

# MINUTES

MEETING: Financial Consultation Committee 2022  
DATE: Friday, 4 March 2022  
TIME: 11.00am to NOON (AEDT)  
LOCATION: By Teams

## ATTENDEES:

NAME	COMPANY
Daniel Westerman	AEMO
Vanessa Hannan (Chair)	AEMO
Tony Chappel	AEMO
Jeff Forrest	Transgrid
Mike Hutchens	Energy Queensland
Paul Odendaal	Hydro Tasmania
Jonathan Spink	Pacific Hydro
Michael O'Rourke	Stanwell
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
Alastair McKeown	Energy Australia
Ian Brooksbank	Hydro Tasmania

## GUESTS:

NAME	COMPANY
Brian Murray	AEMO
Gordon Dunsford	AEMO
Kate Reid	AEMO
Paul Johnson	AEMO
Stewart Waters	AEMO

## Introduction

Ms Vanessa Hannan, AEMO's Interim Executive General Manager Finance, introduced herself as the new Executive General Manager Finance replacing Ms Julie Williams and welcomed the attendees to the meeting. Ms Hannan then covered the agenda and outline for the meeting.

Mr Chappel, AEMO's Executive General Manager, Corporate Affairs asked if there were any corrections or comments on the previous meeting Minutes. As there were no comments the Minutes of the previous meeting held on Friday 4 February 2022 were accepted.

There were three action items from the previous meeting. The date for the next meeting and the updated Terms of Reference, now on the AEMO website have been completed. For the last item on AEMO internal staff surveys, Mr Chappel provided a verbal presentation of the findings from AEMO recent internal survey. Mr Chappel indicated that we are currently undertaking another internal survey and will present findings at the next meeting.

Mr Daniel Westerman, AEMO's Chief Executive Officer welcomed and thanked the members of the Committee for all their effort and work to date. Mr Westerman indicated that AEMO was grateful for their input, guidance, and support in this extremely important Committee. He then proceeded to outline the journey that AEMO is taking and set the background for the AEMO budget forecast for 2022/23, noting he was deeply unhappy with the position AEMO finds itself in, and committed to restoring financial health.

Ms Hannan outlined the purpose and context of the meeting, being to share the preliminary draft budget for 2022/23 and 2 year forecasts 2023/24 and 2024/25, then proceeded to detail the list of financial principles to guide the budget and forecast.

Mr Jonathan Spink, Pacific Hydro asked about the principle of full recovery of operating expenditures across entities and whether the government pays any of these costs.

Mr Westerman replied that some areas within AEMO are cost recoverable from the government where direct work for a jurisdiction is performed.

Mr Spink commented that he wasn't sure of anyone making money at the moment and that there is an affordability aspect that the market is struggling to bear at the moment.

Mr Westerman replied that AEMO has prosecuted the argument for governments to consider additional contributions, but government's feedback has been to prefer cost recovery.

Mr Chappel added that this is an important issue, and we are happy to discuss further with the Committee and take views back to the government again.

Mr Jeff Forrest, Transgrid asked about the principle of transparent ringfencing of participant and member funds by function and how practical that is to achieve.

Ms Hannan replied that AEMO have set up a system to report by segments and costs are either recorded directly or allocation methodologies are used. She then proceeded to outline the priorities for AEMO based on the corporate plan and key focus areas related to market reforms.

### **Draft Budget 2022/23 and 2 year forecasts 2023/24 and 2024/25**

Ms Hannan provided an overview of the breakdown of the 2022/23 budget across AEMO's core segments. She then updated the Committee on the 2021/22 forecast to budget.

Mr Westerman added that AEMO will continue to look at our expenditure and identify savings for the rest of the year.

Mr Spink asked how AEMO was tracking on its digital forecast to spend to date.

Ms Hannan replied that AEMO is ensuring that actual expenditure is allocated to a project as soon as it is identified.

Ms Hannan outlined AEMO forecast revenue and expenditure from 2021/22 to 2024/25 including the breakdowns across labour, IT and Telecommunication and Depreciation. Our capital expenditure and balance sheet and cashflow from 2021/22 to 2024/25 was outlined.

The breakdown of how AEMO segment their finances across different areas was provided. Mr Chappel noted that AEMO was in the process of sharing projected NEM Fees with the

Australian Energy Regulator and Essential Services Commission of Victoria, to enable their inclusion in the FY23 Default Market Offer and Victorian Default Offer.

### **NEM Core Accumulated Deficit Recovery**

Ms Hannan provided an overview of AEMO NEM Core financial summary as well as the tariff and fee revenue from 2021/22 to 2024/25. She then discussed the NEM Core revenue step changes for 2022/23 and options for the NEM Core accumulated deficit recovery paths of one, three or four years.

Mr Paul Odendaal, Hydro Tasmania asked how AEMO decided on a deficit recovery path timeline of one, three and four years rather than say seven, eight or nine years.

Ms Hannan replied that AEMO ran a number of scenarios in the model that deliver a range of fee recovery pathways.

Mr Forrest asked about the 2021/22 under recovery part of the accumulated deficit and whether this was an ongoing step change.

Ms Hannan replied that there was a step change in 2022/23 to align to the principal of recovering operating costs each year, and the additional step in fees to recover the accumulated deficit will drop off once the accumulated deficit has been recovered (by the end of 2025/26 in the scenario discussed).

Mr Westerman asked the group what else we could do and whether they had any advice.

Mr Spink added that these additional costs now is difficult on top of all the other industry costs associated with market changes and would prefer to see the costs recovered further out but acknowledged AEMO need to recover its costs.

### **Forecast Debt Profile**

Ms Hannan outlined AEMO debt profile from 2020/21 to 2025/26.

Mr Westerman summarised that AEMO is in a position of running an operating deficit and the need to claw back accumulated deficit. He indicated that AEMO would welcome your opinion on a better way to do this and that we were committed to an open and transparent discussion.

### **General Discussions**

Ms Hannan reminded the Committee if they have any additional comments, thoughts, or questions to provide them to direct to herself, either by phone or email. She informed the Committee that the AEMO Board will see these forecasts and budget in the next couple of weeks with the aim for the AER to be briefed in late March.

Mr Chappel suggested that we regroup as a committee after the forecasts and budget have been shared with the AEMO Board and proposed that get together in about 3 weeks.

Mr Westerman thanked the Committee and stressed that if they had any ideas on how better to handle the situation, please let us know.

As there were no more questions or comments the meeting concluded at 11.52am.

**Action items**

<b>Item #</b>	<b>Action</b>	<b>Responsibility</b>	<b>Due Date</b>
3.1	Share some of the findings of AEMO latest internal staff survey.	AEMO	Next meeting of the FCC planned for March/April 2022.
3.2	Set the date for the next FCC meeting in approximately 3-week time.	AEMO	March/April 2022.