Annual Report

AEMO
AUSTRALIAN ENERGY MARKET OPERATOR

FY23

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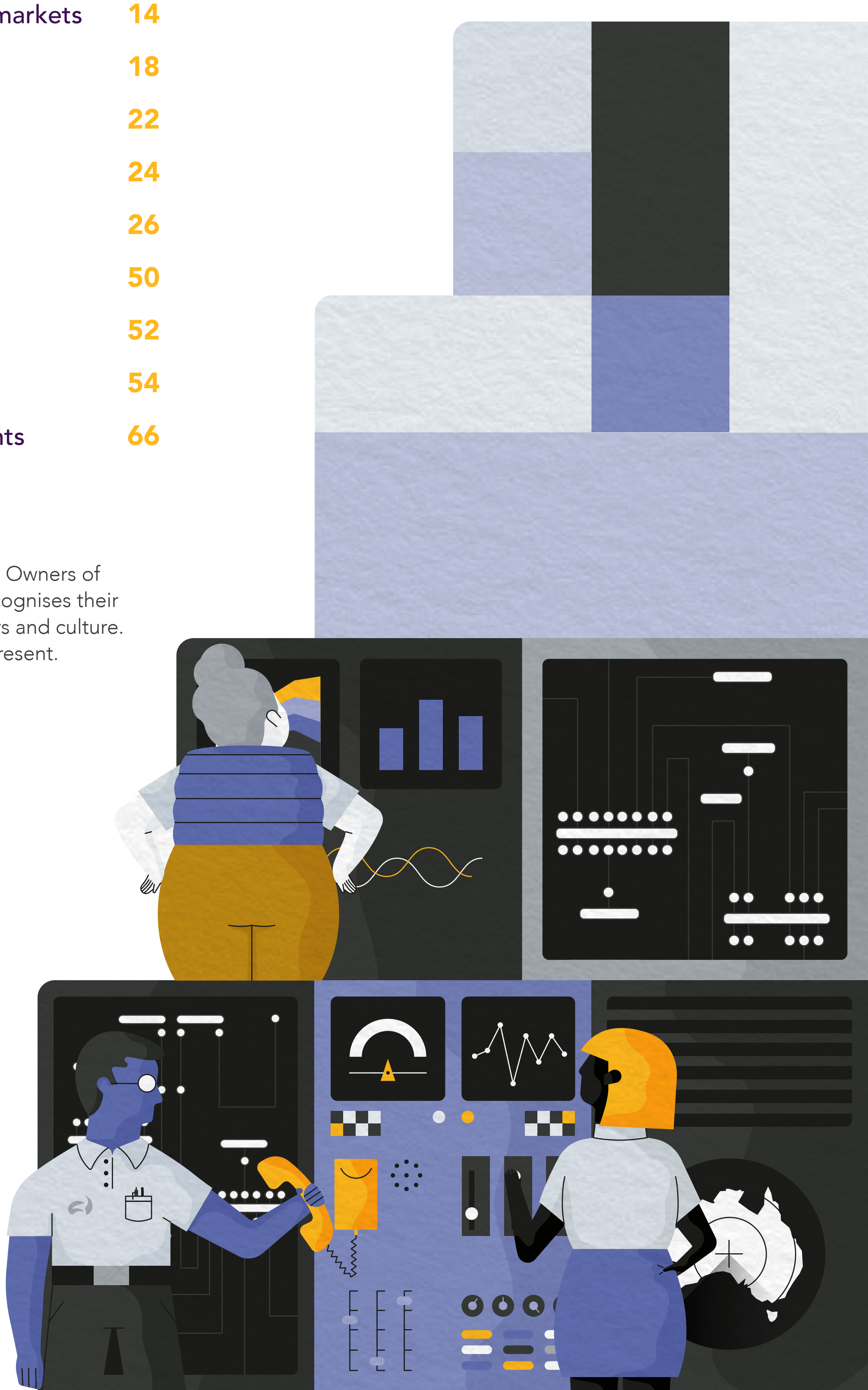
AEMO acknowledges the Traditional Owners of country throughout Australia and recognises their continuing connection to land, waters and culture. We pay respect to Elders past and present.



About AEMO

Purpose

To ensure safe, reliable and affordable energy today and enable the energy transition for the benefit of all Australians.

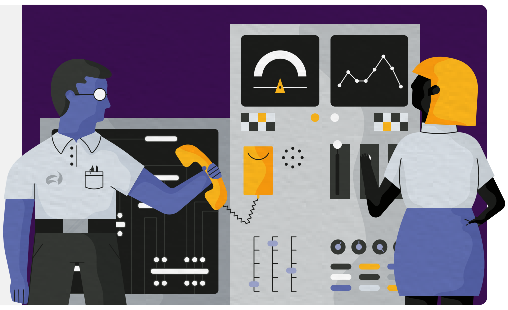
The way we work

Together we work as one AEMO. Our approach is to collaborate with and listen to our stakeholders and adapt to changing industry needs. We deliver and are accountable for our core obligations as we manage our way through the energy transition. Living our values is central to our role. We empower our people and stakeholders, we approach each problem and solution with integrity, and ultimately, we will deliver excellence in our outcomes.

AEMO's core functions and responsibilities

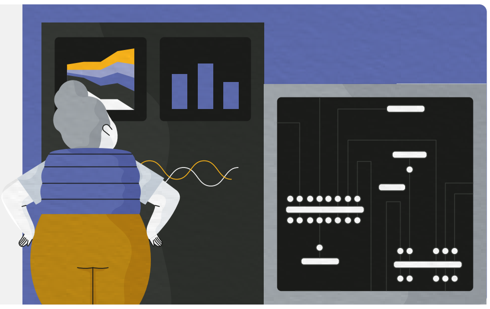
Operate energy systems

- Real-time operations
- System service and security management, monitoring and review
- Engineering analysis, support and modelling
- Power system operating reserves, gas supply adequacy and operational forecasting
- Emergency and outage management
- Cyber security



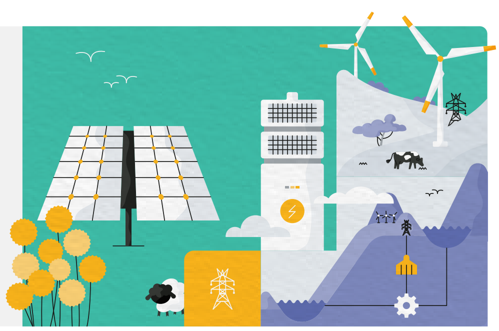
Operate energy markets

- Participant registrations and accreditation
- Retail market operations and procedures
- Metering
- Settlements, prudentials and payments
- Market monitoring, advice and analysis



Enable the energy transition

- Energy system forecasting, modelling and planning
- Network connection enablement
- Technical analysis and resource adequacy assessments
- Statutory and government policy support and integration
- Energy system and market reform consultation and project delivery



AEMO's core functions by state

Category	Function	WA	SA	VIC	NSW & ACT	QLD	TAS	NT
Operate energy systems	Real-time Operations NEM Power Systems		●	●	●	●	●	
	Real-time Operations WEM South West Interconnected System	●						
	Victorian Transmission Network Service Provider			●				
	Real-time Operations Victorian Declared Transmission System			●				
	East Coast Gas Supply Adequacy		●	●	●	●	●	●
	Operational Forecasting and Engineering Analysis and Modelling	●	●	●	●	●	●	
	Operational Reserves and Emergency and Outage Management	●	●	●	●	●	●	
	Cyber Security	●	●	●	●	●	●	
Operate energy markets	NEM		●	●	●	●	●	
	WEM	●						
	Gas Bulletin Boards	●	●	●	●	●	●	●
	Gas Retail Markets	●	●	●	●	●		
	Day Ahead Auction		●	●	●	●		
	Short Term Trading Market		●		●	●		
	Gas Supply Hubs		●			●		
	Declared Wholesale Gas Market			●				
Enable the energy transition	System Planning and Planning Support	●	●	●	●	●	●	
	Technical Support and Analysis	●	●	●	●	●	●	
	Energy Security Board's (ESB) P2025 Program		●	●	●	●	●	
	Energy Transformation Strategy (ETS) WEM Reform Program	●						
	NEM Reforms to Wholesale and Retail Markets		●	●	●	●	●	
	DWGM, STTM, Gas Bulletin Board, GSH and other gas reforms	●	●	●	●	●	●	●
	NSW Consumer Trustee (performed by AEMO Services Ltd)				●			

AEMO is a member-based, not-for-profit organisation 60% owned by federal, state and territory government members and 40% owned by energy market participants.

Chairman's message

Throughout the past financial year, AEMO remained focused on our primary purpose to ensure safe, reliable and affordable energy and enable the energy transition for the benefit of all Australians.

We put this into practice daily by operating the electricity and gas systems and markets around the clock, while looking further ahead to help plan the energy system of the future.

With all Australian governments committed to a net-zero economy for the nation by 2050, AEMO has a central role in collaborating with stakeholders to engineer future power systems built on renewable energy, firming technologies and new transmission, and capable of operating, at times, entirely on renewable energy.

The energy transition is accelerating. While it is an incredibly exciting time for our engineering, technology and economic staff, it is also vitally important to remember that the National Electricity Market (NEM) on Australia's east coast, and the west-coast Wholesale Electricity Market (WEM), exist to serve people: everyday Australians, at home and going about business.

Navigating the energy transition efficiently is key to maximising its economic potential to households, businesses and the entire Australian economy. People remain at the heart of the energy transition.

The energy transition necessarily means change: technological change, market change and changes to rules and regulations. Transition and reforms go hand in hand, and are interdependent. The design of market reforms can signal investments needed, while technological development and disruption can drive regulation reform. The interests of consumers, however, must remain central during this disruption.

AEMO and its subsidiaries have embraced the reform agenda and progressed the strategic priorities outlined in the FY23 Corporate Plan to enable the energy transition. We have worked closely and transparently with our members, rebuilding AEMO's financial position and capabilities so the organisation can meet the demands asked of it.

AEMO maintained strong relationships with market bodies and industry to progress planning for the NEM reform program to operationalise the market changes recommended by the former Energy Security Board.

AEMO has worked closely with the Western Australian Government and agencies including the Economic Regulation Authority (ERA) and Energy Policy WA (EPWA) to remake the WEM to be fit-for-purpose in the state's renewable energy future.

In New South Wales, AEMO Services Ltd ran successful tenders to procure renewable generation and storage under the State Government's Electricity Infrastructure Roadmap. This culminated in the resounding success of the first tender for three renewable generation projects contracted at a total capacity of almost 1.4 gigawatts (GW), and one 50 megawatts (MW) long-duration battery, Australia's first eight-hour utility-scale battery system.

In Victoria, near the end of the financial year, AEMO established a new subsidiary, Transmission Company Victoria Pty Ltd (TCV), as a new independent, not-for-profit company in Victoria to help more renewable energy flow into the electricity grid.

TCV will apply for a transmission licence and will consult the community, landholders and Traditional Owners about the Victoria - New South Wales Interconnector West (VNI West) transmission project. TCV aims to take the VNI West transmission project to the construction phase. When that occurs, the project builder will take over all of TCV's interest in the project, including a possible transmission licence.

These are but four examples of the important work AEMO is doing as Australia's independent energy and market system operator and planner to enable Australia's transition to its net-zero energy future.

I thank the AEMO Board and Chief Executive Officer Daniel Westerman for their support, vision and unwavering commitment. During the year, we welcomed two new independent directors, Ms Christine Williams and Ms Kathryn Presser, who bring fresh insights and deep experience to the Board.

Renewal is a natural part of the corporate world. After six years as Chair of the AEMO Board, I have decided the time is right for me to step down towards the end of the calendar year and move on with the next phase of my life. I leave knowing that Australia's energy market and system operator is in great shape, with the strategy, leadership and capabilities needed to face the future.

Now, after numerous engagements with members, consumers, staff, Directors and energy stakeholders, I look forward to witnessing a successful Australian energy transition, even if from a distance.

Drew Clarke AO PSM
AEMO Chair

A message from AEMO's CEO

The financial year ended 30 June 2023 marked a period of fundamental energy system transformation at an extraordinary pace, yet the system and market need to change faster still.

Recent events in the NEM illustrate just how crucial it is for this to occur.

The past financial year commenced in the wake of the most dramatic period in the 25-year history of the NEM, when AEMO had just weeks earlier intervened and temporarily suspended the market – an unprecedented action – to ensure the secure and reliable supply of electricity for consumers.

A confluence of factors across the interconnected electricity and gas markets led to AEMO's intervention. Those factors included high electricity demand, coupled with a large volume of generation unavailable due to maintenance or unplanned events, on top of planned transmission outages and high commodity prices for fuel.

Combined, these factors revealed Australia's transitioning energy system's exposure to supply constraints, international forces that drove higher-than-normal energy prices and the need for energy system renewal. The situation highlighted, too, the urgency to accelerate the transition to the cheapest form of replacement generation for reliable electricity: firmed renewables, combined with new transmission.

Integrating higher levels of cheaper, firmed renewables into the energy system will help protect domestic energy prices from international shocks, drive swifter progress to electrify more of the economy and keep downward pressure on wholesale electricity costs to reduce stress on Australian homes and businesses.

To this end, AEMO is laser-focused on our core purpose to ensure safe, reliable and affordable energy today, and enable the energy transition for the benefit of all Australians.

The Board and the Executive Leadership Team identified four strategic priorities to serve this remit: operating today's systems and markets; navigating the energy future; engaging our stakeholders; and evolving the way we work.

AEMO's FY23 Corporate Plan outlined a number of initiatives under each of these strategic priorities, 55 initiatives in total, that would deliver on these priorities.

I am pleased to reveal that of the 55 initiatives we outlined in the plan, 45 have been delivered in full and eight have been partially delivered. Two initiatives were deprioritised for FY23.

In relation to operating today's systems and markets, we undertook seasonal energy analysis and preparation, conducted emergency exercises, and developed our policies and procedures to reflect latest operational risks. We also provided extensive market insights via our publications, including the Quarterly Energy Dynamics and NEM frequency and ancillary services reports. We also commenced implementation of the Digital IT Roadmap, including the Operations Technology Roadmap. We strengthened AEMO's resilience to security threats and assisted stakeholders to strengthen their cyber-resilience and cyber preparedness.

In navigating the energy future, we completed 38 priority actions in the FY23 Engineering Framework, which aims to enable power systems to operate at times, at 100% instantaneous renewable generation, with eight remaining actions in progress or nearing completion. We delivered network planning advice via electricity and gas statements of opportunities for the NEM and WEM, and updated the reliability forecasting methodology and guidelines.

We introduced significant market reforms, including consumer data rights and the stand-alone power system project, with its functionality live in the market, supporting changes to registrations, metering, settlements, billing and prudentials.

The NEM Reform Program has delivered its FY23 commitments, with the program now fully established with management and governance cadence in full operation.

AEMO delivered key initiatives identified in the Connections Reform Initiative Roadmap, such as developing streamlined connections process maps for workshopping with Network Service Providers. Importantly, 34 projects representing 4.3 GW of new generation reached the commissioning phase of the connections process during the financial year.

In addition to the initiatives outlined and delivered under our FY23 Corporate Plan, in the past financial year AEMO delivered a number of projects and outcomes that we were asked by governments and stakeholders to undertake.

These included the implementation of the first tranche of east coast gas system reforms at the request of the Federal Government to bolster energy security. These were introduced in record time, and were in place by winter 2023 to manage the seasonal energy demand, particularly for heating.

AEMO also supported the design of the Commonwealth Capacity Investment Scheme to ensure sufficient firming capacity is available in the future, influencing the requirements of the scheme within the policy boundaries set by the Federal Government.

At the same time as energy system and market improvements have been delivered, AEMO has been taking steps to improve the way the organisation engages stakeholders. Central to this improvement is to make AEMO's processes transparent and open. The efforts of AEMO's staff are beginning to show results. Our stakeholders are reporting higher levels of satisfaction with the way AEMO is going about its work.

AEMO has engaged stakeholders openly on our financial restoration and budget processes, as well as inviting input and review of AEMO's technical, market and planning reports.

This transparent approach has resulted in measurable improvement across the key metrics we track: reputation, net advocacy, and trust. AEMO's reputation score among stakeholders has increased 18 percentage points in 12 months to 75%; net advocacy climbed 8 points; trust in AEMO to deliver the National Electricity Objectives rose 11 points; and trust in doing what we say we will do increased 14 points. The scores are the highest AEMO has achieved since the stakeholder research has been undertaken, and are significantly higher than when we began measuring in 2020.

An ongoing work in progress is to help build social licence among communities for hosting the electricity infrastructure of the future, including new transmission lines. AEMO recognises there are anxieties in communities being asked to host the infrastructure, and concerted efforts have been made in the past year, and continue to be made, to acknowledge and begin to build trusted dialogues with those most affected.

As AEMO's Chief Executive Officer, I speak publicly to highlight the dynamics and responses to the challenges of Australia's energy transition. I see this as an important undertaking, as energy consumers' confidence in the energy system improves with greater understanding of the transition and how it is being managed.

Of the 55 initiatives we outlined in the plan, 45 have been delivered in full and eight have been partially delivered.

In evolving the way we work, our Executive Leadership Team has been substantially renewed over the past year and balanced in gender, with the recruitment of some of Australia's most experienced and talented professionals in their respective fields. The improved corporate results are due in no small part to their leadership of AEMO's dedicated staff.

I am incredibly proud of the efforts our staff have made throughout the year in times of budget restraint and significant energy system challenges and developments. Their hard work is the foundation of AEMO's corporate results.

Just as change and renewal is part of the energy system, so too it is for AEMO's Board, which has been led by Drew Clarke, AO, for the past seven years. Drew has decided it is time to move on to his next phase of life. We have all benefitted from Drew's wisdom and experience, and I know I speak for the entire organisation when I wish Drew all the very best for a well-earned retirement.

While FY23 has been a time of significant delivery of projects, market intelligence and energy market reforms, there is much more to do. We are readying for the 2024 Integrated System Plan (ISP), which outlines the optimum development pathway for the NEM over the next 30 years.

On the west coast, we are bringing to life the Western Australian Government's plan for a new Wholesale Electricity Market, which accommodates the commercial value and technical attributes of new technologies that are helping to build the renewable energy network of the future.

These plans, and more, are outlined in AEMO's current FY24 Strategic Corporate Plan, which I invite you to read. I look forward to reporting on these developments in next year's Annual Report. In the meantime, AEMO will continue to provide safe, reliable and least-cost wholesale energy to power Australia's homes and businesses as we help create the blueprints of the nation's energy future.

Daniel Westerman
AEMO Chief Executive Officer

FY23 key highlights

Quality of relationship with AEMO, as voted by our stakeholders: **91%** ↑ 5% COMPARED TO LAST YEAR

55 FY23 Corporate Plan initiatives

- **45** DELIVERED
- **8** PARTIALLY DELIVERED
- **2** DEPRIORITISED

Workforce diversity

FEMALE **38.8%** ↑3.8% COMPARED TO LAST YEAR

MALE **61.2%**

50% of AEMO's Board and Executive Leadership Team **are female**

Employee lost time injuries

1

NEM projects (connections)

Applications	Registrations	Commissioning
37 (6.8 GW)	**18 (2.4 GW)**	**34 (4.3 GW)**

Gas

Annual trades and volumes (petajoule (PJ))

Declared Wholesale Gas Market (DWGM)	Short Term Trading Market (STTM)	Gas Supply Hub (GSH)
199 PJ Wholesale gas **withdrawal**	**149.5 PJ** Wholesale gas **withdrawal**	**50.9 PJ** Wholesale gas **withdrawal**
$4.77 B Wholesale gas **purchased**	**$2.76 B** Wholesale gas **purchased**	**$0.88 B** Wholesale gas **purchased**

Electricity
Annual trades and volumes

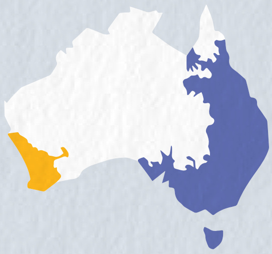
WEM

17,303 GWh

TOTAL ENERGY TRADED

$2.18 B

TOTAL VALUE



NEM

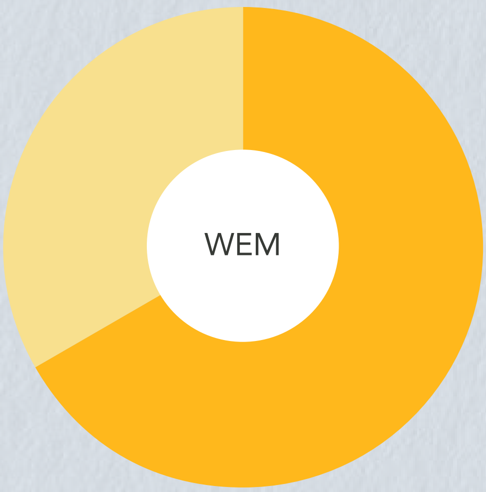
175,577 GWh

ENERGY PURCHASED

$25.46 B

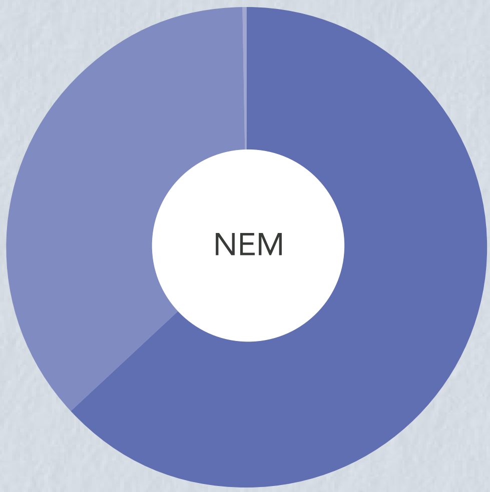
PURCHASE VALUE

Fuel split



Thermal generation: **66.92%** ↓ **1.55%** COMPARED TO LAST YEAR
(COAL, GAS AND DISTILLATE, LANDFILL GAS)

Renewable generation: **33.08%** ↑ **1.07%** COMPARED TO LAST YEAR
(WIND, GRID-SCALE SOLAR, DISTRIBUTED SOLAR)



Thermal generation: **63.1%** ↓ **3.4%** COMPARED TO LAST YEAR
(BLACK AND BROWN COAL, NATURAL GAS, LIQUID FUEL)

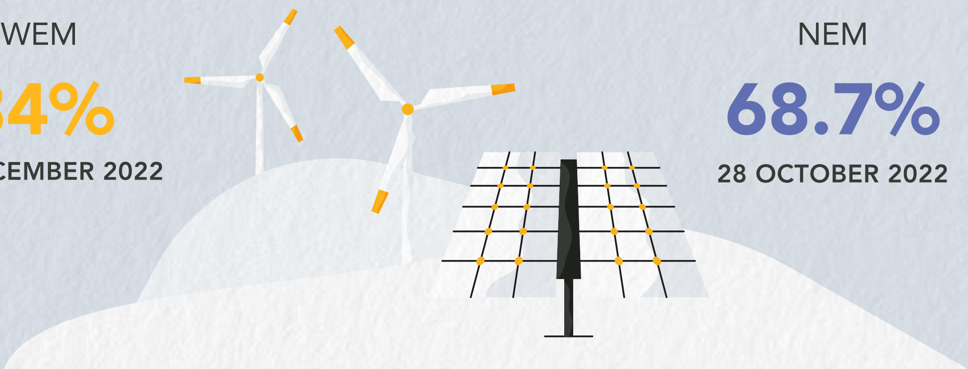
Renewable generation: **36.9%** ↑ **3.44%** COMPARED TO LAST YEAR
(WIND, ROOFTOP SOLAR, GRID-SCALE SOLAR, HYDRO, BIOMASS)

Instantaneous renewable penetration

WEM

84%

12 DECEMBER 2022



NEM

68.7%

28 OCTOBER 2022

AEMO Executive Leadership Team

Daniel Westerman

Chief Executive Officer & Managing Director

Daniel commenced as CEO and Managing Director of AEMO in May 2021. He oversees AEMO's strategy and operations, including collaboration with market participants and policy-makers.

Daniel is a chartered engineer and a business leader with significant experience in the energy sector.

Prior to joining AEMO, Daniel held a variety of senior executive roles with London-listed electricity and gas utility National Grid Plc. Most recently he served as Chief Transformation Officer and President of Renewable Energy, where he led the company-wide transformation program, and grew a large-scale renewable energy business in the United States. In previous roles he has been responsible for engineering, planning and operational control of the electricity transmission network across Great Britain, as well as the development of distributed energy systems, such as rooftop solar, storage and energy metering.

Prior to joining National Grid Plc, he held positions with McKinsey and Company and Ford Australia.

Daniel holds degrees in Engineering and Mathematics from the University of Melbourne, and an MBA from Melbourne Business School. He is a Fellow of the Energy Institute and the Institution of Engineering and Technology, and a Fellow of the Institute of Directors.

Nevenka Codevelle

Executive General Manager Government & Stakeholder

Nevenka leads AEMO's stakeholder & government division, responsible for engagement with key industry, consumer and government stakeholders to facilitate strong and ongoing partnering and collaboration.

Nevenka joined AEMO in July 2022, bringing 25 years' experience in the energy sector. Starting her career as an infrastructure and regulatory lawyer, Nevenka went on to have a variety of roles in the energy sector spanning government and industry. This included more than 13 years with APA Group as a member of the leadership team that helped grow the business to be included in the ASX50.

Nevenka also founded and led the Energy Charter, which sought to bring together the energy supply chain to deliver better whole-of-system customer and community outcomes.

Gordon Dunsford

Executive General Manager Digital

Gordon is responsible for enabling the business with technology to improve outcomes for both internal and external stakeholders.

Gordon joined AEMO in January 2022 from the NSW Police Force, where he delivered core operational policing systems that enable frontline work, digitised a large component of previously manual, transactional work, and supported cyber and intelligence uplifts over the past four years.

A former Chief Technology Officer with IBM in Asia, Gordon has also worked extensively in the energy sector including with StateGrid China, TransGrid and Integral Energy (now Endeavour Energy).

Michael Gatt

Executive General Manager Operations

Michael is responsible for operating electricity and gas markets and systems on the east coast.

Prior to joining AEMO in August 2020, Michael spent 15 years at TransGrid, where his most recent role was Executive General Manager of Works Delivery. At TransGrid he led the delivery of TransGrid's prescribed capital portfolio together with new generator connections, maintenance, project development, and emergency management functions.

Over the last 25 years, Michael has been an active part of the energy industry, always passionate about its role in society and the people that make it happen. Prior to TransGrid he worked for a distribution business, an industry association and in energy policy roles throughout the development of the NEM.

Vanessa Hannan

Executive General Manager Finance & Governance

Vanessa leads AEMO's finance and governance division, responsible for overseeing AEMO's financial sustainability and oversight of risk management, assurance, legal and governance practices.

Vanessa joined AEMO in January 2022 from Transurban Queensland where she was an Executive Director, while also serving as General Manager Finance for Transurban (ASX: TCL), delivering a finance transformation through a significant growth phase.

Vanessa previously held Chief Financial Officer roles with large divisions of Telstra and AGL.

Glenn Jackson

Executive General Manager People & Culture

Glenn is responsible for overseeing the health and safety, culture, capabilities and leadership for AEMO's workforce.

Glenn joined AEMO in December 2022, having spent nearly 8 years as the Human Resources (HR) Director at Queensland Investment Corporation. Prior to this, Glenn held executive-level HR roles for Australian and global corporations, including QBE Insurance, NAB and PwC.

Violette Mouchaileh

Executive General Manager Reform Delivery

Violette's role focuses on delivering reforms and market changes.

Prior to moving to her current role in December 2018, Violette held various roles at AEMO in market design development, market change implementation and operations.

Violette previously held roles driving energy market policy in the Commonwealth Government and working on competition policy initiatives at the Australian Energy Regulator (AER) and Australian Competition and Consumer Commission (ACCC). Her experience includes economic regulation, energy policy development, development of regulatory frameworks, market development and design, and market change implementation.

Kate Ryan

Executive General Manager WA & Strategy

Kate is responsible for leading the Western Australia function and AEMO's corporate strategy.

Kate joined AEMO in February 2022, and has extensive knowledge and experience built over decades in the energy industry.

Most recently, Kate was the Coordinator of Energy at Energy Policy WA, where she oversaw strategic policy, reform, regulation and market design for Western Australia's energy markets. Kate has held other senior roles with the Queensland and Western Australian governments and the former Independent Market Operator in Western Australia. She has also managed key reform projects in the Queensland and Western Australian energy sectors.

Paul Verschuer

Executive General Manager AEMO Services

Paul is responsible for leading AEMO's independent subsidiary, AEMO Services Ltd (ASL).

Prior to joining ASL in June 2021, Paul spent more than 35 years in senior governance and management roles across the financial, government and energy sectors. This includes working with the NSW Department of Planning, Industry and Environment, Westpac, the Commonwealth Treasury and NSW Treasury.

Merryn York

Executive General Manager System Design

Merryn is responsible for leading system design at AEMO, driving collaborative and industry-wide efforts to meet the engineering challenges of a net-zero energy system.

Joining AEMO in March 2022, Merryn brings deep industry experience in generator connections, transmission planning, regulatory investment and the delivery of major transmission projects.

Most recently, Merryn served as a Commissioner at the Australian Energy Market Commission (AEMC) where she engaged widely across the industry. Prior to joining the AEMC, she served as Chief Executive of Powerlink Queensland from 2011 to 2019.

Operating today's systems and markets

During another year of challenging market events and operating conditions, AEMO worked with industry and governments to maintain secure energy systems and markets.

Australia's energy transition is being driven by aging coal-fired power station retirements and the proliferation of inverter-based renewable generation – large and small solar system and wind farms – which are displacing traditional black and brown coal generation.

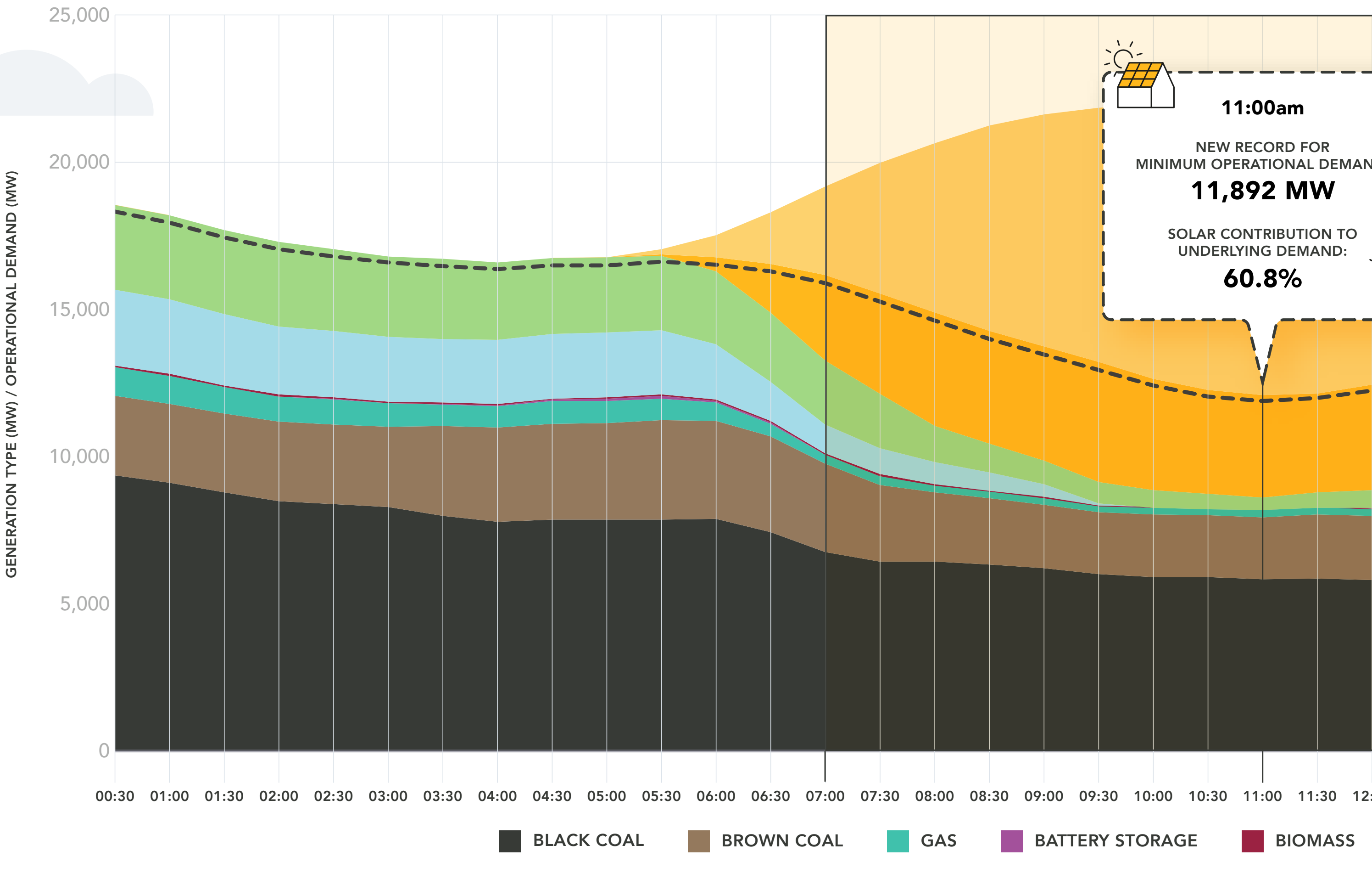
From AEMO's control rooms, we're seeing the change in technology resulting in consistent and large intra-day generation shifts between variable solar generation during the daytime and coal, gas and hydro plant during the morning and at night.

This change, with the continued installation of rooftop solar, means the core technical attributes of Australia's power systems are changing, reducing the reliance on electricity from the grid and increasing spikes in renewable penetration.

During the year, we saw periods of renewable generation peak at 84% and 68.7% of total energy used in Australia's west and east coast power systems, respectively. In South Australia, wind and solar generation exceeded local demand for 10 days in December.

AEMO continued to work with the energy industry and other stakeholders in Australia and abroad to develop the technical and engineering capability to operate a secure and reliable power system with high volumes of renewable generation.

NEM FY23 operational demand record: Sunday 6 November 2022



Globally, AEMO participated and contributed to technical workshops and research to accelerate the transition to low emission, secure and reliable power systems through collaboration with the **Global Power System Transformation Consortium** (G-PST).

As an extension to the development of a Research Agenda by the G-PST, AEMO is working with Australia's national science agency, the CSIRO, to further this work with detailed research roadmaps aligned with the **Engineering Roadmap** and underpinning the **Operations Technology Program** (OTP).

The OTP is designed to provide a pathway to uplift AEMO's capability to manage future power system operating conditions with high volumes of variable renewable energy and inverter-based resources. The program is now well established, with appropriate governance, controls and reporting in place across the portfolio of projects that are in planning and execution phases.

In FY23, we delivered enhancements in AEMO's operating systems and processes, including a new market notice application, a bid energy function for semi-scheduled generators and a range of improvements in forecasting capability.

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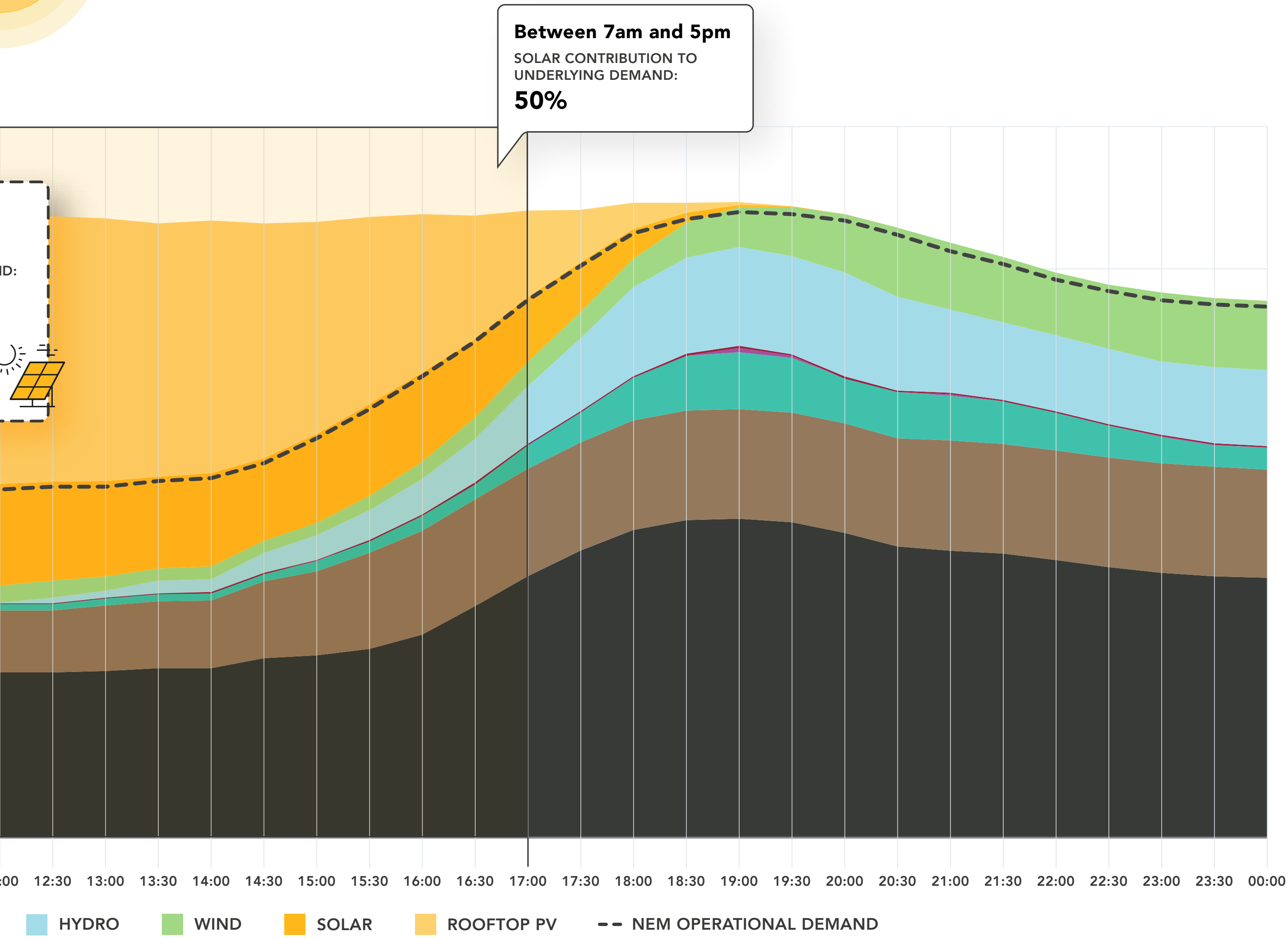
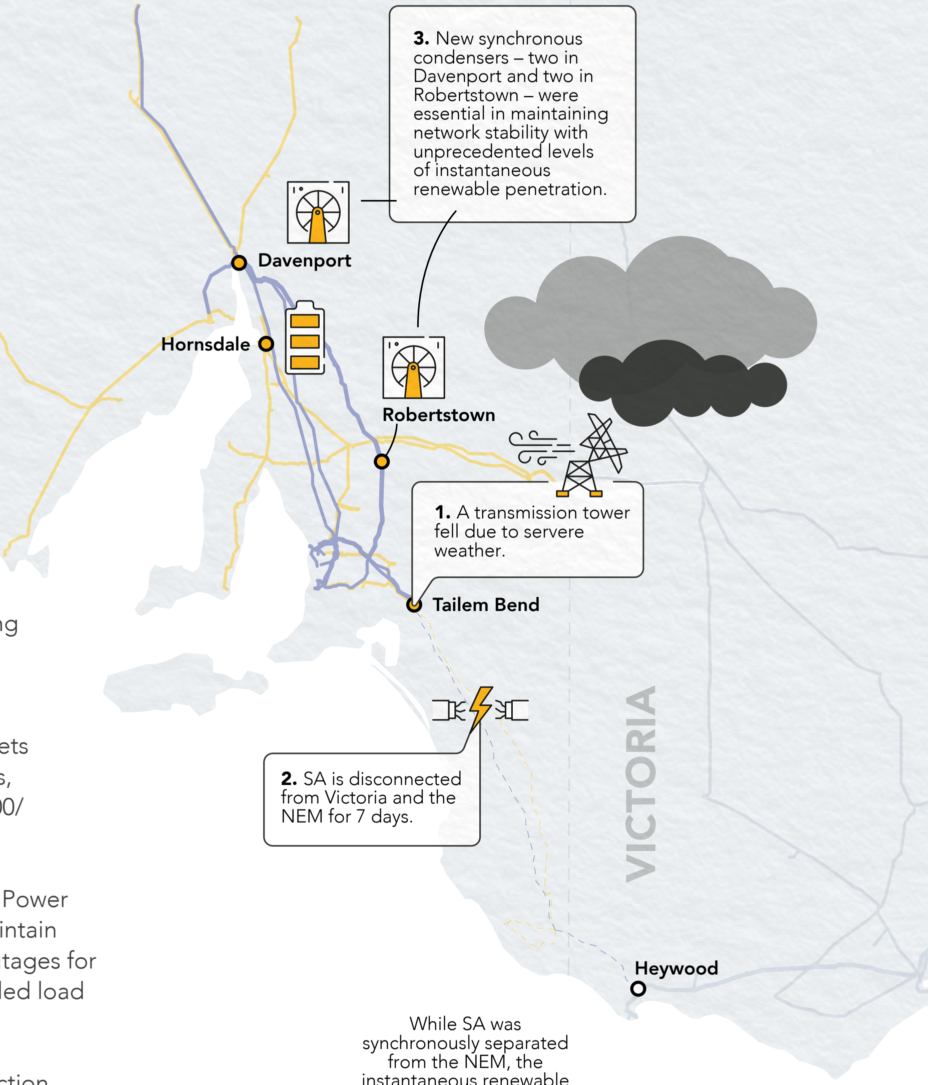


SOUTH AUSTRALIA



South Australia disconnection from NEM

In November, a transmission tower near Tailem Bend in South Australia fell, synchronously isolating most of the state from the rest of the NEM, causing significant operating challenges.

Without normal connection to the NEM, local frequency control ancillary services (FCAS) markets experienced increased demand and price spikes, triggering an administered pricing period at $300/ megawatt hour (MWh).

In response, AEMO worked with ElectraNet, SA Power Networks (SAPN) and market participants to maintain system security, including cancelling planned outages for transmission maintenance and directing scheduled load into service.

Despite the impact of these measures, further action was needed to keep the system secure, and as a last resort, SAPN applied a range of mechanisms to curtail distributed PV at times, until the lines were re-energised.

During the seven-day period that South Australia lost interconnection, instantaneous renewable penetration remained high, peaking at 91.5% during a half-hour period on 18 November, with small-scale solar PV contributing 54.5%, generation from wind 33% and grid-scale solar 4%.

Managing the local network without interconnection – and with such high levels of renewable penetration – was only possible with the support of four new synchronous condensers strategically placed within the local network.

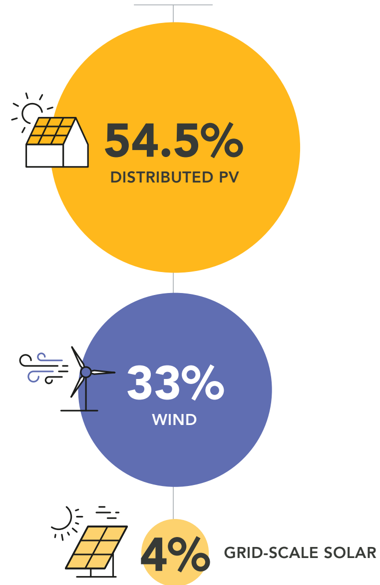
The participation of the Hornsdale Power Reserve and gas generation was critical to maintain system security and reliability with high renewable penetration.

This event has been described as a 'glimpse of the future', as it provided valuable experience in managing very high renewable penetration with the support of both batteries and gas generation. Both are technologies that will be essential to Australia realising its renewable potential.

While SA was synchronously separated from the NEM, the instantaneous renewable penetration peaked at:

91.5%

ON 18 NOVEMBER
DURING THE 0930 HRS TRADING INTERVAL



WESTERN AUSTRALIA

Reserves needed in the WEM

In preparation for the 2022-23 summer, AEMO identified a potential shortfall of reserve capacity in WA's Wholesale Electricity Market (WEM). This was due to a combination of increased forecast demand, extended generation outages, fuel supply constraints, and delays to power generation and storage projects.

AEMO released an invitation to tender for Supplementary Reserve Capacity for the period of 1 December 2022 to 1 April 2023, in accordance with the WEM Rules.

After the market response to this tender, AEMO contracted a mixture of load curtailment and power generation solutions totalling 96 MW, which was successful in helping to maintain reliable electricity supply to power the South West Interconnected System (SWIS) through the high demand summer season.

In June 2023, very cold temperatures pushing up demand, a high number of generator outages and low wind conditions resulted in only 66% of total installed generation capacity being available for dispatch.

AEMO navigated the challenging conditions by taking a number of real-time actions, including dispatching all generation and dispatching contracted Demand Side Program (DSP) facilities on five occasions.

East coast gas market disruption subsides

Australia's east coast gas markets started the financial year with high demand, coupled with supply concerns and record wholesale prices, impacting gas-powered electricity generation in the NEM.

These volatile conditions saw AEMO issue multiple 'threat to system security' notifications to reduce depletion rates at the Iona gas storage facility in Victoria, and triggered the 'gas supply guarantee' for the first time to secure additional gas supplies from Queensland.

These steps remained for several months until gas supplies improved and the threat to gas supply caused by Iona storage inventory depletion subsided.

The challenges prompted energy ministers to propose new reforms to support more secure, resilient and flexible east coast gas markets, including new functions and responsibilities for AEMO ahead of the 2023 winter.

AEMO collaborated with industry on new procedures to enact the reforms and created guidelines to exercise new functions and responsibilities, as well as assisting industry on support processes and system readiness.

Cyber security

AEMO continues to invest in robust cyber security capabilities to strengthen our resilience and help meet our legislative and regulatory obligations as an owner and operator of critical infrastructure.

This includes ongoing enhancement of energy sector cyber incident response arrangements for the NEM and WEM and gas-specific versions of the Australian Energy Sector Cyber Incident Response Plan.

AEMO continues to collaborate with government and industry partners on the Australian Energy Sector Cyber Security Framework (AESCSF) to support market participants in understanding and improving their security maturity and resilience.

AEMO also developed an industry cyber exercise plan, which includes both government and industry, and conducted multiple cyber incident exercises allowing participants to assess their current capabilities and outline investment areas to ensure an effective cyber security uplift.

Navigating the energy future

AEMO plays a critical role in helping Australia ready its systems and markets for the once-in-a-century transformation to ensure safe, reliable and affordable energy for the benefit of all Australians.

Transparent collaboration with industry, government, regulators, academia and consumers is critical to design fit-for-purpose energy systems and markets to achieve a net-zero emissions economy in Australia by 2050.

Reform delivery

Significant market and technical reforms in the NEM and WEM are underway to manage a secure and efficient transformation to a low-emissions grid.

In August 2022, AEMO established the **NEM Reform Program** to manage the implementation of 33 reforms identified as required to modernise the NEM and support the energy transition. The reforms include the Energy Security Board's (ESB) Post 2025 reforms, AEMO strategic and foundational initiatives and other NEM market reforms.

AEMO has established a range of key structures and systems to support industry participants to deliver the reforms and commence their transition efficiently. This includes developing the **NEM Reform Implementation Roadmap** with industry as a pathway for all reforms, with a focus on bundling, sequencing and prioritisation.

Multiple milestones were achieved this year. In March 2023, a significant program milestone was reached allowing small market generation aggregators to participate in the contingency FCAS market, increasing competition.

In May, various changes for energy retailers were introduced, delivering new efficiencies, and in June, the connection of Stand-Alone Power Systems to the NEM was also delivered, directly benefiting people living in remote communities.

AEMO made substantial headway on the **WEM Reform Program**, which is part of the Western Australia Government's broader Energy Transformation Strategy. The reform program has involved more than 300 stakeholders, developing new capabilities, associated processes and systems for more than 50 projects.

On track to commence on 1 October 2023, the reform program is now at peak intensity with integration of completed systems, internal and external testing, training and business change activities.

Connections

During the year, AEMO approved performance standard applications for 37 generation and storage projects, representing 6.8 GW, an increase of 2.6 GW from the previous year.

Eighteen new projects totalling 2.4 GW of capacity were also registered to commence commissioning, down 1.6 GW from last year, as proponents faced longer equipment lead times, the need to refinance and changed original equipment manufacturers.

Registrations of note included three large battery storage projects: Torrens Island (South Australia 250 MW/250 megawatt hours (MWh)); Hazelwood (Victoria 150 MW/150 MWh); and the Riverina and Darlington Point Energy Storage System (New South Wales 150 MW/300 MWh of grid forming capacity).

A further 34 projects totalling 4.3 GW commenced operating at full output, with 2.9 GW released for full operation and 1.4 GW still finalising commissioning.

Importantly, improved collaboration and genuine commitment from all parties has seen a 10% decrease in the average processing time by AEMO across the application and registration processes, and a 20% decrease in average processing time for commissioning projects.

Looking forward, at the conclusion of FY23 there were 180 projects progressing through AEMO's application to commissioning connection process, totalling 31.7 GW in new connection capacity, 9.4 GW higher than the same time last year.

Improving future energy system connections

To further streamline the connection process and experience for participants, AEMO and the Clean Energy Council published an updated Connections Reform Roadmap, a key component of the **Connections Reform Initiative** (CRI) to remove delays and deal with the increasing complexity in connections to the NEM.

As part of the roadmap, AEMO is leading a reform to codesign with industry a streamlined connection process, aiming to reconfigure the connection process to make it shorter, less complex, and more consistent with proponent commercial milestone requirements.

The updated roadmap includes the Connections Process Trials Program, which captures and tests ideas from across the industry on ways to improve the entire connections process. A range of trials are ongoing, with results expected early in the next financial year.

AEMO launched our world-first **Connections Simulation Tool** in November, enabling eligible users to run simulation studies against AEMO's power system model for new generation and storage projects connecting to Australia's mainland NEM.

The connections tool will reduce risks, cost and time to progress the large volumes of new energy projects needed to maintain a secure, reliable and affordable energy supply for consumers. So far, more than 10 companies have registered, while the first active user commenced using the connections tool after the end of the financial year.

Harnessing greater value from consumers' energy resources

Australians continued to invest in rooftop solar PV at world-leading levels, and there is now estimated to be rooftop PV installed on one in three homes.

AEMO's latest ISP forecasts this trend to continue, along with the uptake of other emerging consumer energy resources (CER) such as residential batteries and electric vehicles.

AEMO is pursing reforms, research and trials with industry to progress the secure integration of CER to address operational challenges such as falling minimum demand, and to unlock greater value for consumers. The reforms seek to set foundational frameworks to allow better recognition of flexible CER in the market and system processes.

In the NEM, **Project EDGE** is an innovative collaboration between AEMO, AusNet Services and Mondo, with financial support from the Australian Renewable Energy Agency (ARENA), to demonstrate the capabilities of an off-market, proof-of-concept CER marketplace.

Between May 2022 and March 2023, a field trial took place in AusNet Services' Victorian distribution network to design and test a world-first, two-way energy system and market for consumers to participate in the NEM.

More than 320 customers took part in the trial, which included 3.5 MW of flexible capacity from over 400 rooftop solar systems, batteries, controlled hot water systems and other loads, and involved three CER aggregators: Discover Energy, Mondo, and Rheem.

Findings from the trial will be published in October 2023, and are expected to demonstrate that there is practical and commercial feasibility within the current NEM arrangements for all consumers to benefit from the accelerated and optimised integration of active CER.

In the WEM, **Project Symphony**, a collaboration between AEMO, Western Power, Synergy and Energy Policy WA, demonstrated how CER can be centrally orchestrated to provide a more reliable and greener electricity system.

During FY23, Project Symphony went live with more than 500 participants and 900 consumer-owned energy assets participating in Western Australia's largest Virtual Power Plant (VPP). Information technology platform integrations were successfully completed in March 2023, followed by a 90-day testing period, which comprehensively demonstrated a range of VPP capabilities.

Final testing results and reports will provide valuable insights into future market arrangements enabling the scaling of CER integration beyond Project Symphony to benefit customers and the broader power system.

The work AEMO is doing with industry will contribute to delivering more value to households from their assets, enabling them to participate in current and future energy markets and services.

Engineering Roadmap

In December 2022, AEMO published the Engineering Roadmap to 100% Renewables report, outlining the preconditions and associated actions to prepare the NEM to operate solely on renewable energy.

Many of the Roadmap actions fall under existing activities conducted through AEMO's business-as-usual obligations or in-train programs of work such as the Operations Technology Program and Connections Reform Initiative.

Of the 46 priority actions for this financial year, 38 were completed, while the remaining eight are well progressed.

Actions completed include publishing new system strength standards and an initial qualitative specification for grid forming inverters, along with a technical settings compliance report for CER.

Periods of 100% instantaneous penetration of renewables could be reached through a diverse range of operational conditions, and it is not yet clear which conditions and resource mixes are likely to produce market outcomes that lead to the first period of 100% operation.

The figure below shows how, over the course of a hypothetical day, a broad range of resource mixes could lead to prolonged periods of 100% renewable penetration.

Notably, the resource mix around midday is driven by strong distributed photovoltaics (<30 MW) generation leading to low operational demand, while in the evening the comparatively high operational demand is predominantly met by grid-scale wind generation.

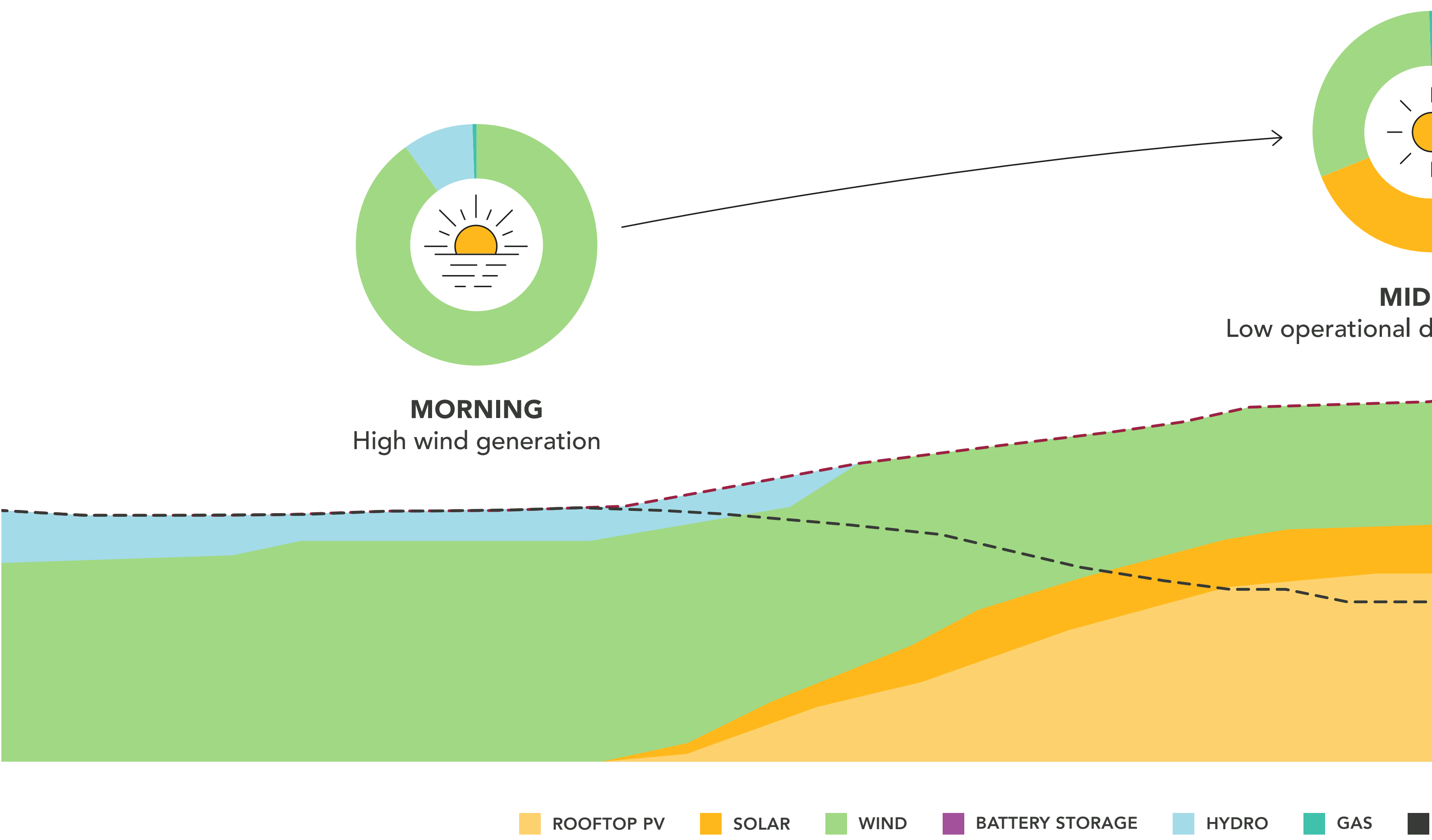
These resource mixes, and the transition between them, will require distinct actions to manage the system securely in real time.

Electricity reliability outlook

AEMO's annual **electricity statement of opportunities** (ESOO) reports provide a reliability outlook against regulated standards, flagging investment opportunities and policy support needed to maintain reliable and affordable energy over the coming decade.

Forecasts for both the NEM and WEM reiterated the urgent need to progress generation, storage and

Daily resource mixes that could lead to 100% instantaneous penetration of renewables



transmission developments to maintain a secure, reliable and affordable supply.

Forecast reliability gaps are emerging due to considerable coal plant retirements and insufficient new generation commitments needed to offset increased energy use by industrial loads, growth in new housing connections, and the uptake of electric vehicles.

The NEM forecast showed that federal and state government programs for renewable generation and supporting battery, hydro and flexible gas capacity, as well as transmission identified in the ISP, can address many of the identified risks if delivered to schedule.

Gas adequacy outlook

AEMO's 2023 ***Gas Statement of Opportunities*** (GSOO) report for eastern and south-eastern Australia forecast that existing, committed and anticipated natural gas production will meet customer demand until 2027 in central and eastern Australia, but that supply risks this winter remain in southern states under certain conditions.

The GSOO also reaffirmed the important role gas-fired generation will play in reducing emissions and bolstering electricity reliability as the power system transitions from coal to intermittent renewable generation.

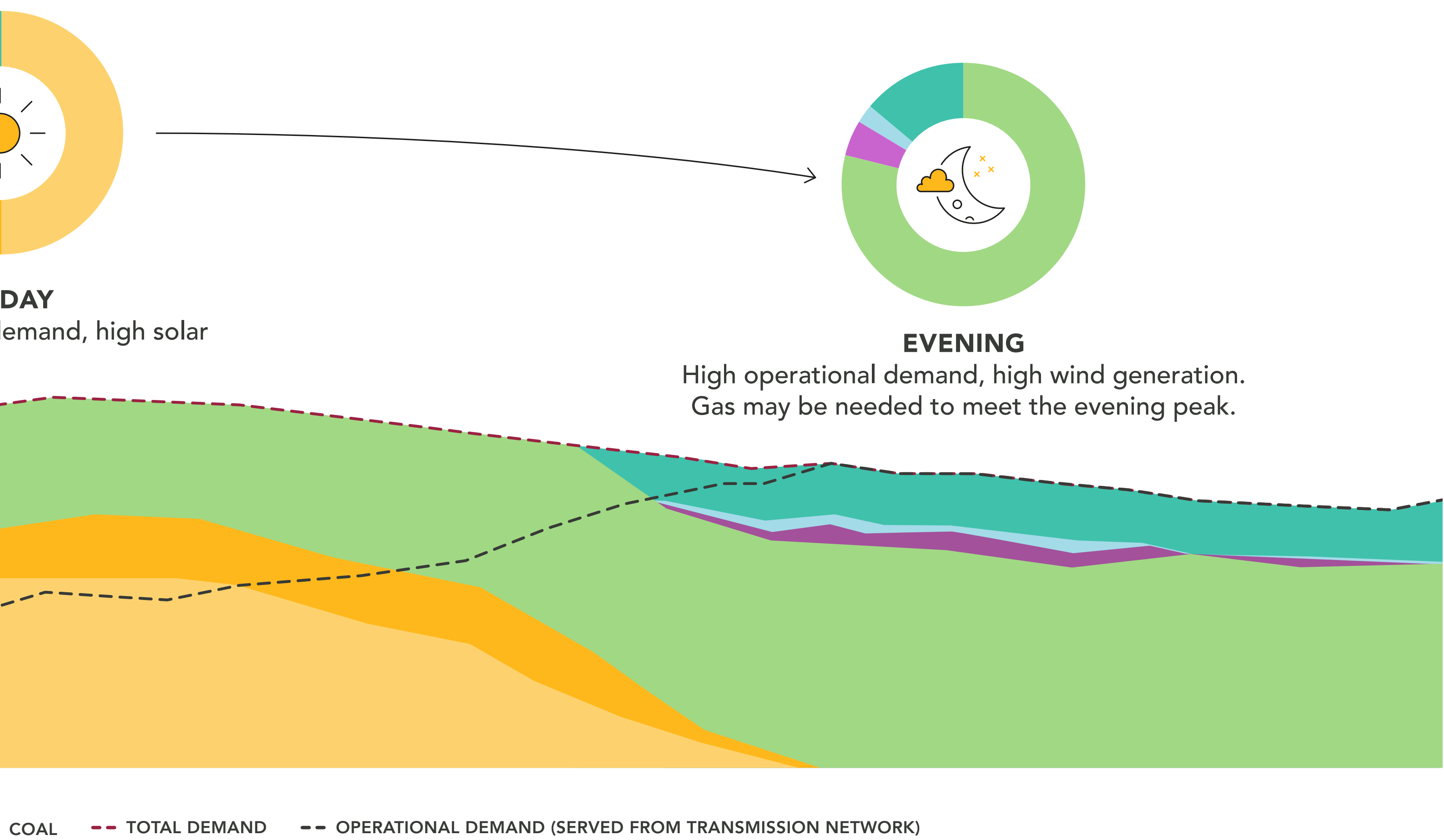
At the same time as publishing the GSOO, AEMO released the ***Victorian Gas Planning Report*** (VGPR), which focused on the gas supply demand balance in Victoria for the next five years.

The production outlook has improved since the 2022 VGPR Update, however, Victorian production is forecast to decline from the 374 petajoules (PJ) produced in 2022 to 315 PJ in 2023 and 190 PJ in 2027 (49% lower than 2022).

In Western Australia, AEMO's 2023 ***Gas Statement of Opportunities***, published in December, indicated a finely balanced domestic market between 2023 and 2032, with forecast demand to marginally exceed potential supply between 2023 and 2026 in the 'base' case scenario.

The forecast shortfalls are being driven by changes in production and increased demand, including for gas-powered generation of electricity and new resource projects.

There are solutions available to alleviate possible shortfalls, including drawing from Western Australia's existing gas storage and developing gas fields not currently included in the forecasts.



Engaging our stakeholders

At AEMO we are putting people at the centre of the energy transition.

We recognise that engaging meaningfully with our stakeholders – consumers and community, industry, government and other market bodies – helps us to do our work more effectively, to implement reforms more seamlessly, and to deliver better outcomes for consumers.

In FY23, we are proud of the progress we have made to engage genuinely with stakeholders and to improve organisational transparency and this is reflected in stakeholders' assessment of AEMO's credibility and trustworthiness, leadership credibility and stakeholder engagements.

Stakeholder feedback

AEMO undertook our fourth annual stakeholder feedback survey in FY23. This year's research comprised a series of in-depth interviews with more than 50 participants, including senior executives and stakeholders grouped into 10 broad segments.

Some of the core strengths identified include confidence in AEMO's leadership, our handling of the 2022 market suspension, improvements in stakeholder engagement and communications, and being a trusted advisor, particularly to government stakeholders.

Stakeholders also identified a range of improvement opportunities, including explaining our spending and investment decisions better, improving the authenticity of our engagement and consultation, and providing information in a more accessible, easy-to-understand way.

Overall, stakeholders have observed that we're listening, taking action and doing a good job operating the market in a highly challenging environment, but we know there is more we can to do to make sure we're doing our best to engage and communicate with our valued stakeholders. Our FY24 Strategic Corporate Plan initiatives reflect our priority actions to improve how we do this.

Advisory Council on Social Licence

AEMO established the Advisory Council on Social Licence to better understand broader community sentiment on the execution challenges and possible opportunities presented by the construction of new energy infrastructure. A diverse group of more than 10 experts has come together at four in-person meetings in three different cities in Australia since November 2022.

ISP Consumer Panel

The role of the ISP Consumer Panel is to bring a consumer-focused perspective to the ISP development process. Since September 2022, AEMO has engaged fortnightly with four expert consumer advocates to collaborate on many ISP-related topics, including:

- ISP engagement strategy
- Consumer risk preferences
- Scenarios and sensitivities
- Transmission costs
- Delphi panel on scenario weightings
- ISP methodology.

This important engagement will continue to support AEMO's work on the 2024 ISP methodology, which in the last four months has included publishing five reports and receiving 25 written submissions, as well as holding two webinars with over 180 attendees.

ISP timetable

Stakeholder collaboration on transmission investment

AEMO's Victorian Planning (AVP) team has been consulting with community members, landholders, local government and Traditional Owners on the Victoria - New South Wales Interconnector West (VNI West) transmission project.

In May 2023, AVP and Transgrid, who is responsible for the NSW section of VNI West, published the Project Assessment Conclusions Report (PACR), the final report in the regulatory investment test that commenced in 2019.

The preferred option, which is forecast to deliver $1.4 billion in net market benefits and harness 3.4 GW of renewable generation in Victoria, was the culmination of extensive consultation and stakeholder feedback, including more than 600 written submissions.

AEMO will continue stakeholder consultation via its fully owned subsidiary, TCV, utilising dedicated landholder liaison officers and a Community Reference Group to refine the project corridor and consider other matters through early works and statutory planning processes.

2023 Inputs, Assumptions and Scenarios Report

The 2023 Inputs, Assumptions and Scenarios Report (IASR) outlines how AEMO will model the future in its forecasting and planning publications for the rest of 2023 and into 2024.

As part of the development of the IASR, AEMO encouraged stakeholder feedback and participation through:

- Six webinars with a total of 885 attendees
- Two consumer advocate sessions
- 69 written submissions.

This stakeholder feedback has helped to refine inputs and assumptions used within the IASR.

Other engagements

Throughout the year AEMO also undertook a number of other engagements, giving stakeholders the opportunity to input into AEMO's work, design and implementation. These included:

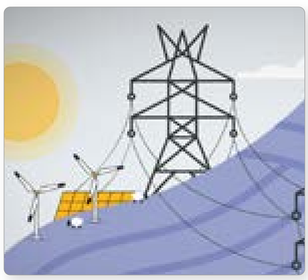
- Ongoing consultations about AEMO's financial management and budget through the Financial Consultation Committee and subsequently through a broader engagement on AEMO's FY24 budget and fees.
- Consultation with industry to develop and maintain the NEM Reform Implementation Roadmap through the NEM Reform Delivery Committee.
- Consultation with stakeholders about fees to fund the NEM reform via the NEM2025 Participant Fee Consultative Committee
- Ongoing engagement about a range of operational matters through a number of forums, for example, the NEM Operational Committee and a fortnightly operational industry update.
- Regular engagement with consumer representatives through the quarterly Consumer Forum.

Malaysian delegation visit

AEMO regularly hosts delegations throughout the year, to build our own understanding of international practice and share learnings with our counterparts. For example, a delegation from Malaysia visited our Melbourne Office to engage with both AEMO and our resident Energy Security Board (ESB) colleagues. Delegates represented the Malaysian Ministry of Energy & Natural Resources, Malaysia's Energy Commission, and the Single Buyer – the entity authorised to conduct electricity planning and manage electricity procurement services for Peninsular Malaysia.

Victoria: Your energy supply is changing (Transmission animation)

AEMO launched a simple explainer online on the rapid energy transformation towards net-zero emissions, enabling low-cost renewable energy and essential transmission to provide consumers with reliable, and secure and affordable power.



Evolving the way we work

AEMO continues to make meaningful progress for our people with an uplift in leadership, learning and development, improvements in safety, health and wellbeing, and the launch of a new strategy and refreshed values contributing to an improvement in employee engagement over the past year.

Our strategic priorities remain as relevant as ever, and are how we deliver on our purpose and vision: operating today's systems and markets; navigating the energy future; engaging our stakeholders; and evolving the way we work.

The recently released FY24 Strategic Corporate Plan articulates AEMO's major initiatives under each of these strategic priorities.

How we evolve the way we work is underpinned by our new values – Character, Connection and Commitment.

Character – this goes to the essence of our professionalism. We bring our professional expertise to make a difference, to strive to do better, to tackle tough challenges, to be honest and authentic, while we seek to juggle the sometimes difficult requirement to be both flexible and pragmatic.

Connection – this describes the way we approach our collaborations with each other at AEMO, and also with the work we do with our counterparts and stakeholders outside of AEMO. We want to work together as one united AEMO team to improve, learn and adapt. We want to cultivate an atmosphere of trust, between ourselves and with others. We can show support for the wellbeing of one another while challenging ideas and concepts in a respectful way.

Commitment – the challenges of the energy transition means we have to find better ways to get things done. This reflects in the way we put consumers and communities at the heart of our thinking. It means listening empathetically and helping our work partners succeed. It means we are strategic and evidence-led, responding in a transparent way that fosters accountability.

Character
Be our best

We bring our **professional expertise to make a difference**

We consistently **strive to be better**

We thrive on **the tough challenges**

We are **flexible** and **pragmatic**

We are **honest** and **authentic**

We are **inclusive** and **value difference**

Connection
Better together

We work as **one team across the AEMO group**

We **actively engage with colleagues and stakeholders**

We prioritise the **safety and wellbeing** of **ourselves and others**

We **build trust** and **trust others**

We **support** and **learn from each other**

We **challenge respectfully** and **constructively**

Commitment
Make it happen

We put the **needs of consumers and communities at the core of our thinking**

We balance **evidence, timeliness, cost and risk**

We **set clear goals, take ownership** and **do what we say we will do**

We **find better ways to get things done**

We are **transparent** and **responsive**

We **invest in our people**

Our values articulate the core set of beliefs and behaviours that guide how we work, and are central to delivering on our purpose, vision, and strategic priorities.

Diversity, equity and inclusion (DE&I)

AEMO is firmly committed to a bold DE&I change agenda. We strive to be a significantly more diverse organisation where everyone has a strong sense of belonging and is highly valued for their unique contributions. Our Executive Leadership Team (ELT) will continue to champion DE&I at AEMO by role modelling inclusive leadership and sponsorship of events and initiatives designed to achieve our DE&I vision.

A broader attitude to diversity, equity and inclusion enables us to welcome the right people into AEMO and will allow these people to be their very best – their whole self – irrespective of their cultural background, age, gender, religion, sexual orientation, carer status or disability.

Some key achievements in FY23 include:

- Increased representation of females occupying senior leader permanent positions. The ELT currently comprises 50% females, while level 3 leaders are 30% female, up from 17% in June 2019.
- Refreshed and relaunched AEMO's values to drive stronger behavioural change in support of DE&I vision.
- Formalised Champions of Change Coalition membership and led the establishment of an energy-specific group of like-minded CEOs.
- Developed an undergraduate scholarship program for selected minority groups (women, Indigenous, disability) in targeted skills segments to launch in FY24.
- Commenced the development of our inaugural Reconciliation Action Plan (RAP).

Culture and Engagement Survey

More than 82% of employees participated in our annual AEMO Culture and Engagement Survey, providing key insights about how we can develop better ways of working and continue to evolve the Culture Roadmap.

The results showed a significant increase in pride at working for AEMO and willingness to recommend AEMO as a good place to work, with engagement measures up by 6% overall to a total of 72%.

We will continue to work with feedback from our people at AEMO, at both the enterprise and the team level, to make AEMO an even better place to work.

Investing in leadership capability through Leading@AEMO

A key component of our People Strategy has been elevating the consistency and performance of our leaders.

In May, AEMO launched a one-day development program for our leaders, with workshops running in Perth, Brisbane, Sydney, and Melbourne.

The session was designed in partnership with our leaders, using focus groups, engagement survey data, and feedback from the values design process.

Our focus was to create materials that were relevant, practical and anchored to our values. Together, we seek to create a common language and set of tools for leadership that help us remain connected and guide us to be our best.

So far over 200 leaders have participated in the program, and are applying what they learned by trying out new approaches, leading discussions in leadership meetings, and building what they learned into their processes.

Leading@AEMO participants.

Financial Performance Report

Investing to ensure safe, reliable and affordable energy today and into the future

AEMO's core role is to ensure safe, reliable and affordable energy today, and enable the energy transition for the benefit of all Australians. Having a strong and stable system and market operator is an essential ongoing investment in Australia's energy future.

AEMO's activities are funded through fees and tariffs to industry, which cover the costs of our role in operating the markets and systems. Ultimately, our fees and tariffs are paid by electricity consumers, from large industrial loads to residential households. We have a responsibility to ensure that the revenue we collect, which we view as an investment in our activities by Australians, is spent prudently and efficiently. This is particularly important at a time when many Australians and Australian businesses are impacted by cost of living pressures.

As we operate today's energy systems and markets and navigate tomorrow's energy future, we are maturing our organisation and the way we work. Our role and responsibilities are continuing to grow, as a result of the energy transition and associated significant changes in the environment we are operating.

In FY23, we continued our ongoing investment in our people, processes, governance and technologies, while meeting a number of operational and reliability challenges that reflect the increasingly complex energy environment. This included tight gas and electricity supply balances, uncertain gas supply, declining contributions from coal and gas due to plant closures, record average renewable energy output and market contributions and record minimum demands.

We are building the capabilities and culture we need to support the efficient and transparent delivery of outcomes in the dynamic environment we operate in. AEMO's central and evolving role at the centre of the energy transition means that we need to modernise our organisation and systems to keep pace with our responsibilities and to operate effectively and efficiently.

Some of our key activities this year, outlined further within this Financial Performance Report, included:

- Progress on NEM2025 reform, which is a multi-year program of work aimed at supporting the transition of the NEM into a modern energy system fit to meet consumers' evolving needs.
- Implementation of two new rule changes in the gas market, which included additional roles for AEMO to undertake to enhance reliability in the gas market.
- Substantial headway on the WEM Reform program in preparation for the new market start on 1 October 2023. This included development of the dispatch systems and market trials with participants, giving them the ability to prepare their systems for the new market mechanisms.
- Progress on the planning and development of major transmission projects for the Victorian State Government, as part of our Victorian Transmission Network Service Provider (TNSP) role.
- Through AEMO Services Ltd, designed and delivered three competitive tenders to deliver built energy infrastructure in New South Wales and applied expertise in supporting the development of the Commonwealth's Capacity Investment Scheme (CIS).
- Mobilised four key areas of investment focus, to deliver material market reforms to the NEM and WEM, strengthen core digital platforms with cyber resilience and lifecycle investments, and commence the early stages of transforming operations and business technology.

Overall, AEMO has more than 100 projects in flight. Associated with this, we uplifted our program and project management governance, disciplines and accountability mechanisms to ensure investment is aligned to AEMO's and industry priorities, and to sequence investments and ensure value realisation.

In delivering our core role in this evolving landscape, we exercised financial discipline to deliver on our key requirements within the budget as committed.

As industry collectively navigates one of Australia's biggest challenges, AEMO seeks to build mutual trust with our stakeholders, grow stakeholders' confidence in our operations, our financial management governance framework and program management. We do this through regular engagement with stakeholders around our programs of work and through visibility of our financial management through the Financial Consultation Committee (FCC).

For FY23, our budget and fees were set in consultation with representatives from market participants and government members as part of the role of the FCC to bring further transparency and governance over the setting of AEMO's budget and fees.

In 2023, we improved financial transparency by:

- delivering an improved budget and fees document which sought to add clarity on revenue requirements and forecast expenditure by market segment
- improved the budget engagement process with the FCC and stakeholders more broadly
- implemented an enhanced industry engagement process.

In addition, benchmarking undertaken in late 2021 and shared with the FCC, compared AEMO's operations against energy system operators globally and found that AEMO's operating costs were low in comparison to its peers. AEMO intends to undertake further benchmarking in the future to continue to ensure our costs remain prudent and efficient, and to identify areas of ongoing improvement and productivity. We recognise there are opportunities for further improvements to our financial transparency and accountability for 2024 and will work with our stakeholders to achieve this.

As AEMO evolves and delivers against our priorities, we are committed to operating within our means to deliver sustainable outcomes with the resources available. We achieve this by making sure we are doing the right work, being prudent and efficient in our delivery, applying high standards of organisational governance and administration and by being accountable and transparent.

Our corporate structure

AEMO is the independent energy market and system operator and system planner for the National Electricity Market (NEM) and also operates gas markets across south-eastern Australia and Victoria's gas pipeline network. In Western Australia, AEMO is the market operator for the Wholesale Electricity Market (WEM), the power system operator for the Southwest Interconnected System (SWIS), and administers the Gas Services Information (GSI) Rules.

AEMO is a member-based, not-for-profit public company limited by guarantee, incorporated and based in Australia, with a membership of federal, state and territory governments (60%) and energy industry members (40%).

AEMO has two subsidiaries: AEMO Services Ltd (AEMO Services or ASL), which was established in July 2021 and Transmission Company Victoria Pty Ltd (TCV), which was incorporated in February 2023. AEMO Services is a not-for-profit company limited by guarantee, with two members, AEMO (70% of the voting rights) and the New South Wales Government (30% of the voting rights). TCV is a company limited by shares, 100% of which are owned by AEMO. TCV was incorporated for the sole purpose of undertaking early works for the Victoria to New South Wales Interconnector West project. Expenses for TCV are incurred within the Victorian Transmission Network Service Provider (Vic TNSP) segment.

AEMO, together with its subsidiaries, is referred to as AEMO or AEMO Group throughout this document.

AEMO Group's market segments

AEMO Group's financial accounts are a combination of the financial performance of our market segments.

Costs for these market segments are predominantly recovered through fees and tariffs charged for the functions AEMO Group provides to each market segment. Some costs are recovered through bespoke arrangements such as government grants or fee-for-service arrangements. The structure for fees and tariffs are set in consultation with relevant stakeholders and revenue requirements and rates are set and published in the annual budget and fees document with the aim to recover the full operating expenditure for each function and segment. Revenue collected through fees and charges for services provided by each segment is ringfenced and allocated directly to the market segment to offset the costs incurred. Where a surplus or deficit occurs in any market segment, the surplus/deficit is reconciled and managed on an ongoing basis through the annual budget process to achieve full recovery of costs without excess recoveries.

The Financial Performance Report is based on management reporting by segment and does not reflect certain account classifications and descriptions that apply in the Consolidated Financial Statements. The figures shown for FY22 reflect restatements undertaken as part of the statutory close process (see Note 2c of the Financial Statements).

AEMO Group's market segments

FY23 segment financial performance

National Electricity Market (NEM) Core

What AEMO delivers for this segment

Keeping the National Electricity Market (NEM) operating safely, reliably, and securely is AEMO's core work. This includes:

- operating the energy system to ensure power system security and reliability
- operating the energy market including wholesale metering, settlements, and prudential supervision
- near-term energy forecasting and planning services

Who pays for these services

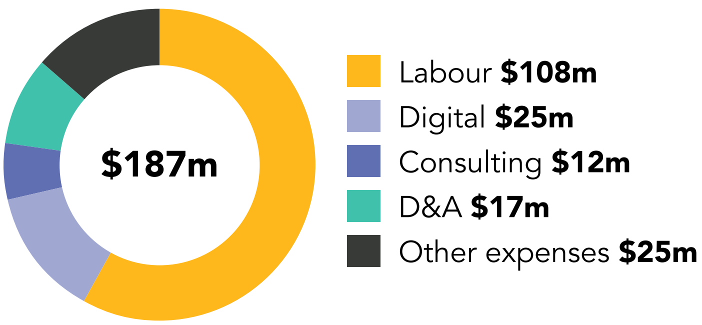
Wholesale participants and market customers, in accordance with the FY23 Electricity Market Participant Fee structure for the NEM.

Segment performance

Table 1: Profit and loss summary – NEM Core

	FY23 actual $m	FY23 budget $m	FY22 actual $m	FY23 var to bud $m	FY23 var to FY22 %
Revenue	227.1	222.4	130.8	4.7	74%
Operating costs	187.0	188.6	148.5	1.6	26%
Annual surplus/(deficit)	**40.1**	**33.8**	**(17.7)**	**6.3**	**327%**
Accumulated surplus/(deficit)	**(67.0)**	**(70.1)**	**(107.1)**	**3.1**	**37%**

Chart 1: Operating cost profile for NEM Core FY23 ($m)



The NEM Core segment represents the largest component of AEMO's cost base and incorporates AEMO's fundamental role of operating the National Electricity Market and Systems, including system design and planning – a role that is increasingly complex.

Throughout the year we faced a number of operational and reliability challenges that reflect the increasingly complex energy environment – all year round – amplifying our seasonal preparedness in partnership with industry to manage the varied complexities across regions and across seasons. These included tight gas and electricity supply balances, record average renewable energy output and market contributions and record minimum demands. Weather and other disruptions also featured.

In navigating our core role in this evolving landscape, we exercised financial discipline to deliver on our key requirements within the budget as committed. The FY23 budget was set with strong transparency to market participants, and in consultation with the Financial Consultation Committee (FCC).

For FY23, we included reasonable increases in our operating expenditure costs to ensure we could continue to deliver our core role, which has become increasingly complex given the system and market changes underway. As part of our commitment to greater financial transparency, we consulted with market participants and the FCC on these cost increases as part of our budget and fees process.

AEMO delivered 12 priority initiatives from the Engineering Roadmap to 100% Renewables to prepare for the increased penetration of renewable generation into the grid. Additionally, the ever-changing energy backdrop added time and costs to the task of developing critical planning and guidance reports, such as the NEM Electricity Statement of Opportunities, seasonal readiness plans and Quarterly Energy Dynamics.

Furthermore, the Operations and Digital teams developed and absorbed several changes to uplift operational tools to manage new market rules and operating frameworks. Our role in ensuring system security also expanded, as we fulfil our legislated and assigned responsibilities around cyber security and resilience activities, for both AEMO and the industry. Our responsibilities under the *Security of Critical Infrastructure Act 2018* (SoCI Act) for the NEM are significant and we are directing the required resources to meet our obligations to ensure Australia's energy systems are protected.

The FY23 NEM Core revenue requirement reflects the additional operating activities and expenditure outlined above ($38.2m), as well as eliminating the under recovery of FY22 expenditure ($24.8m) and repaying the first year of an agreed three-year pathway to recover the NEM core accumulated deficit recovery ($33.3m). This revenue increase was shared extensively with market participants ahead of its implementation, included feedback from the FCC, and is consistent with AEMO's financial principles, including balanced and sustainable cost recovery.

The NEM Core accumulated deficit at the end of FY23 was $67.0m, which was $3.1m better than budget. This means we are on track for full recovery of the NEM Core accumulated deficit as committed, by the end of FY25.

National Electricity Market (NEM) Functions

What AEMO delivers for this segment

AEMO performs a number of functions (or services) that support the core operation of the NEM, including:

- national transmission planning (NTP)
- management of five-minute settlements (5MS)
- facilitation of retail market competition
- administration of Settlement Residue Auctions (SRA)
- integrating Distributed Energy Resources (DER) into the NEM
- Consumer Data Right (CDR) reform implementation program (from 1July 2023)
- management of the ESB 2025 (NEM) Reform implementation program (from 1July 2023).

Who pays for these services

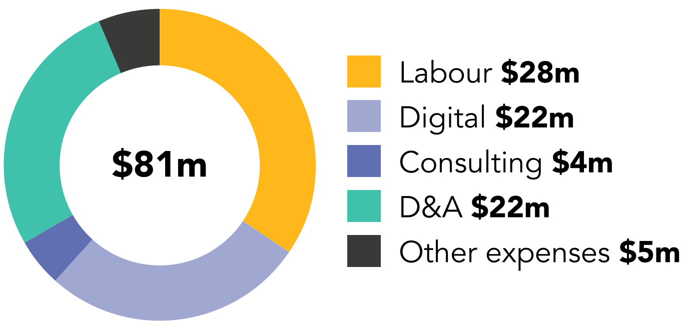
Wholesale participants and market customers, in accordance with the FY23 Electricity Market Participant Fee Structure for the NEM or Declared NEM Project as applicable, or on an agreed cost recovery basis.

Segment performance

Table 2: Profit and loss summary – NEM Functions

	FY23 actual $m	FY23 budget $m	FY22 actual $m	FY23 var to bud $m	FY23 var to FY22 %
Revenue	87.6	92.8	71.1	(5.2)	23%
Operating costs	80.8	94.3	61.0	13.5	32%
Annual surplus/(deficit)	**6.8**	**(1.5)**	**10.1**	**8.3**	**(33%)**
Accumulated surplus/(deficit)	**12.9**	**1.6**	**5.7**	**11.3**	**126%**

Chart 2:Operating cost profile for NEM Functions FY23 ($m)



NEM Functions comprises several discrete roles that AEMO undertakes to support the NEM.

Of NEM Functions' total operating costs of $80.8m for FY23, $19.3m related to the cost of running the National Transmission Planner (NTP) function, which is recovered via Transmission Use of System (TUoS) charges. In line with budget, additional costs of $5.6m were incurred in FY23, predominantly to enhance the Integrated System Plan.

One of AEMO's primary functions in this segment is facilitating retail market competition to give consumers choice. The FY23 budget of $15.5m enabled AEMO to run and optimise retail market processes and customer transfers, manage data for settlement purposes, and work with the Information Exchange Committee (an industry committee chaired by AEMO), to run business to business processes and systems. Significant work was also undertaken during FY23 to enhance retail market outcomes and strengthen consumer choice. This included reforms to better recognise Stand Alone Power Systems (SAPS), which went live in June 2023, and AEMO's collaboration with industry to introduce the first tranches of the Consumer Data Right (CDR) program. The CDR program will empower consumers to have greater control over their data and is seen as a key reform in moving to a digital economy. CDR costs will be reflected in the FY24 costs.

FY23 also represented the first full year of operating the five-minute settlements market (5MS). The costs represent ongoing operational costs, together with amortisation of the capital investment. Cost efficiencies have been delivered through optimisation of data storage for this market solution: a $12.7m saving against the $42.7m budget was achieved.

Integrating Distributed Energy Resources is a key activity to both support the reform agenda but also evolve the energy system to better recognise and leverage smaller scale assets in running the energy system and market for the benefit of all consumers. The cost represents ongoing operating costs together with the amortisation of capital investment resulting from a range of DER reforms including implementing Wholesale Demand Response, introduction of the DER register, and uplifting technical and process capabilities.

A key reform initiative that commenced during FY23 was the NEM2025 reforms. From FY24, this segment will include costs attributed to implementing multi-year program of work aimed at supporting the transition of the NEM into a modern energy system fit to meet consumers' evolving needs. Review the full NEM2025 Implementation Roadmap for further details. Elements of the program are scheduled to go live during FY24, including introduction of a new Fast Frequency Market, changes to the Medium-Term Projected Assessment of System Adequacy (MT PASA) arrangements, and reforms to better integrate Energy Storage systems. Refer to the 'Navigating the energy future' (page 18) for further details on investment undertaken on this program during FY23.

East Coast Gas

What AEMO delivers for this segment

AEMO performs a number of functions relating to the East Coast Gas markets, including:

- operating the Victorian Declared Wholesale Gas Market (DWGM)
- facilitating the Short-Term Trading Market (STTM) and day ahead auctions (DAA)
- facilitating retail market competition
- developing the Gas Statement of Opportunities (GSOO)
- operating the Gas Supply Hub (GSH) and Capacity Trading Platform (CTP)
- administering change proposals for the Operational Transportation Service (OTS) Code

Who pays for these services

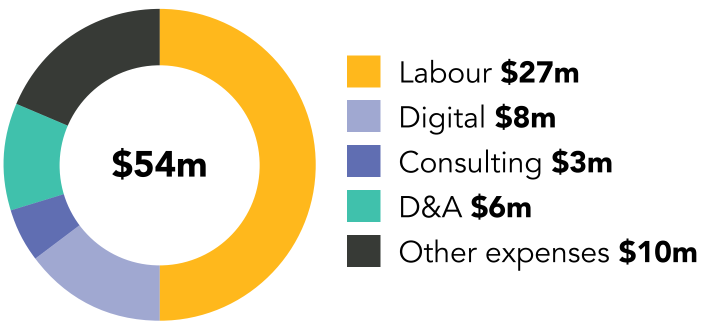
Wholesale and retail market participants, STTM shippers and users, bulletin board facility operators, trading participants and auction participants.

Segment performance

Table 3: Profit and loss summary – East Coast Gas

	FY23 actual $m	FY23 budget $m	FY22 actual $m	FY23 var to bud $m	FY23 var to FY22 %
Revenue	87.5	47.6	49.2	39.9	78%
Operating costs	54.3	52.5	43.3	(1.8)	25%
Annual surplus/(deficit)	**33.2**	**(4.9)**	**5.9**	**38.1**	**463%**
Accumulated surplus/(deficit)	**53.5**	**31.3**	**20.7**	**22.2**	**158%**

Chart 3: Operating cost profile for East Coast Gas FY23 ($m)



The challenging and increasingly complex energy environment outlined earlier, particularly the tight and uncertain gas supply, gave rise to two new rule changes in the gas market and additional roles for AEMO to undertake to enhance reliability in the gas market.

Firstly, the Authorised Maximum Daily Quantity (AMDQ) regime was replaced with a new entry and exit capacity certificate auction mechanism administered by AEMO. AEMO facilitates the capacity certificates auctions which are run twice a year, and auction proceeds are recorded as revenue.

The second was the Gas Reform (stage 1) rule change, introduced in March 2023, which conferred on AEMO the buyer and supplier of last resort role with respect to the Dandenong Liquified Natural Gas (DLNG) storage facility. This is a critical function in balancing gas supply reliability and costs are recovered directly from market participants.

The rule changes were developed dynamically in response to extremely challenging market conditions, hence the revenues and costs associated with AEMO undertaking these new functions were not anticipated in AEMO's budget. This accounts for the higher than budget revenues and costs compared to budget, and a $33.2m surplus for the East Coast Gas segment, which will be returned to participants as fee rates are set for future years.

Western Australia Electricity and Gas

What AEMO delivers for this segment

AEMO performs a range of functions for Western Australia (WA), including:

- Market operations for the Wholesale Electricity Market (WEM), including operating and settling the Reserve Capacity Mechanism and managing the buying and selling of electricity in the Short-Term Energy Market, Load Following Ancillary Service Market and Balancing Market.
- Power system operations for the WEM, including maintaining the Southwest Interconnected System (SWIS) in a secure and reliable state, working alongside the network operator (Western Power) and generation facility owners.
- Gas Services Information (GSI) Rules administration, including operating and maintaining the Gas Bulletin Board, administering the registration process for gas market participants, and publishing the Gas Statement of Opportunities (GSOO).
- Full Retail Contestability Hub (FRC), including operating the retail market scheme in WA, providing retail market services to gas industry participants, including procedures governing market operations.

Who pays for these services

West Australian market generators, network operators and market customers.

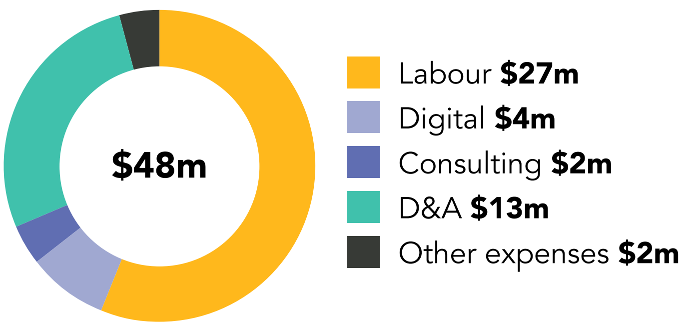
Fees and charges for WEM and GSI functions are in accordance with the allowance revenue determination for FY23 to FY25 by the Economic Regulation Authority (ERA). Revenue for the retail gas market is based on a cost recovery model.

Segment performance

Table 4: Profit and loss summary – WA

	FY23 actual $m	FY23 budget $m	FY22 actual $m	FY23 var to bud $m	FY23 var to FY22 %
Revenue	44.9	44.9	35.8	-	25%
Operating costs	48.0	46.2	40.4	(1.8)	19%
Annual surplus/(deficit)	**(3.1)**	**(1.3)**	**(4.6)**	**(1.8)**	**33%**
Accumulated surplus/(deficit)	**3.6**	**(0.7)**	**6.8**	**4.3**	**(47%)**

Chart 4: Operating cost profile for WA FY23 ($m)



During FY23, AEMO made substantial headway on the WEM Reform program in preparation for the new market start on 1 October 2023. This included development of the dispatch systems and market trials with participants, giving them the ability to prepare their systems for the new market mechanisms.

Meanwhile, the grant-funded Project Symphony demonstrated how Distributed Energy Resources, such as rooftop solar panels, battery storage and large appliances like air conditioners and electric hot water systems, can be centrally orchestrated to provide a more reliable and greener electricity system.

In a similar way to the NEM, the WA electricity and gas markets are also responding to operational and reliability challenges all year round. This included challenging operating conditions in June 2023, whereby AEMO issued forecast Lack of Reserve (LOR) 1 conditions on 23 days and LOR 2 days on five days over the month.

This was due to forced outages of scheduled generators and low wind conditions which resulted in only 66% of total installed generation capacity being available for dispatch, and higher than average demand for the period due to very cold conditions.

To mitigate the expected high summer demand, AEMO launched a Supplementary Reserve Capacity (SRC) process and contracted 96.1MW, which successfully helped to maintain reliable electricity supply to power the SWIS through the high demand summer season.

In navigating our critical role in the dynamic and challenging WA electricity and gas markets, we have worked closely with the Economic Regulation Authority (ERA) to ensure our allowable revenue for the period (FY23 to FY25) recognises these increased demands whilst ensuring we continue to drive cost efficiency. The year-on-year increase in budgeted revenues and costs reflects the first year of the Allowable Revenue Period 6 per the ERA regulation. AEMO delivered to the budgeted revenue, and costs were $1.8m higher due to increased labour and amortisation costs associated with the WEM Reform program, while managing system security risks associated with inverter-based generation.

Victorian Transmission Network Service Provider (Vic TNSP)

What AEMO delivers for this segment

AEMO has a unique role in Victoria: we are responsible for ensuring the Victorian transmission network is developed in an efficient way for the benefit of all Victorian electricity consumers.

Who pays for these services

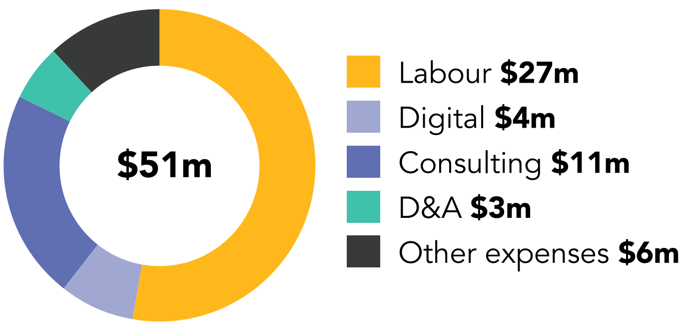
In accordance with the regulated process for Transmission Use of Systems (TUoS) charges, AEMO publishes its TUoS fees in March each year. The majority of these fees relate to network charges, which are a direct pass through from the Victorian TNSP to Victorian network users. A smaller component relates to the cost of AEMO carrying out its role as the Victorian system planner.

Segment performance

Table 5: Profit and loss summary – Vic TNSP

	FY23 actual $m	FY23 budget $m	FY22 actual $m	FY23 var to bud $m	FY23 var to FY22 %
Revenue	**755.9**	**710.7**	**718.6**	**45.2**	**5%**
Network charges	691.8	663.3	672.8	(28.5)	3%
Net revenue	**64.1**	**47.4**	**45.8**	**16.7**	**40%**
Operating costs	**51.2**	**50.6**	**31.6**	**(0.6)**	**62%**
Annual surplus/(deficit)	**12.9**	**(3.2)**	**14.2**	**16.1**	**(9%)**
Accumulated surplus/(deficit)	**48.0**	**4.0**	**35.3**	**44.0**	**36%**

Chart 5: Operating cost profile for Vic TNSP FY23 ($m)



As the Victorian transmission planner, AEMO Group is responsible for providing shared transmission services to users of the Victorian Declared Transmission System (DTS), planning future requirements, and procuring augmentations in the DTS.

During FY23, AEMO undertook significant planning and development for the Victorian government. This included consultation and early works on the Victoria-NSW Interconnector West project, the Western Renewables Link project and on the Renewable Energy Zone Development Plan. These new projects account for much of the 62% year-on-year increase in operating costs, which were broadly in line with budget ($0.6m unfavourable). You can read more about AEMO's consultation and early works on these projects on page 23.

These costs, along with network charges passed through from the Victorian TNSP, are recovered from Victorian network users in the form of Transmission Use of System (TUoS) charges. Revenue rose by 5% in FY23, primarily due to recovery of higher network charges related to an increase in transmission easement tax. Settlement residue revenue was also higher in FY23 in line with higher wholesale electricity spot market prices.

Overall, the Victorian TNSP segment delivered a $12.9m surplus in FY23, slightly lower than in FY22 and favourable to budget.

AEMO Services Ltd

What AEMO Services does

AEMO Services Ltd (ASL) was established as a subsidiary of AEMO to independently carry out functions as appointed by National Electricity Market jurisdictions. ASL is a not-for-profit company limited by guarantee. AEMO has 70% of the voting rights and the NSW Government has the remaining 30%.

In July 2021 ASL was appointed by the NSW Government to carry out the functions of the NSW Consumer Trustee, and in this foundational role is a key partner in the implementation of the NSW Electricity Infrastructure Roadmap. The roles and responsibilities of the NSW Consumer Trustee are specified in the *NSW Electricity Infrastructure Act 2020 (NSW) (EII Act).*

The key functions include carrying out coordinated planning of long-term investment in renewable energy infrastructure, managing competitive tenders to facilitate this investment, authorising Renewable Energy Zone transmission infrastructure, and providing financial risk management.

Who pays for these services

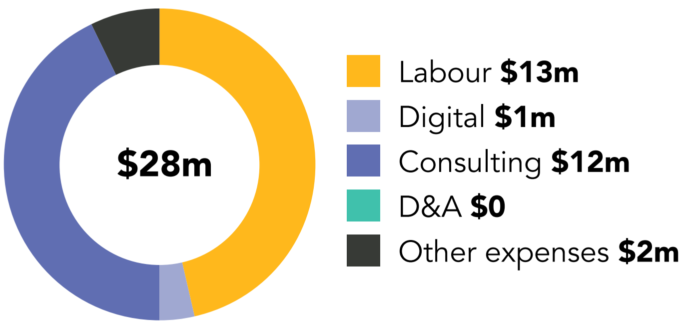
ASL was funded by NSW Government grants through the establishment phase. Cost recovery from the Electricity Infrastructure Fund for NSW Roadmap activities, as intended in the EII Act, came into place during FY23 following the appointment of the Financial Trustee and establishment of the Scheme Financial Vehicle.

Segment performance

Table 6: Profit and loss summary – ASL (Standalone)

	FY23 actual $m	FY23 budget $m	FY22 actual $m	FY23 var to bud $m	FY23 var to FY22 %
Revenue	23.2	36.0	20.0	(12.8)	16%
Operating costs	27.6	36.0	9.9	8.4	179%
Annual surplus/(deficit)	**(4.4)**	**-**	**10.1**	**(4.4)**	**(144%)**
Accumulated surplus/(deficit)	**5.7**	**10.1**	**10.1**	**(4.4)**	**(44%)**

Chart 6: Operating cost profile for ASL FY23 ($m)



During FY23, ASL delivered a number of key activities on the NSW Roadmap, including:

- the design and delivery of three competitive tenders to deliver built energy infrastructure
- development of Long-Term Energy Service Agreements (LTESAs)
- delivery of a *Firming Infrastructure Investment Objectives (IIO)* Report and a draft 2023 IIO Report for public consultation
- appointment of the Financial Trustee and support to operationalise the Scheme Financial Vehicle
- establishment of a risk management framework and subsidiary policies to guide the management of financial risks related to the delivery of the Roadmap
- advice to the infrastructure planner on modelling and network infrastructure projects, and
- extensive engagement with roadmap entities and other key stakeholders to inform planning and product and process development.

ASL also supported the Federal Government in the development of the Commonwealth's Capacity Investment Scheme.

ASL has delivered on its functions within the operating expenditure budget for FY23, with costs increasing year-on-year as the business completed its establishment phase. The timing of recognition of grant monies received from the NSW Government resulted in an in-year deficit of $4.4m, with the accumulated position being a surplus of $5.7m. These results are based on ASL as a standalone entity (100%), whereas the Financial Statements reflect AEMO's interest of 70% on consolidation.

FY23 investment program

As the industry undergoes a dramatic shift in energy policy, generation and transmission, and consumer and community expectations, our role at the centre of these changes is increasingly becoming more complex. As the market operator we oversee the flow of millions of pieces of datum daily, and our role as system planner with Australia's foremost energy engineers, means government and industry are looking to us to help navigate the energy transition. More is being asked of us than ever before and while progressing change on multiple fronts, we are also improving our coordination and planning so that we can optimise how we sequence and bundle reform implementation and solutions to reduce overall cost and impacts on industry.

Uplifting investment disciplines and delivery capability

With more than 100 projects in flight at AEMO across four programs, sound program governance is essential to ensure investment is prioritised and aligned to AEMO's and industry priorities and sequence investments and ensure value realisation. Throughout FY23 AEMO's Enterprise Program Office (EPO) continued to enhance AEMO's project management governance, disciplines and accountability mechanisms. This included:

- **Uplifts to capability and delivery:** we put in place appropriate program delivery frameworks, tools, and practices. This included working differently with industry on the reform agenda.
- **Investment governance:** uplifting investment governance structures and program/project structures to ensure outcomes are defined and business case requirements are clear.
- **Quality assurance:** establishing an enterprise quality assurance framework to strengthen investment governance and project delivery consistency across AEMO's portfolio.
- **Embedding learnings:** embedding project implementation reviews and tracking key themes and lessons learned to embed continuous improvement.

In addition to the above, AEMO has put in place appropriate partnerships to put the organisation in a position to be able to scale and deliver a significant change agenda.

Delivery – delivering on our reform commitments, while enhancing digital landscape

Over FY23, AEMO mobilised four key areas of investment focus, which enabled us to mobilise and deliver material market reforms to the NEM and WEM, as well as strengthening core digital platforms with cyber resilience and lifecycle investments and commencing the early stages of transforming operations and business technology.

NEM Reform Program	WA Program	Operational technology	Business technology
Objectives			
NEM reform: implementing reform package which changes wholesale and retail investment activities. The reform agenda covers: (1) ESB initiatives that form the core of the program. (2) Strategic and foundational initiatives that provide necessary technology to enable the ESB initiatives. (3) Parallel initiatives which are regulatory reform initiatives. All three of these elements work together to achieve two primary objectives: setting the foundation and optimising and strengthening the structure of the NEM.	**WEM Reform:** deliver a new wholesale electricity market for the SWIS that addresses today's security and market effectiveness challenges. This includes the introduction of security constrained economic dispatch and extensive changes to the reserve capacity mechanism. **WA DER roadmap:** Integrating DER into the system and market.	**Operational technology Roadmap:** uplift operational and control room capabilities and technologies to ensure they are fit for purpose in a distributed and high variable renewable energy (VRE) environment.	• Maintaining and modernising core business systems, particularly cyber defences. • Uplifting and modernising corporate systems.
Delivered in FY23			
CDR: tranche 1 and 2 giving consumers greater control over data. **SAPS:** better recognising stand alone systems. Changes came into effect in June 2023. **Integrating Energy Storage Systems (IESS):** delivered first release which enables small generators to participate in FCAS markets. Preparing for June 2024 release which would see material changes to dispatch and settlement processes to better recognise storage in the market. **MT PASA:** progressed for go live on October 2023, enhancements to provide more visibility over generator availability as more fossil fuel generators reduce their contribution, so that energy reliability can be guaranteed. **Fast Frequency Response Market:** preparing for opening of new fast frequency market to commence in October 2023. **Gas reforms:** Delivered system and procedure changes to operationalise tranche 1 of East Coast Gas reforms.	**WEM Reform:** Significant progress of system and procedure changes for WEM Reform go-live on 1 October 2023. Interim milestones included Network Access Quantities changes for the Reserve Capacity Mechanism and the commencement of market trials. **DER:** Significantly advanced Project Symphony trial for DER participation.	**Market Notices:** Replaced systems for market notices and constraint management. **Forecasting Platform:** Progressed IT system development for forecasting platform. **ST PASA:** Progressed short-term PASA replacement.	**Lifecycle upgrades:** Delivered lifecycle upgrades and changes to digital assets to maintain currency, supportability and reduce operating risk. **Cyber uplift** including development of energy sector cyber incident response arrangements and industry cyber exercise plan. **Corporate Systems:** Commenced uplift to finance and Human Resources (HR) systems.

Working differently with our members

Following feedback received from our stakeholder following the implementation of reforms such as 5 minutes settlements, AEMO has listened and matured the way it engages on both reform program planning and delivery with stakeholders, embedding an effective approach to collaboration in our reform project and change management structures and in our culture and ways of working.

AEMO has put in place the Reform Delivery Committee, a collaboration with the industry to better plan and sequence reform. This has been essential to our NEM Reform program, ensuring we are progressing initiatives in a sensible and integrated way. Our more mature project management and change management structures have improved cross-functional alignment, sequencing, supported improved risk identification and mitigation and enabled smoother change realisation. For instance, with such a high dependency on digital solutions to enable reforms, we have established an integrated digital and regulatory roadmap for all reform with a focus on bundling, sequencing and prioritisation. This cross-functional approach helps not only AEMO, but also policy and project representatives to engage more practically.

We have also agreed a change management process in which AEMO engages on business case development to ensure we understand value of the change together with implications to stakeholders to inform investment decisions.

In addition to the establishment of the Reform Delivery Committee, we have established delivery structures with the industry in which we track progress, risk and issues holistically. More recently, following feedback from our stakeholders, AEMO is presenting, and tracking, project implementation costs.

Table 7: AEMO's FY23 capital investment expenditure

Program	FY23 actual $m	FY23 budget $m	FY22 actual $m	FY23 var to bud $m	FY23 var to FY22 %
NEM reform delivery	39.7	64.2	34.9	24.5	14%
WA program	49.6	45.1	28.8	(4.5)	72%
Operational technology	16.7	37.7	9.2	21.0	82%
Business technology	36.1	33.0	34.6	(3.1)	4%
Capital expenditure	**142.1**	**180.0**	**107.5**	**37.9**	**32%**

Variances in capital expenditure compared to budget were related to deferral of activities in the operations program to FY24, delay of some market rule changes which delayed planned expenditure in reform delivery, and additional investment required for the WA reform program to address key risks related to the market reforms.

FY23 consolidated financial performance

Financial performance

In FY23 AEMO delivered on its priorities set out in the FY23 Corporate Plan as well as the new roles asked of it in response to market conditions and to accelerate the energy transition. AEMO achieved these outcomes while meeting its financial objectives of operating within its budget commitment and meeting cost recovery targets, thereby enhancing the financial health of the business.

Table 8: AEMO Group consolidated profit and loss summary

	FY23 actual $m	FY23 budget $m	FY22 actual $m	FY23 var to bud $m	FY23 var to FY22 %
Fees and tariffs	378.7	378.5	258.5	0.2	46%
TUoS income	677.4	675.9	653.2	1.5	4%
Settlement residue revenue	59.1	20.0	45.9	39.1	29%
Capacity certificate auctions	29.2	-	-	29.2	Nm
Connections revenue	36.4	34.6	31.1	1.8	17%
Other revenue	15.0	4.0	17.9	11.0	(16%)
Other income	23.8	36.0	20.0	(12.2)	19%
Total revenue	**1,219.6**	**1,149.0**	**1,026.6**	**70.6**	**19%**
Network charges	(691.8)	(663.3)	(672.8)	(28.5)	3%
Net revenue	**527.8**	**485.7**	**353.8**	**42.1**	**49%**
Labour	231.4	237.2	176.7	5.8	31%
Consulting	37.7	42.6	16.7	4.9	126%
Digital	65.4	66.0	53.4	0.6	22%
Occupancy	6.0	13.0	3.5	7.0	71%
Other expenses	35.6	38.6	31.8	3.0	12%
Depreciation and amortisation	60.7	61.9	53.8	1.2	13%
Financing costs	4.5	4.4	1.4	(0.1)	221%
Total operating expenditure	**441.3**	**463.7**	**337.3**	**22.4**	**31%**
Annual surplus / (deficit)	86.5	22.0	16.5	64.5	424%
Accumulated surplus / (deficit)	**55.1**	**(43.9)**	**(31.7)**	**99.0**	**274%**

Net revenue for the AEMO Group in FY23 was $527.8m, 49% higher than FY22 and $42.1m higher than budget. The revenue increase primarily related to an increase in NEM Core fees and tariffs (as described in the NEM Core segment commentary) and the first full year of cost recovery following the introduction of the new 5-minute settlements (5MS) market during FY22. TUoS income also increased in line with higher easement tax charges from the Vic TNSP, and there was additional revenue from settlement residue auctions and the new gas capacity certificate auction revenue stream in Declared Wholesale Gas Market (DWGM).

In line with our FY23 budget, which was implemented after extensive engagement and consultation, AEMO Group's expenditure also increased. Total expenditure for AEMO Group for FY23 was $441.3m, 31% higher than the prior year and favourable to budget by $22.4m. AEMO Group's operating expenses are primarily driven by labour (52%), consulting and contracting (9%), digital (15%) and associated depreciation and amortisation (D&A) (14%) costs, which reflect the nature of our knowledge-based and digitally enabled organisation.

New and enhanced digital infrastructure that went into productive use in previous years, including infrastructure to support current market operations, reform initiatives, as well as AEMO's internal digital systems, is reflected in FY23 D&A.

Following significant engagement and consultation, AEMO budgeted for a step increase in labour, contracting and consulting in FY23 to deliver core obligations in an increasingly complex operating environment, and to deliver critical new initiatives to enable and fast-track progress on the energy transition. These included investment in additional and specialist capability to deliver the Engineering Roadmap to 100% Renewables initiatives, an enhanced Integrated System Plan, as well as completing the establishment of the AEMO Services business, building new capability for our role in undertaking early works for the VNI West project (in accordance with our Victorian System Planner role), and delivering Tranche 1 of Gas Reform.

AEMO has achieved these objectives whilst managing within the budget commitment (underspent by $11m in labour and consulting in FY23), reflecting management's efforts to deliver cost efficiencies.

Accumulated surplus/(deficit)

As a not-for-profit entity, AEMO must ensure fees, tariffs and other charges are set, to recover the full operating expenditure (including D&A and Finance costs) for each function and segment it operates. AEMO engages with industry members on Corporate Plan priorities and the associated budget through various forums including the FCC.

The fee and tariff levels are set out in the annual Budget & Fees document that AEMO produces. From time to time, various factors may lead to a surplus or deficit in an individual function or segment.

To account for any accumulated surplus or deficit, AEMO may adjust its fee or tariff level in a particular segment after careful consideration of any impacts on consumers or fee payers, and appropriate engagement and consultation.

Table 9: AEMO Group accumulated surplus/(deficit) by market segment/sub-segment

	End FY23 $'000	End FY22 $'000
NEM Core	**(67.0)**	**(107.1)**
NEM Functions	**12.9**	**5.7**
Electricity Full Retail Contestability (FRC)	0.4	2.3
National Transmission Planner (NTP)	2.5	1.9
Five Minute Settlements (5MS)	11.9	(1.2)
Distributed Energy Resources (DER)	1.8	0.9
SA Planning Functions (SAP)	3.4	3.5
Consumer Data Platform (CDP)	(0.4)	(0.7)
Other	(6.7)	(1.0)
East Coast Gas	**53.5**	**20.7**
Declared Wholesale Gas Market (DWGM)	41.7	11.3
Gas Full Retail Contestability (Gas FRC)	2.2	2.6
Short Term Trading Market (STTM)	9.2	8.7
Gas Supply Hub (GSH)	(2.6)	(3.8)
Gas Retail Business-to-Business (Gas B2B)	0.9	0.7
Gas Bulletin Board (GBB)	0.2	0.0
Gas Statement of Opportunities (GSOO)	0.6	1.7
Gas Capacity Training (GCT)	(2.1)	(1.6)
Day Ahead Auction (DAA)	3.4	1.2
Other	0.0	(0.1)
Western Australia	**3.6**	**6.8**
Western Australia Wholesale Electricity Market (SA WEM)	5.4	6.4
Western Australia Systems Management (WA SM)	(0.6)	1.0
Western Australia Gas Full Retail Contestability (WA GAS FRC)	0.2	0.4
Western Australia Gas Services Information (WA GSI)	0.7	0.6
WA DER	(1.0)	(0.6)
Other	(1.1)	(1.0)
Victorian Transmission Network Service Provider (Vic TNSP)	**48.0**	**35.3**
Vic TNSP	48.2	35.5
Settlement Residue Auction (SRA)	(0.2)	(0.2)
AEMO Services Ltd	**5.7**	**10.1**

Financial position

AEMO has improved its financial health during FY23 with the turnaround from a consolidated accumulated deficit position to being in surplus $55.1m, resulting from the increase in NEM Core fees to improve the financial strength of that segment after extensive engagement and consulation, as well as higher settlements revenue and gas capacity auction certificates revenue for the first time.

The level of market participants' security deposits and prepayments (held by AEMO as restricted cash) dropped year-on-year as the market events in 2022, that caused sharp increases in wholesale electricity prices, subsided.

Intangible assets, including assets under construction, grew in FY23 due to further capital investment to deliver market reform initiatives, in accordance with rule changes.

Table 10: AEMO Group consolidated balance sheet

Summary financial results	FY23 actual $m	FY23 budget $m	FY22 actual $m	FY23 var to bud $m	FY23 var to FY22 %
Cash and cash equivalents	275.1	210.6	1,296.7	64.5	(79%)
Other current assets	148.9	145.1	129.0	3.8	15%
Non-current assets	493.9	531.0	405.1	(37.1)	22%
Total assets	**917.9**	**886.7**	**1,830.8**	**31.2**	**(50%)**
Current liabilities	370.7	355.3	1,378.4	(15.4)	(73%)
Borrowings	438.9	529.6	433.2	90.7	1%
Other non-current liabilities	21.1	13.8	15.8	(7.3)	19%
Total liabilities	**830.7**	**898.7**	**1,829.4**	**68.0**	**(55%)**
Net assets / (liabilities)	**87.2**	**(12.0)**	**1.4**	**99.2**	**nm**
Contributed capital	7.1	7.1	7.1	-	-
Participant Compensation Fund reserve	10.8	10.7	10.7	0.1	1%
Other reserves	12.5	14.1	12.3	(1.6)	2%
Accumulated surplus / (deficit)	55.1	(43.9)	(31.7)	99.0	274%
Non-controlling interest	1.7	-	3.0	1.7	(43%)
Total equity	**87.2**	**(12.0)**	**1.4**	**99.2**	**nm**

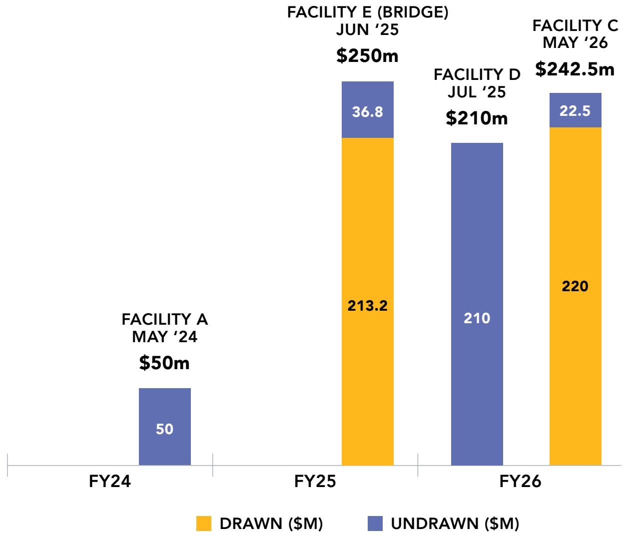
Financing

AEMO's capital investments and short-term working capital requirements are facilitated through bank debt financing. By financing large capital projects with debt, this enables the 'smoothing' of capital costs to market participants over the life of the asset. AEMO optimises the risk and cost of its capital structure by:

- Ensuring adequate working capital and standby liquidity
- Undertaking debt refinancing well in advance of maturity to provide optionality
- Seeking to diversify tenor and funding sources
- Seeking concessional debt facilities for specific initiatives.

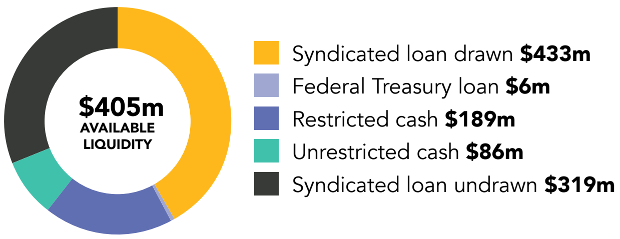
At 30 June 2023, AEMO has a syndicated bank debt facility of $752.5m with National Australia Bank, Australia and New Zealand Banking Group, Commonwealth Bank of Australia, and Westpac Banking Corporation. The facility has a floating interest rate. During FY23, AEMO secured an additional facility (Facility D), extended Facility A for a further 12 months and refinanced Facility B via a bridge facility (Facility E). Volumes and tenors as at 30 June 2023 are set out in Chart 7.

Chart 7: Bank debt maturities as at 30 June 2023



AEMO also has a loan agreement with Federal Treasury to fund the amended scope of the Consumer Data Right (CDR) program. The loan balance at 30 June 2023 was $5.7m, fully drawn.

Chart 8: Financing and liquidity as at 30 June 2023



At 30 June 2023 AEMO has $405m available liquidity, comprising unrestricted cash and undrawn bank debt.

Cashflow

AEMO's net decrease in cash held during FY23 relates predominantly to the repayment of market participants' security deposits, that were at elevated levels in FY22 due to market events causing a sharp increase in wholesale electricity prices. The step up in AEMO's capital investment program to deliver reform and other digital enhancements also contributed to the net cash decrease for the year.

Table 11: AEMO Group cash flow summary

	FY23 actual $m	FY23 budget $m	FY22 actual $m	FY23 var to bud $m	FY23 var to FY22 %
Receipts from customers and government grants	1,216.1	1,126.7	1,234.3	89.4	(1%)
Payments to suppliers and employees	(1,156.0)	(1,031.2)	(1,067.9)	(124.8)	8%
Net receipt / (payment) of participant security deposits	(942.1)	8.2	923.8	(950.3)	(202%)
Net cashflows from operating activities	**(882.0)**	**103.7**	**1,090.2**	**(985.7)**	**(181%)**
Net payments for intangible assets and property, plant and equipment	(129.6)	(175.3)	(97.5)	45.7	33%
Net cashflows from investing activities	**(129.6)**	**(175.3)**	**(97.5)**	**45.7**	**33%**
Net borrowings drawn down	5.7	27.4	75.0	21.7	(92%)
Net interest and finance costs paid	(9.9)	(9.0)	(3.1)	(0.9)	(219%)
Repayments of lease liabilities	(5.8)	(1.3)	(7.3)	(4.5)	21%
Net cashflows from financing activities	**(10.0)**	**17.1**	**64.6**	**(27.1)**	**(115%)**
Net increase/(decrease) cash held	**(1,021.6)**	**(54.5)**	**1,057.3**	**(967.1)**	**(197%)**

Corporate Governance Report

Corporate governance principles

Robust corporate governance arrangements encourage the Board and Management to pursue objectives that are in the interests of the Company, its members and stakeholders. There is a clear correlation between a culture focused on achieving and maintaining high standards of corporate governance and the creation of value for AEMO's members and the broader community.

AEMO is committed to ensuring an effective corporate governance framework is in place and has continued to refine its approach to corporate governance, informed by the ASX Corporate Governance Principles and Recommendations, Not-for-Profit Good Governance Principles (AICD) and overseas trends, adapting as required to AEMO's corporate structure and Constitution.

As part of the corporate governance framework, the Board has established corporate policies and charters, which are updated, as required, to reflect the increasing governance expectations of society and the evolution of governance standards. These resources are published on AEMO's website.

Composition of the Board

The Board, with the assistance of its Board Committees, oversees AEMO's activities to meet AEMO's objectives and responsibilities under relevant laws and regulatory regimes. The Board monitors the performance, cost-effectiveness and risks of AEMO's operations and systems.

As at 30 June 2023, AEMO had 10 Board members including an independent Chairman, the Managing Director and Chief Executive Officer and eight non-executive Directors, two of which are non-independent. Collectively, the Board possesses the skills and experience prescribed in AEMO's Constitution and those necessary to face challenges from a sector undergoing rapid and challenging transformation.

The selection process for a new Chair or non-executive Directors is overseen by the Board Nomination Committee with the interview short list, interview process and recommendations for appointment being made by the Independent Energy Appointments Selection Panel. In addition to the core skills and experience required by the Constitution, other factors such as independence, diversity, and succession planning are considered as part of the selection process.

AEMO's members (government and industry) must endorse the Appointments Selection Panel's report on its recommendations before they are submitted for approval by the Energy Ministers.

Director reappointments are by recommendation of the Chair to Members. Subject to Member approval of the recommended reappointments, a formal request is submitted to Energy Ministers for their approval.

Directors are eligible for reappointment of a term of up to four years.

Director induction and continuing education

Prior to commencement, each Director undergoes a structured induction program and is provided with a letter of appointment and a Deed of Access, Indemnity and Insurance. They are also provided with AEMO's corporate governance documentation including the AEMO Constitution, Board Charter, Board Committee Charters, key corporate policies, and an overview of AEMO's strategic objectives and operations. The tailored induction program features briefing sessions with executives and senior managers on key aspects of AEMO's operations and site visits.

Directors are encouraged to continue their education and development by attending training and education relevant to their role. Briefings and workshops are also regularly held in conjunction with Board meetings.

Review of the Board, Chief Executive Officer and Executive Leadership Team

The Board has delegated day-to-day management of the Company to the Chief Executive Officer, assisted by the Executive Leadership Team. Each executive has a formal position description, and their performance is monitored and measured in accordance with AEMO's performance management process. The Board assesses the performance of the Managing Director & Chief Executive Officer. The CEO assesses the performance of the Executive Leadership Team. The People and Remuneration Committee reviews and makes recommendations to the Board on the remuneration and performance payments of the Chief Executive Officer and the Executive Leadership Team.

The Board is committed to the ongoing development of individual Directors and the Board as a whole. The Board regularly undertakes an assessment of its performance. This assessment may be:

- Qualitative, quantitative or both.
- Informal or formal.
- A whole of Board review, or individual Directors.

- Self-administered, administered by the Chair, or administered by an independent expert.
- Focused internally on the Directors or involving the wider body of corporate stakeholders including, but not limited to, AEMO members.

During FY23, an internally facilitated Board Performance Review was conducted to measure Board culture and effectiveness and to identify strengths and areas for development.

The review confirmed a cohesive and effective Board strongly aligned to vision and values, effective in its decision making and collaboration, and adapting to the pace, scale and urgency of issues associated with the energy transition.

Key areas of governance for the coming year were identified as cyber security, delivery capability, financing structure and strategy and AEMO's role in the energy transition. Initiatives identified to deliver enhanced governance included increased engagement with market participants, enhanced strategic discussion and an uplift in finance and management reporting.

All AEMO Committee Charters were refreshed during FY23.

Director independence

The Constitution requires the Chair and a majority of Directors to be independent, as defined in the Constitution. The independent Directors during FY23 were: Julieanne Alroe, Drew Clarke AO, Nino Ficca, Anne Nolan, John Pittard, Kathryn Presser, Christine Williams and Kee Wong.

Responsibilities

Directors must act in the best interests of the Company. The Board's responsibilities under its charter include:

- Instilling AEMO values and monitoring AEMO culture
- Approval of corporate strategies, capital investment, annual plan and budget and monitoring of organisational performance in delivering associated objectives and goals
- Appoint and assess performance of the CEO and oversee executive leadership succession plans
- Monitoring the integrity of AEMO's accounting and financial reporting
- Reviewing emerging and identified risks and ensuring appropriate controls, monitoring and reporting mechanisms are in place
- Monitoring compliance with ethical, legislative and regulatory requirements including occupational health and safety, equal opportunity, environmental, corporate governance and reporting obligations
- Ensuring that AEMO's governance systems and practices are effective.

Directors' access to information and advice

Directors have access to:

a. any information they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions;

b. management to seek explanations and information from management; and

c. auditors, both internal and external, to seek explanations and information from them without management being present.

They also have a right of access to Company records in accordance with the Deed of Access, Indemnity and Insurance approved by the Members and entered into between the Company and each Director. Directors have access to the Company Secretary about any matter related to their role as Director. The Directors also have the right to seek independent professional advice at AEMO's expense to help them carry out their duties, provided they have the prior approval of the Chairman, which will not be unreasonably withheld.

Conflicts of interest

Directors must avoid conflicts of interest and breaches of duty. Specifically, they must act in good faith in the best interests of the company. Directors must not use their positions for personal benefit or the advantage of another person or organisation at AEMO's expense or use AEMO property inappropriately or place themselves in positions where they owe a duty to a third party that conflicts with their duty to AEMO. Directors are required to immediately declare any interest or duty that conflicts with their duties to AEMO, or that might lead to or be perceived as, a conflict of interest. Conflicts of interest are managed in accordance with the Directors' Interests Protocol.

No Director has received or become entitled to receive a benefit because of contractual arrangements between AEMO and the Director other than as declared in the Annual Report or through their contract of employment or engagement with AEMO.

AEMO Board

Drew Clarke AO PSM
Non-Executive
Independent Chair

Daniel Westerman
Chief Executive Officer
& Managing Director

Julieanne Alroe
Non-Executive
Independent Director

Anne Nolan
Non-Executive
Independent Director

Kathryn Presser
Non-Executive
Independent Director

Christine Williams
Non-Executive
Independent Director

Kee Wong
Non-Executive
Independent Director

Tony Concannon
Non-Executive
Non-Independent Director

Betsy Donaghey
Non-Executive
Non-Independent Director

Nino Ficca
Non-Executive
Independent Director

Please note, the Directors' profile are provided on page 57.

Directors' Report

For the Financial Year ended 30 June 2023

For Members

1. The year in review

Your Directors present their report on the consolidated entity Australian Energy Market Operator Limited (AEMO) for the financial year ended 30 June 2023.

1.1 Principal activities

AEMO's principal activities over FY23 comprised the following:

- Market operation of the National Electricity Market (NEM) and the Western Australia Wholesale Electricity Market (WEM).
- System operation and security of the NEM interconnected grid, Western Australia's South West Interconnected System (SWIS) and the Victorian Gas Declared Transmission System (DTS).
- Victorian electricity Transmission Network Service Provider (TNSP) responsibilities (including planning, investment tests for transmission, generation and load connections and procurement services).
- Collaboration on and delivery of energy system and market reforms.
- Operation of the Victorian Declared Wholesale Gas Market (DWGM).
- Facilitation of Full Retail Contestability (FRC) for electricity and gas in eastern and south-eastern Australia and gas in Western Australia.
- Operation of the Short-Term Trading Market (STTM) for gas at the Adelaide, Sydney and Brisbane hubs.
- Operation of the Wallumbilla and Moomba Gas Supply Hubs.
- Management of the National Gas Bulletin Board and the West Australian Gas Bulletin Board.
- National integrated electricity system planning (National Transmission Planning) including the Integrated System Plan (ISP).
- Independent electricity and gas demand forecasting.
- Emergency management responsibilities for electricity and gas, and supporting the National Gas Emergency Response Advisory Committee (NGERAC).
- Market operation of the Gas Capacity Trading Platform (CTP) and Day Ahead Auction (DAA).

1.2 Corporate strategy and review of operations

As the national energy market and system operator and planner, AEMO plays an important role in supporting the industry to deliver safe, reliable and affordable energy supply.

As well as carrying out its core operational functions, AEMO delivered a range of important initiatives in FY23 to support the security and reliability of the transforming energy systems in the East Coast and Western Australia.

During FY23:

- Published the FY24 Strategic Corporate Plan which brings AEMO's strategy to life. The strategies, initiatives and measures in this plan prioritise our efforts and guide our actions. It is our statement of corporate intent under AEMO's constitution. The FY24 Strategic Corporate Plan also continues to support the delivery of AEMO's strategic priorities that are now well established: operating today's systems and markets; navigating the energy future; engaging our stakeholders; and evolving the way we work.
- In February 2023, AEMO established another subsidiary, the Transmission Company Victoria Pty Ltd (TCV). TCV is a new company created by AEMO Victorian Planning to make sure that commitments made in the early stages of VNI West development are captured and honoured across the life of the project.

AEMO's work in FY23 to build greater engagement with stakeholders included:

- Uplifting the consistency and quality of stakeholder engagement interactions across the business through improvements in collaboration, process and tools.

AEMO's achievements in supporting the health, safety, wellbeing and development of our people this year included:

- AEMO has matured its hybrid operating model to provide AEMO staff with a balance between flexibility of work location and the essential requirement to connect 'for purpose'. Engagement and connection events were regularly conducted. The annual staff survey demonstrated the work of leaders in supporting the wellbeing of AEMO staff, a strong sense of team and a material uplift in employee engagement.
- AEMO has amplified its focus on wellbeing initiatives and supporting mechanisms. An annual calendar that leverages key wellbeing focus areas is being implemented with a particular focus for each month. Examples include: Men's Health, Women's Health, R U Ok, Isolations and Coping.
- AEMO has trained 19 wellbeing ambassadors to proactively enable a healthy workplace.

2. Corporate structure

2.1 Not-for-profit – limited by guarantee

AEMO is a not-for-profit public company limited by guarantee incorporated under the Corporations Act 2001 (Cth). The Company membership comprises government and industry members with government owning 60% and industry 40%. Government members are the Commonwealth, New South Wales, Victoria, Queensland, South Australia, Western Australia, Tasmania and the Australian Capital Territory.

Registered participants are eligible to become industry members of AEMO.

AEMO has statutory powers to recover all costs including under and over recoveries in any of its functions in the next or subsequent financial years. This is achieved by including surpluses or deficits in future budgets for specific AEMO functions.

2.2 Contributions on winding up

The Constitution states that each Member undertakes to contribute to the Company's property if the Company is wound up during, or within one year after the cessation of, the Member's membership on account of:

a. Payment of the Company's debts and liabilities contracted before they ceased to be a Member;

b. The costs of winding up; and

c. Adjustment of the rights of the contributories among themselves, an amount not to exceed $1.00.

At 30 June 2023, the total maximum amount that members of the Company are liable to contribute under the Constitution if the Company is wound up remains unchanged at $125.

3. Directors

The following persons were Directors during the full financial year ended 30 June 2023 and up to the date of this report unless otherwise stated:

Name, qualifications, title, positions held, special responsibilities and independence status, current board appointments and experience	Tenure
Andrew (Drew) Clarke AO PSM *MSc, BAppSc, FTSE, MAICD* **Non-executive Independent Chair** **Member Technical, Markets and Systems Committee** **Member People and Remuneration Committee** *Director, NBN Co; Director, AEMO Services Ltd; Chair, Australian Energy Transition Research Plan Steering Committee; Chair, ACOLA; Member, Zero-Carbon Energy for the Asia-Pacific Advisory Board, the Australian National University; Chair, Governance Advisory Board, ARC Antarctic Special Research Initiative, Monash University; Member, Australian Antarctic Science Council.* Drew Clarke has served in energy policy leadership roles since 2003, including a term as Secretary of the Commonwealth Department of Resources and Energy. He led the Commonwealth's actions in the creation of the National Energy Market Rules and the three NEM market bodies, served as Chair of the Senior Committee of Officials under the COAG Ministerial Council on Energy, led the establishment of the Australian Renewable Energy Agency (ARENA) and the Global Carbon Capture and Storage Institute, and was Australia's member on the Governing Board of the International Energy Agency.	5 years and 8 months
Daniel Westerman *BEng (Hons), BSc, MBA, CEng, CDir, FEI, FIET, FIoD* **Managing Director and CEO** *Director, AEMO Services Ltd; Director, Transmission Company Victoria Pty Ltd* Daniel Westerman commenced as CEO and Managing Director of AEMO in May 2021. He oversees AEMO's strategy and operations, including collaboration with market participants and policy-makers. Prior to joining AEMO, Daniel Westerman held a variety of senior executive roles with London-listed electricity and gas utility, National Grid Plc. Most recently he served as Chief Transformation Officer and President of Renewable Energy, where he led the company-wide transformation program, and grew a large-scale renewable energy business in the United States. In previous roles he has been responsible for engineering, planning and operational control of the electricity transmission network across Great Britain, as well as the development of distributed energy systems, such as rooftop solar, storage and energy metering. Prior to joining National Grid Plc, he held positions with McKinsey & Company and Ford Australia. Daniel holds degrees in Engineering and Mathematics from the University of Melbourne, and an MBA from Melbourne Business School. He is a Fellow of the Energy Institute and the Institution of Engineering and Technology, and a Fellow of the Institute of Directors.	2 years and 2 months

Name, qualifications, title, positions held, special responsibilities and independence status, current board appointments and experience	Tenure
Julieanne Alroe *BEcon, MAICD* **Non-executive Independent Director** **Member of Finance, Risk and Audit and Technical, Markets and Systems Committees** Julieanne Alroe is a professional non-executive director. She is a Board member of BESIX Watpac, the Queensland Ballet and Gardior Pty Ltd and a member of the University of Queensland Senate. She is also a Member of the Committee for Brisbane Advisory Board, the Inaugural President of the Queensland Futures Institute (QFI), the Queensland Business Hall of Fame Advisory Committee and QUU Advocacy Committee. Julieanne retired in June 2018 from Brisbane Airport Corporation (BAC) where she held the position of CEO and Managing Director since 1 July 2009. She was the Chair of ERM Power Ltd from 2018 until it was sold to Shell in late 2019. She was also the Chair of Infrastructure Australia for 5 years until August 2021. Julieanne Alroe has a Bachelor of Economics from the University of Queensland and was granted an Honorary Doctor of the Griffith University (honoris causa) in December 2016. She is a Member of the Australian Institute of Company Directors, a Fellow of the Queensland Academy of Arts and Sciences and a member of the Chief Executive Woman (CEW).	2 years and 1 month
Anthony (Tony) Concannon *BSc (Hons), FAICD, FIMechE, AMIET* **Non-executive Non-independent Director** **Member of People and Remuneration and Technical, Markets and Systems Committees** *CEO and ownership interest, Reach Solar Energy Management Co Pty Ltd (and related development companies); Director, Clean Energy Finance Corporation.* Tony Concannon has more than 30 years' experience within the power sector. He is a chartered power engineer with international experience in governance, investor relations, operations management, finance, and risk management. He was an Executive Director of International Power plc (2004 to 2012), previous Chairman of the Electricity Supply Association of Australia (now known as the Energy Council of Australia), CEO for IPR Australia and CEO Asia Pacific region for GDF SUEZ energy until 31 January 2014. In early 2015, he started a large-scale solar PV business, Reach Solar energy, where he is Managing Director and CEO. He is Chair of Zema Scholarship Fund Committee since 1 December 2021.	6 years and 2 months
Elizabeth (Betsy) Donaghey *BSc, MSor* **Non-executive Non-independent Director** **Chair of People and Remuneration Committee** **Member of Technical, Markets and Systems Committee** *Director, Cooper Energy Limited (ASX: COE); Director, Ampol Limited (ASX:ALD).* During her corporate career, Betsy Donaghey held senior executive positions in strategy, marketing and business development at Energy Australia, Woodside Petroleum and BHP Petroleum.	6 years and 2 months

Name, qualifications, title, positions held, special responsibilities and independence status, current board appointments and experience	Tenure
Nino Ficca *BEng (Hons), Advanced Management Program Harvard USA, GradDip Mgt, MAICD, FIEAust* **Non-executive Non-Independent Director** **Chair of Technical Markets and Systems Committee** **Member of Finance, Risk and Audit Committee** *Director, Transurban Queensland; Co-Founder and Director, TasRex; Member of Deakin University Council.* Nino Ficca has extensive senior executive experience in strategic and operational roles within the energy sector, including in the National Electricity Market and gas markets. He served as Managing Director of AusNet Services Limited and its predecessors, SP AusNet and SPI Powernet, from 2001 to 2019. An electrical engineer by training, Nino has a deep understanding of energy transmission and distribution grids, and their importance in underpinning effective markets and maintaining secure, reliable and high-performing systems. Nino is also the past Chairman of the Energy Networks Association, and a past Chair of CIGRE Australia.	4 years and 5 months
Anne Nolan *B. Econ(Hons), M.Econ, Adjunct Professor with University of Western Australia* **Non-executive Independent Director** **Chair of Finance, Risk and Audit Committee** **Member of Technical, Markets and Systems Committee** *Director, Fremantle Port Authority; Director, Western Australian Symphony Orchestra; Director, Western Australia Venues & Events; Member; University of Western Australia Business School; Member, University of Western Australia Business School.* Anne Nolan has had a distinguished career with the Western Australian public service sector, leading the Department of Finance and the Department of State Development and serving as the Deputy Director-General, Cabinet and Policy Division in the Department of Premier and Cabinet. She was the inaugural Chief Executive of the Independent Market Operator for the WA Wholesale Electricity Market (WEM). She is an economist with broad public policy experience in microeconomic reform, energy, infrastructure, tax and Commonwealth-State relations. As Chief Executive of the Office of Energy from 2002 to 2006, Anne was responsible for driving the reform agenda that saw the introduction of a competitive electricity market in the WEM, an independent third-party network access regime and the disaggregation of Western Power.	4 years and 5 months
John Pittard *BSc, MAICD* **Non-executive Independent Director** **Member of Finance, Risk and Audit and Technical & Regulatory Committees** **Chair, AEMO Information Exchange Committee** John Pittard has more than 30 years of experience in technology related roles and has led digital and technology transformations across several industry sectors in Australia, including media, telecommunications and resources. He has previously held senior executive roles with some of Australia's largest corporations, including NewsCorp Australia, Telstra, Pioneer International and Shell Australia. John has extensive experience as a Non-Executive Director with both listed and unlisted companies including a number of "digital disruptors" such as REA Group and CareerOne Limited.	8 years – ceased in November 2022

Name, qualifications, title, positions held, special responsibilities and independence status, current board appointments and experience	Tenure
Kathryn Presser AM *BA (Acc), Grad Dis CSP, MBA, FAICD, FCPA, FCIS, FGIA* **Non-executive Independent Director** **Member of the Technical, Markets and Systems Committee and Finance, Risk and Audit Committee** *Non-Executive Director, Business Activators Pty Ltd; Non-Executive Director and Chair of Audit Committee, Police Credit Union; Non-Executive Director and Chair of Audit & Risk Committee, Funds SA; Council member and Chair of Finance Committee, Walford Anglican School for Girls; Chair of Risk Committee, Department of Energy & Mines of South Australia; Non-Executive Director, National Reconstruction Fund.* Kathryn Presser has over 30 years' experience in executive roles, having worked in several industries including resources, aviation, hospitality, banking and finance, and accounting advisory and audit firms where she has had extensive experience in the management of financial transactions, risk management and strategic planning. Notably, Kathryn has over 20 years' experience in ASX Top 200 listed Oil and Gas Company, Beach Energy, as the CFO/Company Secretary where she directed large financing transactions, major capital raising and a number of mergers and acquisitions. Kathryn was selected for the inaugural AICD mentoring program and has completed the Harvard Leadership Program and University of Adelaide MBA Program. She has built on these programs and her executive management roles to move into Director roles on several government and financial boards, including the Police Credit Union, Funds SA, Walford Anglican School for Girls and is the Chair of the Risk and Performance Committee for the SA Department Energy and Resources. Kathryn is a member of the International Women's Federation, a Fellow of the Chartered Institute of Company Secretaries, a Fellow of the Governance Institute of Australia, a Fellow of the Certified Practising Accounting Association and a Fellow of the Institute of Company Directors. She has recently been awarded the Order of Australia (AM) in the 2022 Australia Day Awards for her commitment to accounting and community.	6 months
Christine Williams *MA LLB, GAICD* **Non-executive Independent Director** **Member of the People and Remuneration Committee and the Technical, Markets and Systems Committee** *Non-Executive Director, Queensland Airports Limited, QAL Finance Pty Ltd, Gold Coast Airport Pty Limited, Townsville Airport Pty Ltd, Mount Isa Airport Pty Ltd, QAL Property Pty Ltd, QAL Property No. 2 Pty Ltd, Piggabeen Land Company Pty Ltd, QAL Management Services Pty Ltd, Longreach Airport Pty Ltd, QAL Services Pty Ltd, Australian Airports Pty Ltd; Chair, Port of Newcastle Property Trust Group; Director, St Andrews Cathedral School Foundation Limited; Chair, Sydney Chamber Opera Inc; Director, Housing All Australians Limited.* Christine Williams is a professional lawyer, General Counsel and business executive with over two decades of experience. Christine has extensive experience as an mergers and acquisitions and funds management lawyer and senior business executive in the infrastructure, property, and financial services industries. She has also worked in private practice and in leadership teams for high-profile real estate and infrastructure funds management businesses, advising listed and unlisted boards and participating in deal teams across the spectrum of infrastructure and real estate assets. Christine was General Counsel for BT Asset Management Property Group and, until recently, an Executive Director and Global General Counsel for the Macquarie Group infrastructure and real asset funds management division for 21 years. Her responsibilities at Macquarie included transactional, investment and risk management activities in electricity generation and electricity and gas transmission and distribution in Australia. Christine is currently a non-executive director of Queensland Airports Limited, Port of Newcastle Property Trust Group and of not-for-profit organisations supporting indigenous education, the performing arts and affordable housing.	6 months

Name, qualifications, title, positions held, special responsibilities and independence status, current board appointments and experience	Tenure
Kee Wong *BE (Hons), MBA, GradD Computing (D)* **Non-executive Independent Director** **Member of People and Remuneration and Technical, Markets and Systems Committees** *Managing Director, E-Centric Innovations Pty Ltd; Director, Carsales.com (ASX: CAR); Non-Executive Director, Walter Eliza Hall Institute: Director, Invocare Ltd (ASX: IVC); Director, Arts Centre Trust; Director, Breakthrough Victoria; Member, ANU Centre for Asian-Australian Leadership Advisory Board; Member, Swinburne University Technology, Innovation and Value Creation Committee.* Kee Wong is an experienced entrepreneur, investor, advisor and experienced non-executive Director with qualifications in engineering, information technology and business. He joined IBM in 1994 as a senior executive running part of its e-business group in the Asia Pacific region, including Australia and New Zealand. In 1999, he founded e-Centric Innovations, an IT/Management consulting firm, and went on the establish several businesses. As adviser to the Victorian Government, Kee helped develop an R&D venture that resulted in a new global joint venture between Xerox and VicTrack to commercialise new technology that will remotely monitor the structural health of bridges. Kee is a member of the Victorian Government's Ministerial Advisory Council on International Education, Ministerial Innovation Taskforce and Transform Reform Board (Victorian Department of Transport). Recently, Kee joined as a member of the VicTrack Strategic Innovation Advisory Group, the ANU Centre for Asian-Australian Leadership Advisory Board, and Swinburne University's Technology, Innovation and Value Creation Committee. Amongst previous Board positions, he was also Chairman of the Australian Information Industry Association (AIIA), a Deputy Chairman of Asialink and a Director of LaunchVic.	2 years and 1 month

The Constitution requires that a majority of Directors, including the Chair, must be Independent Directors. Schedule 2 of the Constitution defines the independence requirements for Directors. Information pertaining to Directors' benefits is detailed later in this report.

Company Secretary

Janice Bale was the Company Secretary from 5 November 2021 to the date of this report.

3.1 Meetings of Directors

The number of meetings of the company's Board of Directors and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director, were:

	Board		People & Remuneration		Finance, Risk & Audit*		Technical, Markets & Systems#		Special Board Meetings	
	A	B	A	B	A	B	A	B	A	B
Drew Clarke AO PSM	8	8	4	4	-	-	4	4	1	1
Daniel Westerman	8	8	-	-	-	-	4	4	1	1
Julieanne Alroe	7	8	-	-	3	-	4	4	-	1
Tony Concannon	8	8	4	4	-	-	4	4	1	1
Betsy Donaghey	8	8	4	4	-	-	4	4	1	1
Nino Ficca	7	8	-	-	3	4	4	4	1	1
Anne Nolan	8	8	-	-	4	4	3	4	1	1
John Pittard	3	3	-	-	1	1	2	2	1	1
Kathryn Presser	3	4	-	-	2	2	2	2	-	-
Christine Williams	4	4	2	2	-	-	2	2	-	-
Kee Wong	8	8	4	4	-	-	4	4	1	1

* Risk and Audit Committee renamed as Finance, Risk and Audit Committee from August 2022
\# Technical and Regulatory Committee renamed as Technical, Markets and Systems Committee from August 2022

A = Number of meetings attended.
B = Number of meetings held during the time the Director held office or was a member of the committee during the year which they were eligible to attend.

The Board held eight scheduled meetings and one unscheduled meeting during the financial year.

All Directors are members of the Technical, Markets and Systems Committee. The Chairman, and Managing Director and CEO attend all committee meetings ex officio. Where a Director is not a committee member, their attendance at meetings is not reflected in the table above. When a Director is unable to attend a meeting, they endeavour to provide written comments prior to the meeting.

4. Remuneration

4.1 Non-Executive Director Remuneration

The oversight of Non-Executive Director, executive and employee remuneration is a key responsibility of the Board and the People and Remuneration Committee. In discharging its duties, the Board and the Committee regularly review AEMO's remuneration approach to ensure that it appropriately recognises performance in the context of its Corporate Plan, reflects individual accountability and reinforces alignment with company values.

The remuneration framework, policies, and practices for executives and employees at AEMO are designed to:

a. Demonstrate a clear relationship between company performance and remuneration.

b. Involve an appropriate balance between fixed and variable remuneration.

c. Differentiate between levels of performance using a performance management framework.

d. Be informed by relevant market data and remuneration practices.

There were no fundamental changes to AEMO's remuneration framework and policies during the financial year ended 30 June 2023.

At AEMO's AGM in November 2020, the Members approved an Annual Directors' Remuneration Pool to be applied for a further three years until the FY23 AGM. The amount of the pool includes fees paid to the Director chairing the Information Exchange Committee, and projected increases over a three-year period.

The current Director remuneration pool is $1.35 million per year. The Board makes an annual determination as to the part of the approved pool to be applied as Non-executive Director fees, after considering advice from external remuneration advisers.

An external remuneration adviser has been engaged to conduct an independent benchmarking review of AEMO director remuneration in FY24. Members will be requested to consider a new Annual Directors' Remuneration Pool recommendation at the FY23 AGM.

Non-executive Director remuneration is designed to ensure that Directors maintain objectivity and independence and that the Board attracts Directors with the necessary skills, expertise and capability. Non-executive Directors are not eligible for performance based or "at risk" remuneration.

Board and Committee Member remuneration

Remuneration per role	Number of Roles	FY23 $'000	FY22 $'000
Board Chair	1	227	225
Board Member	8	101	100
Finance, Risk & Audit Committee Chair	1	24	20
Finance, Risk & Audit Committee Member	3	12	10
People & Remuneration Committee Chair	1	20	24
People & Remuneration Committee Member	4	10	12
Technical, Markets & Systems Committee Chair	1	20	20
Technical, Markets & Systems Committee Member	8	10	10
Information Exchange Committee Chair	1	57	57

Non-executive Director remuneration

Remuneration expense	FY23 $'000	FY22 $'000
Short-term benefits	1,109	1,119
Post-tenure benefits	117	111
Other long-term benefits	-	-
Termination benefits	-	-
Total	**1,226**	**1,230**

4.2 Executive Remuneration

For the purpose of this Remuneration Report, Executive Personnel includes persons, whether on an interim basis or for the full period, assuming the Chief Executive Officer and executive leadership roles over the financial period.

Remuneration plans include a mix of fixed and variable compensation with short-term performance-based incentives. This approach to remuneration reflects the focus on outcomes that support value creation and sustainability of our business. Remuneration outcomes reflect both individual and overall company performance.

Managing Director and Chief Executive Officer
The position of the Managing Director and Chief Executive Officer is evaluated based on advice received from several remuneration and benefits specialists. The Board approves the Fixed Annual Reward (FAR) based on this advice. The Board approves any increase to the fixed pay component based on market movement and individual performance and approves any Short-Term Incentive (STI) based on corporate and individual performance.

Executive Key Management Personnel
As well as the Managing Director and Chief Executive Officer, the Board determined that four other Senior Executive roles should be deemed Key Management Personnel (KMP).

Name	Title	Period of appointment
Daniel Westerman	Managing Director and Chief Executive Officer	17 May 2021 – present
Michael Gatt	EGM – Operations	17 Aug 2020 – present
Kate Ryan	EGM – WA & Strategy	2 Feb 2022 – present
Vanessa Hannan	EGM – Finance & Governance	25 Feb 2022 – present
Merryn York	EGM – System Design	14 Mar 2022 – present

All these positions have a role profile that is externally evaluated and supports their FAR. From time to time, AEMO seeks external remuneration advice regarding market movements for this group. The Board approves any annual fixed pay adjustments for KMP based on individual performance and approves any STI awards based on corporate and individual performance.

4.2.1 Fixed Pay Remuneration

In determining the appropriate level of FAR (base salary plus superannuation) applying to KMPs, AEMO references a range of data including relevant comparator groups and targeted salary survey data. Other factors considered in setting FAR include: role accountabilities and complexity; an executive's skills and experience; and internal relativities. While Executive Personnel fixed pay is reviewed annually, there is no contractual obligation to provide an annual increase.

4.2.2 Short term Incentive Plan (STI)

The AEMO STI plan is designed to reward all AEMO's Executive Personnel (and other participants) for achieving outcomes aligned to the delivery of AEMO's Corporate Plan. This component of remuneration is 'at risk', with vesting subject to meeting annual performance targets as agreed between the Executive and Chief Executive Officer, or in the case of the Chief Executive Officer, approved by the Board.

All Executive Personnels' STI opportunity, including that of KMP, is based on an equal weighting of the following elements:

- A Corporate Scorecard, approved annually by the Board which includes Key Performance Indicators related to the whole of AEMO's performance; and
- An Individual Executive scorecard, including Key Performance Indicators related to the achievement of Corporate Plan Priorities.

The target STI opportunity for Executive Personnel is 30% of the fixed pay remuneration, with a maximum opportunity of 45%. STI awards are made in cash. The final STI outcomes are reviewed and approved by the Board at the conclusion of the financial year and reflect both AEMO's and each Executive's overall performance throughout the financial year. For FY23 AEMO Key Management Personnel were awarded an average STI payment of 90.6% of the maximum opportunity.

4.2.3 Remuneration of Executive Key Management Personnel

The tables below show for FY23 and FY22 the remuneration for Executive Key Management Personnel across individual remuneration bands:

FY23 Executive Key Management Personnel Remuneration by pay band

Total remuneration bands	Number of Executive Key Mgt Personnel	Short-term employee benefits ($000)	Post employee benefits ($000)	Other long term benefits ($000)	Termination benefits ($000)	Total Actual paid ($000)
Executive KMP						
$0 - $200,000	-	-	-	-	-	**-**
$200,001 - $500,000	-	-	-	-	-	**-**
$500,001 - $800,000	3	1,576	146	86	-	**1,808**
>$800,001	2	2,064	104	214	-	**2,382**
Total	**5**	**3,640**	**250**	**300**	**-**	**4,190**

FY22 Executive Key Management Personnel Remuneration by pay band

Total remuneration bands	Number of Executive Key Mgt Personnel	Short-term employee benefits ($000)	Post employee benefits ($000)	Other long term benefits ($000)	Termination benefits ($000)	Total Actual paid ($000)
Executive KMP						
$0 - $200,000	2	311	20	7	-	**338**
$200,001 - $500,000	2	725	16	7	45	**793**
$500,001 - $800,000	3	1,602	56	26	86	**1,770**
>$800,001	1	1,018	24	24	-	**1,066**
Total	**8**	**3,656**	**116**	**64**	**131**	**3,967**

5. Auditor

PricewaterhouseCoopers is AEMO Group's external auditor and continues in office in accordance with Section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

Drew Clarke AO PSM
AEMO Board, Chair
27 September 2023

AEMO
AUSTRALIAN ENERGY MARKET OPERATOR

Consolidated Financial Statements

for the year ended 30 June 2023

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Australian Energy Market Operator Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Energy Market Operator Limited and the entities it controlled during the period.

Matthew Probert
Partner
PricewaterhouseCoopers

Melbourne
27 September 2023

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Notes	2023 $'000	2022 (restated)* $'000
Revenue	3	1,195,819	1,006,572
Other income	4	23,781	20,000
Network charges	5(a)	(691,823)	(672,790)
Net revenue		**527,777**	**353,782**
Operating expenses			
Employee benefits and related costs	5(b)	221,484	169,732
Impairment of assets	11	-	2,058
Consulting and contracting	5(c)	65,992	44,278
Training and conferences		2,021	752
Information technology	5(d)	65,425	53,431
Other expenses	5(e)	21,365	11,826
Operating surplus		**151,490**	**71,709**
Net finance expense	5(f)	5,099	2,102
Depreciation and amortisation	5(g)	59,893	53,155
Surplus for the year		**86,498**	**16,452**
Other Comprehensive Income			
Remeasurement of net defined benefit	9(a)	(668)	1,667
Total comprehensive surplus for the year		**85,830**	**18,119**
Total comprehensive surplus for the year is attributable to:			
Members of the Group		87,162	15,075
Non-controlling interest	24(b)	(1,332)	3,044
Total comprehensive surplus for the year		**85,830**	**18,119**

The Statement of Profit or Loss and Other Comprehensive Income should be read with the accompanying notes on pages 73 through to 107.

* Refer to note 2(c) regarding the restatement.

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	2023 $'000	2022 (restated)* $'000	1 July 2021 (restated)* $'000
Assets				
Current assets				
Cash and cash equivalents	6	275,091	1,296,701	239,340
Receivables	7	141,738	128,408	112,015
Inventory	8	7,203	578	-
Total current assets		**424,032**	**1,425,687**	**351,355**
Non-current assets				
Prepayments		538	208	543
Property, plant and equipment	10	49,897	38,901	45,372
Intangible assets	11	422,117	344,856	288,763
Right-of-use assets	12(a)	18,114	19,505	25,719
Defined benefit superannuation	9(a)	3,276	1,679	168
Total non-current assets		**493,942**	**405,149**	**360,565**
Total assets		**917,974**	**1,830,836**	**711,920**
Liabilities				
Current liabilities				
Payables	13	228,373	1,145,419	244,846
Borrowings	14	866	-	-
Prepaid settlements and deposits	15	78,818	179,574	41,838
Lease liabilities	12(a)	6,144	7,225	6,899
Employee provisions	17	37,924	34,439	34,500
Other liabilities	16	19,522	11,742	17,584
Total current liabilities		**371,647**	**1,378,399**	**345,667**
Non-current liabilities				
Borrowings	14	438,011	433,180	358,180
Employee provisions	17	4,095	3,698	3,850
Lease liabilities	12(a)	14,146	14,143	20,926
Other liabilities	16	2,829	-	-
Total non-current liabilities		**459,081**	**451,021**	**382,956**
Total liabilities		**830,728**	**1,829,420**	**728,623**
Net assets / (liabilities)		**87,246**	**1,416**	**(16,703)**
Equity				
Contributed capital	18(a)	7,093	7,093	7,093
Accumulated surplus / (deficit)		55,050	(31,712)	(45,588)
Reserves	18(b)	23,391	22,991	21,792
Non-controlling interest	24(b)	1,712	3,044	-
Total equity		**87,246**	**1,416**	**(16,703)**

The Consolidated Statement of Financial Position should be read with the accompanying notes on pages 73 through to 107.
* Refer to note 2(c) regarding the restatement.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

$'000s	Note	Contributed Capital	Reserves	Accumulated Surplus / (Deficit)	Total	Non-Controlling Interest	Total Equity
Balance as at 1 July 2021		**7,093**	**13,088**	**(29,121)**	**(8,940)**	**-**	**(8,940)**
Prior year adjustment	2(c)	-	8,704	(16,467)	**(7,763)**	-	**(7,763)**
Restated total equity at 1 July 2021		**7,093**	**21,792**	**(45,588)**	**(16,703)**	**-**	**(16,703)**
Surplus for the year (restated)		-	-	13,408	**13,408**	3,044	**16,452**
Other comprehensive income (restated)		-	-	1,667	**1,667**	-	**1,667**
Total comprehensive surplus for the year (restated)		**-**	**-**	**15,075**	**15,075**	**3,044**	**18,119**
Transfer to/(from) reserves		-	1,199	(1,199)	**-**	-	**-**
Balance as at 30 June 2022 (restated)		**7,093**	**22,991**	**(31,712)**	**(1,628)**	**3,044**	**1,416**
Balance as at 30 June 2022 as originally presented		**7,093**	**14,287**	**(8,933)**	**12,447**	**3,044**	**15,491**
Prior year adjustment	2(c)	-	8,704	(22,779)	**(14,075)**	-	**(14,075)**
Restated total equity as at 30 June 2022		**7,093**	**22,991**	**(31,712)**	**(1,628)**	**3,044**	**1,416**
Surplus for the year		-	-	87,830	**87,830**	(1,332)	**86,498**
Other comprehensive income		-	-	(668)	**(668)**	-	**(668)**
Total comprehensive surplus for the year		**-**	**-**	**87,162**	**87,162**	**(1,332)**	**85,830**
Transfer to/(from) reserves			400	(400)	**-**	-	**-**
Balance as at 30 June 2023		**7,093**	**23,391**	**55,050**	**85,534**	**1,712**	**87,246**

The Consolidated Statement of Changes in Equity should be read with the accompanying notes on pages 73 through to 107.

* Refer to note 2(c) regarding the restatement.

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Notes	2023 $'000	2022 (restated) $'000
Cash flows from operating activities			
Receipts from customers		454,071	508,814
Receipts from customers - Victorian TNSP function		753,060	703,460
Receipts from Government Grants		8,987	22,000
Payments to suppliers and employees		(395,032)	(327,863)
Payments for network charges		(761,005)	(740,069)
Net (payments) / receipts - prepaid settlements		(942,097)	923,880
Net cash (outflows) / inflows from operating activities	6(a)	**(882,016)**	**1,090,222**
Cash flows from investing activities			
Payments for property, plant and equipment		(17,026)	(700)
Payments for intangible assets		(112,575)	(96,751)
Net cash outflows from investing activities		**(129,601)**	**(97,451)**
Cash flows from financing activities			
Net interest and other finance costs paid		(9,852)	(3,104)
Proceeds from borrowings		6,153	75,000
Repayment of borrowings		(456)	-
Repayment of lease liabilities		(5,838)	(7,307)
Net cash (outflows) / inflows from financing activities		**(9,993)**	**64,589**
Net (decrease) / increase in cash and cash equivalents		**(1,021,610)**	**1,057,360**
Cash and cash equivalents at the beginning of the financial year		1,296,701	239,341
Cash and cash equivalents at end of the financial year	6	**275,091**	**1,296,701**

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 73 through to 107.

* Refer to note 2(c) regarding the restatement.

Notes to the Consolidated Financial Statements

1. Corporate information and key events

The consolidated entity ('the Group') consists of the Australian Energy Market Operator Limited (AEMO) and its subsidiaries, AEMO Services Ltd, and Transmission Company Victoria Pty Ltd (the 'Subsidiaries').

AEMO is the independent energy market and system operator and system planner for the National Electricity Market (NEM) and the WA Wholesale Electricity Market (WEM). It also operates gas markets and systems. AEMO is a not-for-profit public company limited by guarantee, incorporated, and based in Australia, with a membership of state and federal governments (60%) and energy industry members (40%).

AEMO Services Ltd (AEMO Services) was established in July 2021, to enable the transparent provision of advisory and energy services to AEMO member jurisdictions. AEMO Services is the NSW Consumer Trustee and supports the delivery of the NSW Electricity Infrastructure Roadmap. Voting rights are apportioned 70% to AEMO, and the remaining 30%, to the NSW State Government who is the sole Government member.

The address of the Group's registered office is Level 22, 530 Collins Street, Melbourne, VIC 3000. The consolidated financial statements of the Group for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 27 September 2023. The directors have the power to amend and reissue the financial statements.

a. Summary of key events during the current reporting period

The financial position and performance of the Group was sensitive to the economic and financial impacts of borrowing and rising commodity prices. While wholesale electricity and gas prices have continued to be high across all States and Territories, prices were lower than those encountered at the end of the 2022 reporting year. During the reporting period, easing La Niña conditions and mild temperatures helped wholesale electricity prices return to historic levels. This resulted in a reduction in the level of securities and prepayments that the Group retained on behalf of market participants and which were subsequently repaid.

Transmission Company Victoria Pty Ltd (TCV) was incorporated in February 2023 by AEMO and is a company limited by shares, 100% owned by AEMO. TCV, was incorporated for the sole purpose of undertaking early works for the Victoria to New South Wales interconnector West project in Victoria, including community, landholder, and Traditional Owner consultations to determine the route of an overhead transmission line from renewable energy zones in NSW and Victoria.

2. Summary of significant accounting policies

a. Basis of preparation

The consolidated financial statements are general-purpose financial statements that consist of a Consolidated Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Directors' Declaration, and notes accompanying these statements for the year ended 30 June 2023.

The consolidated financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The accrual basis of accounting has been applied in the preparation of the consolidated financial statements whereby assets, liabilities, equity, revenue, and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The presentation of comparative amounts have been restated where applicable to conform to the current year presentation.

b. Basis of consolidation

The consolidated financial statements comprise the financial statements of AEMO (the parent) and its Subsidiaries over which the Group has the power to govern the financial and operating policies. The financial statements of the Subsidiaries, are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intragroup transactions have been eliminated in full. Subsidiaries are fully consolidated from the date control is obtained by the Group and cease to be consolidated from the date the Group ceases to have control.

Australian Accounting Standards prescribe the financial reporting framework for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

c. Prior period adjustments

i. *Restatement of Software as a Service costs (SaaS)*

In March 2019, the International Financial Reporting Interpretations Committee (IFRIC) issued an agenda decision on the accounting treatment of cloud computing costs, or SaaS arrangements, that concluded that SaaS arrangements are likely to be service arrangements rather than intangible or leased assets. In March 2021, IFRIC issued a second agenda decision that discussed configuration and customisation costs incurred in implementing SaaS. The decision clarified that, usually, customisation and configuration costs would be an operating expense. The Group has reviewed its intangible assets under construction balances where it was determined that costs that would have been previously capitalised should be treated as operating expenditure.

ii. *Correction of right of use asset valuation*

During the year, a review of our leases was performed, where it was determined that an adjustment was required to recognise additional right of use assets, additional contract elements of leases and subsequent depreciation associated with the transition to AASB 16 *Leases*.

iii. *Recognition of deposits held on behalf of Market Participants*

The restricted cash balance in the prior year reflects deposits received from Market Participants of $16.6 million (2021: $16.5 million), controlled by the Group. This amount is recognised within cash and cash equivalents and prepaid settlements and deposits as the Group has control of these balances on a restricted basis.

iv. *Recognition of amortisation charge*

Amortisation in prior year has been restated to reflect the timing of an intangible asset more appropriately and the time at which it was put into use and the flow on impact of the amortisation of this asset.

v. *Reclassification of contributed capital to a restricted business combination reserve*

AEMO was established in 2009, by a transfer of the net assets of VENCorp. The equity associated with this transfer was recognised within the accumulated surplus / (deficit) account. This has been reclassified, in this financial year, as a non – distributable reserve through a business combination reserve.

These prior period misstatements have been applied retrospectively and prior comparative periods have been restated. The tables below show the impact of this prior period adjustments on previously reported financial results.

Impact on Consolidated Statement of Financial Position (extract)

2023	30 June 2022 published $'000	Increase / (decrease) $'000	30 June 2022 (restated) $'000	30 June 2021 published $'000	Increase / (decrease) $'000	1 July 2021 (restated) $'000
Cash and cash equivalents	**1,280,112**	**16,589**	**1,296,701**	**222,803**	**16,537**	**239,340**
Intangible assets	363,406	(18,550)	**344,856**	302,006	(13,243)	288,763
Right of Use Lease Assets	14,534	4,971	**19,505**	19,636	6,083	25,719
Lease liability	(20,872)	(496)	**(21,368)**	(27,222)	(603)	(27,825)
Payables	(1,128,830)	(16,589)	**(1,145,419)**	(228,309)	(16,537)	(244,846)
Net assets	**15,491**	**(14,075)**	**1,416**	**(8,940)**	**(7,763)**	**(16,703)**
Business combination reserve	-	8,704	**8,704**	-	8,704	8,704
Accumulated deficit	(8,933)	(22,779)	**(31,712)**	(29,121)	(16,467)	(45,588)
Total equity	**15,491**	**(14,075)**	**1,416**	**(8,940)**	**(7,763)**	**(16,703)**

Impact on Consolidated Statement of Profit or Loss and Other Comprehensive Income (extract)

	30 June 2022 published $'000	Increase / (decrease) $'000	30 June 2022 (restated) $'000
Employee benefits and related costs	(168,954)	(778)	(169,732)
Consulting and contracting	(41,503)	(2,595)	(44,098)
Information technology	(52,750)	(681)	(53,431)
Other expenses	(11,826)	-	(11,826)
Net finance expense	(1,998)	(104)	(2,102)
Depreciation and amortisation	(51,001)	(2,154)	(53,155)
Surplus for the year	**22,764**	**(6,312)**	**16,452**
Total comprehensive surplus for the year is attributable to:			
Members of the Group	21,387	(6,312)	15,075
Non-controlling interest	3,044	-	3,044
Total comprehensive surplus for the year	**24,431**	**(6,312)**	**18,119**

d. Accounting policies

Accounting policies are selected and applied in a way that ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Unless otherwise stated, all accounting policies applied are consistent with those of the prior financial year.

i. *New and amended standards adopted by the Group*

The Group has applied the following amendment for the first time for their annual reporting period commencing 1 July 2022. The amendment listed does not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods:

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018– 2020 and Other Amendments (AASB 9).*

ii. *New and amended standards not yet adopted by the Group*

Where there are new and amended accounting standards which are not mandatory for 30 June 2023 reporting periods, they have not been adopted by the Group and are not expected to have a material impact on the Group in the current or future reporting periods.

e. Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities, and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group has an accumulated surplus of $55.0 million (2022: $31.7 million deficit). In assessing the appropriateness of the going concern assumption, the directors have considered:

- The Group's statutory powers to recover all costs, as well as any under recoveries in any of the specific functions in the next financial year or subsequent financial years. The Group achieves cost recovery by including surpluses or deficits in future budgets and applying these to future fee recoveries for specific AEMO functions. The full recovery of previously incurred establishment costs for NEM, Full Retail Competition (FRC) Electricity and Short-Term Trading Market (STTM) over a period of up to 10 years are examples demonstrating AEMO's ability to recover costs incurred in managing its statutory functions. Accordingly, the accumulated surplus / (deficit) attributable to each of the Group's functions is reconciled and managed on an ongoing basis.
- The Group had $52.4 million net current assets at 30 June 2023 (FY22: $47.3 million).
- The Group had $319.3 million of undrawn debt facilities at 30 June 2023 (FY22: $101.8 million).
- While the AEMO Group does not currently have a Deed of Cross Guarantee, the considerations stated above include AEMO Services and TCV.

f. Functional and presentation currency

Items included in this report are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The consolidated financial statements are presented in Australian Dollars, which is the Group's functional currency.

g. Rounding

The Group is of a kind referred to in the Australian Securities & Investment Commission (ASIC) Legislative Instrument 2016/191, relating to the 'rounding off' of amounts. As a result, amounts have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

h. Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention, except for the defined benefit pension plan which is measured at fair value.

i. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to a non-transferrable expense item, it is recognised in full as income on receipt of the grant. Income arising from grants with specific identifiable performance obligations, and on which enforceable restrictions on use of grant funding apply, is recognised over time. In general, for a given period this would mean the revenue recognised would match or correlate with the relevant costs incurred.

Government grant funds relating to the development of software that have been physically received are included in cash and cash equivalents (restricted cash), with a corresponding non-current liability recognised. Upon asset capitalisation, the grant liability is offset against the cost of the asset and amortised.

j. Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over or settled within the next twelve months, being the Group's operational cycle.

k. Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped into categories with similar asset attributes and future benefits to the Group. In some cases, these categories correlate to operating segments, which are separately identified in the AEMO Strategic Corporate Plan and Budget and Fees document.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through the statement of profit and loss.

l. Income tax

The Group, and both AEMO and AEMO Services individually are not subject to income tax, as they qualify as public authorities under Australian law. AEMO was granted an income tax exemption for 10 years from 1 July 2018 to 30 June 2028, and AEMO Services was granted an income tax exemption for 5 years from 1 July 2021 to 30 June 2026. TCV is a for-profit company and is subject to income tax.

m. Goods and Services Tax (GST)

All transactions are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated exclusive of the amount of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included within receivables or payables in the consolidated Statement of Financial Position.

Operating cash flows are presented on a GST gross basis (inclusive of GST). The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority, are separately presented as an operating cash flow.

n. Critical accounting estimates

Preparation of the consolidated financial statements requires the use of certain critical accounting estimates and requires management to exercise judgement in the application of the accounting standards and the Group's accounting policies. All judgements, estimates and assumptions are based on most current facts and circumstances and are reassessed on an ongoing basis. Actual results may differ for these estimates under different assumptions and conditions. This may affect financial results and the carrying amount of assets and liabilities to be reported in the next and future periods. Significant judgements and key estimates and assumptions in applying accounting standards and the Group's accounting policies are set out in the respective notes to the financial statements.

3. Revenue

The Group derives revenue in the following major revenue streams:

	2023 $'000	2022 $'000
Fees and tariffs	378,697	258,519
Transmission use of system	677,389	653,214
Settlement residue	59,107	45,912
Capacity certificate auctions	29,248	-
Connections revenue	36,363	31,076
Recovery for services	7,254	11,129
Other revenue	7,761	6,722
Total revenue	**1,195,819**	**1,006,572**

Revenue recognised over time is $1,083.0 million (2022: $922.6 million) and revenue recognised at a point of time is $112.8 million (2022: $84.0 million).

a. Performance obligations

i. *Fees and tariffs*

Operating on a fee-for-service and cost recovery basis, electricity and gas markets revenue is received through fees and charges levied to relevant participants. Each fee is limited to recovering the costs of providing that service, with over or under recoveries in a particular year able to be recovered prospectively. The fee structure is established by engagement with relevant participants.

In Western Australia (WA), fees and tariffs are based on the tri-annual Economic Regulation Authority (ERA) determination.

Revenue from fees and tariffs is recognised when services are transferred to a participant.

ii. *Transmission use of system*

Transmission Use of System (TUoS) charges recover the costs for providing shared transmission services in Victoria. TUoS prices are calculated in accordance with the National Electricity Rules (NER) and the approved pricing methodology for this revenue stream. Included in the TUoS charges is a recovery of transmission easement tax (2023: $221.2 million, 2022: $182.6 million).

TUoS income also relates to underwriting charges for grid connection augmentation services and transmission charges for particular generators. This income represents a direct pass-through of costs, where the Group facilitates the arrangements between connecting party (generator) and network service provider for specific connections.

iii. *Settlement residue*

Settlement residue income arises in the NEM when the amount paid by market participants to the Group for spot transactions differs from the amount paid by the Group to other market participants for the same transaction because of transmission losses, representing unavoidable physical losses because of transporting electricity. Any NEM settlement residue surpluses received during the financial year are returned to VIC TNSP participants the following year through the TUoS calculation process.

In February 2004, ASIC granted an exemption to the National Electricity Market Management Company Ltd (NEMMCO) from the requirement to hold an Australian Financial Services licence (AFSL) for the provision of financial services in relation to settlement residue agreements involving wholesale clients. This exemption continues to apply for this type of revenue to AEMO.

iv. *Capacity certificate auctions*

Under the National Gas Rules for the Victorian Declared Wholesale Market, the Group manages the allocation of certificates through an auction process and retains the auction proceeds as income which must be used to offset its costs to establish, operate and administer capacity certificates auctions and its costs of operating the declared wholesale gas market. A certificate allows its owner priority in scheduling when there are equally beneficial bids submitted.

v. *Connections revenue*

Connections revenue is received for the provision of assessment and advisory services to new entrant based upon published rates. Revenue is recognised when the services are provided.

vi. *Recovery for services*

Recovery of services fee is generally received for the provision of advisory services. Revenue is recognised when services are provided.

vii. *Other revenue*

Other revenue includes income from rent and ad hoc payments such as those made relating to frequency control ancillary services and other miscellaneous services. Participant Compensation Fund (PCF) contributions are collected in accordance with the NER and National Gas Rules (NGR). Upon reaching the maximum allowable contributions, the fund will cease to increase until such time that a triggering event occurs, and Market Participants claim compensation from the Group. Contributions into the fund and interest earned on funds received are recognised at a point in time.

4. Other income

	2023 $'000	2022 $'000
Government grant income	8,170	20,000
Rental and other income	1,056	-
Electricity Infrastructure Fund income	14,555	-
Total other income	**23,781**	**20,000**

AEMO Services received NSW Government grant funding of $8.2 million in 2023 (2022: $20.0 million) for undertaking its role as the NSW Consumer Trustee prescribed within the *NSW Electricity Infrastructure Investment Act 2020* (EII Act). This grant was recognised upon receipt.

Rental income began in September 2022, representing sublease income of one of AEMO Group's State offices. Other income represents managed services income where the Group has provided services to the Scheme Financial Vehicle.

From February 2023, funding was received from the Electricity Infrastructure Fund in accordance with the EII Act, to reimburse AEMO Services for costs incurred while acting in the capacity of the NSW Consumer Trustee.

Critical Accounting Estimates and Assumptions

Control assessment of the Scheme Financial Vehicle

Upon the passing of the EII Act, the NSW Government established the roles of Consumer Trustee, Financial Trustee, Scheme Financial Vehicle, Infrastructure Planner and the Regulator. AEMO Services has been appointed to the statutory role of NSW Consumer Trustee.

AEMO Services does not have sufficient influence to direct activities of the Scheme Financial Vehicle and are not involved in decision making or exposed to the costs or benefits of the returns of the Scheme Financial Vehicle.

Therefore, it has been determined that the Group does not control any of the workings of the Scheme Financial Vehicle and there is no evidence of the Group having the ability to direct any relevant business activities. It is on this basis that the Scheme Financial Vehicle is not consolidated into the financial statements as at 30 June 2023.

5. Expenses

a. Network charges

	2023 $'000	2022 $'000
Transmission charges	459,361	471,686
Inter-Regional TUoS	6,873	15,794
Easement Tax	221,212	182,648
Victorian National Transmission planning	4,377	2,662
Total network charges	**691,823**	**672,790**

Transmission charges are the TUoS charges that recover network charges for the provision of shared network capability services in Victoria. These charges are paid to transmission network asset owners for use of their transmission network.

Inter-regional TUoS relates to net Modified Load Export Charges (MLEC). Transmission Network Service Providers (TNSPs) recover from neighbouring states the costs associated with the use of assets considered to support inter-regional flows. In Victoria, AEMO co-ordinates between interstate TNSPs and participants. Charges are determined each year and takes previous year net charges into consideration.

Easement tax charges relate to amounts levied by the State Revenue Office on AusNet Services Ltd and are passed through to AEMO and then to network users through the TUoS mechanism. In financial year ending June 2023, there was a significant change in the underlying land valuations which resulted in a large increase in easement tax payable.

Victorian National Transmission planning relates to mandated rules to recover a component of national planning costs from network users.

b. Employee benefits and related costs

	2023 $'000	2022 (restated) $'000
Wages and salaries	193,703	155,917
Other employee benefits and entitlements expense	57,958	43,413
Labour capitalised on software development projects	(35,478)	(32,004)
Other employee related costs	5,301	2,406
Total employee benefits and related costs	**221,484**	**169,732**

Other employee benefits and entitlements expense includes superannuation, post-retirement expenses, employment taxes and other wages and salaries on-costs.

Employee benefits are recorded in the Consolidated Statement of Profit or Loss net of capitalised labour costs. Capitalised labour occurs when employees are working on the installation of property, plant and equipment, and projects developing intangible assets. It includes all costs related to employment including salaries and wages inclusive of performance incentives, taxes, leave entitlements, termination payments and worker compensation premiums.

Refer to note 2(c) regarding the restatement.

c. Consulting and contracting

	2023 $'000	2022 (restated) $'000
Contractors	24,661	20,916
Consulting	34,147	20,370
Legal and compliance fees	7,184	2,992
Total consulting and contracting	**65,992**	**44,278**

Refer to note 2(c) regarding the restatement.

d. Information technology

	2023 $'000	2022 (restated) $'000
Asset maintenance	6,564	3,601
Software support	27,070	19,331
Cloud services	29,395	27,711
Telecommunications	2,396	2,788
Total information technology	**65,425**	**53,431**

Refer to note 2(c) regarding the restatement.

e. Other expenses

	2023 $'000	2022 $'000
Directors' fees	1,973	1,714
Insurance	3,841	3,033
Liquefaction and storage services	5,030	543
Repairs and maintenance	1,662	773
Subscriptions	1,529	1,730
Other	7,330	4,033
Total other expenses	**21,365**	**11,826**

Expenses categorised as other above include utilities and outgoings.

f. Net finance expense

	Notes	2023 $'000	2022 (restated) $'000
Interest income		(7,602)	(397)
Total interest income		**(7,602)**	**(397)**
Borrowing costs		17,452	3,501
Lease interest expense	12(b)	813	605
Interest capitalised		(5,564)	(1,607)
Total finance expenses		**12,701**	**2,499**
Total net finance expense		**5,099**	**2,102**

Refer to note 2(c) regarding the restatement.

Interest income is higher for the year ending 30 June 2023 due to higher unrestricted cash balances and a higher cash rate (2.96%) compared to the previous reporting period (0.19%). Interest income is calculated by applying the effective interest rate to the gross carrying amount of cash and cash equivalents monthly. Interest income is presented as net finance income where it is earned.

Borrowing costs include bank fees and net interest expenses. Borrowing costs are higher for year ending 30 June 2023 due to rising interest rates, with the average borrowing rate for reporting year ending 2023 being 3.54% (2022: 0.84%). The Group is 100% exposed to floating rate with no hedging entered in 2023.

Interest is capitalised in relation to projects as they are funded specifically from borrowings. The capitalisation rate used to determine the borrowing costs to be capitalised as part of assets under construction is the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 3.59% (2022: 1.11%).

Refer to note 2(c) regarding the restatement.

g. Depreciation and amortisation

	Notes	2023 $'000	2022 (restated) $'000
Amortisation – Intangible assets		45,696	39,525
Depreciation – Property, plant & equipment		6,030	7,171
Depreciation – Right-of-use assets	12(b)	8,167	6,459
Total depreciation and amortisation		**59,893**	**53,155**

Amortisation of intangible assets relates to the development of internally developed software in electricity and gas wholesale and retail market systems for operations, metering and settlements and long-term energy forecasting tools.

Depreciation for property plant and equipment relates to information technology hardware, building and office fit out costs.

6. Cash and cash equivalents

	2023 $'000	2022 (restated) $'000
Unrestricted cash		
Cash at bank	86,054	27,545
Restricted cash		
Cash at bank	2,807	2
Grant funding	14,756	17,194
Security deposits and early settlement proceeds	160,674	1,241,381
Participant Compensation Fund (PCF)	10,800	10,579
Cash and cash equivalents	**275,091**	**1,296,701**

Refer to note 2(c) regarding the restatement.

Unrestricted cash at bank represents the Group's operating funds.

Restricted cash and cash equivalents represent:

- Amounts held on behalf of Market Participants
- Settlement accounts to operate the market.
- Funding received from grantors that must be used for the purpose in which it was intended.

Grants received represents the funding provided by the Government for specific energy industry projects. The Group currently has 3 active grant agreements from the Australian Renewable Energy Agency (ARENA) which expire within the next 12 months.

Security deposits and early settlement proceeds are funds received from market participants, are restricted and are held on behalf of participants in accordance with the National Electricity Rules and Wholesale Electricity Market Rules and the Gas Supply Hub Exchange Agreement.

Restricted cash balances have decreased due to the reduction in extreme electricity market prices which impacted market participant trading positions and required additional collateral to meet the higher than usual electricity prices during June 2022.

Participant compensation funds are collected and held for participants under the NEM, Declared Wholesale Gas Market (DWGM) and STTMs for compensation due to scheduling errors.

a. Reconciliation of surplus to net cash flows from operating activities

	Notes	2023 $'000	2022 (restated) $'000
Surplus for the year		86,498	16,452
Net finance expense	5(f)	5,099	2,102
Depreciation and amortisation	5(g)	59,893	53,155
Non-cash defined benefit expense	9(a)	(668)	1,667
Impairment of assets	11	-	2,058
Change in operating assets and liabilities			
Increase in inventory		(6,625)	(579)
Increase in defined benefit asset		(1,597)	(1,512)
Increase in receivables		(13,659)	(16,059)
Increase / (decrease) in payables		(918,636)	894,557
Increase / (decrease) in other current liabilities		4,554	858
(Decrease) / increase in prepaid settlements and deposits		(100,756)	137,736
Increase / (decrease) in employee provisions		3,881	(213)
Net cash (outflows) / inflows provided by operating activities		**(882,016)**	**1,090,222**

7. Receivables

	2023 $'000	2023 $'000	2022 $'000	2022 $'000
Current				
Trade receivables from contracts with customers	12,272		13,634	
GST receivable	8,814		407	
Allowance for expected credit loss	(1,182)		(1,182)	
		19,904		12,859
Revenue billed in advance		97,016		102,618
Prepayments and other receivables		24,818		12,931
Total current receivables		**141,738**		**128,408**

The Group measures expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, the Group applies a provision matrix where trade receivables have been grouped based on the days past due. Consideration is made on the historical credit loss experience, which is adjusted for forward-looking factors specific to the counterparty, and the economic environment.

During the current reporting period, there has been no material change in the trade receivables outlook and therefore there has been no change to the expected credit loss.

Allowance for expected credit loss	2023 $'000	2022 $'000
Balance at 1 July	1,182	200
Expected credit losses recognised on trade receivables	-	982
Balance at end of the financial year	**1,182**	**1,182**

The allowance for expected credit loss has been recognised within the past 90 days aging category.

	2023 $'000	2022 $'000
Not past due	4,034	8,219
Past due 0 – 30 days	3,105	680
Past due 31 – 60 days	2,282	621
Past due 61 – 90 days	1,286	471
Past 90 days	1,565	3,643
Total	**12,272**	**13,634**

Trade receivables and revenue billed in advance are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due. Expected credit losses on trade receivables are presented as net expected credit losses within the Consolidated Statement of Profit or Loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

i. *Nature and classification of receivables*

Trade receivables largely comprise wholesale market settlement transactions that have occurred but are yet to be settled and TUoS fees which are billed to transmission network users one month in arrears. They are due for settlement within 30-90 days and are therefore all classified as current. Trade receivables are recognised at the amount of consideration that is unconditional, with only the passage of time required before payment is due. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Revenue billed in advance is recognised where the Group has provided services to the customer but does not have the unconditional right to invoice the customer at reporting date. There is minimal credit risk exposure on market transactions because the Group holds deposits and bank guarantees against performance from market participants.

Prepayments and other receivables represent payments made for services to be provided or consumed in future months. Information Technology support costs represent a large proportion of these with the remainder mostly comprising of insurance premiums. These prepayments are supported by underlying agreements which would be legally enforceable in the event of default of service. In many instances the services are the result of a competitive process where the financial viability of the vendor has been examined.

ii. *Fair value of receivables*

Due to the short-term nature of the current receivables, their carrying amount is the same as their fair value, less any allowance for expected credit losses (loss allowance). Collectability of receivables is reviewed on an ongoing basis. A specific expected loss allowance is recognised when there is objective evidence that an individual trade receivable is impaired. Debts that are known to be uncollectable are written off.

iii. *Expected credit losses*

All the Group's receivables in the comparative periods have been reviewed for indicators of expected losses. The Group used a degree of professional judgement and considered forward-looking assumptions and information regarding expected future conditions affecting historical customer default rates to assess any indications of expected loss. For expected loss allowance in relation to aged receivables and renewable (solar and windfarm) grid connection applications, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Critical accounting estimates and assumptions

Expected credit loss on trade receivables and revenue billed in advance

The Group applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses, which uses a lifetime of expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of market participants and proponents over historical periods, and the corresponding historical credit losses experienced. Factors to estimate the loss rate are based on a risk assessment performed for each customer segment, and macroeconomic factors affecting the ability of customers to settle.

Revenue Billed in Advance

The Group recognises revenue once the core services to participants in the markets have consumed the benefits in line with the Group performing its obligations. Management estimates customer consumption between the last invoice date and the end of the reporting period when determining revenue for the financial period. Various assumptions and financial models are used to determine the estimated consumption.

Some of the assumptions and estimates include:

- Electricity consumption and fees of electricity consumed
- Gas consumption and fees of gas consumed
- Service provided for TUoS and fee charge to participants
- Service provided for Connections and rates charge to participants

8. Inventory

	2023 $'000	2022 $'000
Current		
Inventory	7,203	578
Total inventory	**7,203**	**578**

Under the National Gas Rules, AEMO was granted the role of supplier of last resort within the Declared Wholesale Gas Market (DWGM) for 2023, 2024 and 2025 and as such, is required to contract the use of the uncontracted Dandenong LNG storage capacity and store liquefied natural gas (LNG) (currently 420 terajoules (TJ)). The gas is recognised at the lower of cost and net realisable value, which is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

9. Defined benefit superannuation plan

The Group operates a defined benefit superannuation plan, which is a final salary pension that provides benefits to members in the form of a guaranteed level of pension payable for life. Members receive either lump sum benefits or pension benefits on retirement, death, disablement or withdrawal. The plan was transferred to the Group as part of the business combination with VENCorp on 1 July 2009. The plan is closed to new members. At 30 June 2023, the plan included four employees and eight pension members (2022: 7 employees and 8 pension members).

The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The defined benefit pension plan is required to be revalued at fair value annually in accordance with Australian Accounting Standards and presented as an asset or liability on the Consolidated Statement of Financial Position. The Group engages an actuarial expert each year for this revaluation.

a. Reconciliation of the assets and liabilities recognised in the Consolidated Statement of Financial Position

The liability recognised in the statement of financial position for defined benefit plan is the present value of the defined benefit plan at the reporting date, less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income. They are included in accumulated surplus / (deficit) in the statement of changes in equity and in the statement of financial position.

Service cost on the net defined benefit liability is included in employee benefits expense.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the Consolidated Statement of Profit or Loss.

The amounts recognised in the Consolidated Statement of Financial Position and the movements in the net defined benefit obligation over the year are as follows:

$'000	Fair value of plan assets	Present value of obligation	Net amount
1 July 2021	**19,051**	**(18,883)**	**168**
Current service cost	-	(160)	(160)
Interest cost / (income)	438	(434)	4
Total amount recognised in Consolidated Statement of Profit or Loss	**438**	**(594)**	**(156)**
Remeasurements:			
Return on plan assets less amounts included in interest cost	(807)	-	(807)
Gains arising from changes in financial assumptions	-	2,921	2,921
Experience losses	-	(447)	(447)
Total amount recognised in other comprehensive income	**(807)**	**2,474**	**1,667**
Contributions by Plan participants	56	(56)	-
Benefit payments	(525)	525	-
Taxes, premiums and expenses paid	(88)	88	-
30 June 2022	**18,125**	**(16,446)**	**1,679**

$'000	Fair value of plan assets	Present value of obligation	Net amount
1 July 2022	**18,125**	**(16,446)**	**1,679**
Current service cost	-	(219)	(219)
Interest cost / (income)	841	(768)	73
Total amount recognised in Consolidated Statement of Profit or Loss	**841**	**(987)**	**(146)**
Remeasurements:			
Return on plan assets less amounts included in interest cost	237	-	237
Gains arising from changes in demographic assumptions	-	(104)	(104)
Gains arising from changes in financial assumptions	-	(80)	(80)
Experience losses	-	(721)	(721)
Total amount recognised in other comprehensive income	**237**	**(905)**	**(668)**
Employer contributions	2,411	-	2,411
Contributions by Plan participants	47	(47)	-
Benefit payments	(4,675)	4,675	-
Taxes, premiums and expenses paid	(428)	428	-
30 June 2023	**16,558**	**(13,282)**	**3,276**

The asset ceiling has no impact on the net defined benefit liability / (asset). The net asset disclosed above relates to a funded plan as follows:

	2023 $'000	2022 $'000
Present value of funded obligations	(13,282)	(16,446)
Fair value of funded plan	16,558	18,125
Surplus of funded plan	**3,276**	**1,679**

The defined benefit superannuation asset included in the Statement of Financial Position at 30 June 2023 is $3.3 million (2022: $1.7 million), with the movement primarily due to higher rates of increase in salaries and pensions, changes in interest rate assumptions, and higher contributions as compared to the prior year.

The valuation of the Plan was performed in accordance with generally accepted actuarial principles and procedures. The accounting calculations provided are based on the assumptions, methods and accounting policies selected by the Group.

b. Funding arrangements

The Funding Policy provides for a review of the financial position of the Plan each six months, as at 30 June and 31 December, with the Company contribution rate comprising a long-term contribution rate and an adjustment to meet the financing objective of a Target Funding Ratio of 104%.

The Target Funding Ratio reflects the proportion of salary and pension related benefits and the allocation to "growth" assets for the Plan. The Funding Ratio is the ratio of assets to accrued liabilities, being the greater of vested benefits and the present value of past membership benefits.

In the most recent review of the financial position as at 31 December 2022, the actuary recommended the Company pay a lump sum contribution and to contribute at a rate of 10.5% of salaries to align with the 5-year Target Funding Ratio. A one-off lump sum contribution of $2.25 million was paid in April 2023.

The Group continues to contribute at the required rates for accumulation members.

c. Maturity profile of defined benefit plan

Expected benefit payments for the financial year ending on	2023 $'000	2022 $'000
30 June 2024	1,365	1,534
30 June 2025	1,600	1,872
30 June 2026	1,843	2,083
30 June 2027	1,779	2,131
30 June 2028	1,713	-
Following 5 years	4,940	6,551
Total	**13,240**	**14,171**

d. Fair value of plan assets

The major categories of plan assets are as follows:	2023 Unquoted $'000	%	2022 Unquoted $'000	%
Australian equity	2,318	14	1,994	11
International equity	2,980	18	2,719	15
Fixed income	2,153	13	1,631	9
Property	828	5	724	4
Growth alternatives	2,649	16	2,719	15
Defensive alternatives	1,987	12	2,538	14
Cash	3,643	22	5,800	32
Total	**16,558**	**100**	**18,125**	**100**

The fair value of plan assets excludes any amounts relating to:

- Any of the Group's own financial instruments.
- Any property occupied by, or other assets used by the Group.

e. Risk exposure

The defined benefit assets are invested in the EquipSuper Defined Benefit and Cash investment options. The assets are diversified within these investment options and therefore the Plan has no significant concentration of investment risk.

Through its defined benefit pension plan, the Group is exposed to several risks, the most significant of which are detailed below:

Investment risk: The risk that investment returns will be lower than assumed and the Company will need to increase contributions to offset this shortfall.

Salary growth risk: The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

Legislative risk: The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

Pension risks: The risk is that pensioner mortality will be less than projected, resulting in pensions being paid for a longer period.

Inflation risk: The risk that inflation is higher than anticipated, increasing pension payments, and thereby requiring additional employer contributions.

Timing of members leaving service: As the Plan has only a small number of members, members leaving may have an impact on the financial position of the Plan, depending on the financial position of the Plan at the time they leave. The impact may be positive or negative, depending upon the circumstances and timing of the withdrawal.

f. Significant events

There were no Plan amendments affecting the defined benefits payable, curtailments or settlements occurring during the year.

Critical accounting estimates and assumptions

Actuarial assumptions and sensitivity

The principal assumptions used in determining pension and post-employment benefit obligations for the plan are shown below:

Assumptions to determine defined benefit superannuation cost	2023 % p/a	2022 % p/a
Discount rate* (active members)	5.1	2.5
Expected salary increase rate	2.5	2.0
Expected pension increase rate	2.5	2.0

These rates are used to calculate the expected defined benefit cost for the period.

Assumptions to determine defined benefit obligation	2023 % p/a	2022 % p/a
Discount rate* (active members)	5.5	5.1
Expected salary increase rate	3.5^	2.5
Expected pension increase rate	2.5[1]	2.5

* The discount rate used is based on a corporate bond yield of 7 years duration.
^ The expected salary increase rate is 4.5% p/a for members on an Enterprise Agreement (EA), 3.5% p/a for all other members.
[1] The expected pension increase rate is 5.0% p/a for the first year, 3.5% p/a for the second year and 2.5% p/a thereafter.

These rates are used to calculate the defined benefit obligation (future obligation) at year end and were developed by management with the assistance of independent actuaries.

The defined benefit obligation as at 30 June 2023 under several scenarios is presented below. The defined benefit obligation has been recalculated by changing the assumption as detailed, while retaining all other assumptions.

		Discount rate p/a		Salary rate p/a		Pension rate p/a	
Sensitivity	**Base case**	**-0.5%**	**+0.5%**	**-0.5%**	**+0.5%**	**-0.5%**	**+0.5%**
Discount rate	5.5%	5.0%	6.0%	5.5%	5.5%	5.5%	5.5%
Salary % increase*	3.5%	3.5%	3.5%	3.0%	4.0%	3.5%	3.5%
Pension % increase[1]	2.5%	2.5%	2.5%	2.5%	2.5%	2.0%	3.0%
Defined benefit obligation^ ($'000)	$13,282	$13,820	$12,777	$13,210	$13,354	$12,871	$13,719

* Salary increase sensitivity also applies to rates applying to members on an EA.
[1] Pension increase sensitivity also applies to rates applying in the first and second years.
^ Includes contributions tax provision.

10. Property, plant and equipment

Property, plant and equipment captures physical technology infrastructure hardware components including servers, storage, and network equipment relating the Group's wholesale, retail, and corporate systems.

The land and buildings asset category incorporates the land and building the Group owns in Sydney and the fit-out costs of our six offices.

	Technology infrastructure $'000	Leasehold improvements $'000	Land and buildings $'000	Assets under construction $'000	Total (restated) $'000
30 June 2021					
Cost	63,881	25,906	20,481	13,175	123,443
Accumulated depreciation	(53,681)	(17,260)	(7,130)	-	(78,071)
Net book amount at 30 June 2021	**10,200**	**8,646**	**13,351**	**13,175**	**45,372**
Year ended 30 June 2022					
Opening net book amount	10,200	8,646	13,351	13,175	45,372
Additions	-	-	-	700	700
Transfers	457	-	-	(457)	-
Depreciation	(5,191)	(1,545)	(435)	-	(7,171)
Closing net book amount at 30 June 2022	**5,466**	**7,101**	**12,916**	**13,418**	**38,901**
At 30 June 2022					
Cost	64,338	25,906	20,481	13,418	124,143
Accumulated depreciation	(58,872)	(18,805)	(7,565)	-	(85,242)
Net book amount at 30 June 2022	**5,466**	**7,101**	**12,916**	**13,418**	**38,901**
Year ended 30 June 2023					
Opening net book amount	5,466	7,101	12,916	13,418	38,901
Additions	-	49	-	16,977	17,026
Transfers	1,706	2,922	-	(4,628)	-
Depreciation	(3,808)	(1,787)	(435)	-	(6,030)
Closing net book amount at 30 June 2023	**3,364**	**8,285**	**12,481**	**25,767**	**49,897**
At 30 June 2023					
Cost	66,044	28,877	20,481	25,767	141,169
Accumulated depreciation	(62,680)	(20,592)	(8,000)	-	(91,272)
Net book amount at 30 June 2023	**3,364**	**8,285**	**12,481**	**25,767**	**49,897**

Refer to note 2(c) regarding the restatement.

a. Cost

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and/or any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The residual values and useful lives are reviewed and adjusted if appropriate, at each financial year end. An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

b. Depreciation methods and useful lives

Depreciation of assets is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful life are made on a regular basis for all assets, with annual reassessments for major items. Land is not depreciated. Depreciation is charged from the month the asset commences service.

Expected useful life periods are as follows:

IT systems hardware	3-7 years
Furniture and equipment	3-5 years
Office and technology infrastructure	7-10 years
Building fit-out	Aligned with lease agreement
Building	30 years

Critical Accounting Estimates and Assumptions

Useful lives and residual values of property, plant and equipment

Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Management judgement is applied to estimate service lives and residual values of our assets, and these are reviewed annually. If useful lives or residual values need to be modified, the depreciation expense changes as from the date of reassessment until the end of the revised useful life (for both the current and future years).

11. Intangible assets

Delivery of the Group's core functions requires significant investment in intangible assets that are internally generated, which the Group classifies as software developed assets. This investment expenditure is largely related to the energy transition that has resulted in a need to refresh and enhance current systems to carry out large regulatory-directed programs.

The main areas of intangible asset investments in the current year include:

- Modernisation of technology platforms within the gas and electricity systems and databases; and
- Development and implementation of regulatory rule changes related to energy market reform (includes Gas Reform, WEM Reform Program, WEM DER and NEM 2025).

	Market software					
$'000	**Electricity**	**Gas**	**STTM**	**Other technology**	**Assets under construction**	**Total (restated)**
At 1 July 2021						
Cost	172,054	28,374	22,746	105,880	219,564	548,618
Accumulated amortisation	(145,379)	(23,096)	(21,461)	(69,919)	-	(259,855)
Net book amount	**26,675**	**5,278**	**1,285**	**35,961**	**219,564**	**288,763**
Year ended 30 June 2022						
Opening net book amount	26,675	5,278	1,285	35,961	219,564	288,763
Additions	-	-	-	21	97,654	97,675
Transfers	7,033	1,172	-	153,608	(161,813)	-
Impairment of assets	-	-	-	(2,058)	-	(2,058)
Amortisation	(10,613)	(2,017)	(292)	(26,602)	-	(39,524)
Closing net book amount	**23,095**	**4,433**	**993**	**160,930**	**155,405**	**344,856**
At 30 June 2022						
Cost	179,087	29,546	22,746	257,451	155,405	644,235
Accumulated amortisation	(155,992)	(25,113)	(21,753)	(96,521)	-	(299,379)
Net book amount	**23,095**	**4,433**	**993**	**160,930**	**155,405**	**344,856**
Year ended 30 June 2023						
Opening net book amount	23,095	4,433	993	160,930	155,405	344,856
Additions	-	-	-	-	122,954	122,954
Transfers	3,944	(73)	-	53,674	(57,545)	-
Amortisation	(10,624)	(1,729)	(290)	(33,050)	-	(45,693)
Closing net book amount	**16,415**	**2,631**	**703**	**181,554**	**220,814**	**422,117**
At 30 June 2023						
Cost	183,031	29,473	22,746	311,125	220,814	767,189
Accumulated amortisation	(166,616)	(26,842)	(22,043)	(129,571)	-	(345,072)
Net book amount	**16,416**	**2,631**	**703**	**181,553**	**220,814**	**422,117**

Refer to note 2(c) regarding the restatement.

Intangible assets are initially measured at cost. Only costs that are directly attributable to a project's development phase and meet the requirements of AASB 138 *Intangible Assets* are recognised as intangible assets. Development costs not meeting these criteria are expensed as incurred. Directly attributable costs include employee costs incurred on software development and borrowing costs.

Following the initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. The Group's intangible assets have finite useful lives, and are amortised on a straight-line basis over their useful life. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in operating expenses and the asset is tested for impairment annually or when an indicator of impairment exists.

The fair value of intangible assets reflects expectations at the acquisition date about the probability that the expected future economic benefits embodied in the asset will flow and, as the Group has the right to recover, the carrying value does not differ materially to the fair value.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised in the Consolidated Statement of Profit or Loss when the asset is derecognised.

Costs associated with maintaining software applications, or technical support, are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognised as intangible assets.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Intangible assets are amortised over their estimated useful lives as follows:

Market Systems including Gas, Electricity and STTM	5-10 years
Other technology:	
Infrastructure software	3-7 years
Business applications software	5-7 years

Critical Accounting Estimates and Assumptions

Impairment testing methodology

The Group is subject to several external forces that will impact the performance of its business over the life of its assets. This includes external regulatory and social factors that may impact the life of assets and technology change. To respond to the range of potential outcomes that can result from these factors, where impairment indicators are present, the Group has adopted a scenario analysis approach to determining the recoverable amount of its assets.

12. Right-of-use assets and lease liabilities

a. Amounts recognised in the Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position shows the following amounts in relation to leases:

	2023 $'000	2022 (restated) $'000
Right-of-use assets		
Buildings	18,114	19,505
Lease liabilities		
Current	6,144	7,225
Non-current	14,146	14,143
Total lease liabilities	**20,290**	**21,368**

Refer to note 2(c) regarding the restatement.
Additions to the right-of-use assets during the 2023 financial year were $6.3 million (2022: $0.4 million).

b. Amounts recognised in the statement of Consolidated Statement of Profit or Loss

The Consolidated Statement of Profit or Loss shows the following amounts relating to leases:

	Notes	2023 $'000	2022 $'000
Depreciation charge of right-of-use assets	5(g)	(8,167)	(6,459)
Interest expense (included in net finance expense)	5(f)	(813)	(605)
Rental income from the subleasing of right-of-use assets		646	-

The total cash outflows for leases in 2023 was $5.8 million (2022: $7.3 million).

Right-of-use assets	A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, comprising of the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset (make good). Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of use assets are subject to annual review and adjusted for any remeasurement of lease. The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed as incurred. Variable payments attached to a lease, such as outgoings, are expensed as incurred. Some property leases contain variable payment terms that are linked to a consumer price index (CPI). These are recognised in the initial measurement of the right of use asset and lease liability. Rental outgoings are recognised as an operating expense when incurred.
Lease liabilities	Lease liabilities include the following lease payments: • Fixed payments less any lease incentives receivable; and • Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date. A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index, or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.
Sub-lease arrangements	The Group has entered into a lease agreement (head lease) for a property. As the risks and rewards of ownership of the head lease right-of-use asset have not transferred to the sublessees, the lease is deemed an operating lease. Consequently: • Sublease income is recognised on a straight-line basis across the life of the sublease agreement. Rental income received from AEMO Services is eliminated on consolidation. • Costs related to the head lease right-of-use asset, such as depreciation and impairment, continue to be recognised by the Group as a finance lease.

Critical Accounting Estimates and Assumptions

Lease term

Where lease arrangements contain options to extend the term or terminate the contract, the Group assesses whether it is 'reasonably certain' that the option to extend or terminate the contract will be made. Consideration is given to the prevalence of other contractual arrangements and/or the economic circumstances relevant to the lease contract, which may indicate the likelihood of the option being exercised. Lease liabilities and right-of-use assets are measured using the reasonably certain contract term.

Lease discount rates

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The discount rate is established on lease commencement and is not changed during the lease term unless there has been a modification to the lease that impacts the remaining lease payments.

13. Payables

	2023 $'000	2022 (restated) $'000
Trade payables	41,782	18,010
Accrued network charges	53,131	49,354
Participant security deposits and prepayments	73,642	1,039,775
Other creditors and accruals	59,818	38,280
Total Payables	**228,373**	**1,145,419**

Refer to note 2(c) regarding the restatement.

- Trade payables are carried at amortised cost and due to their short-term nature, they are not discounted. Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 to 90 days of recognition.
- Accrued Network Charges represent network charges that has become due but not yet paid.
- Participant security deposits relates to credit support provided by the NEM and Gas Supply Hub (GSH) participants and are repayable on demand. Electricity settlement prepayments relate to NEM weekly settlements, and early receipts from the NEM market participants.
- Other creditors and accruals represent goods and services received from suppliers which have yet to be invoiced at the end of the reporting period.

14. Borrowings

	2023 $'000	2022 $'000
Current		
Federal Treasury loan	866	-
Non-current		
Federal Treasury loan	4,831	-
Bank loan	433,180	433,180
Total non-current borrowings	**438,011**	**433,180**
Total borrowings	**438,877**	**433,180**

a. Net borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently at amortised cost. Any difference between the initial recognised cost and the redemption value is recognised in the Consolidated Statement of Profit or Loss over the period of the borrowings using the effective interest rate method.

The Consumer Data Right (CDR) concessional loan was provided by the Federal Treasury specifically to finance the development of a CDR portal which will provide Australian consumers with a choice on how their data is used and shared. The CDR loan is offered at below market rate, was recognised at fair value for the initial recognition, using a valuation technique by discounting all future cash flow at the prevailing market interest rate for the similar financial liability, and subsequently measured at amortised cost. During the reporting period, $0.5 million was repaid.

The following table details the Group net borrowings at 30 June 2023:

	Facility limit $'000	Tenor (Yrs.)	Maturity	Drawn 2023 $'000	Undrawn 2023 $'000	Drawn 2022 $'000
Syndicated loan – unsecured	50,000	1	18/05/2024[1]	-	50,000	-
	242,500	3	18/05/2024[2]	-	-	213,180
	242,500	5	18/05/2026	220,000	22,500	220,000
	210,000	3	15/07/2025	-	210,000	-
	250,000	2	20/06/2025[2]	213,180	36,820	-
Federal Treasury loan	6,153	6	30/06/2029	5,697	-	-
Total borrowings (current and non-current)	**758,653**			**438,877**	**319,320**	**433,180**

1. Syndicated loan Facility A $50.0 million was refinanced in April 2023 (1 year tenor)
2. Syndicated loan Facility B $242.5 million was refinanced in June 2023 with a $250.0 million bridge facility up to 2 years, under the syndicated loan (Facility E).

b. Loan covenants

The syndicated loan is a revolving facility with floating interest rates. Its terms require that the Group has a liquidity ratio of greater than 0.5. The Group has complied with its compliance requirement during the reporting period ending 30 June 2023 with a liquidity ratio of 1.12 (2022: 1.04).

The CDR loan was obtained from the Department of Treasury and Finance (DTF) for the CDR capital project where there are requirements to provide quarterly reporting to DTF.

c. Financing costs

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some, or all the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid, is recognised in Consolidated Statement of Profit or Loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs consist of interest and other costs that the Group incurs in connection with borrowing activities. Borrowing costs are recognised as expenses in the period in which they are incurred, except to the extent that they are primarily related to the production of intangible assets, where they are capitalised during the period that is required to complete and prepare the asset for its intended use. Borrowing costs include interest on short-term and long-term borrowings.

Costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the effective period of the funding.

i. *Maturities of financial liabilities*

The Group's remaining contractual maturity for its financial liabilities with agreed repayment periods are below:

Financial liabilities	Note	< 1 year $'000	1–5 years $'000	> 5 years $'000	Total $'000
30 June 2023					
Payables	13	228,374	-	-	228,374
Syndicated loan - unsecured		21,938	457,126	-	479,064
Federal Treasury loan		1,075	5,380	-	6,455
Lease liabilities	12	6,875	11,605	1,810	20,291
Total financial liabilities		**258,261**	**474,111**	**1,810**	**734,182**
30 June 2022					
Payables	13	1,145,419	-	-	1,145,420
Syndicated loan - unsecured		10,352	463,641	-	473,993
Lease liabilities	12	7,127	7,188	7,053	21,368
Total financial liabilities		**1,162,898**	**470,829**	**7,053**	**1,640,780**

The total amounts are based on the undiscounted cash flows of financial liabilities on the earliest date on which the Group can be required to pay and includes interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

15. Prepaid settlements and deposits

	2023 $'000	2022 (restated) $'000
Current		
Declared Wholesale Gas Market	32,815	58,771
Short Term Trading Market	34,359	117,035
Western Australia Electricity Market	11,644	3,768
Total prepaid settlements and deposits	**78,818**	**179,574**

Refer to note 2(c) regarding the restatement.

Prepaid settlements and deposits relate to gross prepaid settlement payments received in advance from DWGM, STTM and WEM market participants, voluntarily to mitigate against the risk of breaching their trading limits. This enables them to continue trading in their respective markets in accordance with their respective market rules. Market participants can elect to apply their prepayment against their upcoming settlements or rollover the prepayment to the next period. Prepaid settlements and deposits held at June 2022 were significantly higher than the period ending June 2023 due to higher gas prices, which drove higher prepayments. Once the physical cash has been received, a corresponding liability is recognised in the Consolidated Statement of Financial Position.

16. Other liabilities

	2023 $'000	2022 $'000
Current		
Government grants received in advance for capital projects	9,453	6,227
Prepaid revenue	9,725	5,243
Other liabilities and provisions	344	272
Total current other liabilities	**19,522**	**11,742**
Non-current		
Other liabilities and provisions	2,829	-
Total non-current other liabilities	**2,829**	**-**
Total other liabilities	**22,351**	**11,742**

Government grants received during the year include those relating to the Gas Bulletin Board scoping study, and the Electricity Consumer Data Rights Platform and the Distributed Energy Resources Register. The carrying values of Other Liabilities are a reasonable approximation of fair value.

Prepaid revenue represents cash that the Group has received from Market Participants in advance of the Group performing their obligations.

Provisions are recognised as part of other liabilities and provisions when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

17. Employee provisions

	2023 $'000	2022 $'000
Current		
Annual leave	17,135	15,849
Long service leave	20,789	18,590
Total current employee provisions	**37,924**	**34,439**
Non-current		
Long service leave	4,095	3,698
Total non-current employee provisions	**4,095**	**3,698**
Total employee provisions	**42,019**	**38,137**

Leave provisions cover the Group's liabilities for long service leave (LSL) and annual leave which are classified as either current provisions or non-current provisions.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to LSL where employees have completed the required period of service and also for those employees who are entitled to pro rata payments in certain circumstances. This is because the Group does not have an unconditional right to defer settlement for any of these obligations.

Provision is made for benefits accruing to employees in respect of annual leave and LSL for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

Professional judgement has been applied in the determination of the projected LSL balance based on the judgements of historical leave taken. This may be subject to change based upon restrictions, staff attrition and other environmental factors such as legislation and changes in the market. Management is actively monitoring leave balances to ensure compliance with internal policies and occupational health and safety requirements.

Sick leave payments are made in accordance with relevant awards, determinations, and the Group policy. No provision is made in the consolidated financial statements for unused sick leave entitlements as these are non-vesting benefits.

a. Annual leave

The annual leave liability consists of all accrued annual leave, including on-costs (payroll tax, superannuation, and workers compensation), as at the reporting date. The Group does not have an unconditional right to defer settlement of the obligations and given that employees are expected to take the full amount of accrued leave within the next 12 months, the entire liability is presented as current in the statement of financial position.

b. Long service leave

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL (representing seven or more years of continuous service) is disclosed as a current liability even where the Group does not expect to settle the liability within 12 months as the Group does not have an unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. Conditional LSL is disclosed as a non-current liability as the Group has an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Critical accounting estimates and assumptions

Long service leave provisions involve assumptions based on the expected tenure of existing staff, patterns of leave claims and payout, future salary movements and future discount rates, and are subject to ongoing assessment by management.

18. Capital and reserves

a. Capital contributions

As part of the establishment of AEMO as a single, industry-funded national energy market operator, various functions of the Victorian Energy Networks Corporation (VENCorp), the Electricity Supply Industry Planning Council (ESIPC), the Gas Market Company (GMC), the Gas Retail Market Operator (GRMO) and Australian Energy Market Operator (Transitional) (AEMO(T)) were transferred, under legislation, to AEMO on 1 July 2009.

As part of the transfer, amendments to the constitution of AEMO effective 1 July 2010 changed the membership structure of AEMO such that the Government members hold 60% of the membership.

b. Other reserves

$'000	PCF reserve	Land reserve	Business combination reserve	Total (restated)
At 1 July 2021	**9,689**	**3,399**	**8,704**	**21,792**
Transfer from accumulated surplus / (deficit)	972	227	-	1,199
As at 30 June 2022	**10,661**	**3,626**	**8,704**	**22,991**
Transfer from accumulated surplus / (deficit)	173	227	-	400
As at 30 June 2023	**10,834**	**3,853**	**8,704**	**23,391**

The balances for all Participant Compensation funds (PCF), except the National Electricity Market PCF, have reached the funding requirements under the relevant rules. No further PCF fees will be charged for these other PCFs unless there is a claim against the funds, however, interest will continue to be earned on these funds.

i. *Land reserve*

The land reserve has been established to recover the cost of the purchase of the Norwest land from participants over a 30-year period.

ii. *Business combination reserve*

The assets and liabilities of VENCorp, which was responsible for the operation of the principal gas transmission network and the development and operation of the Victorian gas 'spot' market, were transferred for nil purchase consideration. It was determined that this transfer did not give rise to a contribution from owners and was therefore accounted for as a business combination. This reserve is a non-distributable business combination reserve. Refer to note 2(c) regarding the restatement.

19. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The financial risk management function is carried out centrally and the Group reviews operations actively to identify and monitor all financial risks and to mitigate these risks. The Board is kept informed on time of any material exposures to financial risks.

Risk	Exposure arising from	Measurement	Management of Risk
Market risk / interest rate	• Long-term borrowings at variable rates	• Sensitivity analysis	• Forecast debt positions • Refinancing • Renewals of existing positions • Combination of fixed and floating interest rates
Credit risk	• Cash and cash equivalents • Trade receivables • Accrued income	• Aging analysis • Credit ratings	• Cash investments being held only in tier one Australian banks
Liquidity risk	• Borrowings • Other liabilities	• Rolling cash flow forecasts	• Availability of committed credit lines and borrowing facilities

The Group's risk management is predominantly controlled by a central treasury team (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk and credit risk.

a. Market risk

The Group's main interest rate risk is derived from borrowings. The Group holds long-term syndicated bank debt facilities with floating rate which are denominated in Australian dollars and are held with Australia's largest financial institutions. Currently the Group is exposed 100% to floating rate borrowing, and no hedging was put in place at 30 June 2023. According to the treasury policy, the Group will be managing the interest rate risk in accordance with the interest rate policy by maintaining an appropriate mix between fixed and floating rate borrowings, through the use of interest rate swap contracts. Hedging activities will be reviewed and evaluated on a regular basis to align with the interest rate policy. The Group's borrowings and receivables are carried at amortised cost.

The following financial assets and liabilities are exposed to floating interest rate risk at 30 June 2023:

		2023		2022 (restated)	
	Note	$'000	Total %	$'000	Total %
Financial assets					
Cash at bank (restated)		264,291	96%	1,286,122	99%
Investment term deposit (PCF)		10,800	4%	10,579	1%
Total financial assets	**6**	**275,091**	**100%**	**1,296,701**	**100%**
Financial liabilities					
Syndicated loan - unsecured	14	(433,180)	100%	(433,180)	100%
Total financial liabilities		**(433,180)**	**100%**	**(433,180)**	**100%**

Refer to note 2(c) regarding the restatement.

The Group's exposure to interest rate risk arises from having a floating interest rate. No interest rate hedges have been entered into as at 30 June 2023.

Sensitivity – interest rate
The Group profit or loss is sensitive to higher or lower interest rates, as both income from cash and cash equivalents and borrowings are 100% exposed to interest rate movement. A 100 basis points increase / decrease is used, and represents Management's assessment of the changes in interest rate over short term which is shown in the below table:

			Interest rate risk +1%		Interest rate risk -1%	
30 June 2023	**Notes**	**Carrying amount $'000**	**Net Result $'000**	**Equity $'000**	**Net Result $'000**	**Equity $'000**
Financial assets						
Cash and cash equivalents	6	275,091	2,751	2,751	(2,751)	(2,751)
Total financial assets		**275,091**	**2,751**	**2,751**	**(2,751)**	**(2,751)**
Financial liabilities						
Interest bearing liabilities	14	438,877	4,389	(4,389)	(4,389)	4,389
Total financial liabilities		**438,877**	**4,389**	**(4,389)**	**(4,389)**	**4,389**
30 June 2022						
Financial assets						
Cash and cash equivalents (restated)	6	1,296,701	12,967	12,967	(12,967)	(12,967)
Total financial assets		**1,296,701**	**12,967**	**12,967**	**(12,967)**	**(12,967)**
Financial liabilities						
Interest bearing liabilities	14	433,180	4,332	(4,332)	(4,332)	4,332
Total financial liabilities		**433,180**	**4,332**	**(4,332)**	**(4,332)**	**4,332**

b. Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to outstanding receivables.

Risk management
Credit evaluation is performed on the financial condition of customers and, where appropriate, an allowance for expected loss is raised. The Group does not have any significant credit risk exposure to any single customer or any group of customers. Refer to Note 7 for analysis around the expected credit loss.

Security and guarantees
For market participants, the Group obtains security in the form of either guarantees or physical cash that is held by the Group in a term deposit on their behalf. These can be called upon if the market participant is in default under the terms of their agreement.

c. Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligation to repay its financial liabilities as and when they fall due. Liquidity risk is managed by maintaining adequate cash reserves and banking facilities, by monitoring and forecasting cash flow and where possible, by arranging liabilities with longer maturities and invests surplus funds in highly liquid markets.

Refer to Note 15 for information on how the Group manages liquidity risk.

20. Key management personnel (KMP) and related parties

a. Key management personnel

The key management personnel were determined to be all Directors, the Managing Director and Chief Executive Officer, along with the following Executive General Management (EGM) personnel, in a consistent manner to the prior year:

- EGM Finance and Governance
- EGM Operations
- EGM System Design
- EGM Western Australia and Strategy

Refer to the Directors' Report for a list of the key management personnel of the Group during the financial year ended 30 June 2023.

Aggregated Remuneration of KMP	2023 $	2022 $
Short-term employee benefits	4,748,869	4,775,114
Post-employment benefits	367,474	227,058
Other long-term benefits	299,716	64,332
Termination benefits	-	130,635
Total remuneration of key management personnel	**5,416,059**	**5,197,139**

b. Related parties

There were no related party transactions with KMP and their close family members during the reporting year other than normal course of business relating to employee benefits as disclosed in these financial statements.

21. Commitments

Commitments at balance date represent contractual consultancy arrangements for the Group's major capital programs and operational arrangements required under relevant rules..

At 30 June 2023 the Group had the below in capital commitments, which includes capital lease commitments relating to a property lease that had not yet commenced:

	2023 $'000	2022 $'000
Not later than one year	61,361	24,543
Later than one year but not later than five years	10,479	3,162
Total capital commitments	**71,840**	**27,705**

22. Contingent assets and liabilities

Contingent liabilities and assets are not recognised in the Consolidated Statement of Financial Position but are reported in the notes to the Consolidated Financial Statements. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured.

Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote. Where the probable outcome against the Group can be measured, an appropriate liability is recognised in the financial statements. Where the outcome is unknown and the Group is defending an action, or it is unlikely that any significant liability will arise, an amount is not recognised in the financial statements.

a. Contingent liabilities

From time-to-time the Group may be involved in disputes with registered participants. The Group maintains PCFs for payment of compensation to market participants for scheduling errors as determined under various dispute resolution processes. Payment of such claims are capped to the extent of the funds available in the applicable PCF. Disclosure of details of claims are not provided where the Directors consider that this would be prejudicial to the Group in resolving the dispute.

Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on the Group. Provisions are not required in respect of these matters, as it is neither probable that a future sacrifice of economic benefits will be required nor is the amount capable of reliable measurement.

23. Parent company financial information

The individual financial statements for the Parent company show the following aggregate amounts:

Statement of Financial Position	Notes	2023 $'000	2022 (restated)* $'000
Assets			
Current assets		413,852	1,414,353
Non-current assets		510,656	405,129
Total assets		**924,508**	**1,819,482**
Liabilities			
Current liabilities		375,678	1,377,201
Non-current liabilities		470,638	451,010
Total liabilities		**846,316**	**1,828,211**
Net assets / (liabilities)		**78,192**	**(8,729)**
Equity			
Capital contribution	18(a)	7,093	7,093
Participant compensation fund reserve	18(b)	10,834	10,661
Land reserve	18(b)	3,853	3,626
Other reserve	18(b)	8,704	8,704
Accumulated surplus / (deficit)		47,708	(38,813)
Total equity		**78,192**	**(8,729)**
Surplus for the year		**91,168**	**6,303**
Total comprehensive income		**90,500**	**7,970**

The financial information for the Parent entity has been prepared on the same basis as the Consolidated Financial Statements.
* Refer to note 2(c) regarding the restatement.

24. Investment in Subsidiaries

a. Summary financial information

The Group's Subsidiaries at reporting date are set out below:

		Voting power held		Voting power held by non-controlling interests	
Name	**Country of Incorporation**	**2023 %**	**2022 %**	**2023 %**	**2022 %**
AEMO Services	Australia	70	70	30	30
TCV[1]	Australia	100	n/a	n/a	n/a

1. TCV was incorporated on 24 February 2023.

b. Non-controlling interest

Non-controlling interests (NCI) in the Group results and the equity of Subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Financial Position respectively.

25. Remuneration of auditors

PwC were appointed as auditor at the AEMO Annual General Meeting in November 2022, replacing Grant Thornton. This appointment was endorsed by ASIC in June 2023.

During the year, the following fees were paid or payable for services provided by the auditor of the Group and its related practices.

Other assurance services include the market audit, a contract that PwC has held since the prior reporting period, which provides transparency of controls and market operation to participants, independent of the financial statements of the Group.

Amounts received or due and receivable by auditors	PwC 2023 $	Grant Thornton 2022 $
Audit of financial reports	292,700	110,000
Other assurance services	1,063,541	17,000
Other services	1,909,672	9,000
Total auditor remuneration	**3,265,913**	**136,000**

26. Events occurring after balance date

Other than as disclosed elsewhere in this report, there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or Group's state of affairs, in the future years.

Directors' Declaration

The Directors of Australian Energy Market Operator Limited declare that:

1. The consolidated financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and accompanying notes, are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards as described in Note 2 to the financial statements and the *Corporations Regulations 2001*; and

    b. give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.

2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

A. Clarke AO, PSM

Chair
27 September 2023

pwc

Independent auditor's report

To the members of Australian Energy Market Operator Limited

Our opinion

In our opinion:

The accompanying financial report of Australian Energy Market Operator Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2023
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

pwc

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Pricewaterhouse Coopers

PricewaterhouseCoopers

Matthew Probert
Partner

Melbourne
27 September 2023

Australian Energy Market Operator Limited

ABN 94 072 010 327

www.aemo.com.au