's Constitution) are expected to reflect the Statement of Role and contain performance measures.</p> <p>NEL/NGL allow ECMC or Ministers to request information. AEMO is obliged to comply, and (following recent legislative change) is now authorised to disclose confidential information to a Minister or government department.</p>
Financial accountability			
<p>AA must prepare budget estimates (supporting information may be subject to direction by Finance Secretary).</p> <p>Funding is via Parliamentary appropriations, in instalments unless law provides otherwise.</p> <p>Must have audit committee. Auditor General must audit financial statements, and responsible Minister may request a report on annual performance statements. Auditor's reports are tabled in Parliament. Similar requirements for CCE subsidiaries in most cases.</p>	<p>Directors of wholly-owned CC only must prepare budget estimates.</p> <p>Wholly-owned CC must have audit committee.</p> <p>All CCs must either appoint the Auditor General as their auditor (under Corps Act) or the Auditor General must report on the CC's financial statements</p>	<p>Annual performance plan and budget submitted to SA Minister, and Statement of Intent submitted to ECMC. Funded by Cth, States and Territories in shares agreed under a funding agreement (not public).</p> <p>SA Auditor General must audit accounts.</p> <p>AEMC has an Audit & Risk Management Committee comprising two external independent members and one AEMC Commissioner</p>	<p>Energy laws and rules require AEMO to prepare budgets, consult on fee structure, and recover market fees according to specified principles. AEMO consults broadly on annual budget and fees with stakeholders and via its Finance Consultation Committee. Between fee structure resets, AEMO can consult on new/additional fees to implement 'declared' NEM/gas project for major regulatory change or new function.</p> <p>Funding may be allocated to AEMO by governments where AEMO undertakes additional services on request</p> <p>Corporations Act requires independent registered company auditor. Audited financial statements are published.</p>
Performance accountability and reporting			
<p>AA must prepare corporate plan for responsible Minister & Finance Minister.</p>	<p>Directors must prepare corporate plan for CC and any subsidiaries.</p>	<p>AEMC reports bi-annually to ECMC on performance against its Statement of Intent. Annual reports to be delivered to the Minister, laid before SA Parliament</p>	<p>Under the Corporations Act AEMO must prepare annual reports, financial reports, sustainability reports and directors' reports and make available to its members and the public.</p>

PGPA Act - CCE	PGPA Act - CC	SA Corporation (AEMC model)	AEMO current
<p>AA must keep records to record and assess performance (responsible Minister & Finance Minister allowed to access all records unless a Cth law prohibits disclosure); annual performance statements and annual financial statements and an annual report (to include performance statement). Finance Minister must publish financial reports and table in Parliament.</p>	<p>S97 Directors must prepare and give annual report, financial report and auditor's report to Minister.</p> <p>PGPA Rules prescribe mandatory annual report form and content requirements in addition to Corps Act, including disclosure of executive remuneration.</p>	<p>and forwarded to all other ECMC Ministers.</p>	<p>AEMO annual report does not report individual executive remuneration, but includes the number within pay bands.</p> <p>AEMO Statement of Role issued by ECMC requires AEMO to develop performance indicators, self-assess and publicly report on them via its Statement of Corporate Intent and annual report. It also reports to the ECMC 6-monthly on progress against its work plan, budget, key priorities and emerging issues.</p> <p>AEMO is permitted under national energy laws to disclose confidential information to Energy Ministers and departments. Ministerial access to <i>all</i> records may be incompatible with stakeholder confidentiality expectations and independence.</p>
<p>Banking and borrowing</p>			
<p>All relevant money received by officials must be banked by the next banking day. Investment of money not immediately required is restricted (e.g. bank deposits, government securities, or other approved or prescribed form.</p> <p>All borrowing must be authorised by the PGPA Act, another Cth Act, or under PGPA Rules</p>	<p>No PGPA Act provisions relating to banking and borrowing.</p>	<p>No provisions in AEMC Act. As fully funded by jurisdictions, AEMC does not borrow funds and retains capital and cash reserves to meet the majority of its liability and unrecognised contractual commitments.</p>	<p>Constitution 8.2 – Directors exercise all powers to borrow or raise money. Consistent with its legislation, AEMO's budgeted fee revenue is collected over time and exact equivalence in a given accounting period is not required. The nature of AEMO's functions will require it to respond as developments occur, therefore borrowing will be necessary on appropriate terms to manage variability and unpredictability.</p>
<p>Subsidiaries</p>			
<p>CCEs can have subsidiaries but AA must ensure a subsidiary doesn't do anything the CCE itself cannot do.</p>	<p>A CC's corporate plan must cover any subsidiaries as well. Corps Act and constitution apply. Note a subsidiary of a CC is not itself a CC.</p>	<p>No provisions in AEMC Act</p>	<p>Member approval (ordinary resolution) required for acquiring or making significant financial commitment to a business that is not required for the purposes of AEMO's statutory functions. Extends to disposal of "substantial" part of AEMO's business</p>

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Staff			
Staff engaged under Public Service Act 1999 (Cth) (PSA) unless otherwise stipulated in legislation	Staff not engaged under PSA unless specifically designated as a statutory agency	Staff not engaged under PSA or equivalent SA public sector legislation.	Staff not engaged under PSA
Freedom of information (FOI)			
Commonwealth FOI legislation generally applicable	Commonwealth FOI legislation not applicable unless declared as a prescribed authority under FOI regulations	Subject to SA FOI legislation	AEMO is not subject to Cth or State FOI legislation. As part of its functions, it publishes a significant amount of market and system information either as required by legislation or for guidance purposes, subject to obligations of confidentiality. Given its advisory relationship with governments and other public sector bodies, AEMO communications with those entities may be subject to FOI.
Procurement			
Can opt-in to use Commonwealth procurement panels. Commonwealth Procurement Rules apply to CCEs that are prescribed in PGPA Rules ³³ . Annual reporting must include assessment of performance against procurement rules	Commonwealth Procurement Rules only apply to wholly-owned CCs that are prescribed in PGPA Rules (currently none). Not applicable to majority-owned CC	No restrictions – SA state procurement legislation does not apply.	Restrictions on procurement for certain types of regulated service provision may be established under energy legislation and guidelines (e.g. RERT, ancillary or /system security services).

³³ Purchasing and procurement rules apply to all non-corporate entities unless specifically excluded, and reporting is required for procurement compliance and certain contracts entered into