



Summary of feedback and responses to AEMO's draft FY25 budget and fees

Background

AEMO published its draft FY25 budget and fees for consultation on 15 April 2024. Consultation closed on 26 April 2024. Consultation was publicised on 29 March 2024 and 11 April 2024 via the AEMO weekly newsletter, which is sent to several thousand stakeholders. AEMO presented the draft budget to the [Consumer Forum](#) on the draft budget and fees on 17 April 2024 and a webinar was hosted on 18 April 2024 for interested stakeholders.

Consultation occurred via AEMO's [Financial Consultation Committee \(FCC\)](#) in the meetings leading up to the draft budget and fees being published for broader consultation.

Feedback

AEMO received one written submission in relation to its draft budget and fees from the [Australian Energy Council](#) (AEC). This submission and response is published on the AEMO website.

In addition to this submission, AEMO received questions and feedback on the FY25 budget and fees and the budgeting process through its Consumer Forum, webinar and directly via email. AEMO's responses to the questions and feedback received via the forums and email, is reflected below. The feedback and questions have been redrafted for clarity, where necessary.

[AEMO's response to the AEC is available on the website.](#)

Summary of questions and feedback and AEMO's responses

AEMO has done well to anticipate a full recovery from the deficit position by FY26.

AEMO is pleased to anticipate a full recovery from the accumulated deficit in NEM Core by the end of FY25, within the previously agreed 4.5% fee increase. This has been a challenging recovery as we continue to take on additional functions to enable the energy transition and manage increasingly complex systems and markets.

AEMO's budgeting issues have occurred alongside the expansion of its role in the backdrop of a complex, dynamic, and unpredictable environment.

The accelerating rate and complexity of Australia's energy transition has meant that more is being asked of AEMO. This includes supporting the Australian Government's Capacity Investment Scheme, an expanded

scope *Integrated System Plan* (ISP) for 2026, and new cyber security responsibilities. In addition, AEMO must also plan and implement necessary market reforms to facilitate the integration of renewable energy sources into the grid. AEMO is committed to responding to these challenges while maintaining a strong culture of prudence and efficiency.

AEMO should ensure it applies lessons from its deficit recovery to future financial management to ensure is prudent and efficient.

AEMO acknowledges that we are continuing to build stakeholder trust in our financial management and governance. We have focused on maturing our financial management structure, processes and systems and this focus will continue as we continue to evolve and enable the energy transition. The deficit recovery over the last two years and anticipated in the year ahead, is the outcome of AEMO's maturing financial management and a focus on prudence and efficiency. Stakeholders can be assured that this approach will be a continued focus for AEMO in coming years.

Does the implementation of the Commonwealth review of the ISP have any material impact on AEMO's budget?

The ISP is a major piece of work for AEMO, required as part of our National Transmission Planner function, which is a regulatory requirement and published every two years. The costs of delivering the ISP are allocated to TNSPs via the [National Transmission Planner \(NTP\) fees](#). It is important to note that the NTP fees are set each year in February and are not part of AEMO's draft budget and fees consultation.

An initial estimate of the costs of developing an ISP with an increased scope (e.g. integrating gas and demand forecasting) was included in the FY25 NTP fees in anticipation of [the energy minister's ISP review](#).

At the time of the finalisation of the [national transmission planner \(NTP\) fees](#) on 15 February, the scope, function and form of the outcomes from the ISP Review were still under consideration and discussion. Therefore, AEMO prepared a high-level estimate of costs and timing for implementation of this work and included the 50% portion of this in the NTP FY25 budget for determining fees. By including a 50% portion, AEMO has sought to strike a balance between a necessary increase in fees to undertake the expanded scope of the ISP, and uncertainty regarding the scope of the outcomes of the review and their implementation.

With the ISP review now complete and ministers requiring all recommendations to be implemented, we anticipate that the AEMO's costs will vary from the budgeted amount and that any cost difference (unders or overs) will be reflected in AEMO's revenue requirements in coming financial years. AEMO will ensure any outcomes are implemented efficiently.

AEMO is expecting a full recovery of its NEM Core accumulated deficit during FY25. Can market participants expect NEM Core fees to reduce in FY26 and subsequent years?

AEMO's functions and responsibilities continue to expand as we respond to challenges of the energy transition. For example, cyber security co-ordination and industry maturity uplift responsibilities conferred on us by the energy Ministers in late 2022 are new challenges we must account and budget for.

It is essential that AEMO's annual revenue requirements accurately reflect the costs of the work we are required to perform, and therefore we do not expect our revenue requirement to fall from FY26 and in further years. It is worth noting that the deficit in NEM Core was created as a result of AEMO's revenue requirement not keeping pace with costs. This was unsustainable and created the initial deficit position.

Both AEMO's expanding responsibilities and need for fees to accurately reflect AEMO's functions means that AEMO expects costs will not fall to pre-deficit recovery numbers in FY26 and further years. It is likely that the volume, scope, and complexity of AEMO's roll will grow, and our costs will need to keep pace with this work.

AEMO has significantly matured its financial management as demonstrated by our forecast deficit recovery, and prudence and efficiency are core principles which we will continue to apply to the budgeting process for FY26 and subsequent years.

How does AEMO segment labour and consulting costs?

AEMO's workforce composition of employees, contractors and consultants is somewhat flexible and changes in response to the demands of project-based work. Both labour costs and consulting costs are applied to the relevant market segment, to ensure costs of a function are appropriately incurred by the participants that benefit from that function.