

FY23 Member results presentation

Thank you for joining.

The presentation will start at 11.15am.

Please note, this session will be recorded.



Welcome

Nevenka Codevelle

Executive General Manager,
Government and Stakeholder



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

We pay respect to elders, past and present.

Kate Wilkinson

AEMO employee and Pitta Pitta, Maiawali/Karawali woman
(Logan, Queensland)

AEMO's executive team



Daniel Westerman
CEO



Nevenka Codevelle
EGM Government &
Stakeholder



Gordon Dunsford
EGM Digital



Michael Gatt
EGM Operations



Vanessa Hannan
EGM Finance &
Governance



Glenn Jackson
EGM People &
Culture



Violette Mouchaileh
EGM Reform Delivery



Kate Ryan
EGM WA & Strategy



Paul Verschuer
EGM AEMO Services



Merryn York
EGM System Design

FY23 Corporate Plan delivery



	Fully delivered	Partially delivered	Deprioritised
Operating today's systems and markets	9	2	0
Navigating the energy future	13	2	0
Engaging our stakeholders	9	2	0
Evolving the way we work	14	2	2
Total	45	8	2

plus ...

- rapidly delivered Tranche 1 of the Commonwealth's **East Coast Gas Reforms** for winter 2023
- supported the design of the Commonwealth's **Capacity Investment Scheme**
- and more ...



Priority 1: Operating today's systems and markets

Key achievements

- **Delivered core responsibilities in system and market operations in accordance with rules and regulations in increasingly complex energy systems:**
 - **NEM:** South Australia islanding, Liddell closure, record renewable penetrations, record demands (min and max).
 - **WEM:** tight operating margins, PV intraday ramp and swing rates, records (renewables, min and max demands).
 - **Gas:** Triggering Gas Supply Guarantee for first time, WA gas supply interruptions, east coast gas reforms.
 - **Digital:** Met system availability targets, managed Supervisory Control and Data Acquisition (SCADA) outages, resolved priority 1 internal application bugs, resolved issues with core digital storage impacting programs' delivery.
- **Delivered seasonal readiness plans to manage operational challenges:**
 - Outlooks and reliability assessments for each region and season (especially coming El Niño summer)
 - Secured more Reserve and Emergency Reserve Trader (RERT).
- **Continued uplift in operational capabilities:**
 - close engagement with governments and industry following NEM suspension
 - Operations Academy training launched
 - managed prudential breaches leading to default and Retailer of Last Resort events
 - led industry cyber preparedness and maturity uplift
 - started implementing Operations Technology Program.



Priority 1: Operating today's systems and markets

Deep dive: A window to the future

South Australia (SA) separation, November 2022

- A strong storm on 12 November led to a transmission tower failure on the SA-VIC interconnector.
- SA was separated from the NEM for ~1 week until the line was restored and SA re-synchronised with the NEM on 19 November.
- SA has taken world-leading steps to integrate distributed photovoltaic (PV).
- Operating a gigawatt scale grid with majority variable renewable energy for a week was a 'live lab' for the future of the NEM (SA reached 91.5% instantaneous penetration of variable renewable energy on Friday 18 November at 9.30am).
- A number of concurrent security and reliability challenges had to be managed (e.g. frequency control, maintaining minimum demand through distributed PV curtailment).
- Effective operation was only achieved by the combined efforts of SA Government, network business, industry and customers.

Incident report key messages

1. An effective backstop mechanism is critical in all jurisdictions.
2. Addressing gaps in technical standards and improved compliance are required to reduce risks from rooftop PV turning off during disturbances.
3. Increased visibility and capability are required to manage high levels of distributed energy resources (DER), such as networks evolving into Distribution System Operator.
4. An integrated DER plan agreed by market bodies and governments is needed to address foundational issues and emerging challenges.



Priority 2: Navigating the energy future

Key achievements

Road to 100% renewables operation

- 38 actions in the FY23 *Engineering Roadmap* completed, remaining 8 in progress.
- Top 12 priority actions completed against target of 10.

Energy system design

- Completed all scheduled preparations for 2024 *Integrated System Plan (ISP)*.
- Completed NEM and WEM statements of opportunity for electricity and gas.

Actionable ISP projects

- Completed VNI West regulatory Investment Test for Transmission (RIT-T).
- Completed ISP feedback loop for HumeLink.

NSW Infrastructure Roadmap

- AEMO Services delivered inaugural tender for generation and long duration storage (recommended 1.4 GW generation + 50 MW battery).
- Tender round 2 (firming) and Tender 3 (generation and long duration storage) underway and on track.

WEM and NEM reforms

- WEM Reform Program market trials commenced in April with the project on track for new market commencement on 1 Oct.
- NEM Reform Program delivered on FY23 commitments.

Connections

- Accelerating and streamlining processes (6.8 GW of approved applications).
- Launched world's first connections simulator.
- New connections scorecard launched.



Priority 2: Navigating the energy future

Deep dive: Digital delivery

- Uplifted AEMO's people, process and system capabilities in cyber security.
- Established a cyber strategy roadmap, implemented greater controls and significantly improved AEMO's cyber posture.
- Established and embedded the strategic service partner panel, driving greater value, tightening vendor governance and consolidating relationships.
- Developed future state digital architecture, with a focus on simplification, prudence, scalability and sustainability.
- Established and matured portfolio delivery functions by uplifting processes.
- Matured data governance and management capability.

Operational uplift:

- Commenced implementation of Operational Technology Program.
- Reduced risk and increased maturity rating.

Market reforms

- WEM reform: On track to deliver 1 October 2023 (>20 IT projects over 3 years).
- NEM reform: Delivered all FY23 projects including MT PASA consultation, Fast Frequency Response and Frequency Performance procedures, Consumer Data Rights integration, and Stand Alone Power System (SAPS) functionality.

Cyber

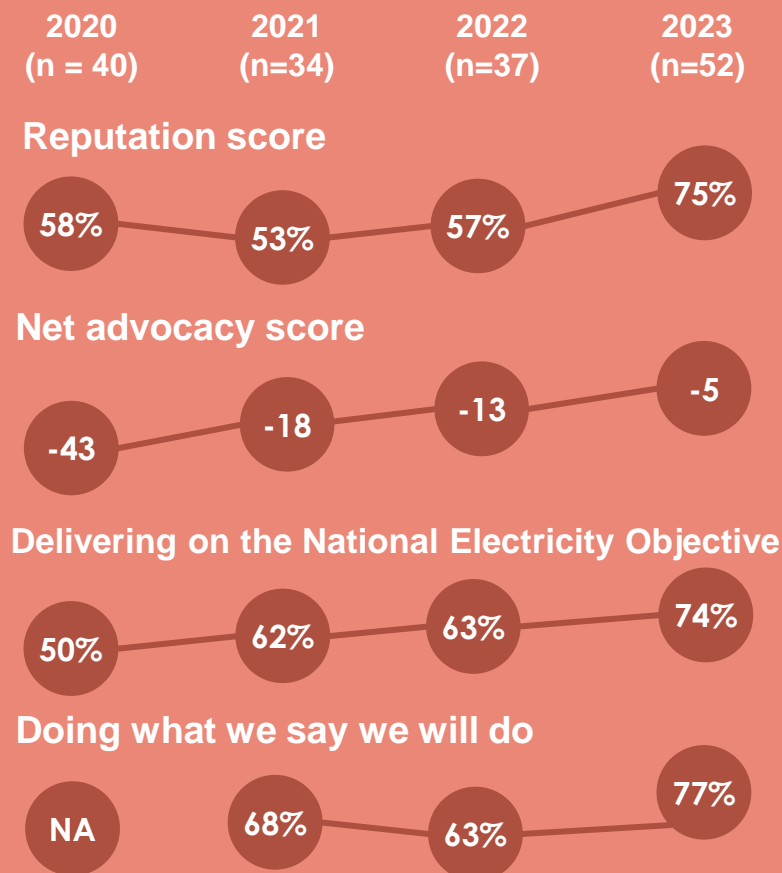
- Tasked with new roles and responsibilities (e.g. industry response and coordination) by Australia's energy ministers.
- Supported industry by publishing NEM, WEM and Gas versions of the *Australian Energy Sector Cyber Incident Response Plan*.
- Ran annual industry cyber self-assessment program (Australian Energy Sector Cyber Sector Framework).



Priority 3: Engaging our stakeholders

Key achievements

- Uplifted AEMO's **stakeholder sentiment** (reputation, net advocacy, and trust) from SEC Newgate Research.
- Uplifted **stakeholder engagement capability** to assist in building social licence for infrastructure projects via Advisory Council on Social Licence.
- **Improved transparency** (Finance Consultation Committee, fees and budget processes, various consultative forums across WEM, NEM and Gas).
- **Collaborated with stakeholders** (NEM Reform Delivery Committee) to optimise the NEM Reform Implementation Roadmap for industry.
- **Close engagement with industry** on inputs to *2024 Integrated System Plan* and ISP scenario development via ISP Consumer Panel and Consumer Forum.
- **Engaged with jurisdictions and market bodies** on market reforms, roadmaps and strategies.
- **Strong media relations and public advocacy** for the energy transition.





Priority 4: Evolving the way we work

Key achievements



- **Promoted efficient and transparent financial processes:**
 - delivered all outcomes within our agreed budget envelope
 - reduced NEM core accumulated deficit in line with agreed 3-year recovery pathway
 - driven efficiencies in technology services, in particular our adoption of cloud services
 - refined financing strategy in place
 - improved financial transparency via Financial Consultation Committee and AEMO's *Budget and Fees* document and consultation process.
- **Made AEMO an easier place to work** through improved delegations, improved systems and processes and the commencement of a business process improvement project.
- **Defined a new digital future architecture** that simplifies and modernises AEMO's current IT landscape.
- Refreshed and embedded **AEMO's corporate values** in key people processes.
- **Developed leaders at all levels** through targeted in-house leadership programs.
- Introduced a **Diversity, Equity and Inclusion Strategy** to ensure people are valued for their unique strengths and contributions.

Our values



Character
Be our best



Connection
Better together



Commitment
Make it happen



Priority 4: Evolving the way we work

Deep dive: Diversity, Equity, Inclusion (DEI)

Our **DEI vision**

To be a workplace of choice, through being fair, equitable, **respectful, safe and rewarding.**

- AEMO has made significant progress against its diversity, equity and inclusion (DEI) strategy.
- This has contributed to an employee engagement uplift (72% favourable + 6% year on year).
- Significantly advanced gender diversity:
 - female representation increased to 39% of total workforce, up 4%
 - 28% senior leaders are female, up 5%
 - ELT and Board are gender balanced
 - Active as CEO Champion of Change Coalition on gender equality and inclusion in the energy industry.
- Progressed Reconciliation Action Plan and Disability Action Plan.
- Young Energy Professionals Network and Pride@AEMO network active and growing.

FY23

Financial Performance

Vanessa Hannan

Executive General Manager,
Finance and Governance



Our commitment to **delivering value** and providing **value for money**

Our value principles

- Do the right work.
- Be prudent and efficient.
- Apply high standards of organisational governance and administration.
- Be accountable and transparent.

Our financial management principles



Efficient and cost-effective delivery



Balanced and sustainable cost recovery



Clear, ringfenced participant and member funds



Funding pathways for new investment



Very low tolerance for funding risk on contracted activities



Debt-to-assets ratio < 100%



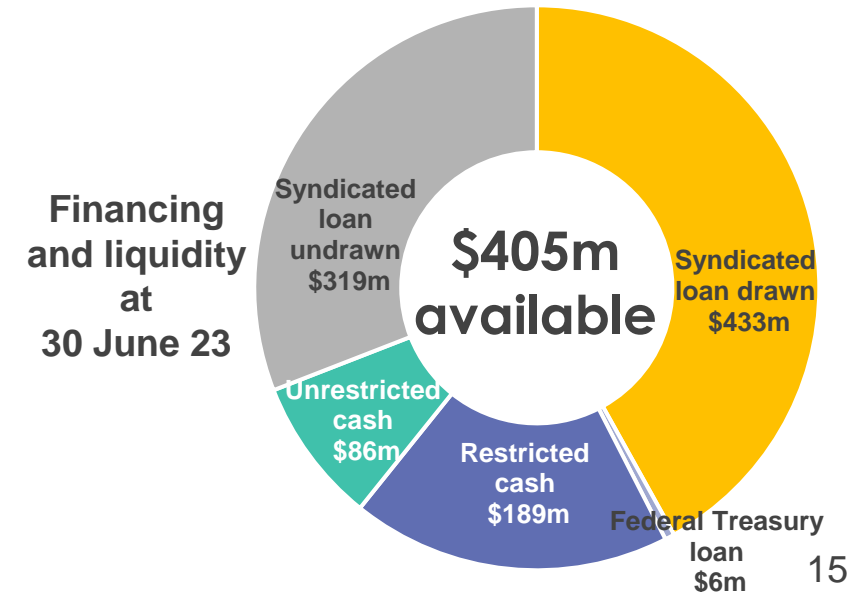
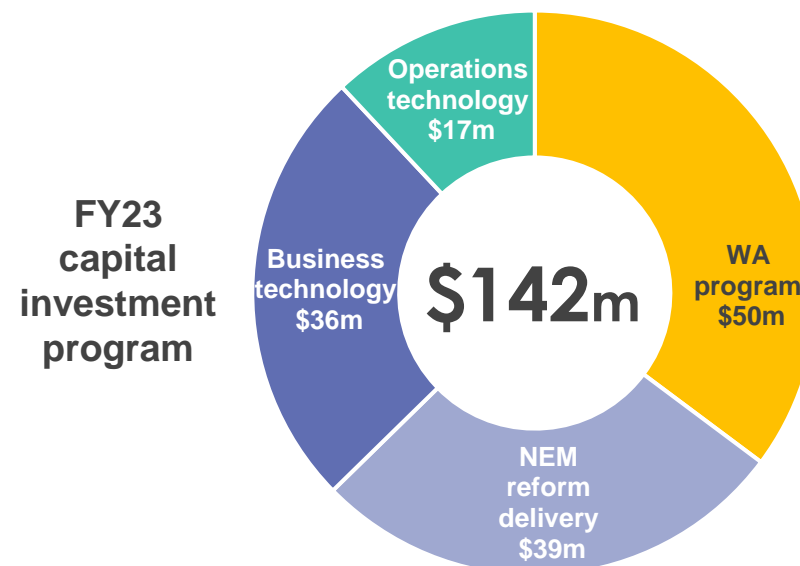
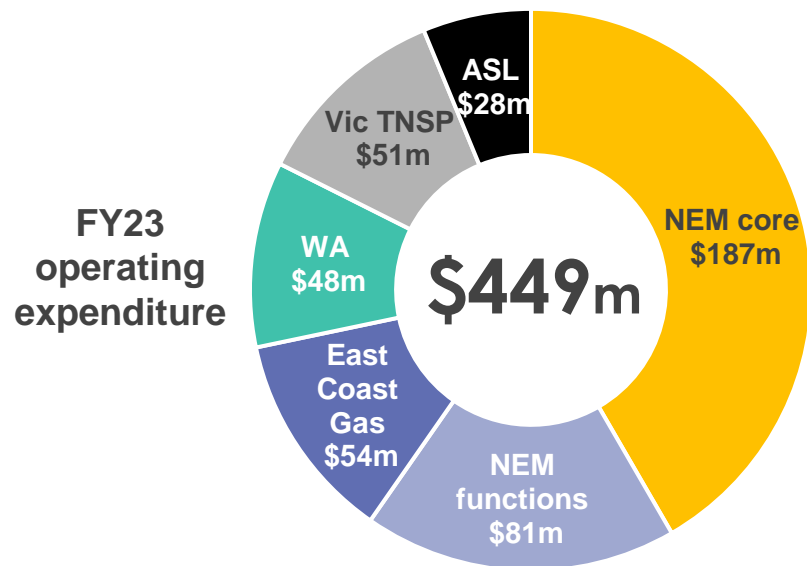
Liquidity ratio > 50%



Timely provision of AEMO budgets to market participants

Market segments

Funding is ringfenced to segment activities.

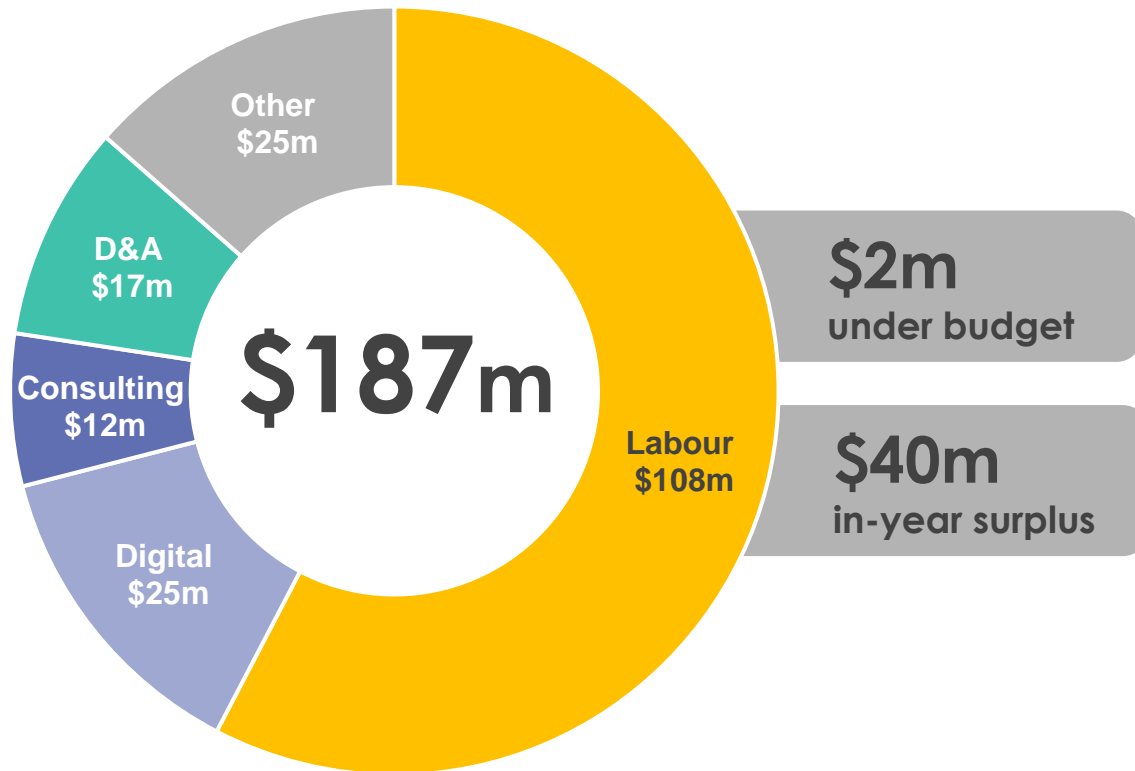


Note: total operating expenditure per the statutory financial statements is \$441m

NEM Core

NEM Core deficit recovery on track and will be resolved FY25.

FY23 operating expenditure



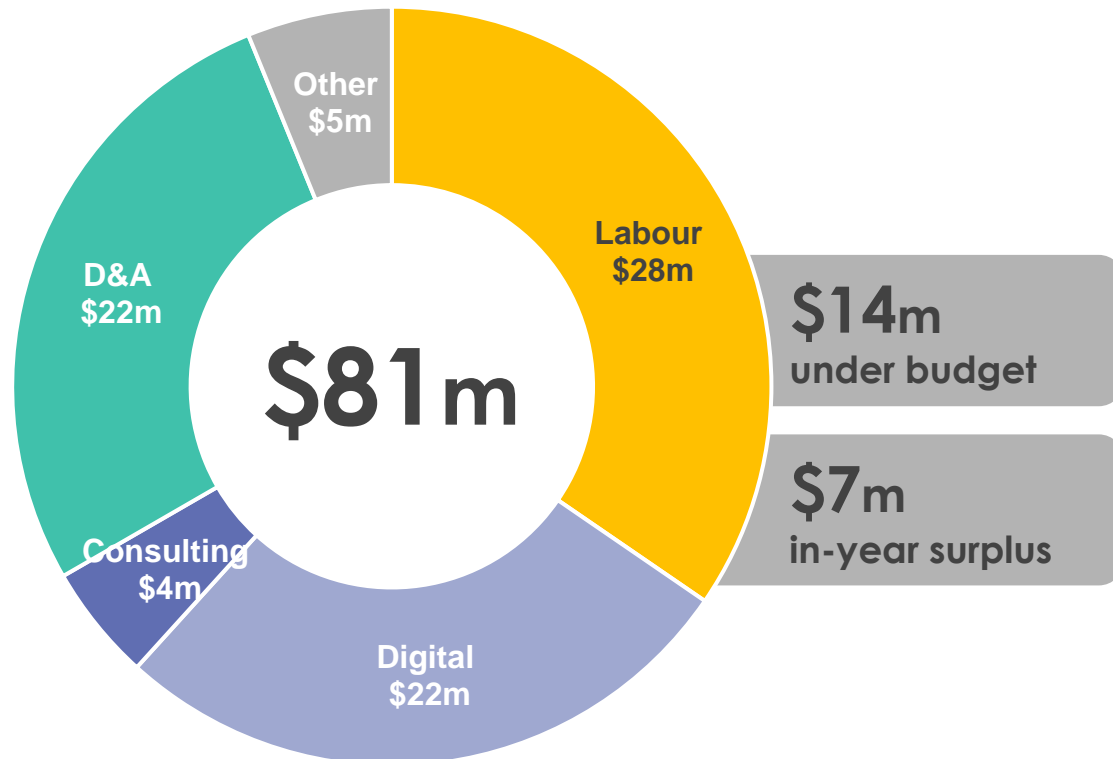
What we do in this segment

- 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.

NEM Functions



FY23 operating expenditure



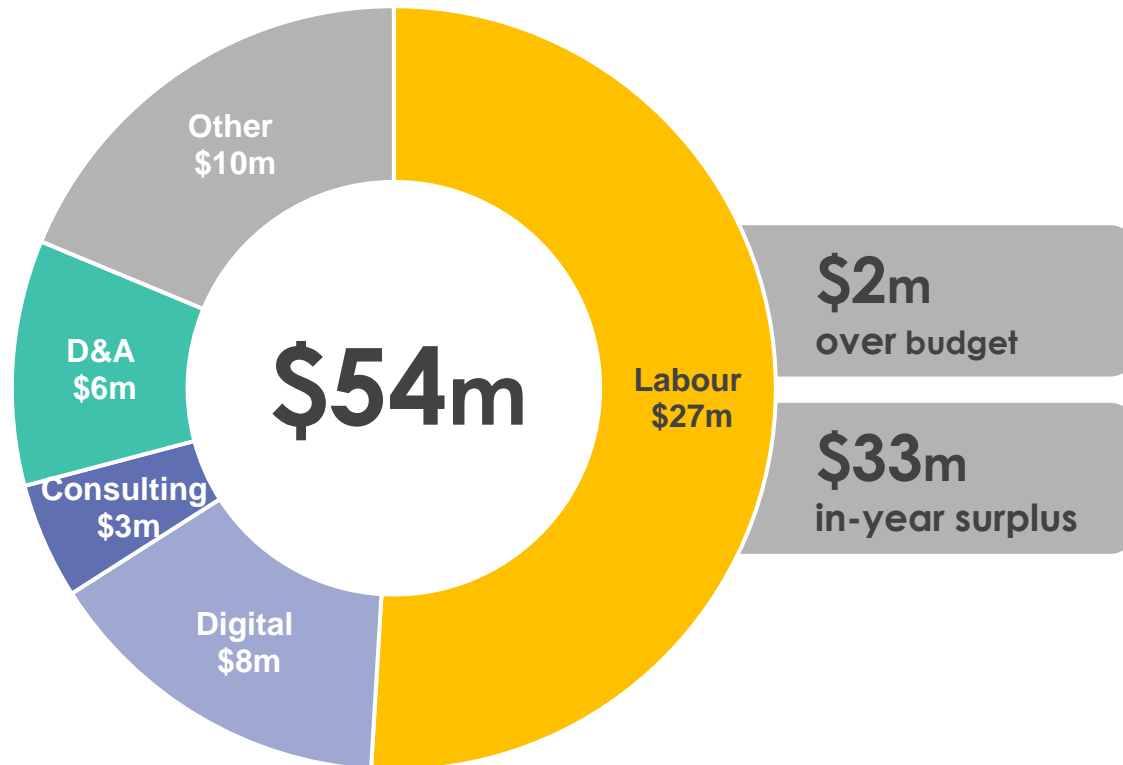
What we do in this segment

- National transmission planning.
- Operation and management of five-minute settlements.
- Facilitation of retail market competition.
- Administration of Settlement Residue Auctions.
- Integrating Distributed Energy Resources into the NEM.

East Coast Gas



FY23 operating expenditure

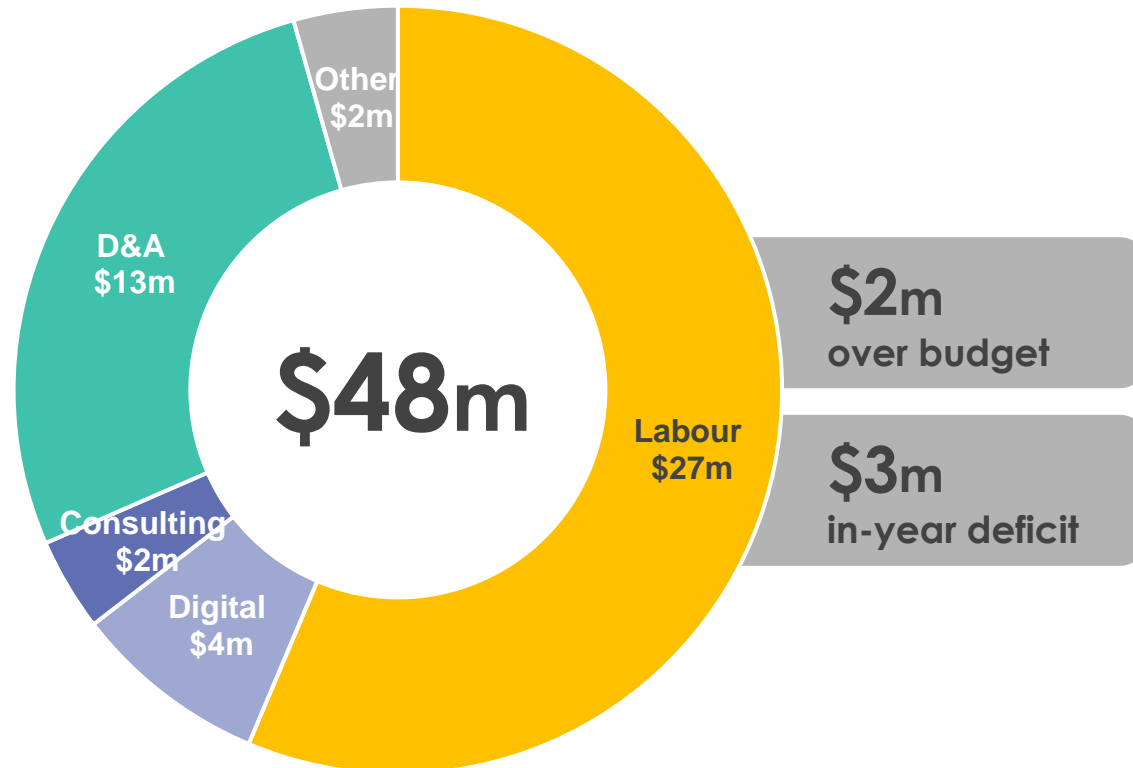


What we do in this segment

- Operate the Victorian Declared Wholesale Gas Market (DWGM).
- Facilitate the Short-Term Trading Market and day ahead auctions.
- Facilitate retail market competition.
- Develop the Gas Statement of Opportunities.
- Operate the Gas Supply Hub and Capacity Trading Platform.
- Administer change proposals for the Operational Transportation Service Code.

WA electricity and gas

FY23 operating expenditure

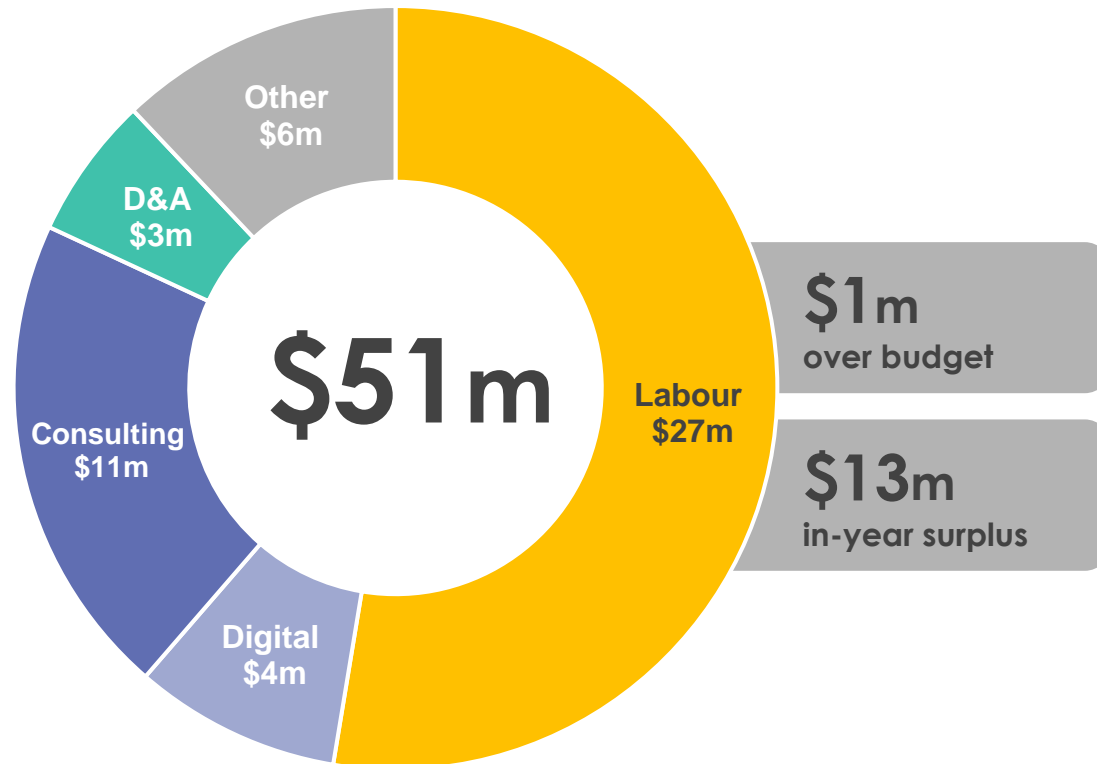


What we do in this segment

- Operate and settle the Reserve Capacity Mechanism.
- Manage the buying and selling of electricity in the Short-Term Energy Market, Load Following Ancillary Service Market and Balancing Market.
- Maintain the Southwest Interconnected System (SWIS) in a secure and reliable state.

Victorian Transmission Network Service Provider

FY23 operating expenditure



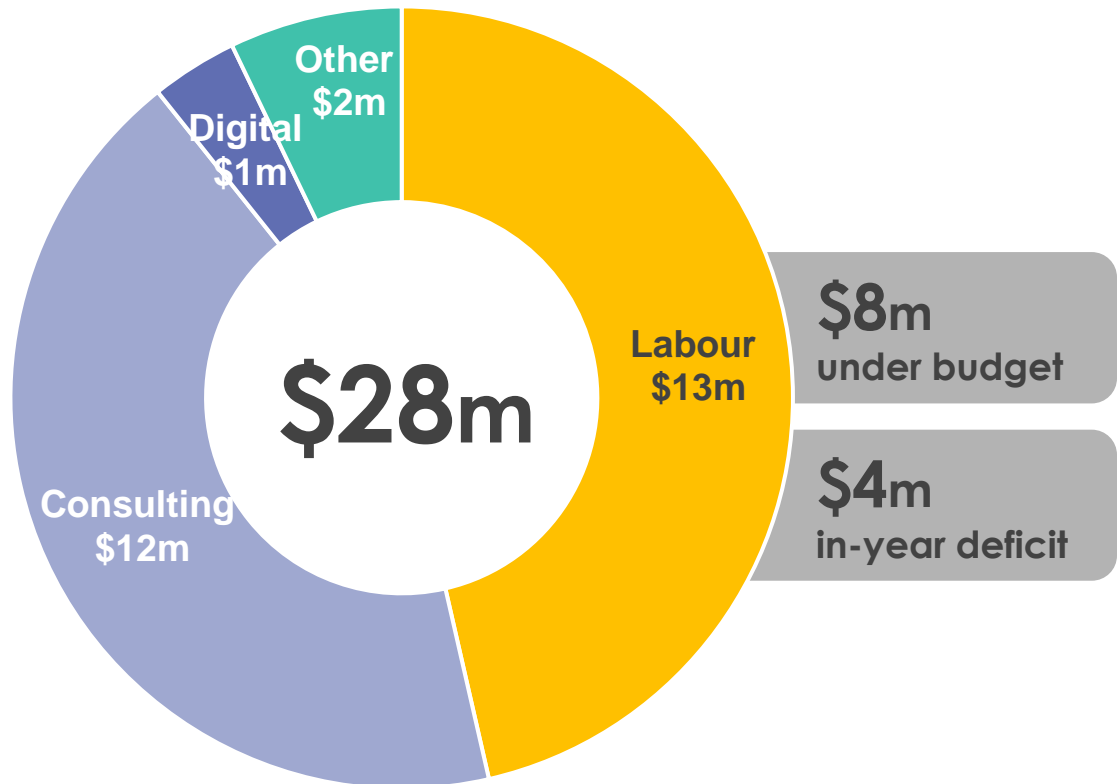
What we do in this segment

- Plan future requirements of the declared shared network.
- Procure augmentations and non-network services.
- Play a role in connecting new generators and loads to the system.
- Procure system strength transmission services in Victoria.

AEMO Services Limited (ASL)



Actual operational costs

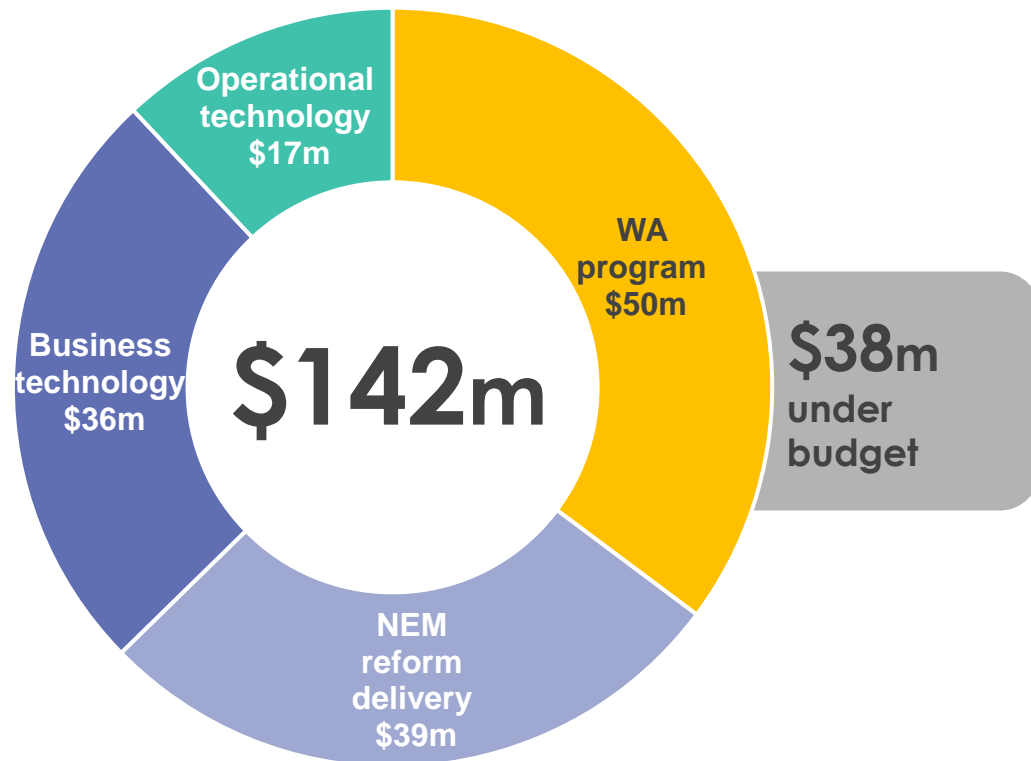


What we do in this segment

- NSW consumer trustee.
- Coordinate planning of long-term investment.
- Manage competitive tenders to facilitate this investment.
- Authorise Renewable Energy Zone transmission infrastructure.
- Provide financial risk management.

Capital investment outcomes

FY23 capital expenditure



WA program

- WEM reform preparation for go-live on 1 October 2023.
- Project Symphony trial for DER participation.

NEM reform delivery

- Delivered system and procedure changes for Integrating Energy Storage Systems, Stand Alone Power Systems and Consumer Data Rights rule changes.
- Progressed IT system development for medium-term PASA, Fast Frequency Response market and Frequency Performance Payments changes.
- Delivered system and procedure changes to operationalise tranche 1 of East Coast Gas reforms.

Business technology

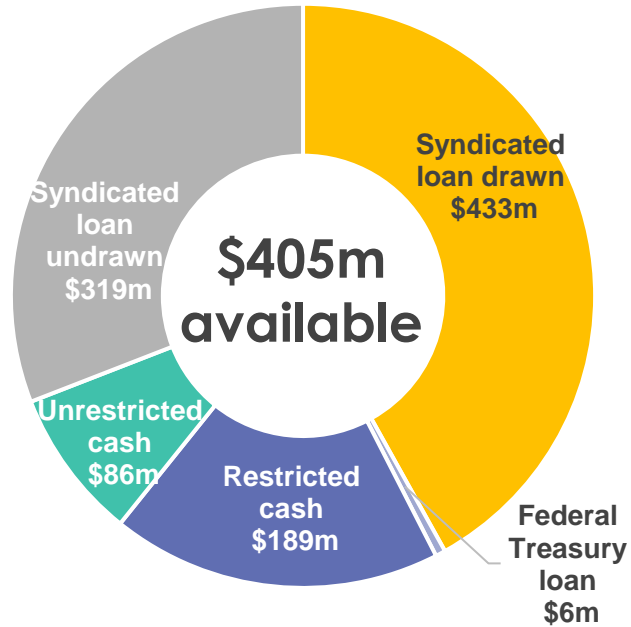
- Lifecycle upgrades and changes to digital assets.
- Cyber uplift including development of energy sector cyber incident response arrangements and industry cyber exercise planning.
- Uplift to finance and HR systems.

Operational technology

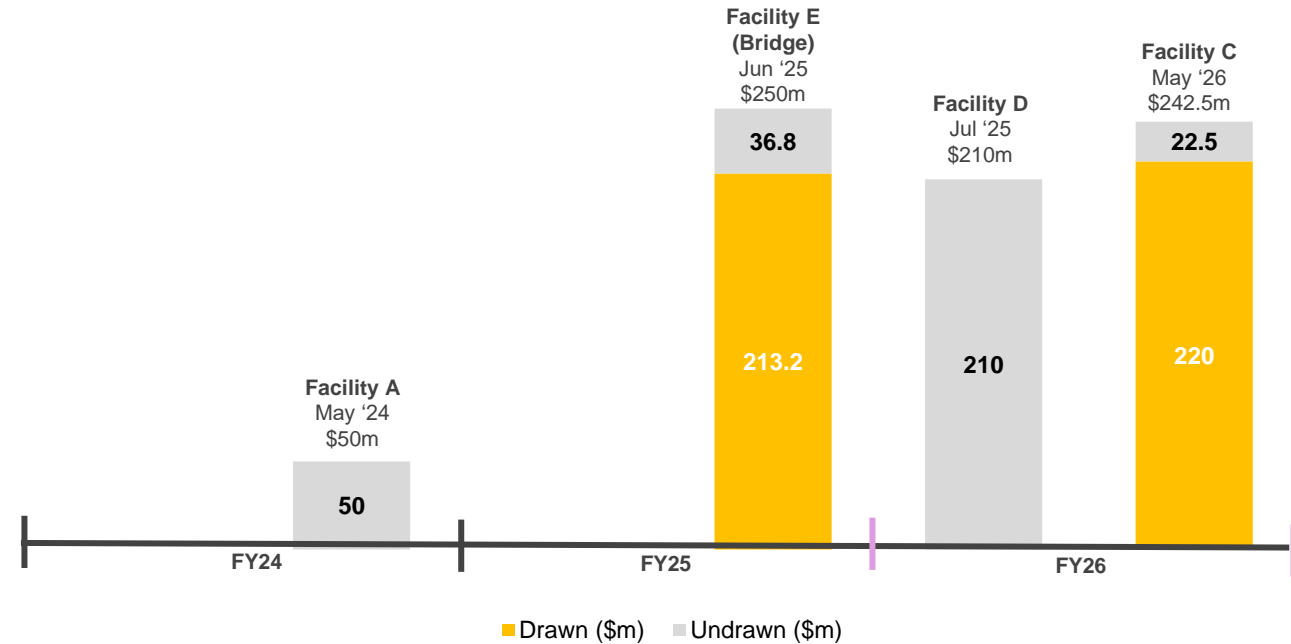
- Replaced systems for market notices and constraint management.
- Progressed IT system development for forecasting platform uplift and short-term PASA replacement.

Financing and liquidity

As at 30 June 2023



Financing and liquidity
as at 30 June 2023



Bank debt maturities
as at 30 June 2023

- \$405m available liquidity as at 30 June 2023, comprising unrestricted cash and undrawn bank debt
- Facility D reached financial close in July 2022, Facility A extended for 12 months to May 2024 and Facility B refinanced in June 2023 via a bridge facility (Facility E)

FY24 Priorities

Daniel Westerman
Chief Executive Officer



Our FY24 Strategic Corporate Plan



What's in our strategic corporate plan

- AEMO's strategic priorities and outcomes.
- AEMO's role.
- Major initiatives by strategic priority.
- Delivering our budget.
- Governing our organisation.

Purpose

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

Vision

Enable net zero.

Strategic priorities

1
Operating today's
systems and
markets

2
Navigating the
energy future

3
Engaging our
stakeholders

4
Evolving the way
we work

Values

Character
Be our best

Connection
Better together

Commitment
Make it happen

AEMO's strategic priorities and FY24 objectives



1

Operating today's systems and markets

A secure and reliable energy system, every day

AEMO has prepared for and managed operational changes for the next 12 months, including embedding market and system changes, managing increased renewable penetration and scheduled generation retirements, and strengthening its core systems to be more resilient, including to cyber threats.



2

Navigating the energy future

AEMO has planned and enabled critical infrastructure delivery and market reforms

AEMO has enhanced integration of gas and electricity in the 2024 Integrated System Plan, sought to enhance the regulatory frameworks for transmission investment, and progressed infrastructure delivery in its jurisdictional roles. AEMO has helped deliver business and digital solutions for in-progress reforms, and worked with stakeholders to develop the design of critical reforms.



3

Engaging our stakeholders

AEMO has enhanced trust and delivered value to stakeholders

AEMO has enhanced trust by clearly delivering value to consumers, members and stakeholders; partnered with jurisdictions to achieve positive energy transition outcomes; and helped to build social licence for the energy transition.



4

Evolving the way we work

AEMO has modernised its systems, evolved its culture, and improved financial health

AEMO has modernised its systems and evolved its culture to make AEMO an even better place to work. AEMO has managed costs and reduced its accumulated deficit in NEM Core in line with the agreed fee pathway and budget.

Key initiatives in FY24



1

Operating today's systems and markets

- Operational capability uplift across people and processes.
- Modernise technology systems and tools.
- Strengthen cyber resilience and recovery capabilities.
- Operationalise new roles and responsibilities under the *Security of Critical Infrastructure Act 2018*.



2

Navigating the energy future

- Deliver and embed WEM reform on 1 October.
- Deliver high quality and timely network planning advice including the 2024 *Integrated System Plan*.
- Deliver and embed NEM reform as per roadmap.
- Progress the Engineering Roadmap to 100% renewables.
- Progress Victorian Transmission projects.
- Deliver improvements to the connection process.



3

Engaging our stakeholders

- Enhance trust with stakeholders through openness and transparency.
- Improve accessibility of AEMO information and publications.
- Improve stakeholder engagement approach and capability.
- Embed consumer and community focus.



4

Evolving the way we work

- Deliver outcomes within agreed budget.
- Continue to provide greater financial transparency and demonstrate value for money.
- Continue to attract, empower, develop and retain talent for AEMO's current and future requirements.
- Embed our values and culture.
- Modernise our systems and processes to reduce effort and cost.

Q&As



For more information visit
aemo.com.au

