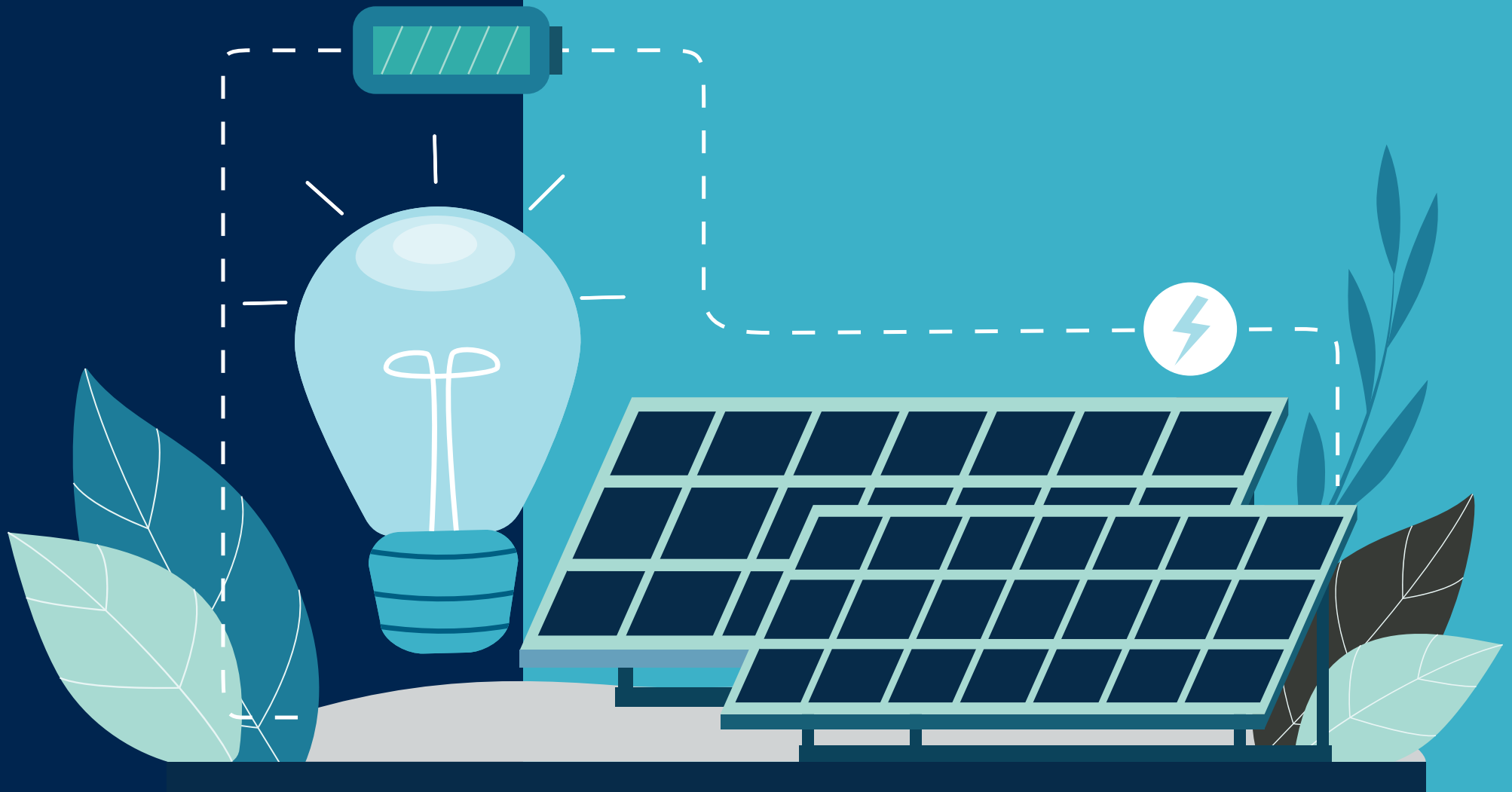




Corporate Plan FY24

A statement of corporate intent



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Purpose, copyright and disclaimer

AEMO Services Limited (AEMO Services) acting as the New South Wales (NSW) Consumer Trustee compiles this document (the corporate plan) pursuant to section 5.1 of the Members Agreement between AEMO Services, AEMO Limited and the State in the right of New South Wales.

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Acknowledgement of country

AEMO Service would like to recognise the Traditional Owners of the country throughout Australia and acknowledge that, wherever we work, we do so on Aboriginal and Torres Strait Islander land. We pay respect to those Indigenous cultures, who have deep and continuing connection to country, and hope that our work can enrich their lands and waters to the benefit of future generations.

We pay our respect to their Elders past and present.



Foreword

The past twelve months have been a formative period for our organisation: a time in which we inaugurated many of the key processes New South Wales will use to transform its electricity network and address the seminal infrastructure challenge of our lifetimes – the transition to renewable energy.



Paul Moy
AEMO Services
Chairman



Paul Verschuier
AEMO Services
Executive General
Manager

As a subsidiary of the Australian Energy Market Operator with an independent Board, AEMO Services has leveraged the deep pool of expertise within our team to design and deliver innovative processes, products, and partnerships to enable this transformation through our role as Consumer Trustee in the state's Electricity Infrastructure NSW Roadmap.

The state's existing fleet of coal-fired generators was planned and built over the course of three decades, but now three out of four coal-fired power stations will need to be progressively replaced in less than half that time. Our task has been to accelerate private investment to deliver the necessary energy at the right time and at the right cost, drawing on our in-house expertise in project development and financing, financial markets, governance and risk and market modelling.

Our rolling decade long tender schedule, which incentivises this investment is found in our Infrastructure Investment Objectives (IIO) Report. The IIO Report is the NSW Roadmap's central planning document, and sets out a Development Pathway for the next 20 years, identifying where, when and at what cost new generation, storage and firming infrastructure is delivered through private sector partners, adapting to changes in the market and energy needs. The report provides investor and consumer certainty and helps ensure new energy infrastructure is delivered when it is needed, while maximising value for consumers.

Over the past year we have initiated a number of key processes from this blueprint, most notably delivering the state's first competitive tender for generation and long-duration storage under the NSW Roadmap.

The tender for generation infrastructure was five times oversubscribed, proof of the market fit and financial attractiveness of the products we designed, as well as our engagement with the market to drive interest in this once-in-a-generation investment opportunity. The successful projects represent 1,395MW of renewable generation and one long-duration lithium-ion battery project, all of which will be brought into service at an accelerated rate to meet the needs of the state's electricity consumers.

Central to this success has been the Long-Term Energy Service Agreement (LTESA), developed by our team. The generation LTESA strike prices achieved in our first tender were around 40% lower than the levelised cost of energy.

The levelised cost of energy being a common level of incentive support in similar schemes around the world, the value of the LTESA for proponents and consumers alike is clear.



Our FY24 Corporate Plan reaffirms the priority the Board and leadership place on meeting AEMO Services' core obligations and responsibilities, collaboratively supporting energy transformation, fostering strong stakeholder relationships and delivering a fit-for-purpose, efficient and cost-effective organisation.



The projects also cleared hurdles for non-price factors such as environmental footprint and community benefit, supporting a strong social licence for the state's future energy supply.

Whilst these criteria enhance community outcomes, our mandate is ultimately to deliver financial value for electricity consumers, we have consciously designed our processes around the needs of project proponents to increase the number and quality of participants in our tenders. Our aim has been to support the energy transformation without getting in the way of what the market delivers best: innovation and a drive to find new and better ways of delivering renewable, reliable, and affordable energy. We recognise this competition provides protection to consumers in terms of the quality and cost of energy.

Our relationships with the market developed over several years and were cemented through our first competitive tenders and blueprint planning processes. We are actively engaged with project proponents and have a birds-eye view of project pipelines around the nation – helping us target those projects best suited to deliver value and energy as soon as possible.

We manage risk throughout the process with market leading governance, financial markets, and commercial capabilities alongside an experienced and proven independent Board. Combined with our proactive market engagement, this expertise allows us to assess and plan for emerging changes in the market, such as the early withdrawal of existing infrastructure assets.

Our work in New South Wales is only the beginning for Australia's energy transition, but the opportunities are immediately obvious and reinforced by the success of our first tenders. Renewable energy is cleaner and cheaper than fossil-fuel generation, and Australia is uniquely positioned to leverage its vast potential in solar, wind and other natural energy sources to become a world leader in renewables.

We believe we have laid the building blocks for continued growth and success, and we would like to thank the AEMO Services team, our Members, NSW Roadmap partners and key stakeholders for their ongoing support in our efforts. While there is still much for us to do, we hope you will continue this journey alongside us as trusted and valued partners in this critical work.

AEMO Services at a glance

Our Purpose

We use our independent expertise to deliver groundbreaking processes and products that transform the energy sector, safeguarding the future financial interests of energy consumers.

Our values

We understand the importance of cooperation and goodwill in reaching our objectives and realising a shared energy future that benefits consumers, investors, the environment, and local communities. That is why we are committed to a strong set of values that underpin our work, and which we seek to reflect in every interaction with our stakeholders and the public.



Character

Be our best

Inspire, empower and exceed expectations



Connection

Better together



Commitment

Let's make it happen

Our expertise

We are a highly skilled team of commercial, financial and energy professionals, who provide specialist management and advisory services to reshape our energy systems. This expertise enables us to support better consumer value and energy market outcomes.

Services

We provide services to the NSW Government under the Electricity Infrastructure NSW Roadmap, with capability to extend to other functions and jurisdictions as required in the future.

Delivery



Accelerating project plans into built energy infrastructure



Resilient and adaptive market planning



Innovative products tailored to the market



Expert governance and risk management



Our foundational role as the NSW Consumer Trustee

AEMO Services is a subsidiary of the Australian Energy Market Operator with an independent board, and a key partner in the implementation of the NSW Government's Electricity Infrastructure Roadmap. We are trusted to plan, assess, and guide long-term investment to help transform the energy sector.

As the appointed Consumer Trustee under the NSW Roadmap, we have a mandate to act independently and in the long-term financial interests of NSW electricity consumers. This responsibility is at the core of our work under the NSW Roadmap.

In this capacity we plan and co-ordinate long-term investment in built energy infrastructure, conducting competitive tenders to bring forward projects with the greatest potential to help the state meet its future energy needs.

We incentivise these new investments in electricity generation, storage and firming infrastructure through LTESAs and network access rights in Renewable Energy Zones (REZ).

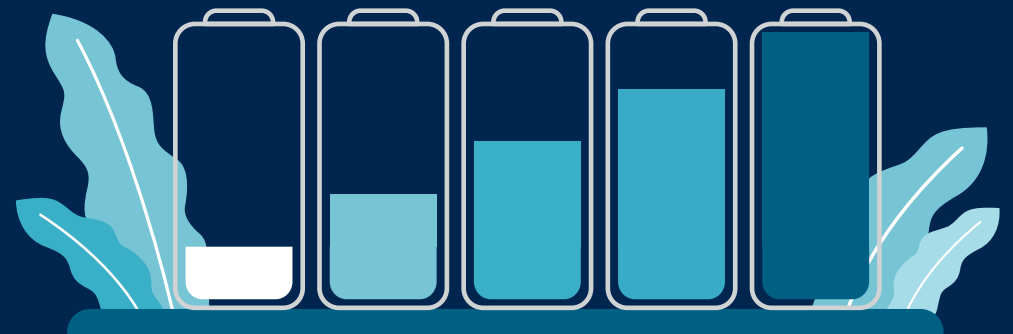
Through our rolling schedule of competitive tenders and coordinated investment planning, we act in the long-term financial interests of NSW electricity consumers to support a future network that delivers quality energy, where and when it is needed.

Our tenders promote a collaborative, yet competitive environment where the best projects are supported to construction and operation as early as possible.

Under the NSW Roadmap, AEMO Services authorises REZ Network Infrastructure project recommendations and provides financial risk management advice. By independently reviewing REZ network infrastructure project recommendations, we help to ensure NSW energy consumers benefit from the projects going ahead.



...we plan and co-ordinate long-term investment in built energy infrastructure, conducting competitive tenders to bring forward projects with the greatest potential to help the state meet its future energy needs.



Our functions and processes

The IIO Report is our plan for meeting NSW's future electricity needs. It is the NSW Roadmap's central planning document, and sets out a development pathway for the next 20 years, and a tender plan for the next decade, identifying the timing and scale for renewable energy generation and storage investment and building in flexibility to ensure the interests of consumers are prioritised. As the NSW Consumer Trustee, we consider both the energy system needs and the value to NSW electricity consumers. This is the backbone of the report and is paramount to the critical decisions we make that will shape NSW's energy future.

Our tenders incentivise the bringing forward of quality energy investment by providing projects with the financial security and network access they need to realise their potential. We do this through innovative LTESAs and in time, Access Rights to new REZ infrastructure.

LTESAs are a series of option contracts, offering storage or generation project the rights to access cash flows for distinct periods, over a long contract term. They can be thought of as an insurance product, reducing price uncertainty for investors and subsequently bringing forward investment in new sources of renewable generation and storage, delivering more affordable energy for consumers.

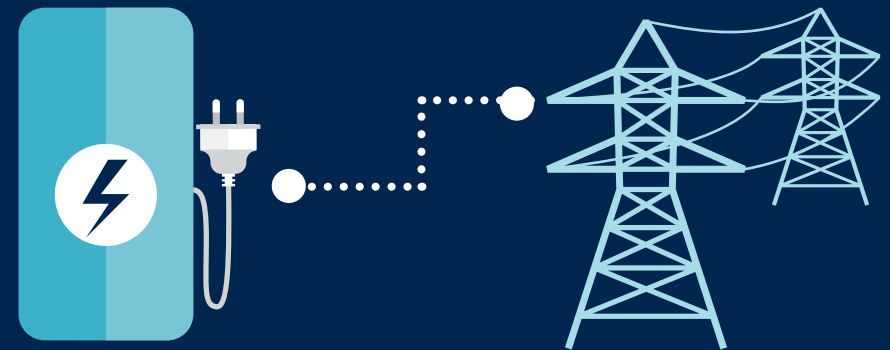
This is very different to other incentive schemes around Australia and internationally, which sometimes achieved their energy goals but at a significant cost to consumers. Contributing to consumer outcomes, we will drive competition between technologies and proponents, and deliver a more efficient bidder-centric tender process that enables repeated participation at minimal additional cost for proponents.

Our NSW Roadmap partner EnergyCo is designing new transmission infrastructure across five REZ and, starting with the Central-West Orana REZ, appointing network operators to build and operate these assets. We independently review REZ network infrastructure project recommendations provided by EnergyCo, to ensure proceeding with the recommendation will deliver benefits to NSW energy consumers.






As the NSW Roadmap delivers much-needed built infrastructure in a way that incentivises investment and drives benefit to energy consumers, a corresponding range of financial risks need to be closely monitored. In FY23, AEMO Services was responsible for establishing a statutory risk management framework and subsidiary policies to guide the management of financial risks.



We are actively engaged with project proponents and have a birds-eye view of project pipelines around the nation – helping us target those projects best suited to deliver value and energy as soon as possible.



Our primary obligations and responsibilities as the Consumer Trustee

	Obligation	Responsibility
	<p>Renewable Energy Zone (REZ) Network Infrastructure Authorisation</p> <p>EII ACT s31(1-3),(5), s40(1)(b), s60(4)(a), cl 18, s4(5) and s9(1), (3-4)</p>	<ul style="list-style-type: none"> • Make authorisation decisions about REZ network infrastructure projects that have been recommended by Infrastructure Planner: <ul style="list-style-type: none"> – Develop and update the methodology for calculating the maximum capital cost that defines the capital envelope for infrastructure projects. – Calculate the capital envelope and inform the Regulator. – Independently consider the Infrastructure Planner's recommendations. • Provide advice in relation to REZs and network infrastructure projects.
	<p>Infrastructure Investment Objectives Reports (IIO)</p> <p>EII ACT s45</p>	<ul style="list-style-type: none"> • Prepare every two years an IIO Report containing: <ul style="list-style-type: none"> – A 20 year Development Pathway for the infrastructure that must be constructed to meet the IIOs. – A plan for competitive tenders that AEMO Services will conduct over 10 years to give effect to the development pathway. • Prepare a IIO Report for firming infrastructure as directed by the Minister.
	<p>Long-Term Energy Service Agreements (LTESAs) and competitive tenders</p> <p>EII ACT s46, s47, s48, s50, s60(4)(b) and s4(4)</p>	<ul style="list-style-type: none"> • Determine the terms and conditions of LTESAs in accordance with the legislated principles and ensure they remain fit for purpose. • Set the tender rules for each competitive tender, including the criteria for the assessment of tender bids. • Conduct competitive tender rounds for LTESAs. • Make recommendations on LTESAs to the Scheme Financial Vehicle.
	<p>Access Scheme Fees and Rights</p> <p>EII ACT s24(5) and s26</p>	<ul style="list-style-type: none"> • Determine the fees payable by participants to the Scheme Financial Vehicle taking into consideration a component for community and employment purposes. • If directed, conduct competitive tenders for the conferral of access rights, through integrated, multi-product tenders for both LTESAs and access rights.
	<p>Financial Risk Management</p> <p>EII ACT s51, s61, s66(4), s68(1-3) and cl32-33</p>	<ul style="list-style-type: none"> • Maintain the risk management framework to protect the financial interests of NSW electricity consumers. • Perform and oversee aspects of the risk management framework and subsidiary policies. • Administer the appointment of the Financial Trustee. • <i>Note: The obligations to appoint the Financial Trustee, and prepare and publish a risk management framework and subsidiary policies were fully executed in FY23.</i>
	<p>Other obligations</p> <p>EII ACT s3(3), s4(4-5), s9(1), (3-4), s55, s56, s60(3), (5), s62(3), (5) s67, s70, cl16(1)(d) and 16K</p>	<ul style="list-style-type: none"> • Act consistently with the EII Act and act independently and in the long-term financial interests of NSW electricity consumers. • Consider guidelines about consultation and negotiation with local Aboriginal communities and impose conditions that give effect to those guidelines. • Provide information to the Regulator for the annual contribution determination process and receive payments from the Electricity Infrastructure Fund. • Have our performance audited by the Regulator and provide the Regulator with annual reports on the exercise of our functions.

Members and stakeholders

AEMO Services supports the energy future by coordinating the development of network, storage, and generation capacity, and providing advice to government and partners around emerging dynamics. This means that robust engagement with all stakeholders is critical to our success.

Members

Australian Energy Market Operator

The Australian Energy Market Operator (AEMO) is Australia's independent energy market and system operator and system planner for the National Electricity Market (NEM) and the WA Wholesale Electricity Market (WEM).

AEMO Services is a subsidiary of AEMO with an independent board, and the relationship between the entities is as follows:

- AEMO and AEMO Services' Boards and Executive Teams work together to leverage relevant experience whilst delivering necessary independence.
- AEMO provides critical support to our operational functions. Where it is agreed, the costs of this support is reimbursed by AEMO Services under a Master Services Agreement (MSA).
- AEMO Services will continue to collaborate with AEMO to agree and implement the principles that seek to leverage the best of AEMO, whilst minimising distraction to AEMO and maintaining independence in decision-making.
- AEMO Services where reasonable and practical operates in a manner consistent with AEMO corporate policies from time to time.

New South Wales

Our Membership is limited to AEMO and government members. AEMO Services may be appointed by any Australian government jurisdiction to provide energy services. The NSW Government is our foundational government member.

Stakeholders

Consumers

Central to our mandate as the NSW Consumer Trustee is the responsibility to act in the long-term financial interests of NSW electricity consumers. This responsibility is at the core of everything that AEMO Services undertakes to improve the affordability, reliability, security, and sustainability of electricity supply for NSW electricity consumers.

NSW Roadmap partners

AEMO Services works collaboratively with other NSW Roadmap entities to deliver on the objects of the EII Act, including the NSW Government, EnergyCo, the Australian Energy Regulator (AER), Independent Pricing and Regulatory Tribunal (IPART), AEMO, the Financial Trustee, the Renewable Energy Sector Board and the Electricity Infrastructure Jobs Advocate and the Scheme Financial Vehicle.

Investors and developers

AEMO Services has worked closely with investors and developers to design its products and processes.

We are committed to delivering an efficient tender process that facilitates repeated participation, minimises additional costs and administrative burden for proponents, and provides an optimal user experience. Continued engagement with investors and developers supports potential refinements to our products and processes, allows us to educate and raise awareness and understanding of our tenders, and the value of LTESA.

Industry

Industry groups play an important role in promoting best practice, providing insight to assist us to better understand the diverse views held on important issues affecting industry, and raising awareness and understanding of our products and processes.

We value the constructive relationships we have built with industry groups and will continue to engage with them to identify opportunities to refine our products and processes, better understand local supply chains, technology development, and support industry best practice and social licence.

Our promise

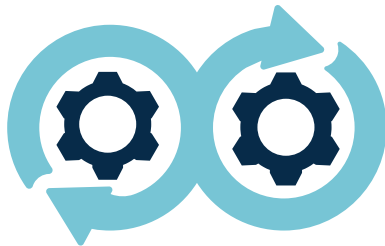
We are committed to building genuine, trusting relationships with our stakeholders by seeking and considering the latest information and feedback from proponents, consumer advocates, industry, and other stakeholders, and applying this to our work.

Celebrating our achievements

Although we are a forward-looking organisation, it is important we reflect on our past performance to provide a foundation to plan for our future development.



We have built the organisation to meet our aspiration to deliver an aligned, world's best approach to the transformation of electricity systems across Australia...



Finalising our establishment

Significant investment has been made to build AEMO Services into a high-performing, knowledgeable and trusted organisation.

Since our establishment in 2021, we have gone from being an idea to a fully-fledged organisation that is delivering on a comprehensive statutory mandate.

We have built the organisation to meet our aspiration to deliver an aligned, world's best approach to the transformation of electricity systems across Australia as coal generation retires. We have made tangible progress towards transforming the energy system towards a sustainable, reliable and affordable future, and enabling the Net Zero aspirations of the NSW Government.

Our people

Our people are our most important asset. From our employees to our Board, we work with the best and brightest to contribute to the success of the NSW Roadmap.

Our in-house expertise draws on experience across project development and financing, financial markets, governance and risk, and market modelling to design and deliver our bespoke products to help accelerate project plans into built energy infrastructure.

Development of unique products and processes

The incentive LTESA, offered through the tender process, is working as expected to deliver better value for both NSW electricity consumers and project proponents.

Greater certainty around key aspects of their investment decision gives proponents the confidence to bring projects forward, providing consumers earlier access to clean, reliable and more affordable power.

Contract innovations embedded in the LTESA include binding social licence obligations and a new form of financial contract that is designed to deliver better value for consumers than the traditional Contract for Difference used in other schemes.

Based on feedback from the market, we know that LTESAs and network Access Rights are valuable products. Finite supply of each provides an incentive for project proponents to bring forward early works in order to participate in the NSW Roadmap tenders.

Successful delivery of our inaugural tender

Our first competitive tender for generation and long-duration storage infrastructure saw four projects representing 1,395MW and more than \$2.5 billion in total investment in NSW's renewable energy infrastructure supported.

The tender was five times oversubscribed, which is proof of the market fit and financial attractiveness of the products we designed, as well as the relationships we have developed to drive interest in this once-in-a-generation investment opportunity.

The projects are expected to be delivered by 2025/26 – a key moment of the energy transition in NSW – and will deliver a range of initiatives that contribute to broader community and economic benefits to host regions.

The process for the inaugural tender will serve as the basis for biannual tenders for at least the next decade.

Establishment of the Scheme Financial Vehicle

AEMO Services worked extensively to prepare for the establishment of the Scheme Financial Vehicle (SFV), a critical element of the NSW Roadmap.

The SFV serves as the independent contractual counterparty to LTESAs and provides revenue (as determined by the Australian Energy Regulator) for Renewable Energy Zone network infrastructure projects and Priority Transmission Infrastructure Projects developed under the NSW Roadmap.

On launch, the SFV achieved an Aa3-stable credit rating from Moody's – setting a strong foundation for our rolling 10-year competitive tender plan.

AEMO Services appointed Equity Trustees Limited as the Financial Trustee – the entity that establishes and administers the SFV under the NSW Roadmap – and the SFV has subsequently established the Electricity Infrastructure Fund to manage cash inflows and outflows. The SFV is governed by an independent Board.

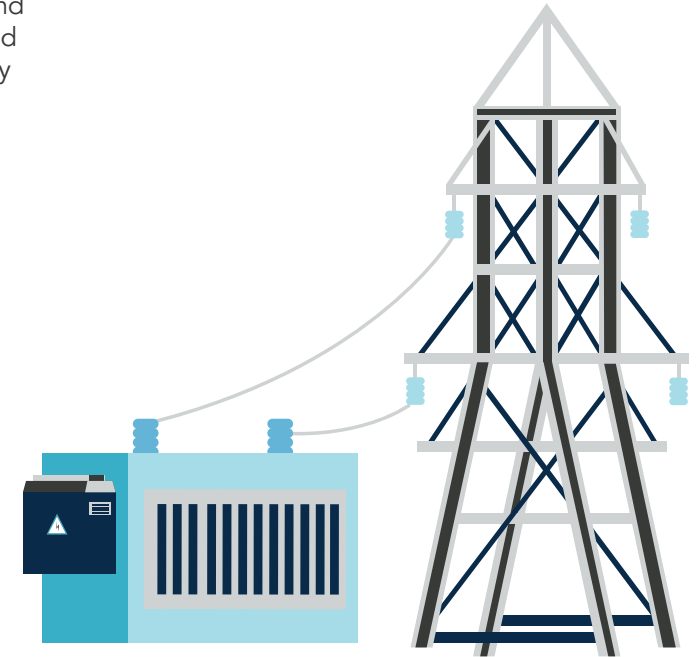
Partnerships and collaboration

The delivery of the NSW Roadmap is a collaboration of entities. We benefit from the efforts of every one of our partners at AEMO, EnergyCo, AER, IPART, the Office of Energy and Climate Change, the Renewable Energy Sector Board, and the Electricity Infrastructure Jobs Advocate, as well as ongoing engagement of our valued stakeholders.

Collectively, we are incentivising and bringing forward private investment in a holistic way, that delivers opportunities for host communities, First Nations peoples, and regional economic development, and supports reliability, affordability and sustainability of electricity supply for consumers.



Our partnerships are critical as we work to generate new solutions to the challenges we face in the energy transition...



Challenges and opportunities in the energy transition

The energy transition is a once-in-a-century transformation in the way electricity is generated and consumed. It will see traditional coal-fired generation assets replaced with low-cost renewables, energy storage and other new forms of firming capacity.

Technical innovation, ageing generation plants, economics, government policies, energy security and consumer choice are all driving this transformation and faster than many anticipated.

Despite the rapid pace of change, the energy transition must be well-planned and managed to maximise the opportunities and minimise adverse impacts for regions, communities, and consumers.

Together with our NSW Roadmap partners, we are building a solid foundation to support the growth and competitiveness of the state's renewable energy industry and ensuring the benefits of renewable energy projects are shared with communities and consumers.

The NSW Roadmap will support globally competitive prices and low emissions electricity, and help our industries revitalise and take advantage of emerging opportunities for growth as the world economy reduces its carbon emissions.

Changing energy market needs

The timeline for coal power stations' exit in Australia keeps shifting forward. Of the 15 key coal-fired power stations providing electricity into the National Electricity Market, one-third are scheduled to retire by 2030. It is expected that the remaining coal plants will close in less than 20 years.

Many of Australia's power stations are bringing forward their intended retirement dates, including the nation's largest power station, the 2.9GW Eraring, that plans to close from August 2025.

At the same time, we as a society, are using energy at an ever-increasing rate, which will accelerate further as we electrify our transport and industries as part of the transition to renewables.

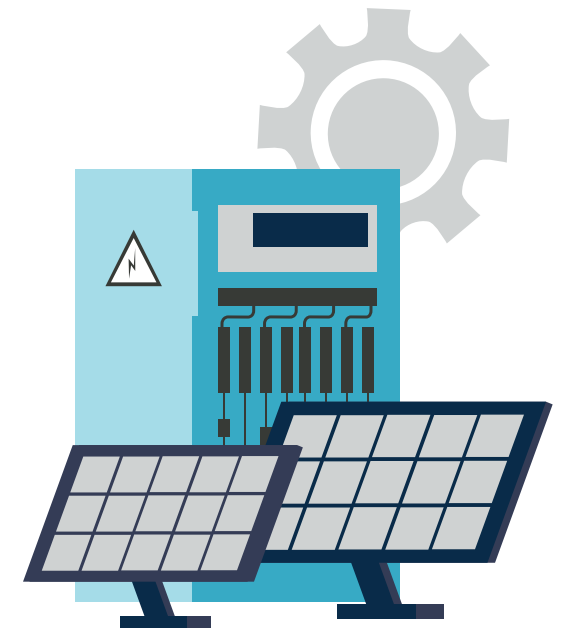
The need for a rapid transition is clear, and firmed renewables are the lowest cost form of energy to replace coal generation, meet demand, and achieve Net Zero.

We develop an Infrastructure Investment Objectives (IIO) Report every two years, which is our plan for meeting NSW's future electricity needs. It sets out a development pathway for the next 20 years, and a tender plan for the next decade, identifying the timing and scale for renewable energy generation and storage investment and building in flexibility to ensure we continue to deliver on our obligations under the EII Act. The IIO Report enables us to be responsive to emerging changes in the NSW energy system.

Evolving technology landscape

The technology mix is also changing rapidly, as new sources of generation and storage become more efficient and cost-effective. The output of wind turbines has increased by around 66% since 2020 and batteries have halved in price in just a few years.

Our processes have been specifically designed to harness the best capabilities of the market for new energy infrastructure, drawing on its drive and innovation to find new and better ways of delivering critical energy. By fostering competition, we ensure that the market can play a central role in shaping the mix of projects that will support our legislated investment objectives.



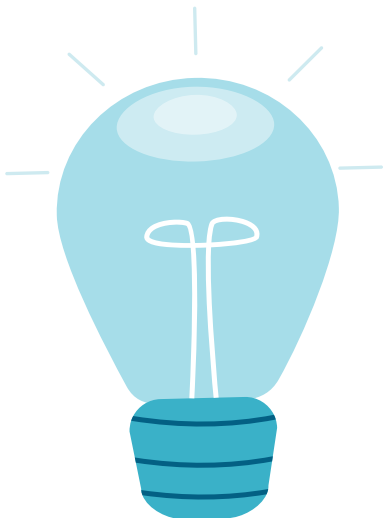
Investment opportunities

Investment in lower-cost renewable energy, firming resources and essential transmission remains the best strategy to deliver affordable and reliable energy, protected against international market shocks.

The long-term policy certainty provided by the NSW Roadmap provides an opportunity to attract global investment into the state, establish and grow local manufacturing and supply chains, create jobs, and be a driving force behind the state's economic growth and prosperity.

Our 10-year rolling tender schedule will incentivise and accelerate an expected \$32 billion in private capital, representing an immense source of ongoing opportunities for investors and developers.

Our 20-year Development Pathway and 10-year tender schedule (as outlined in the IIO Report) provides renewable energy developers and investors with the certainty they need to bring forward investment to the long-term financial benefit of NSW electricity consumers.



Supply chain development

The pace of change and scale of investment in the energy sector is already unprecedented yet will only accelerate. It is imperative that projects under the NSW Roadmap are developed in line with the proposed Development Pathway, to enable an efficient and effective energy transformation for consumers.

Supply chain limitations and other factors have the potential to impact the rapid delivery of the transition.

We consider the Renewable Energy Sector Board Plan and the First Nations Guidelines when conducting, assessing and making recommendations in our tender rounds to ensure locally produced and supplied goods and services, local workers, First Nations businesses and peoples, and apprentices and trainees are factored into the construction of new electricity infrastructure in NSW.

We work closely with project developers to identify local supply constraints and share this information with our partners – the Office of Energy and Climate Change, the Renewable Energy Sector Board, and the Electricity Infrastructure Jobs Advocate – to advocate for the development of policies and initiatives to support the growth of local supply chains.

Bolstering the natural advantages and strengths of existing local manufacturing and supply chains is critical to meeting the needs of our energy system transformation. Supply chain resilience will help ensure critical energy is delivered when it is needed and ensure NSW energy consumers continue to have access to affordable, reliable and secure energy supply as coal-fired generation retires.

Community and consumer interests

Consumers and host communities need to be central to decision-making to ensure they benefit from the energy transition.

The NSW Roadmap is a holistic policy that delivers opportunities for host communities and reliability, affordability and sustainability for electricity consumers, whilst generating significant economic opportunities for New South Wales.

A fundamental objective of our tenders is to award LTESAs to projects that demonstrate a commitment to social licence, resulting in meaningful outcomes for the communities they operate in.

Our tender merit criteria require projects to commit to and deliver meaningful outcomes and sustainable development for the communities they operate. This includes requirements for:

- early investment in community engagement to improve local acceptance, approval, and operation
- shared benefits that provide long-lasting and positive impacts for host communities
- land use considerations that exceed statutory planning requirements,
- local supply chain development, and
- investment in education, training, and capacity building to support the development of the renewable energy workforce.

Our tender design and approach ensure that only those projects that demonstrate benefit to consumers and their host communities are selected. In return, we provide projects and investors the financial security and/or network access they need to bring quality energy to the market sooner.

Risk management

With changing energy system and market needs and investor requirements, the energy transition can have impacts for consumers. Our tender products are innovative and designed to protect consumers against the financial risks of energy infrastructure investment. Our products and processes are flexible and adaptable, allowing us to award more or less in our tenders if it is in the long-term financial interests of consumers to do so.

We deliver this through market leading capabilities in tendering and procurement, governance and financial markets, overseen by an experienced and proven independent board.

In NSW, we manage risks associated with LTESAs which span 20 years or longer, and this expertise, combined with our dynamic market interactions, extends our ability to manage risk from emerging changes in the market – for example, the early withdrawal of existing infrastructure assets.

To support management of these risks, AEMO Services has implemented an enterprise compliance framework, along with an enterprise risk management framework. In accordance with section 2.1(e) of the Members Agreement AEMO and AEMO Services developed a Group Risk Management Policy and throughout FY24 will continue to work with AEMO to develop other group policies.

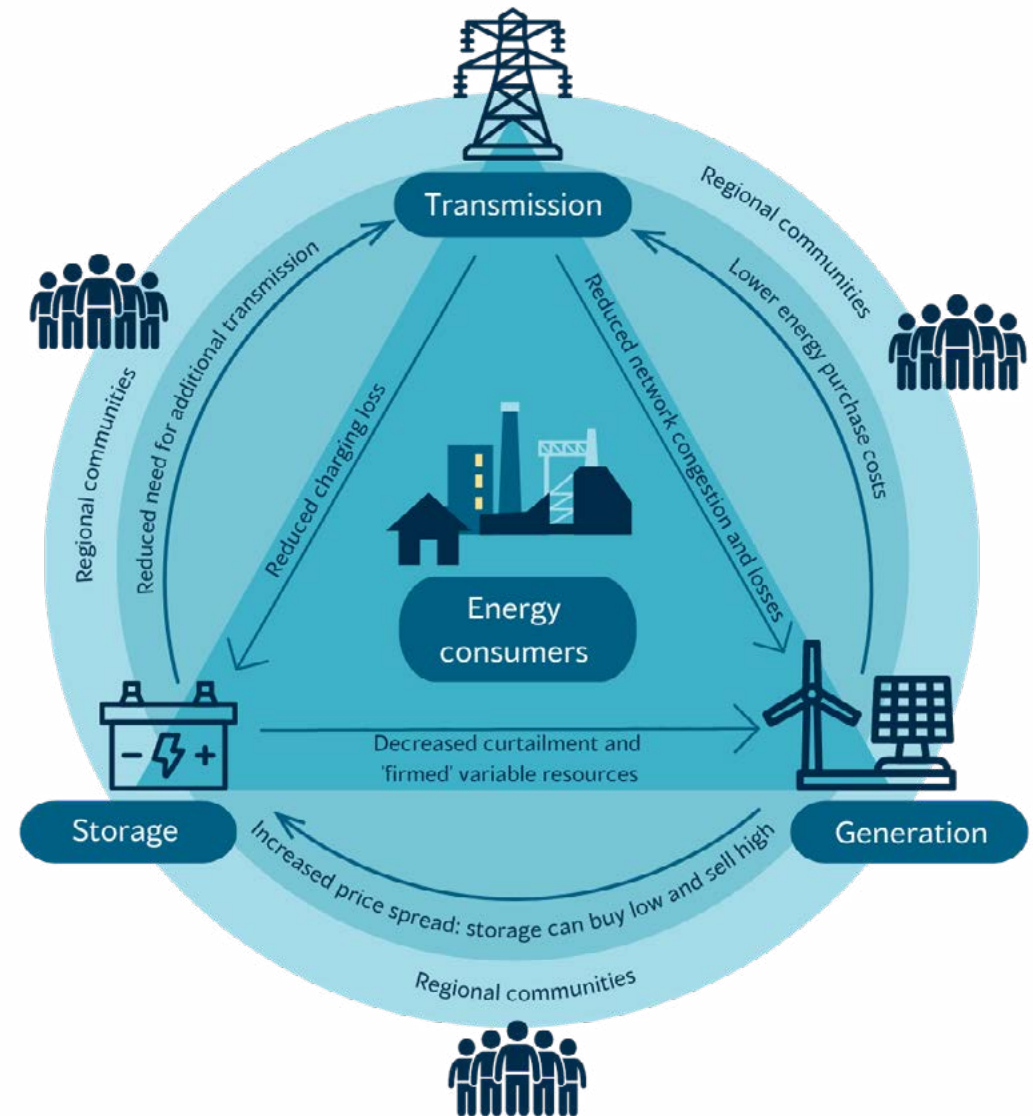
More information on risk, compliance and governance can be found later in this plan under “Governing our Organisation.”

Innovation

We have engaged closely with investors, project proponents and banks to design innovative products and processes to achieve this objective. We’ve worked hard to minimise the impacts of intervention in the design of our products and processes, recognising that certainty fosters competition and maximises the potential for private sector innovation and execution capability to work in the interests of energy consumers.

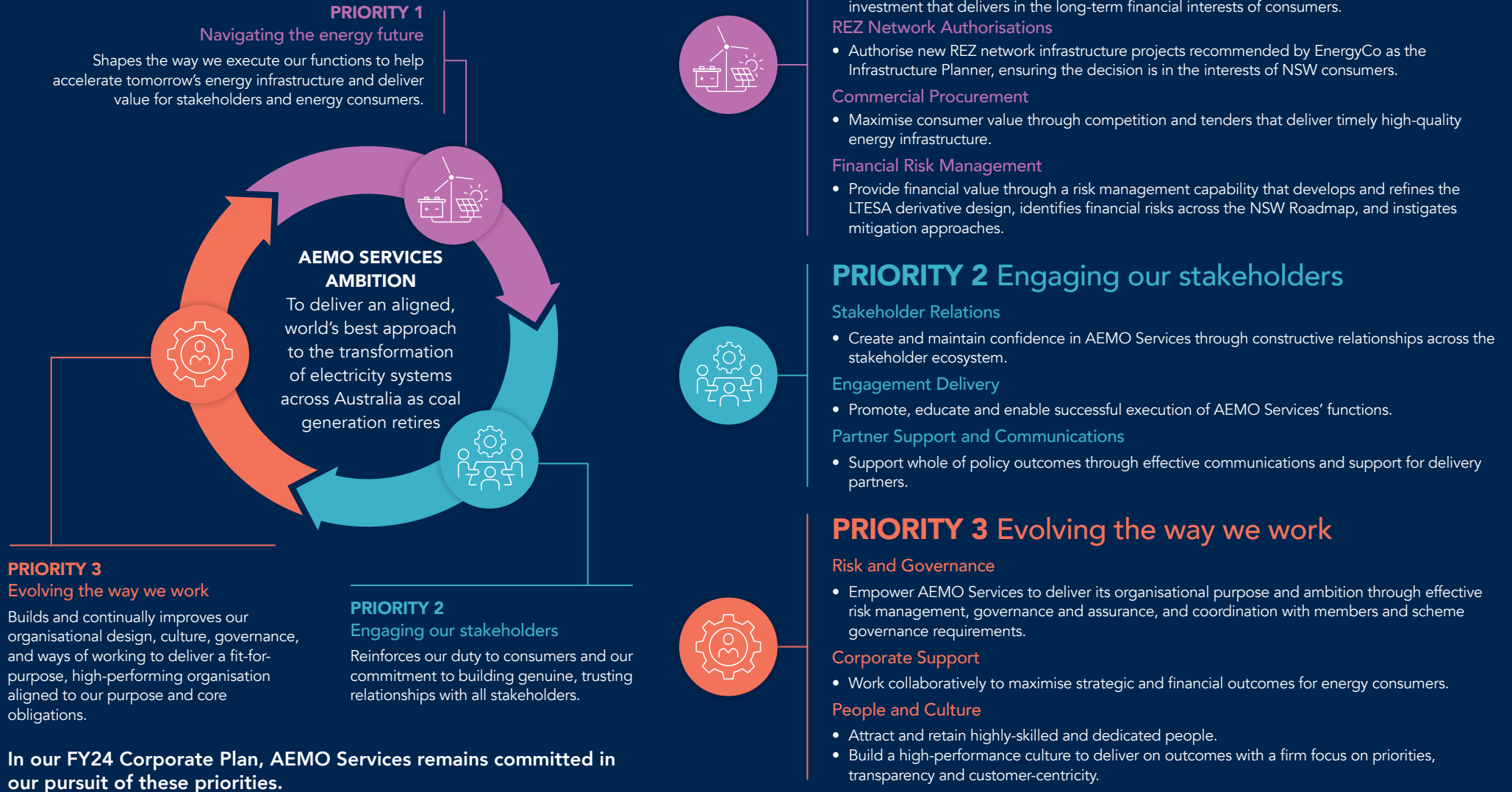
The energy transition will be complex and challenging, but it will also create many exciting opportunities for Australia and the energy sector more broadly. It will take a whole-of-system approach and necessitates the need to think outside the box to innovate new ways of incentivising, creating, distributing, and financing electricity infrastructure. We are confident that by working together, we can overcome these challenges and bring our energy system into the future.

Figure 1: NSW Electricity Infrastructure Roadmap – the state’s 20-year energy transition plan



Our strategy and priorities at a glance

The AEMO Services strategy pursues strategic and operational objectives across three critical priority areas that shape our strategic journey to deliver our core obligations, responsibilities and major workstreams



In our FY24 Corporate Plan, AEMO Services remains committed in our pursuit of these priorities.

PRIORITY 1 Navigating the energy future



Execute our functions and deliver innovative processes, products and partnerships that fast-track tomorrow's energy infrastructure.

The NSW Roadmap has set a clear path for the state's energy future – one where the decarbonisation of energy underpins the state's 2050 net-zero ambitions.

As the NSW Consumer Trustee, AEMO Services maps a development pathway for the NSW energy transition that ensures consumer and community interests are prioritised. We work closely with government, NSW Roadmap partners, industry, regulators, consumer groups and financial institutions to create innovative solutions to help navigate the energy future.

AEMO Services is supporting the successful delivery of NSW's energy transition. Our in-house expertise draws on decades of experience at the highest levels of project development and financing, financial markets, governance and risk, and market modelling to plan for and deliver the energy that is needed at the right cost and time, while supporting better consumer value and energy market outcomes.

We will continue working with our stakeholders to enable their goals for the energy transition.

How we will achieve this priority

Objective 1.1(a) REZ Network Authorisations

REZ network authorisations and advice

- Network Authorisation Process and Approach published to support authorisation of the CWO REZ NIPs
- Authorisation decision made on infrastructure projects recommended by the Infrastructure Planner for the CWO REZ and the New England (NE) REZ
- Advice provided to EnergyCo about NE REZ if requested
- Maximum capital cost amounts set and provided to the AER for the CWO and NE REZ

Objective 1.1(b) System Planning

IIO reports and network planning

- 2023 IIO Report finalised and published

Tender pathway alignment

- Basis of IIO Reports developed for tenders (TR2)(TR3)(TR4)(TR5)

Objective 1.2 Commercial Procurement

Competitive tenders

- NSW Firming Infrastructure Tender finalised and recommendations made for the award of contracts (TR2)
- NSW LDS and Generation Infrastructure Tender delivered, and recommendations made for the award of contracts (TR3)
- NSW Generation and Access Rights Tender delivered, and recommendations made for the award of contracts (TR4)
- NSW Generation Infrastructure Tender prepared and commenced (TR5)

Access fee determinations

- Access fee determination finalised for CWO REZ

Access rights

- Access Rights Addendum and bespoke long-form contracts developed for CWO REZ

Objective 1.3 Financial Risk Management

Financial risk management and incentives

- Financial risks overseen and the balance sheet that encompasses the total financial risk to jurisdictional consumers evaluated to help inform the exercise of the Consumer Trustees' statutory functions
- Advice provided on how best to financially incentivise energy infrastructure to benefit the long-term financial interest of energy consumers

Derivative component of LTESA

- Derivative component of LTESA reviewed and developed for each tender

RMF and subsidiary policies

- Risk management framework maintained, and subsidiary policies developed/refreshed and approved as required

Engagement and services to SFV

- Delivered services to the Scheme Financial Vehicle (SFV) to facilitate the delivery of NSW Roadmap objectives

PRIORITY 2 Engaging our stakeholders



Be a trusted partner working with our stakeholders to deliver better outcomes for energy consumers.

As the energy transition progresses, the stakeholder landscape is evolving and growing. Tackling the increasingly complex challenges of the transition will require ever greater collaboration across market bodies, industry, jurisdictions, and consumers.

AEMO Services actively engages its stakeholders to inform our decision-making. We recognise that stakeholders each have their own unique view of what success looks like for the transition. In being a trusted source of technical expertise for our stakeholders, we will continue engaging transparently, openly, and collaboratively to deliver the best outcome for NSW energy consumers.

Our communications activity will reflect this approach to engagement, and will ensure that our stakeholders remain up to date and aware of AEMO Services' strategy and operations.

The energy transition provides an opportunity for greater energy accessibility, as well as economic development, employment, self-determination, and environmental protection for First Nations peoples. AEMO and AEMO Services are committed to incorporating actions of Reconciliation into our culture, commencing with the creation of our first Reconciliation Plan (RAP) – a multi-year process that will touch all parts of the organisation and shape the way we think about the work we do. Our unique position in the energy market provides us with a unique opportunity to enrich and benefit First Nations peoples.

How we will achieve this priority

Objective 2.1 Stakeholder Relations

Transparent and collaborative engagement culture

- Proactive support provided to core business units on engagement opportunities and execution
- Education, awareness, and support delivered for engagement activities, strategies, and plans within the organisation

Corporate identity, reputation, and culture

- New internal communications strategy implemented
- Next stage of stakeholder experience optimisation strategy implemented
- Identity and positioning further matured for AEMO Services and AEMO Services acting as the NSW Consumer Trustee

Objective 2.2 Engagement Delivery

Best practice stakeholder relations, engagement, and communications

- Engagement and communications strategy evolved for the organisation as a whole
- Engagement and communications plans developed and delivered for each tender (TR2)(TR3)(TR4)(TR5)
- Engagement and communications plans developed and delivered for the 2023 IIO Report
- Engagement and communications plans developed and delivered for network authorisations
- Stakeholder research and sentiment testing undertaken to improve engagement and communications across the stakeholder ecosystem

Objective 2.3 Partner Support and Communications

NSW Roadmap engagement and communications

- Actively participated in cross-entity working groups for the NSW Roadmap
- NSW Roadmap communications activities and communications strategy implementation supported

PRIORITY 3 Evolving the way we work



Be an adaptive, effective, commercial and consumer-focused organisation.

AEMO Services cannot deliver our role as the NSW Consumer Trustee without outstanding talent and a strong organisational foundation.

We strive to be a great place to work, where we leverage the diverse perspectives, skills, and potential of all our employees whilst providing them with meaningful and challenging opportunities.

Our mandate is ambitious, and to be successful we must be agile, innovative, and efficient to help deliver the energy transition at least cost to electricity consumers.

We will ensure cost-effective and well-governed delivery of our functions, embedding financial, risk, and compliance rigor to help AEMO Services operate within the parameters defined by our members, legislative obligations, and funding.

We are focused on stakeholder-centric excellence, which means that any systems, processes, and technologies that we implement must be streamlined and efficient and deliver an optimal user experience.

How we will achieve this priority

Objective 3.1 Governance and Risk

Governance, risk, and compliance

- Horizon 2 of the Governance, Risk and Compliance Program delivered to achieve year-on-year maturity

Objective 3.2 Corporate Support

Planning, performance, and portfolio

- Service delivery model developed and implemented
- Suite of key organisational dashboards developed and implemented

Financial management and funding

- Cash flow management and financial forecasting uplifted, and a robust financial model built

Digital and technology

- AEMO Services Technology Roadmap developed and implemented, including agreed systems and technology support
- Data and information management framework developed and implemented

Objective 3.3(a) People

Talent and employee lifecycle management

- Employee Value Proposition (EVP) refreshed and promoted to attract and retain employees that align with our cultural values
- Tailored learning and development delivered that is matched to each employee's competency profile
- Mentoring and coaching expanded, career pathways mapped, and structured succession planning commenced

Objective 3.3(b) Performance and Culture

Workforce planning, strategies, and processes

- Strategic workforce plan developed and delivered to effectively manage and match AEMO Services' labour force to EII obligations
- Talent sourcing approach implemented to optimise costs and the supply of internal and external skills and capabilities

Governing our organisation

Governance

AEMO Services is governed by an independent Board of Directors, who are supported by a strong governance framework. The Board and its Committees balance oversight of AEMO Services' policies, budget, and long-term strategy with management's delivery of AEMO Services' key organisational objectives and responsibilities, including business performance, risk and compliance management, and stakeholder engagement.

Rapid maturity in our governance, risk, and compliance practices was achieved in FY23 with foundational governance, risk and compliance policies and processes in place. An enterprise compliance framework was introduced along with an enterprise risk management framework.

Compliance Obligation (Energy)

We conduct half-yearly and annual "Statements of Compliance" to ensure we execute the functions of the NSW Consumer Trustee consistent with our obligations under the NSW EII Act. The Statements of Compliance act as a mechanism to proactively monitor, guide and support delivery across all applicable requirements of the Act.

Compliance Obligation (Non-Energy)

AEMO Services utilise Lexis Nexis to identify regulatory updates and changes across the wide range of obligations with which we need to comply. We are committed to embedding and maintaining a positive culture of risk and compliance management that enables the ongoing development and innovation of our operations through strategic initiatives.

During FY24, we aim to achieve further year-on-year improvement in maturity with the delivery of Horizon 2 of our governance, risk, and compliance program, which aims to deliver strong risk and compliance awareness, integrated systems and tools, and compliance practices that directly contribute to organisational performance and success.

Our FY24 Corporate Plan reaffirms the priority the Board and leadership place on meeting AEMO Services' core obligations and responsibilities, collaboratively supporting energy transformation, fostering strong stakeholder relationships and delivering a fit-for-purpose, efficient and cost-effective organisation.

FY24 will see an uplift in our corporate governance framework of charters and policies to align with best practice and respond to improvement opportunities.

Risk statement

AEMO Services is committed to maintaining a comprehensive and integrated risk management capability that is embedded into every business activity, decision, function, and process aligned to the international Risk Management Standard ISO 31000:2018 Risk Management – Guidelines.

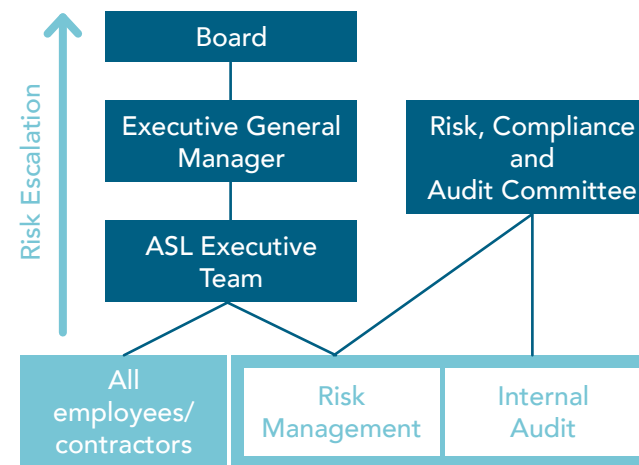
We are investing heavily to embed risk management and assurance processes throughout the organisation to minimise the impact of uncertainty in meeting our Corporate Plan objectives. The environment in which AEMO Services operates is ever changing and complex. AEMO Services faces a variety of risks arising from the cyber security, regulatory, compliance, financial, prudential, reputational and people.

AEMO Services risk infrastructure includes the following Board and executive leadership approved artefacts:

- Group risk management policy
- Enterprise Risk management framework
- Operational risk register

Accountability for risk management, including guidance on the level of acceptable or appropriate to meet our corporate plan objectives and its implementation risk across AEMO Services, sits with the Board.

Figure 2: Risk Management Structure at AEMO Services



Working efficiently

We are an adaptive, effective, commercial, and consumer-focused organisation with outstanding talent and a strong organisational foundation.

We have been intentional in our organisational design and planning to ensure we have the right people, culture, systems, processes, and technology to support us to deliver value in an increasingly complex and uncertain environment. Ongoing capacity and capability to respond effectively to priorities and meet the needs and expectations of stakeholders and energy consumers.

People and culture

Our People and Culture strategy sets out a coherent approach to providing employees with an exceptional working experience that fosters innovation and collaboration together to deliver this once-in-a-generation transformation of the energy landscape. Diversity, inclusion, and flexible working are key components of our employee value proposition.

AEMO Services is committed to a strong set of values that underpin our work, and which we seek to reflect in every interaction in the workplace and with our stakeholders.

Our success relies on our ability to access market-leading talent, with diverse skills and life experiences, and the right mindset to navigate our complex national energy environment and deliver our functions for the long-term benefit of energy consumers.

We source our talent from four key talent pools:

- Workforce of diverse and highly skilled people
- Independent contractors who provide us the ability to rapidly scale and flex
- AEMO (our parent company) who enables us to work as one team to leverage capabilities and enable talent mobility and career pathways

- Consultants who enable independence or assurance or who have best-in-class technical and specialist advice and capabilities that are outside our core areas of expertise or are not financially viable to retain in-house.

Judiciously balancing our talent sources allows us increased flexibility, cost savings, and access to diverse skills and best-in-class thinking to maximise value for energy consumers.

System, process, and technology

We are focused on stakeholder-centric excellence, which means that any system, process, or technology that we implement must be streamlined, efficient and deliver an optimal user experience.

Our people work in a highly responsive, fast-paced, and flexible work environment and must be provided with the tools to deliver success.

Leveraging the best of AEMO

Where it is sensible and feasible to do so, we will replicate or leverage AEMO's systems, processes, and expertise to ensure cost-effective and operationally efficient solutions that deliver economies of scale and scope for the benefit of energy consumers. All services obtained from AEMO are agreed and paid for via service level agreements.

Technologies

In FY23, we commissioned AEMO to assist in the development of a Technology Roadmap that will define the program and timing of bespoke IT solutions for AEMO Services. Once the Technology Roadmap is defined, AEMO and AEMO Services can collaboratively scope, develop and deploy required solutions. These will include both corporate solutions to support efficient work practices and robust governance, and commercial systems to support the execution of our core obligations.

Processes

AEMO Services is committed to the evaluation and revision of processes, methods, and practices to increase the efficiency, accuracy, and effectiveness of our business operations and continuously improve the user experience. We actively seek feedback from proponents and stakeholders and apply this intelligence to continuously optimise our tender process, the quality of our advice, and our engagement practices and interactions.

Service model

The collective success of the NSW Roadmap has demonstrated the value of the tender process to accelerate energy infrastructure investment. Other governments are exploring similar and alternative options to deliver energy outcomes in each NEM jurisdiction.

AEMO Services must be in a position to rapidly and cost-effectively introduce, flex and scale functions and services, where needed, without cost or disruption to current operations and work programs.

In FY24, we will expand and systemise our service model to deliver repeatable process efficiency within current offerings and enable the simultaneous delivery of multiple statutory functions and aligned professional service offerings.

The enhanced service model will support the supply of innovative functions and services at the right cost, with sufficient resources, appropriate ring-fencing, efficient processes, and effective deployment.

Delivering our budget

AEMO Services' annual budget is constructed in line with financial principles and the application of financial rigour to ensure the cost-effective delivery of AEMO Services' operations.

Our financial principles and policies include:

Consumer interests

As the NSW Consumer Trustee, we are committed to delivering the energy transition at least cost to NSW electricity consumers. We do this by considering consumers in the decisions we make to forecast the expenditure required to deliver our day-to-day operations - from conducting successive competitive tender rounds to the procuring of professional services.

Financial responsibility

AEMO Services operates on a not-for-profit but full-cost recovery basis to provide cost-effective services.

We are primarily funded through the contribution determination mechanism under the Act and annually lodge our administration expenditure with the Australian Energy Regulator (AER) as part of this mechanism. AEMO Services has used its best endeavours to keep our final FY24 operational budget within 2% of our FY24 Contribution Determination submission.

Expenditure optimisation

In line with our value of transparency, our operational costs are contained within this corporate plan, and our performance is reported to members each month. In addition, performance against our annual operational budget is, and will continue to be, a key performance indicator for the organisation and a critical element of AEMO Services' performance scorecard.

Judicious sourcing

87% of AEMO Services' operational expenditure in FY24 is comprised of three primary cost categories all related to the provision of resources: 1) labour (including contractors); 2) support provided by AEMO via SLAs; and 3) consultants with skills and expertise that lie outside of those available internally or via AEMO.

We will continue to balance our talent-sourcing strategies to ensure flexible, timely, and cost-effective access to the skills and expertise needed to exercise our functions. Where it serves the interests of energy consumers, we will acquire and maintain an in-house workforce, and/or access best-in-class external advice and expertise that is not financially viable to maintain in-house. This includes leveraging AEMO's capabilities and expertise, and engaging consultants and contingent labour to bolster our available skills and capacity and ensure independent advice where required.

AEMO Services leverages the panel arrangements of the NSW Government and AEMO in the procurement of services.

Accounting policies

AEMO Services adopts Australian Accounting Standards to ensure its financial statements comply with all relevant standards that are applicable to not-for-profit entities.

Accounting policies are selected and applied in a manner 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.

As a subsidiary of AEMO, AEMO Services adopts its accounting policies and works closely with AEMO to ensure consistency in the application of accounting policies and standards.

Any new accounting pronouncements or standards that come into effect from 1 July 2023 that apply to AEMO Services will be reviewed and adopted as required.

Cost recovery of functions and services

In FY24 as part of our Service Model initiative, AEMO Services will develop a cost and pricing strategy that will be applied to any new statutory function and aligned professional services. The strategy will be designed to provide the most financially viable outcome for energy consumers and NEM jurisdictions.

As a not-for-profit tax-exempt entity, a break-even pricing approach will be adopted. All functions and services will be provided on a full cost recovery basis and priced commensurate with the actual costs of performing those functions and services, including an appropriate allocation of corporate overheads.

Any unforeseen future expenditure that is incurred in FY24 to support other jurisdictional roles (i.e., Commonwealth Capacity Investment Scheme) will be accounted for and fully funded separately.

Prior to undertaking additional functions and services, AEMO Services will ensure appropriate legal and governance structures are in place, including securing sufficient funding to deliver those functions and services.

FY24 Budget

The FY24 Budget was prepared solely on the basis of AEMO Services' foundational role as the NSW Consumer Trustee and on the assumption that we will supply professional services to the Scheme Financial Vehicle.

AEMO Services may review and adjust our budget as required if our work and funding streams diversify in the future as NSW or other governments require our services.

Table 1. Profit and Loss

	Actual FY23	Budget FY24
Revenue		
Funding	23.6	33.6
Other	0.6	2.1
Total Revenue	24.2	35.7
Operating Expenditure		
Labour	13.0	17.5
Non Labour	15.2	18.8
Operating Expenditure	28.2	36.3
Annual Surplus / (Deficit)	(4.0)	(0.6)

Operating expenses

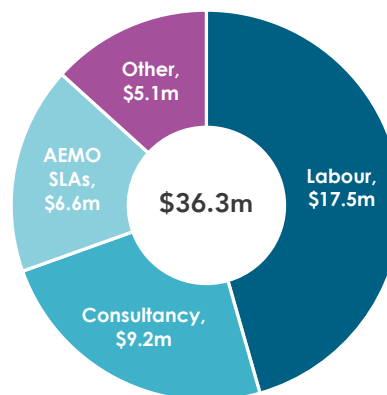
For FY24, AEMO Services' operating expenditure budget is \$36.3m. This is a 2% increase on the Consumer Trustees' administration expenditure requirements for FY24 that was gazetted by the AER as part of the Contribution Determination process.

The FY24 budget incorporates costs to:

- manage our tender program
- deliver the 2023 IIO Report
- authorise infrastructure projects recommended by the Infrastructure Planner
- provide professional services to the Scheme Financial Vehicle
- execute all other functions of the NSW Consumer Trustee

We will continue to optimise our use of resources to minimise costs to energy consumers, and further refine the use of SLAs and consultants as spend profiles and cost drivers are better understood with each successive tender round in our program. It is expected that economies of scale and scope will be experienced in FY24 with the simultaneous delivery of four tenders.

Figure 3. Operating cost profile for FY24 (\$m)



Revenue

AEMO Services' revenue has been budgeted in line with costs. In FY24, we will recover costs through two separate sources. These include:

- Funding from the NSW Electricity Infrastructure Fund
- Monies paid (subject to agreement) for the delivery of professional services to the SFV.

The Act legislates the full recovery of operating costs incurred by the Consumer Trustee in exercising its functions. Funding requirements will also consider the carry forward of surplus from FY23.

In addition, recoveries for professional services provided to the Scheme Financial Vehicle have been included in FY24 revenue, noting that the service agreement is not expected to be finalised until Q2 FY24.

Capital and technology

There is no known capital expenditure budgeted for FY24 and it has been assumed that any new technology or system will likely be a SaaS solution and therefore budgeted as operational expenditure.

AEMO Services may review and adjust our budget following the completion of a Technology Roadmap, which will confirm AEMO Services' future technology requirements.

Achieving corporate plan objectives

AEMO Services will continually measure how effectively we achieve our key business and strategic objectives.

To demonstrate progress toward our objectives, we will track delivery against the three priority areas articulated in this plan.

Our key strategic outcomes for FY24 are detailed throughout this plan, and our key business and strategic measures are summarised on this page.

We believe our FY24 outcomes and measures provide the right balance and focus for our day-to-day responsibilities while ensuring that AEMO Services delivers groundbreaking processes and products that transform the energy sector and safeguard the future financial interests of energy consumers.

AEMO Services may review and adjust its strategy to meet objectives as required in response to changes in market conditions, innovations in technology, and global factors.

AEMO Services' key business and strategic measurements against our three priorities

Priority	Key performance indicator	Target
Navigating the energy future	• No material non-compliance under the NSW EII Act	No material non-compliance
	• Deliver planning and incentives to support the energy transition	High level of success
	• Deliver investment in energy infrastructure	High level of success
	• Deliver identified financial benefits for consumers	High level of success
Engaging our stakeholders	• Achieve favourable stakeholder sentiment	Positive sentiment
	• Achieve NSW government satisfaction with the effectiveness of AEMO Services' contribution to the NSW Roadmap	Satisfied
Evolving the way we work	• Achieve year-on-year improvement in governance, risk, and compliance maturity	Systemic maturity
	• Achieve AEMO Services' FY24 net operating budget	On budget
	• Sponsor and embed employee health, safety, and wellbeing at AEMO Services	Employee health, safety and wellbeing baselined and sponsored by leadership
	• Achieve year-on-year improvement in AEMO Services employee engagement	72%



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