

MINUTES

MEETING: Financial Consultative Committee 2022 – Meeting 1
DATE: Thursday, 28 October 2021
TIME: 3.00pm to 4.00pm (AEDT)
LOCATION: By Teams

ATTENDEES:

NAME	COMPANY
Daniel Westerman	AEMO
Julie Williams (Chair)	AEMO
Tony Chappel	AEMO
Jeff Forrest	Transgrid
Jonathan Spink	Pacific Hydro
Alastair McKeown	Energy Australia
Katrina Porteus	Energy Consumers Australia
Raif Sarcich	Victorian Department of Environment, Land, Water and Planning
Jonathan Wills	NSW Department of Planning, Industry and Environment

APOLOGIES:

NAME	COMPANY
Ian Brooksbank	Hydro Tasmania
Mike Hutchens	Energy Queensland
Michael O'Rourke	Stanwell

GUESTS:

NAME	COMPANY
Kate Reid	AEMO
Paul Johnson	AEMO
Paul Marotta	AEMO
Philip Hirschhorn	Boston Consulting Group

Welcome

Ms Julie Williams, AEMO's Executive General Manager Finance, welcomed the attendees to the meeting and the new member to the Committee, replacing Paul Italiano, Jeff Forrest, acting Chief Financial Officer for Transgrid. Ms Williams thanked Mr Italiano for his contributions to the Committee and his work and support over the past year.

Ms Williams introduced AEMO Chief Executive Officer, Daniel Westerman who welcomed the Committee and reiterated the importance of this Committee to both AEMO and members, stressing that it was an important element in AEMO's ongoing commitment to operate transparently and collaboratively. He also thanked the members for their valuable contributions.

Ms Williams then outlined the meeting agenda.

Review of minutes of previous meeting and action items

Ms Williams asked if there were corrections or comments on the previous meeting Minutes. There were no comments and the Minutes of the previous meeting held on Monday 7 June 2021 were accepted.

There were four outstanding action items from the previous meeting, all of which have been actioned and closed. Ms Williams asked if there were any questions or comments on the action items – none were raised.

Review of FCC Terms of Reference

Mr Chappel, AEMO's Executive General Manager, Corporate Affairs outlined that the interim Terms of Reference for this Committee will need to be finalised this year. Mr Chappel suggested that Committee members should look at the objective, function, participation, and meeting frequency as areas that may need to be revisited. He then opened the discussion to the meeting for comments.

Mr Jonathan Spink, Pacific Hydro stated that he was generally comfortable with the current Terms of Reference and was amenable to AEMO proposing amendments to the Terms of Reference to translate them from interim to ongoing. As there were no other comments it was suggested that Committee members review this and any updated version that AEMO circulate prior to the next meeting.

AEMO Services Role

Mr Chappel presented on the governance, structure, and role of AEMO Services.

Mr Jeff Forrest, Transgrid asked how this new business would be ringfenced from the existing AEMO functions.

Mr Chappel noted AEMO was seeking to transparently deliver to a separate set of legal duties through the subsidiary structure, including AEMO Services having its own Board and leadership team. He also indicated that some resources may be leveraged from AEMO including reliability assessment, some elements of system planning, IT and corporate functions, and these services will be governed under a Master Services Agreement and relevant statement of works.

Mr Forrest noted a risk of duplicating work in the context of a limited talent pool with specific skills needed to be managed carefully.

Mr Daniel Westerman, AEMO's Chief Executive Officer stated that one of the primary reasons for AEMO Services being a separate entity was that the key stakeholders do not want this new business to disrupt AEMO's core business.

Financial Performance 2020/21 & Q1 2021/22 Update

Mr Paul Marotta, AEMO's Manager Finance Business Partnering provided an overview of the financial performance, expenditure variance, AEMO entity financial contributions and the NEM core financial performance for 2020/21. The financial position on 30 June was also presented and the ongoing financial deficit of the group was drawn to the attention of committee members, along with the debt balance.

Mr Marotta then presented on the Q1 financial update for 2021/22 and opened the meeting for comments or questions.

Mr Forrest asked about the timing of the Vic TNSP VNI West consulting expenditure deferral to which Mr Marotta indicated that it has been included in the 2022 budget – however the timing of spend continues to be uncertain.

Mr Alastair McKeown, Energy Australia asked in terms of positive variances, does AEMO expect some of these variances will drive into next year. Ms Williams replied the Vic TNSP positive variances will either be spent if they are deferrals or will be passed back to consumers. She also stated that AEMO was looking at maintaining, and driving further efficiencies, having included a \$10 million stretch saving into this financial year budget.

Mr McKeown, asked as AEMO moves more to the Cloud will we be seeing the costs though the P&L rather than as capital costs. Ms Williams replied that it is correct and added that we are also focusing on minimising these Cloud costs.

Mr McKeown stated that Energy Australia had a similar plan to move to the Cloud but as we move more to the Cloud, we need to deliver increased value rather than it just being a data shift.

Ms Williams acknowledges the comment and agreed that AEMO is assessing data shifts and clarified that AEMO is assessing the value in using the cloud for each system and data set with not everything expected to move to the Cloud, to ensure we gain value on an ongoing basis. Some of our functions will still stay separate from the Cloud for either value or security reasons.

Mr Spink asked about the changing view of the IT spend profile for this year.

Ms Williams indicated that AEMO is undertaking a significant program of work closing legacy systems, using the Cloud where appropriate and undertaking health checks. We need to focus on the IT costs, not only the Cloud but support and maintenance as well.

Mr Westerman stated that we want to work with industry on the ESB reforms and associated data strategy to determine the best way forward.

Mr McKeown indicated that Energy Australia was seeing wage pressures in resourcing the right IT talent and asked whether we also saw this as an area of concern. Mr Westerman replied that this was also a real risk and area of focus for AEMO.

Update on AEMO Review and Benchmarking

Mr Philip Hirschhorn, Boston Consulting Group (BCG) presented on the review and benchmarking study BCG has recently completed for AEMO and the core recommendations.

The core recommendations for AEMO being:

1. Re-align operating model for greater clarity and accountability.
2. Transform the way AEMO governs, funds, and executes reform delivery.
3. Build the basics in corporate support functions to improve efficacy and modernise digital 'run-the-business' activities to redeploy cost.
4. Invest in models/tools and rewire processes to manage increased complexity in core activities.

Questions and Comments

Mr Chappel opened the meeting for any comments or questions on the BCG presentation.

Mr Westerman stated that the BCG work has been helpful in understanding the organisation activities and where we spend the money and noted that some of these recommendations are already underway.

Mr McKeown asked with regards to the digital reform agenda spend do we have the capability to undertake it, where are we on that journey.

Mr Westerman replied that AEMO is currently in the market for a CIO to drive delivery of the program noting a big focus is on the market reform delivery.

Next meeting details and any other business

Ms Williams indicated that the next meeting was planned for week starting 31 January 2022 and to let either Mr Chappel or herself know if members have any clashes. Ms Williams also indicated that the third meeting of the Committee was planned for the week starting 26 April 2022.

Ms Williams thanked everyone for their attendance and participation and reminded them if they have any additional comments or questions to provide it to either Mr Chappel or herself.

As there were no more questions or comments the meeting concluded at 4.05pm.

Action items

Item #	Action	Responsibility	Due Date
1.1	Review the current Committee interim Terms of Reference for any updates.	Committee Members	Next meeting planned for week starting 31 January 2022
1.2	Set the date for the second FCC meeting planned for the week starting 31 January 2022.	AEMO	Early November 2021