

# Minutes

<b>Meeting:</b>	<b>Financial Consultation Committee (FCC)</b>
<b>Date:</b>	Tuesday, 14 March 2023
<b>Time:</b>	11.00 am
<b>Location:</b>	12.00 pm
<b>Teleconference details:</b>	By Teams

## Attendees: External & Chair

Name	Company Department
<b>Vanessa Hannan (Chair)</b>	AEMO
<b>Grant Appleton</b>	Pacific Hydro
<b>Jess Young</b>	Victorian Department of Energy, Environment and Climate Action
<b>Nadine Lennie</b>	Transgrid
<b>Peter Price</b>	Energy Queensland
<b>Paul Odendaal</b>	Hydro Tasmania (delegate)
<b>Katrina Porteus</b>	Energy Consumers Australia
<b>Jonathan Wills</b>	NSW Department of Planning, Industry and Environment
<b>Willian Durrant-Whyte</b>	NSW Department of Planning, Industry and Environment (delegate)

## Apologies: External

Name	Company Department
<b>Alastair McKeown</b>	Energy Australia
<b>Jonathan Cowper</b>	Synergy WA
<b>Hamish Irving</b>	Energy Australia (delegate)
<b>Peter Price</b>	Energy Queensland
<b>Tim Peters</b>	Hydro Tasmania

## 1 Introduction and welcome

- AEMO's Executive General Manager Finance and Governance and FCC chairperson Vanessa Hannan, welcomed attendees to the meeting and outlined the agenda.
- The minutes from the meeting on Wednesday 16 November 2022 were accepted.
- Outcomes relating to the three actions from the prior meeting were agreed and the actions were closed.
- The FCC's forward schedule was discussed and meetings were scheduled for 26 Apr 2023 and 14 Jun 2023.

## 2 FY23 financial update

- AEMO's Group Manager of Strategic Finance, Judd Johnston, provided a FY23 financial update:
  - More is being asked of AEMO as Australia goes through a once-in-a-lifetime transformation of the energy landscape. The FY23 budget is set in a context where significant market reforms are being delivered and the gas and electricity markets and systems are becoming more complex.
  - YTD Jan 2023 results were materially favourable due to external revenue factors (Gas Capacity Auction outcomes and Settlement Residue outcomes within the Victorian TNSP segment), and under spend on labour costs due to recruitment challenges.
  - Full year revenue is forecast to continue to be favourable and expenditure is forecast to be favourable, albeit YTD favourability will decrease as recruitment accelerates, depreciation increases in H2 and interest costs increase as result of the impact of floating rate debt.
  - NEM Core deficit recovery is on target and has been helped by the FY22 results outcome and FY23 forecasted favourability.
  - On the balance sheet, the market disruption around financial year end in FY22 resulted in a significant increase in deposits associated with market prudentials. As at Jan 23, these balances are closer to the normal level of ~\$150m. AEMO still retains \$300m of undrawn debt.
- The committee discussed any impacts on AEMO's financial outcomes linked to weather events in 2022, specifically in relation to cash. It was acknowledged that AEMO is holding higher participant funds, however these are restricted and not available for AEMO's use for finance operations or capital.

## 3 Draft strategic outcomes and investment plan

- AEMO's Group Manager of Strategic Finance Judd Johnston, summarised AEMO's strategic priorities, which are aligned to evolving market reforms, and the increasing challenges and capital costs associated with this work. The FCC requested greater clarity about the expected outcomes of AEMO's strategic priority projects and the costs to deliver these outcomes. An action was noted by AEMO to provide further information at the April 2023 meeting.
- The FCC requested to understand the level of emission reduction incorporated into the Integrated System Plan. An action was taken to provide this information to the relevant member outside of the FCC minutes and actions.
- The chairperson recapped AEMO's financial principles, which were developed in consultation with the FCC.

## 4 FY24 preliminary draft budget

- AEMO's Group Manager of Strategic Finance Judd Johnston provided an overview of the FY24 preliminary draft budget and sought FCC input. AEMO's medium-term budget, including FY25 & FY26, will be presented at the April 2023 FCC meeting. The FY24 budget will be presented to AEMO's Board in May 2023 for approval after considering FCC's input and public consultation.
- AEMO requested input into the proposed FY24 preliminary draft budget income statement, forecast capital expenditure, NEM Core Deficit recovery pathway, balance sheet and cash flow position. Members:

- requested additional detail of expenditure with a material increase. AEMO noted that it would provide this information through waterfall illustrations at the April 2023 meeting and also provide high-level drivers for changes in relevant expenditure categories. The chairperson noted some material expenditure related to an uplift central corporate functions and IT cloud costs.
- Queried the adequacy of AEMO’s investment in cyber security, given the criticality of the availability of AEMO systems and process. The chairperson noted the considerable focus on cyber security within AEMO, especially by the Board and digital team.
- Inquired on the timing and quantum of expenditure related to the NEM 2025 program.

AEMO noted that it would address these queries at the April 2023 meeting.

## 5 Capital management roadmap

AEMO gave an overview of the capital management roadmap and sought input from the FCC. Members:

- enquired about the cost and tenor of hedging. FCC noted that a hedge through AEMO’s revenue mechanism was already in place. AEMO noted that hedging would provide a greater degree of certainty of costs and fees to market participants.
- enquired about AEMO’s intent to seek a credit rating and noted the ongoing resourcing implications of doing this. AEMO noted that, with the significant funding required for the reform implementation agenda, a credit rating would provide better access to a diversified source of funds and longer tenor.

AEMO noted that the FCC’s feedback would be considered as part of the discussions with the AEMO Board and Finance, Risk & Audit Committee (FRAC).

## 6 General discussion

The next meeting is scheduled for 26 April 2023. The agenda for the meeting will focus on the FY24 budget and medium-term plan. Updates would be provided on actions items.

General Manager Stakeholder Engagement Matthew Myers said that AEMO would look to appoint another consumer representative to the FCC from the next meeting. FCC members confirmed they were comfortable with this. AEMO undertook to perform this action.

## 7 Wrap up

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

The meeting concluded at 12.00pm.

## Action Items

Item	Action	Responsibility	Due date
1	Provide greater clarity about the expected outcomes of AEMO's strategic priority projects and the costs to deliver these outcomes.	AEMO	26 Apr 2023
2	Provide waterfall charts demonstrating changes to material expenditure categories.	AEMO	26 Apr 2023