



SP AusNet™
A member of Singapore Power Group

13 September 2013

Mr David Swift
Executive General Manager
Corporate Development
AEMO
GPO Box 2008
MELBOURNE Vic 3001

Dear Mr Swift

Comments on AEMO Governance Review

SP AusNet appreciates the opportunity to comment on the findings and suggestions for minor amendments to the existing AEMO governance arrangements identified in the "AEMO Governance Review" dated 12th August 2013. You requested comments in an email from Mr Brett Hausler to all members on 15th August 2013.

SP AusNet believes that the existing governance arrangements have worked well, but agrees that it is important to periodically review the arrangements to ensure that they have worked satisfactorily and to identify any areas where improvement may be warranted. SP AusNet understands that COAG made a commitment in 2007, as a component of its National Reform Agenda (Competition Reform) to undertake a review of the performance of the energy market governance arrangements in five years. The Government has recently confirmed their intent to commence this review in 2014. Your letter is not entirely clear on how the recommendations arising from your review are to be taken forward. In fact the governance arrangements for agreeing and implementing such changes are not entirely clear to SP AusNet given the unique ownership arrangements of AEMO. However given the impending COAG sponsored review we suggest this may be a more appropriate environment to raise some of the proposals developed in your review.

In the meantime SP AusNet appreciates the consideration that AEMO has given to the current arrangements and to the suggestions for change that have been made.

You have raised the issues of the processes for appointment and reappointment of Directors, and the maximum tenure of Directors in your report. SP AusNet considers that that the processes for appointment of Directors might be more streamlined, and would support changes that are more consistent with the 40% ownership by industry. This may be achieved by allowing more industry involvement in selection of Directors. The manner in which this could occur requires further consideration.

SP AusNet also endorses the concept of having a longer possible maximum period for which directors are eligible to hold office, providing there is a periodic review to ensure that an extension to the current term is

warranted. At present Directors are limited to two periods of tenure of three years, that is a limit of six years. Of the options proposed SP AusNet favours an increase in the possible period of tenure by extending the maximum number of terms from two to three, rather than the alternative of longer terms. This would allow for a review at the end of each three year period of tenure.

There were suggestions made in the Governance Review regarding the potential to include additional competencies in the skills matrix for Board appointments. These included the inclusion of skills and expertise relating to customer experience, and expertise in operation or knowledge of network businesses, and in the operating and knowledge of complex IT systems. SP AusNet agrees that where skills relate to a core part of the AEMO business that it would be useful to include these in the competency set for Directors. As a network business with a significant interface with AEMO, SP AusNet considers that it would be desirable to include expertise or knowledge in network businesses in the skills matrix for Directors.

In your paper you make the statement that there may be merit in allowing AEMO to undertake some additional activities that currently lie outside its defined role. SP AusNet is comfortable with this concept in principle, but notes that further definition of these functions would be required to allow a proper assessment to be made regarding the relevance and the value provided to members from any additional activities proposed.

SP AusNet recognises the work that AEMO has put into carrying out this review and thanks you for the opportunity to provide comments. We look forward to contributing to any further considerations that may arise out of this process, and the forthcoming COAG sponsored review. Please contact Charles Pople on (03) 96956598 if you wish to discuss any aspect in more detail.

Yours Sincerely



Nino Ficca
MANAGING DIRECTOR