

Australian Energy Market Operator  
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### **AEMO 2022-23 Budget and Fees consultation**

The Australian Energy Council welcomes the opportunity to comment on the Australian Energy Market Operator's (AEMO) 2022-23 Budget and Fees (2022-23 Budget).

The Australian Energy Council is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The AEC has some concerns with the 2022-23 Budget as presented and these are set out below.

#### No balance-sheet

It only provides an income statement and estimated capital expenditure but there is no balance sheet. Without this, there is no visibility of forecast assets, liabilities, 2022-23 new borrowings (or repayments). As the \$175 million of capex in the 2022-23 Budget is expected to be funded through new debt it would be helpful to have the total debt level at the end of 2022-23. In the absence of these financial statements, the AEC believes the 2022-23 Budget should at least include information on new borrowings (or repayments) and the year-end debt balance.

#### No cash flow statement

There is no cash flow statement. Without this, there is no visibility of forecast cash costs which makes it impossible to ascertain the level of corporate overhead that is being capitalised to capex projects. This is a key metric of the efficiency of AEMO with respect to delivering capex projects and it is masked when only an income statement is provided because capitalised cash costs are not included in operating costs whereas a cash flow statement enables an assessment to be made. However, even this can only be an inference. The AEC believes AEMO should state its capitalisation policies and rates of allocation.

#### No detail on interest rate risk management

Financing costs are forecast to increase from \$2.1 million in 2021-21 to \$9.4 million. This is a significant increase, yet the 2022-23 Budget only refers to interest rates once (on page 11) and states they are expected to be higher. The 2022-23 Budget should at least state AEMO's interest rate risk management approach and provide some degree of detail on its borrowing profile. For example, if the debt is all floating rate there is a significant interest rate risk exposure especially in the current environment.

Any questions about this submission should be addressed to me directly, by email to [peter.brook@energycouncil.com.au](mailto:peter.brook@energycouncil.com.au) or by telephone on (03) 9205 3103.

Yours sincerely,



Peter Brook  
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