

# Minutes

<b>Meeting:</b>	<b>Financial Consultation Committee (FCC)</b>
<b>Date:</b>	Wednesday, 26 April 2023
<b>Time:</b>	13:00 Hours to 14:30 Hours AEST
<b>Teleconference details:</b>	By Teams

## Attendees: External & Chair

AGENCY	NAME	ORGANISATION
ENA	Peter Price	Energy Queensland
AEC	Keith Garven	Delegate - Synergy
AEC	Rachel Richardson	Engie
CEC	Grant Appleton	Pacific Hydro
CEC	Paul Odendaal	Delegate - Hydro Tasmania
ECA	Katrina Porteus	Energy Consumers Australia
EUAA	Mark Grenning	Energy Users Association of Australia
Government	Jess K Young	Victorian Department of Energy, Environment and Climate Action
Government	William Durrant Whyte	NSW Department of Planning, Industry and Environment

## Apologies: External

AGENCY	NAME	ORGANISATION
ENA	Nadine Lennie	Transgrid
AEC	Jonathan Cowper	Synergy
CEC	Tim Peters	Hydro Tasmania

## 1 Introduction and welcome

- AEMO's Executive General Manager Finance and Governance and FCC chairperson Vanessa Hannan, welcomed attendees to the meeting and outlined the agenda.
- Two new members, Rachel Richardson from Engie representing AEC and Mark Grenning from Energy Users Association of Australia (EUAA) were introduced at the FCC.
- The minutes from the prior meeting on Tuesday 14 March 2023 were accepted.
- As the majority of the FCC members had rotated during FY23, the Chair provided background and historical context specifically around NEM Core and the deficit recovery pathway. It was noted that the historical context is pertinent in understanding the FY24 Budget and Fees setting and also the investment and expenditure trajectory of AEMO.
- AEMO's Group Manager of Strategic Finance, Judd Johnston, provided an update relating to the two actions from the prior meeting and noted that further information relating to action 2.1 & action 2.2 were to be provided within agenda item 3.

- The FCC's forward schedule was discussed, noting the current public consultation on the FY24 Budget and Fees document and AEMO's Board meeting in May 23.

## 2 FY23 financial update

- AEMO's Group Manager of Strategic Finance, Judd Johnston, provided a FY23 financial update:
  - The latest forecast is broadly consistent with the forecast which was discussed at the 14 Mar 2023 FCC meeting and AEMO is expected to remain within FY23 Budget envelope.
  - YTD Feb 2023 results were materially favourable due to external revenue factors (Gas Capacity Auction outcomes and Settlement Residue outcomes within the Victorian TNSP segment), and underspend on labour costs due to a tight labour market.
  - YTD favourability will decline in the coming months primarily from a review of work in progress held within AEMO's balance sheet. The forecast is for a portion to be transferred to the income statement.
- It was reiterated that AEMO is continuing to manage to the FY23 budget expenditure envelope and the current forecast is broadly consistent with the forecast previously shared with the FCC.

## 3 FY24 to FY26 Draft Budget and Plan

- AEMO's Group Manager of Strategic Finance Judd Johnston provided the backdrop and context on which the FY24 Budget and Plan have been built. AEMO noted that more is being asked of AEMO, specifically in relation to new or expanded roles, and increasing complexity within its core functions. Examples of additional roles and responsibilities included cyber, gas reforms and VNI West.
- AEMO discussed action 2.1 from prior meeting, demonstrating the alignment of expenditure to specific priorities. Detailed information in relation to Action 2.1 was captured within Slide 13 of the presentation materials.
- AEMO discussed action 2.2 from the prior meeting. A waterfall representation of key cost increases across segments and key drivers of change in expenditure categories within NEM was provided. These were included as slides 17 and 19 within the FCC presentation materials.
- AEMO noted the improved financial position in FY24 and beyond, primarily due to the repayment of the NEM Core deficit. The key ratios of liquidity and debt to assets were better than those prescribed within AEMO's financial principles.
- AEMO requested input into the proposed FY24 draft budget income statement, forecast capital expenditure, NEM Core deficit recovery pathway, balance sheet and cash flow position. FCC Members:
  - Queried the labour inflation assumption in the outer years. AEMO explained that the plan is consistent with labour agreements.
  - Sought clarification on VNI West as to whether costs were net of any contributions from the Victorian government and whether AEMO assumes any return on capital invested. AEMO noted that where there is discrete cost recovery or funding assumed, they were shown gross within revenue and cost categories of the income statement. AEMO also noted that it does not earn a return on capital invested, only the pass through of depreciation and associated borrowing costs to fund the investment.

- Requested additional detail of labour expenditure and how this correlate to the strategic outcomes, as explained within slide 13 of the presentation materials. AEMO noted that labour is its largest expenditure category and explained that to meet its obligations and achieve the strategic outcomes, it relies largely on labour. AEMO took an action to provide a waterfall explaining labour movements tied to key activities identified within the four strategic outcomes.
- Sought clarification on what the 100% renewable market operation meant, as coal and gas would still feature in the electricity generation mix. AEMO noted that by 2025, market systems should be prepared to operate on 100% renewables for some of the time as envisaged through various industry working groups and stakeholder forums. AEMO noted that additional information would be shared on why 2025 was identified as the date it was estimating the grid may experience moments of 100% renewables.
- Queried why not all of the surplus within the East Coast Gas segment is being returned in FY24 rather than over multiple years. AEMO noted that it receives feedback from various industry participants preferring stability and predictability in prices rather than volatility. AEMO noted that, it is seeking to return surpluses over a three-year period, consistent with the three-year recovery of the deficit within NEM Core.

AEMO noted that the FCC's feedback would be considered as part of the discussions with the AEMO Board and noted that it would address these queries before its board meeting in May 2023 and that it would circulate any materials to support the actions with the minutes.

## 4 Stakeholder and Terms of Reference update

AEMO's Stakeholder Engagement Lead, Margaret Lynch provided an update to the FCC on the current public consultation of the FY24 Budget and Fees document. Key dates and schedule of the public consultation was shared.

An overview of the proposed changes to the Terms of Reference was provided and input was sought from the FCC. Members:

- enquired about ability for AEMO to appoint an FCC member when a position is vacated, specifically if they are representing an industry body. The Chair informed that the intent as presented was in relation to customer advocacy representatives and AEMO would amend the terms of reference suitably to clarify this.

The members agreed that with this amendment the revised Terms of Reference were approved.

## 5 General discussion

The next FCC meeting is scheduled for 14 Jun 2023 where AEMO will share any feedback from the public consultation process and seek to understand opportunities to further enhance FCC engagement. Updates would be provided on actions items before this meeting.

## 6 Wrap up

The chairperson thanked the FCC for the feedback on the agenda items.

The meeting concluded at 14:15 Hours AEST.

## Action Items

Item	Action	Responsibility	Due date
1	Provide greater clarity on labour expenditure increases in FY24 and alignment to strategic outcomes outlined in Slide 13 of April 2023 FCC presentation materials.	AEMO	Before next meeting
2	Provide additional information on the 2025 target of being capable of operating the grid in moments of 100% instantaneous renewables.	AEMO	Before next meeting
3	Amend the Terms of Reference to clarify how vacancies are filled.	AEMO	Before next meeting