

Reform Delivery Committee

June 2022



1. Welcome

We acknowledge the Traditional Owners of country throughout Australia and recognise their continuing connection to land, waters and culture.

We pay respect to their Elders past, present and emerging.

Agenda

#	Time	Topic	Presenter(s)
1	1.00-1.05pm	Welcome	Kevin Ly (AEMO)
2	1.05-1.10pm	Review of Actions Items	Peter Carruthers (AEMO)
3	1.10-1.30pm	Industry Forum & WG structure	Ulrika Lindholm (AEMO)
4		Roadmap pathways:	
	1.30-1.40pm	Participant feedback on roadmap	Lance Brooks (AEMO)
	1.40-2.30pm	Business Case briefing	Cara Graham (EY)
	2.30-2.40pm	Next steps	Peter Carruthers (AEMO)
5	2.40-2.50pm	Participant Impact Assessment	Lance Brooks (AEMO)
6	2.50-2.55pm	Other business	Kevin Ly (AEMO)
7	2.55-3.00pm	Next steps and close	Kevin Ly (AEMO)

Appendix A: Forum and Working Group structure diagram

Please note that this meeting will be recorded for the purpose of compiling minutes, and not for publication.

2. Review of Action Items

Actions from prior meetings

Item #	Action	Responsibility	Status
4.1	Continuation of 3.1. Further exploration of opportunities and constraints with alternative roadmap formats.	AEMO	In progress. Action with AEMO to review whether new internal PMO scheduling tool is suitable.
4.2	Continuation of 3.2. Participant Impact Assessment.	Committee members	In progress. Covered under agenda item 5.
+4.7, 4.8			Pending items; consolidated networks assessment, clean energy participants impact assessment
4.3	Continuation of 3.3. Consider flexibility in timing of rule implementation.	AEMO, AEMC, ESB, AER	In progress. Discussions in progress regarding strategic issues. To be covered in July RDC meeting.
4.4	Continuation of 3.7. AEMO to discuss with AEMO Services ENA's enquiry regarding Roadmap interactions with reform implementation requirements from the NSW Roadmap.	AEMO	In progress. Discussion held. Action with AEMO Services to share roadmap material.
4.5	ENA to nominate two permanent network business members.	ENA	In progress. Update may be given under Other Business.
4.6	AEMO to amend the Forum and Working Group structure to reflect feedback received and share with the Committee.	AEMO	Closed. Covered under agenda item 3.
4.9	AEMO to review, with Ernst & Young (responsible for preparing the Business Case), the amount of time allocated for RDC feedback on the roadmap business case.	AEMO	Closed. Covered under agenda item 4.

3. Industry Forum & Working Group structure

Summary and response to feedback on Forum & Working Group structure

RDC Feedback	AEMO proposal
A centralised implementation program viewed as useful to capture the integration benefits however there is a concern that there is too much content to cover in monthly two-three hour meetings	Setup a monthly PCF, carefully balance the level of detail to be able to cover content, agenda clearly laid out with timings and obligations on the chair to cover the ground effectively. Adapt based on experience if necessary.
Working Groups and agendas should be grouped according to how participants approach implementation for example functions such as Retail, Wholesale	Noting that several reform initiatives are cross-functional in nature and that work is in-flight on initiative level e.g. IESS. Recommend that initiative focused structure is maintained for the moment to ensure a complete view of the initiative is understood and planned for. Expected to evolve into Wholesale and Retail etc focus to better reflect the way participants and AEMO are organised within the coming 6 months.
Clearly identify roles and responsibilities as well as interdependencies between working groups, forums and the RDC	RDC to remain as driver of co-design of and updates to the Roadmap, rather than roadmap implementation. Exec forum, PCF and Working Groups to enable effective engagement on reform implementation. Structure has been updated to show the flow of information and escalation
An Exec forum is relevant for participant leadership to validate that what they are hearing internally matches what is happening in the industry. However, careful consideration needs to be made to cadence and agenda to keep the engagement relevant to execs.	Set up an Executive Forum who will then be consulted on the appropriate cadence. Initial proposal is for 6 monthly.

Recommended Actions

1. Establish PCF and Exec Forum to provide umbrella and co-ordination*. Prepare Terms of Reference and call for nominations during July
2. Maintain initiative level working groups, while expecting structure to evolve within the coming 6 months
3. Maintain Implementation forum** and extend its role to include 2023 releases
4. Consider Procedures working group with requirement for focus groups on wholesale and retail
5. Assess timing for establishment of Readiness working group.

Notes:

* Detailed diagram in Appendix A

**As introduced at the [AEMO's 2022 Implementation Forum](#) on 13 May

4. Roadmap Pathways

Participant feedback (1/2)

Key theme	Description
Consideration of long-term market direction is considered prudent but does not translate to unanimous support for the strategic pathway	<ul style="list-style-type: none"> Stakeholders generally supported the principle that investing in market systems with a strategic/long term perspective was prudent However, that did not necessarily translate to direct support for the strategic pathway due to the risk of 'locking-in' significant investment in new centralised market systems to support reforms that are not well defined and ultimately may not be required. That could result in stranded assets and higher costs borne by consumers. Stakeholders also raised concerns that developing centralised solutions limits the potential for market-based solutions that can be developed and provided by external providers.
Scheduling and batching systems changes with reforms that have higher certainty	<ul style="list-style-type: none"> Stakeholders favoured an approach where changes to systems are scheduled and batched to support reforms with higher certainty and clearly defined scope and design. This is on the basis that it supports a 'no regrets' approach since the reforms' directions are clear and it accelerates the delivery of the reforms' benefits.
Cost benefit analysis should support more material investment in replacing or updating foundational systems	<ul style="list-style-type: none"> A proper assessment of the costs and benefits of each of the longer-term and less certain reforms should precede and inform any material investment on foundation system changes enabling those reforms. This approach also allows industry trials designed to test the cost and benefits of approaches (particularly trials relevant to implementing DER integration reforms, such as Project EDGE) to complete and inform the policy and design of related initiatives. Stakeholders considered these trials should be allowed to demonstrate a clear path forward for the industry as a whole before implementing new systems.
Transparency on the impact on NEM fees over the short, medium and longer term	<ul style="list-style-type: none"> Stakeholders supported the approach to estimate and compare the whole of life cycle costs of the two pathways. However, they requested transparency on how that translates to NEM fees to better enable them to assess the cost impact to their business.

Participant feedback (2/2)

Key theme	Description
An incomplete roadmap undermines its intent	<ul style="list-style-type: none"> Some stakeholders raised concerns that exclusion of the Congestion Management Model and the Capacity Mechanism from the roadmap undermines its purpose to provide industry with transparency and a complete view. Once these reforms are introduced by the AEMC, it could disrupt early parts of the roadmap. These stakeholders acknowledged the difficulty in identifying the full range of system impacts and dependencies for these reforms but suggested an estimate of the impact is preferable than excluding them.
Flexibility should be retained	<ul style="list-style-type: none"> Stakeholders suggest that an element of flexibility in the overall sequencing and prioritisation needs to be retained, particularly in the early stages of the reform process. This was noted as being necessary due to the pace of the policy and regulatory process and market evolution, and the ambitious implementation dates. This process means it's likely that additional rule changes and system requirements will emerge before the roadmap is complete.
Ambitious timeframes	<ul style="list-style-type: none"> Some stakeholders were concerned the implementation timeframes were too short and did not allow for sufficient contingency for delays. One stakeholder suggested that for all initiatives, a minimum of 12 months following the publication of final rules, should be provided for implementation. Once the final rules provide greater clarity, this could be reassessed and shortened after consultation with stakeholders. This was raised as a risk to industry with respect to resourcing, system readiness, testing windows, on-time delivery, costs, and cascading delay impacts for dependent initiatives. This could lead to a broader risk of system and market failures and timely and effective delivery of the overall reform program.

Response to feedback

- **The NEM2025 Program is proposing to adopt a ‘stage gate’ approval process**
 - This approach commits to the Regulatory led as the MVP to undertake mandatory and no regrets initiatives. A stage gate approval process will then be applied for those initiatives where there remains greater uncertainty in scope, design and/or benefits
 - This approach provides a mechanism to address stakeholder concerns about investing in systems to support reforms or initiatives that are not well defined
 - Four Stage Gates have been identified: Initial Business Case, Capacity Mechanism & Congestion Management Model, Strategic Pre-requisites, DER Flexible Demand and Market Place.
- **The NEM2025 Program includes integrated solution design work as the first phases of the planning process that commences immediately upon the Program’s initiation**
 - This approach can address stakeholder recommendations to schedule and batch systems changes with reforms that have higher certainty and clear scope and design.
- **AEMO will include the Capacity Mechanism and Congestion Management Model in version 2 of the roadmap.**
 - These initiatives are not covered in this business case but have been identified as a stage gate that would go through the stage gate approval process.

Business case overview

- The case for change
- Pathway options assessment
- The NEM2025 Program
- NEM2025 Program financial analysis
- Financial model and assumptions.

AEMO's consultants EY will provide an overview of the business case assessment looking into the alternative pathways published as part of version 1 of the NEM Implementation Roadmap.

Next Steps

- RDC Feedback on AEMO's response to participant feedback and proposal for a hybrid approach with a Stage Gate process is sought
- RDC feedback on Business Case is sought – by Friday 1 July
- AEMO to update Business Case based on feedback
- AEMO to prepare and release NEM2025 Roadmap – key change proposed is to overlay Stage Gate approval process and include indicative CM/CMM for completeness
- Intention is to finalise and submit to RDC 20 July meeting for endorsement of recommended approach and associated NEM2025 Roadmap Pathway.

5. Participant Impact Assessment

Opportunity to discuss further feedback on participant impact assessments

- We have received assessments back from the ENA, AEC and EEC
- AEMO has held separate meetings with the ENA and AEC to discuss the impact assessments (and feedback to the Information Paper)
- Any additional participant feedback on the impacts of the reforms will be incorporated subsequent versions of the Roadmap as required.

Participant impact assessments received indicated general alignment with the current assessment of complexity across for the majority of initiatives

Differences were identified and discussed in relation to the following initiatives: Increased MT PASA Information (AEC), FTA Model 2 and Scheduled Lite (ENA).

6. Other business

7. Next steps and close

Next steps

Proposed actions	Responsibility
Establish PCF and Exec Forum to provide umbrella and co-ordination. Call for nominations June/July	AEMO
Extend AEMO Implementation Forum to include 2023 releases	AEMO
Completion of remaining Participant Impact Assessments	RDC members
RDC feedback on Business Case is sought – by Friday 1 July	RDC members
AEMO to update Business Case based on feedback	AEMO
AEMO to finalise and submit to RDC 20 July meeting for endorsement of recommended approach and associated NEM2025 Roadmap Pathway	AEMO



For more information visit

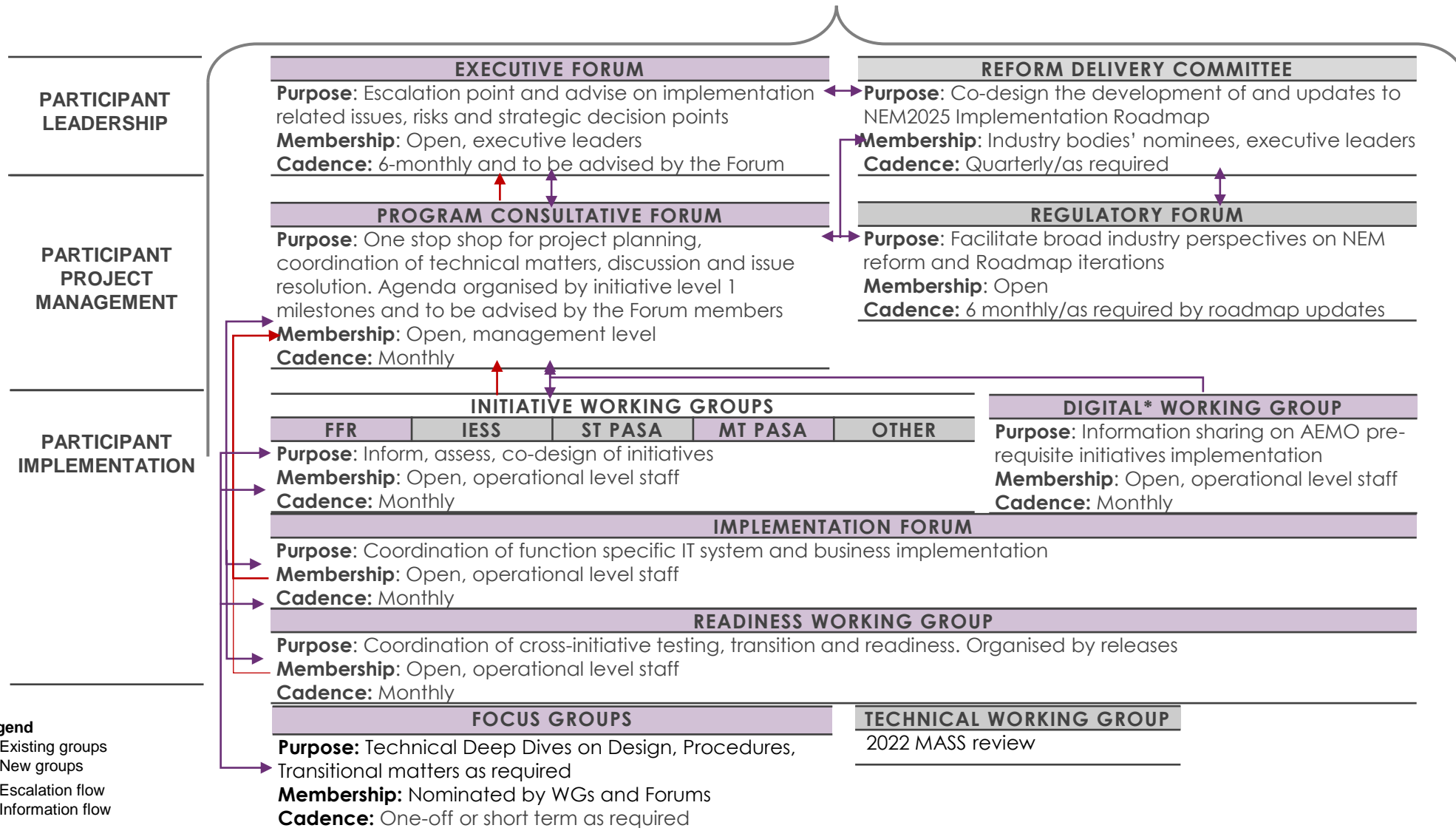
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Appendix A

Initial state: Initiative driven Forum and Working Group structure

PARTICIPANTS

AEMO's COORDINATED REFORM IMPLEMENTATION PROGRAM



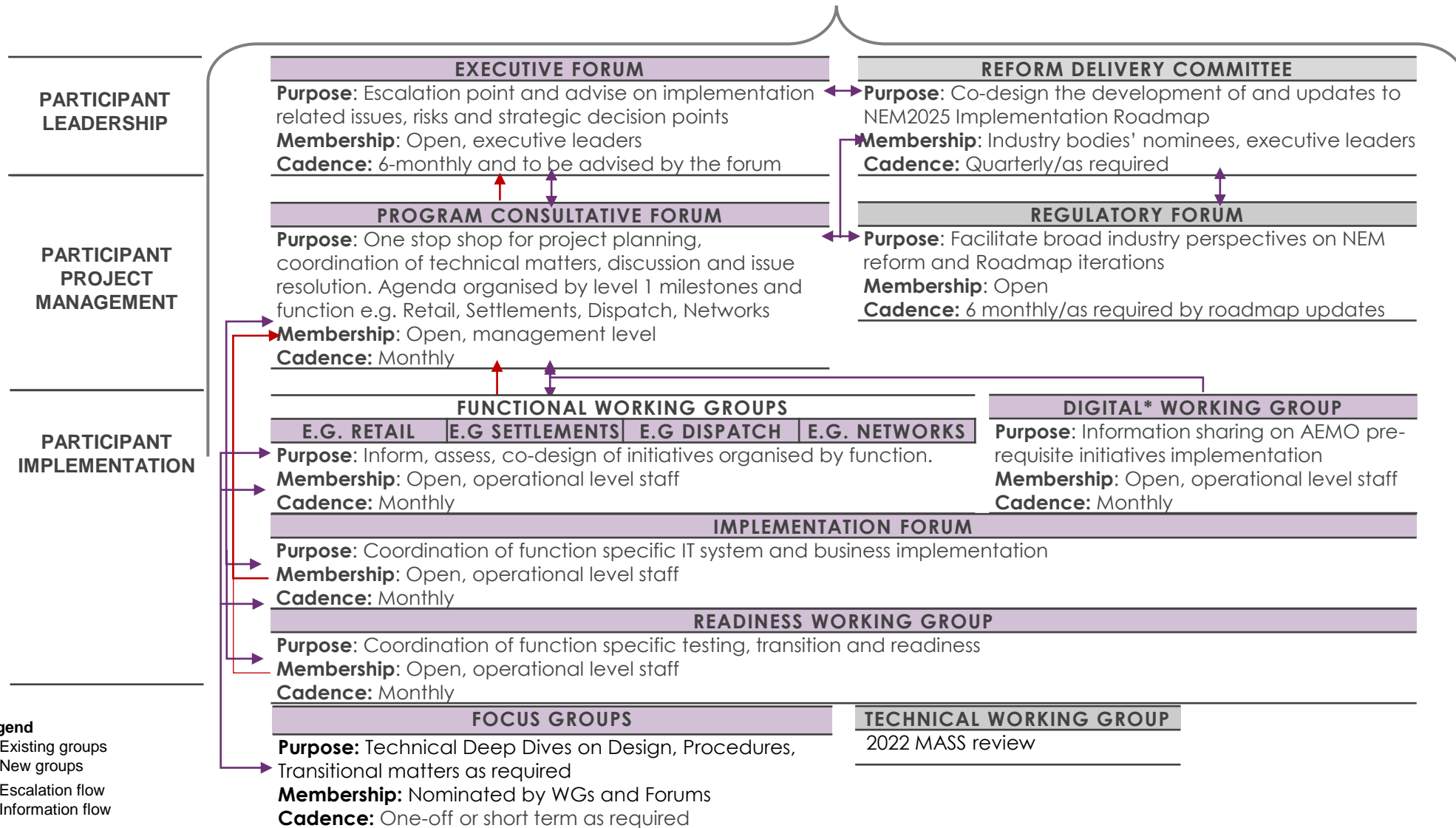
Notes

- Intent is to form a standing umbrella structure for coordination of reform implementation in the NEM, with initiatives to be phased in/out following progression of implementation work and updates to the roadmap.
- Policy engagement continue through established structures under ESB and Market bodies
- Engagements through AEMO's and stakeholder groups' BAU Forums and Working Groups may occur for coordination purposes while implementation decisions for program initiatives remain within the program structure
- Government engagement to coordinate implementation with dependencies on jurisdiction policy to be conducted through bilateral processes or via the ESB as required
- DER initiatives will be subject to a future combined implementation working group structure
- * Digital Working Group to inform industry of implementation of AEMO's pre-requisite initiatives as defined in V1 NEM2025 Implementation Roadmap, and its formation is subject to selection of roadmap pathway.

Potential future state: Function driven Forum and Working Group structure

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AEMO's COORDINATED REFORM IMPLEMENTATION PROGRAM



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