

Minutes

Meeting:	Financial Consultation Committee
Date:	Tuesday, 9 April 2024
Time:	09:00AM – 11:30 AEST
Teleconference details:	By Teams

Attendees: External

AGENCY	NAME	ORGANISATION
CEC	Brendan Flynn	Delegate - Pacific Hydro
AEC	Rachel Richardson	ENGIE
ENA	Peter Price	Energy Queensland
ENA	Nadine Lennie	Transgrid
ECA	Katrina Porteus	Energy Consumers Australia
EUAA	Mark Grenning	Energy Users Association of Australia
Government	Virginia Irby (for William Durant-White)	NSW Department of Planning, Industry and Environment
Government	Norman Jip (for Jess Young)	Victorian Department of Energy, Environment and Climate Action

Apologies: External

AGENCY	NAME	ORGANISATION
AEC	Jonathan Cowper	Synergy
CEC	Grant Appleton	Pacific Hydro
CEC	Tim Peters	Hydro Tas

1 Introduction and welcome

- AEMO's Executive General Manager Finance and Governance and FCC chairperson Vanessa Hannan welcomed attendees to the meeting, acknowledged the Traditional Owners and outlined the meeting agenda.
- The minutes from the prior meeting on 21 February 2024 were accepted.
- It was noted that an action from the February meeting to provide further clarity on several slides in the previous pack would be addressed by Cameron O'Donnell, Group Manager of Strategic Finance later in the meeting.

2 FY24 Update

- The chairperson provided an update on AEMO's FY24 Financial Performance:
 - It was noted that AEMO was progressing well in delivery of its FY24 strategic priorities.
 - Regarding delivery against the FY24 operating budget, it was noted that AEMO was marginally ahead of budget in FY24, with some unfavourable expenses in some segments.
 - A member enquired if labour was the major component of cost increases in some aspects of the FY24 operating budget. The chairperson noted that key drivers were both labour and digital costs.

FY25 draft budget

- The chairperson noted that AEMO is taking on new functions and roles as the energy transition accelerates, which impacts AEMO's budget. She noted several of AEMO's future priority work programs, including investment in AEMO's cyber position and delivery of the Federal Government's Capacity Investment Scheme.
- Cameron O'Donnell provided an update on the FY25 draft budget:
 - AEMO's investment plan has been established to prioritise delivery of mandated reforms and to mature core systems. There has been substantive work to build and strengthen AEMO's Enterprise Planning Office. A large proportion of the draft budget for the FY25 capital investment program is already committed to projects in delivery or approved for delivery. Prioritisation and phasing of remaining programs will be an ongoing process. See the meeting materials for details of the \$224m investment program.
 - A bridge was provided between Forecast FY24 total expenditure of \$519.7m and the draft FY25 budget expenditure of \$652m, with explanation of cost increases by segment and the drivers of these. This is detailed in the meeting materials.
 - The draft budgets for each segment were then presented, with a focus on the movement and drivers of expenditure changes from FY24 to FY25. This is detailed in the meeting material. Inflationary impacts on wages and other expenses were noted, as well as increasing depreciation and amortisation reflecting the delivery of previous investment programs, a trend which will continue as AEMO continues to deliver large programs.
 - It was noted that AEMO's draft budget clears the NEM Core deficit by the end of FY25, with underlying efficiencies in the business required to absorb and manage additional costs not contemplated at the time the deficit clearance fee path was agreed, namely software as a service

(SaaS) costs, cyber security costs and other items intended to be capitalised which now require direct expensing to comply with accounting standards.

- It was noted that, where appropriate, AEMO will look to alternative funding arrangements outside of fees to meet costs for new and emerging responsibilities that extend beyond AEMO’s core role as market system operator.
- Members enquired how much influence the FCC has over the budgeting process. Cameron O’Donnell noted that some costs are locked in and that the draft budget is constrained as much as possible to ensure the spend is appropriate and prudent and any further reductions in expenditure would introduce additional risk or be suboptimal to deliver required outcomes. Margaret Lynch, Stakeholder Engagement Lead – Corporate noted that the FCC provides value through providing improved transparency over AEMO’s budgeting process.
- Another member enquired if AEMO could provide a view on the consequences of reducing the budget. Cameron O’Donnell noted AEMO would consider if we can present a view on incremental spend.

3 Engineering Roadmap to 100% Renewables

- Merryn York, Executive General Manager of System Design and Chris Mock, Principal Engineer, provided an overview of AEMO’s work on its *Engineering Roadmap to 100% Renewables*, which has been established to set out the engineering and technical requirements to run the electricity grid on 100% renewable energy.

4 Consultation

- Margaret Lynch provided an overview of the consultation process for the draft FY25 budget.

5 Wrap up

- The chairperson asked if there were any further points the FCC wished to discuss before closing the meeting.
- The chairperson thanked the attendees and concluded the meeting at 11:30am AEST.