

# Corporate Plan

## FY2023

This corporate plan represents AEMO's Statement of Corporate Intent under AEMO's Constitution.



# Foreword

## Australia's energy system is at the start of a new era.

Today, and since the COP26 international climate talks last November, an alignment exists between the federal, state and territory governments on achieving a net-zero emissions economy in Australia by 2050.

As the energy system accounts for a third of national greenhouse emissions, a net-zero energy system needs to be planned with engineering input to underpin a net-zero economy.

Beyond the transition to net zero, the energy transition is being driven by a kaleidoscope of factors, including declining new-technology costs, consumer preferences, investor priorities and government policy.

Society clearly expects the pace of change to accelerate.

This means the Australian Energy Market Operator (AEMO), faces the challenges of operating Australia's electricity grids at higher levels of renewable power sooner, and with greater urgency.

The challenges of maximising renewables in the system are multiple, complex, have interdependencies and will require collaborative spirit between governments, regulators, industry, and communities on a scale more accommodating than at any time in the past.

The power system needs to be readied for the progressive withdrawal of coal generation, which today makes up about two-thirds of all electricity generation.

At the same time, power system operability becomes a challenge with high levels of variable, renewable power.

As more solar, wind and hydro renewable power is connected to the grid over coming years our forecasts show that by 2025, there will be times when there will be enough renewable generation that the entire demand from the grid could be catered for by renewable power.

Because of this eventuality, AEMO is working towards the goal of being able to operate the power system at 100% instantaneous renewable generation by 2025.

A portfolio of technologies will be required to meet the challenges of the energy transition: utility-scale batteries, hydro storage, gas-fired generation, smart behind-the-meter batteries, energy efficiency measures, Virtual Power Plants and vehicle-to-grid services from electric vehicles, complemented by flexible loads and wholesale demand response to manage peaks and troughs.

And this will present novel challenges, which will require collaboration across government, industry and communities to solve.

In preparation for net zero by 2050, Australia's energy system needs more of these four broad elements:

- The energy itself – we expect that by 2050 the power system will double the amount of power it presently serves and will need a nine-fold increase in utility-scale variable renewable energy than is built today;
- Firming – the nation will need triple today's firming, or dispatchable capacity, to balance the peaks and fill in the troughs of variable renewable energy;
- New transmission – required to convey the electrons from new areas of renewable generation to energy consumers in population centres;
- New tools for grid operability – required to ready us for the increased complexities of operating the NEM at up to 100% instantaneous penetrations of renewable energy.

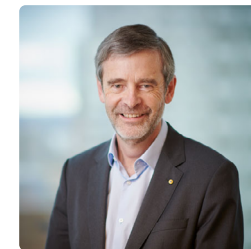
## Society clearly expects the pace of change to accelerate

The need for these elements has been underlined by the recent event in June 2022, where tight supply of gas and electricity, coupled with extremely

volatile wholesale pricing, led to conditions where AEMO was forced to suspend the entire National Electricity Market. In managing these challenging conditions, AEMO put the security of the grid, and keeping the lights on, above all else.

There will be a number of responses to this event across governments, regulators, and the electricity and gas sectors. We look forward to working closely with governments and industry on these potential reforms.

There is much, much more for us to do, and we hope you will continue to make the journey alongside us as partners in this complex, yet essential and irreversible, energy transition.



**Drew Clarke**  
AEMO Chairman



**Daniel Westerman**  
AEMO Chief Executive Officer

# Our priorities at a glance

In FY2022, the AEMO Board and Executive identified four high-priority areas that would shape AEMO's strategic journey to deliver our core obligations, responsibilities and major workstreams.

In our FY2023 Corporate Plan, we reaffirm the importance of each of the four priority areas. AEMO remains unwavering in our pursuit of these priorities. They will ensure we deliver our core obligations and responsibilities to the Australian energy industry, while simultaneously preparing for the energy systems and markets of the future. These priorities will drive critical change in the way we operate.

The priorities are:



## Priority 1

### Operating today's systems and markets

Delivering electricity, gas and other statutory responsibilities that are fundamental to AEMO's role.

AEMO is committed to maintaining secure and reliable operation of energy systems and markets while maximising benefits in the interest of consumers.



## Priority 2

### Navigating the energy future

Collaborating with our members and stakeholders to identify emerging issues, provide technical and economic expertise and support new and ongoing reforms.

AEMO works to meet the physical and commercial challenges associated with the energy transition by collaborating with regulatory bodies, participants and consumers to develop and deliver the least-cost and lowest-risk outcomes for consumers.



## Priority 3

### Engaging our stakeholders

Being transparent, collaborative and stakeholder-focused. AEMO is committed to engaging with stakeholders for improved decision-making and outcomes.

We continue to strengthen our external engagement across all functions to enhance the stakeholder experience, deliver better value to our members – ultimately to support better outcomes for energy consumers.



## Priority 4

### Evolving the way we work

Being a transparent, efficient, stakeholder and customer-focused business with clear accountabilities, and a sustainable financial footing for the future.

This includes ongoing organisational efficiency, talent capability work, renewing our technology architecture, and embedding a consumer and stakeholder mindset in our culture and governance.



## Priority 1 – Operating today's systems and markets

Deliver our core responsibilities in accordance with electricity, gas and other laws and regulations.

In an environment where day-to-day operation of the nation's energy systems and markets has never been more challenging, AEMO remains focused on its fundamental role of ensuring safe, reliable and affordable energy for consumers.

As we prepare to embrace the future, the daily operations of Australia's energy systems and markets must not be compromised.

We are working constantly to enhance our operational forecasting capabilities, our real-time system and market operations, system resilience, operational technologies, cyber security and market and system insights to ensure the scheduling, dispatching and trading of energy continues to power Australia's economy, businesses and households.

How we will achieve this priority:

### System and market operations

We ensure Australia's energy systems and markets are securely and reliably operated in accordance with obligations and standards and in the context of transitioning systems and markets.

- **Undertake seasonal analysis and preparation, conduct emergency exercises**, incident investigations and deliver training to plan.
- **Prepare and share critical risk analysis**, and use system events (system operations, market operations and digital IT) and insights to identify vulnerabilities in controls.
- **Uplift confidence in modelling and information**, and through consultation with NSPs agree a modelling strategy for the industry that brings together technology to improve model accuracy and speed (as identified in the engineering framework).
- **Ensure policies and procedures reflect our latest operational risks** for each region to address normal and critical operational conditions, including forecasted minimum demand, and maximum asynchronous generation penetration.

### System and market insights

We monitor energy system and market performance and share intelligence to improve day-to-day operations.

- **Monitor energy system and market performance**, and provide insights and analysis.

### System and market technologies

We leverage technology, uplift systems and invest in advanced analytics and forecasting capabilities to improve the operational efficiency and reliability of energy systems and markets.

- **Commence implementation of the Digital IT Technology Roadmap, including the Operational Technology Roadmap**, to reduce operational risks through the modernisation of IT systems and the implementation of toolkits that meet the evolving needs of Australia's energy markets and systems.
- In the context of the Operational Technology Roadmap, **deliver the National Simulator** as highlighted by the Low Emission Technology Statement (LETS 2.0).

### Business resilience

We strengthen the reliability and security of AEMO's systems through programs covering protection, detection, response, and recovery.

- **Implement a refreshed Business Continuity Plan (BCP) framework**, including IT Continuity Management, implement and track the action plans and seek pre-certification audit by June 2023.
- **Evolve operational communications, network and infrastructure** in line with the prescribed AEMO Future System Architecture.
- **Strengthen AEMO's resilience to security threats** across physical, personnel, supply-chain and cyber domains in compliance with the Security of Critical Infrastructure Act.
- At the request of the Federal Government, and in collaboration with industry, **assist to strengthen cyber-resilience and cyber preparedness** of Australia's energy grids and markets and in line with AEMO's expanded industry role and responsibilities.



## Priority 2 – Navigating the energy future

**Support and deliver mandated reforms and improvements to critical systems and markets efficiently, cooperatively and cost-effectively.**

Solving the complex operational and technical challenges associated with a decarbonised, decentralised, digital and democratised energy future requires the combined efforts of thought leaders, scientists, engineers, reformers and consumers across the industry.

Our approach is to be open and collaborative, to provide facts and advice, and co-design innovative and cost-effective solutions with network operators, market bodies and the wider industry.

The suite of wide-scale and complex reforms facing the Australian energy industry form a significant portion of AEMO's portfolio of work for FY2023. The majority of this work is mandated through the various decision-making bodies.

Increasingly AEMO is requested to undertake new functions by Australian governments. We work to provide high-quality services to individual jurisdictions without distraction from AEMO's core responsibilities.

Note: These deliverables have been updated to meet recent Energy Minister priorities. However, resources and funding in some cases are yet to be finalised, and will be determined with respective governments.

### How we will achieve this priority:

#### Energy system design

We identify, communicate, and consult on critical operational issues, and plan and advise on future energy system needs.

- **Evolve and implement a roadmap to be able to operate power systems capable of 100% instantaneous renewable generation**, including the Engineering Framework.
- **Deliver network planning advice** (potentially a broader, national ISP and WA WoSP), reliability outlooks (e.g. ESOO, GSOO, WA ESOO, WA GSOO) and delivery quality, timely reports.
- **Deliver AEMO input and support for implementation of actionable ISP projects**

#### Reform delivery

We efficiently and effectively deliver mandated and essential reform programs on behalf of the industry as required, with a strong focus on efficiency and reducing costs to industry and consumers.

- **Implement market reforms** agreed by Energy Ministers to improve electricity and gas reliability and security
- **Implement ETS Reforms to plan**, including commencing market trial for the new security-constrained economic dispatch in the WEM, Network Access Quantities (NAQ) in the Reserve Capacity Mechanism (RCM) and Project Symphony.
- **Implement ESB reforms to plan** for essential system services and distributed energy resources, including new arrangements for system strength, procedures for Fast Frequency Response and Phase 1 of Integrated Storage arrangements.

#### Reform collaboration

We proactively support the energy transition through collaboratively working with the industry, market bodies and governments on reform development to meet emerging challenges, lower costs, and capture opportunities.

- In partnership with the Reform Delivery Committee and other stakeholders, **develop and update** as required a **3-5 year Regulatory and IT Implementation Roadmap** to proactively support cost-effective reform development and delivery.
- Work with ESB and industry to **design and implement a capacity mechanism and congestion management mechanism**.
- **Contribute to ongoing ETS reviews and reforms led by Energy Policy WA**, including the review of the Reserve Capacity Mechanism (RCM) and improvements to the power system security and reliability framework.

#### Future energy system connections

We transparently inform, cooperate and provide timely responses to all participants throughout the grid connection process while seeking improvements and streamlining.

- **Develop and embed** processes to enhance the clarity of the **connection process** and transparency of progress through it, including REZ and for volume.
- **Deliver key initiatives identified in the CRI Roadmap** jointly developed by AEMO and the Clean Energy Council (CEC) to improve the connections process.

#### Jurisdictional service delivery

We provide advice and undertake functions as required by member jurisdictions, producing high-quality services at no cost to and minimal distraction from core obligations.

- **Finalise the establishment of ASL**, mature to full operations and deliver agreed outcomes for NSW (see ASL Corporate plan).
- **Deliver all functions and advice as agreed with jurisdictions** to support state-based energy policies and plans.
- **Constructively engage** with the Victorian Government on the establishment of VicGrid.
- **Formalise agreements where relevant to enable efficient fees for service.**



## Priority 3 – Engaging our stakeholders

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

Harnessing the power of collaboration among industry and other stakeholders is the key to delivering the future energy system Australia needs and deserves. The task ahead is so large and complex that AEMO could not possibly act alone.

To deliver the infrastructure required for Australia's immediate and long-term energy future, it is vital to build social and community licence. AEMO will work with stakeholders, listening and engaging in a high-quality and meaningful way to support social licence.

In addition, as Australian governments shape and realise their own energy policies and plans, we will endeavour to be a trusted source of energy expertise on policy matters and work to capture synergies for the benefit of energy consumers.

### How we will achieve this priority:

#### Meet and exceed stakeholder expectations

We actively engage, listen and respond to feedback from our members and stakeholders, motivated by a strong energy consumer focus and continually improve the stakeholder experience.

- **Clearly and consistently consider stakeholder feedback** and demonstrate feedback has been considered
- **Co-design the ISP Engagement Strategy** with the ISP Consumer Panel and other stakeholders.
- **Develop capabilities** to assist our members and stakeholders in **building the social licence** necessary to enable the future energy system.
- **Actively engage and collaborate in solving industry participant needs** via staff rotations and cross-industry project teams.
- **Embed a stakeholder management system** throughout AEMO and **deliver consistent high-quality engagement experiences**.

#### Accessibility and communications

We make AEMO's analysis and information accessible to a broader audience.

- **Simplify communication** to broaden the audience.
- **Deliver a simple and clear access point to the AEMO website** and ensure availability of and easy access to content that is value to stakeholders.

#### Government engagement and support models

Our engagement and support models appropriately service individual Governments and help to advance their energy objectives.

- **Ensure our operating model and cost recovery mechanisms** are appropriate.
- **Support ASL** with NEM jurisdictions to ensure efficient and economic outcomes.
- **Provide tailored advice and insights to Governments** to better inform and enable policy objectives.
- **Embed in a consumer focus** stakeholder-centric service mindset.



## Priority 4 – Evolving the way we work

Be an adaptive, commercial and consumer-focused organisation.

It would not be possible for AEMO to fulfill our role in the Australian energy industry without the right people, processes, technology, governance and financial management.

As the complexity, speed and agility of tasks asked of AEMO evolve over time, we will build a strong platform to equip our workforce and our business. We will ensure cost-effective and efficient delivery of existing and new functions, and foster a workforce and culture aligned to Australia's energy future.

We will place AEMO on a sustainable financial footing to uplift AEMO's own business processes and systems and to efficiently operate and reform Australia's increasingly complex energy systems and markets.

### How we will achieve this priority:

#### Role and values

We ensure our programs, investments, prioritised areas of focus and behaviours align with AEMO's role and values.

- **Ensure all AEMO activities are aligned to our role and values**, deliver on our obligations and priorities, and demonstrate our values in everyday actions and decisions.

#### Talent, capabilities and culture

We strive to be an inclusive, adaptive and stakeholder focused organisation, attracting, empowering, developing, and retaining, talent for AEMO's current and future business requirements.

- **Diagnose and start to build the capabilities, talent and resourcing** required by AEMO to deliver on its obligations as the energy transition continues, underpinned by robust workforce planning processes and systems.
- **Implement a strategy and roadmap** to realise a step change in **AEMO's diversity, equity and inclusion practices and performance**, which positions AEMO as a leader in the energy sector.
- **Deliver a culture roadmap** that develops and maintains a great culture aligned to AEMO's vision and purpose and one which attracts and retains talent to work together for the benefit of AEMO's stakeholders and end consumers.
- **Implement a safety, health and wellbeing strategy** that delivers effective leadership, accountability, employee engagement, and visibility of safety within AEMO.

#### Efficiency and effectiveness

We constantly work to drive efficiency and effectiveness across all aspects of our business and operate with a customer and commercial focus.

- **Embed post-COVID ways of working** to modernise how we work together for the benefit of our stakeholders and end consumers and achieve mutually beneficial outcomes for AEMO and its employees.
- **Embed the Enterprise Portfolio practices**, and extend the frameworks to projects classified as operating expenditure.
- **Identify and deliver additional opportunities for consistency, collaboration and integration across our functions.**
- **Roll out an enterprise governance, risk, compliance and audit system** across AEMO to enable enhanced compliance and governance practices and support decision making.
- **Finalise implementation of the property strategy.**
- Continue to **implement and refine the governance framework and embed delegations.**
- **Implement and utilise the Enterprise Resource Planning (ERP) system** to drive efficiency and effectiveness.
- **Deliver the FY23 Investment Portfolio to uplift critical business systems and business capability** to improve efficiency, insight, collaboration and integration.
- **Deliver Future State Architecture** and corresponding roadmap, to enable technology modernisation across AEMO systems.

#### Financial health

We strengthen AEMO's financial health to effectively respond to and manage strategic and operational risks and deliver energy industry reforms.

- **Implement and track fee outcomes** that support the principle of full in-year cost recovery for FY2023 and beyond, for all entities (excluding jurisdictional services).
- **Implement the fee pathway** consulted on with participants to recover NEM Core accumulated deficit as of the end of FY22 by FY25 and commence a review of fee structures.
- **Update funding models to reflect ESB principles around the structure of and accountability for cost-recovery payments**, including NEM 2025.
- **Refine AEMO's financing strategy** to optimise the level and cost of funds to support capital investments not funded via specific grant or contribution funding.



# Achieving corporate plan objectives

AEMO 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 four priority areas articulated in this plan.

Our key strategic outcomes for FY2023 are detailed throughout this plan, and our key business and strategic measures are summarised on this page.

We believe our FY2023 outcomes and measures provide the right balance and focus for our day-to-day responsibilities while ensuring that AEMO is accountable for our commitments in enabling Australia's future energy system and driving critical change in the way we operate.

## AEMO's key business and strategic measures against our four priorities

Priority	Key measures for FY2023	Target
Priority 1	No region-wide system black events	0
	Maintain energy system security	100%
	No preventable load shedding	0
	Achieve operational forecast accuracy	80%
	Achieve all material prudential supervision obligations	99%
	Settlement statements issued and settled on-time	99.9%
	No loss of system and/or market suspension due to preventable cyber incidents impacting AEMO systems	0
	Maintain high IT system availability (unplanned outages to critical system and market technologies)	99.9%
Priority 2	High priority reform projects delivered on time and to budget	85%
	Achieve the FY23 top Engineering Framework initiatives to prepare for 100% instantaneous renewable penetration by 2025	10 initiatives
	AEMO initiatives within the Connections Reform Roadmap delivered to agreed timeline	100%
	Jurisdictional outcomes delivered to plan (% outcomes delivered for each agreed jurisdictional role)	100%
Priority 3	Achieve improved weighted stakeholder perception	55
	Achieve stakeholder satisfaction with specific AEMO engagements	52
	Achieve proponent satisfaction with AEMO's connection and onboarding processes	70
Priority 4	No significant deterioration in AEMO's overall health and safety performance	0%
	Achieve year-on-year improvement in AEMO's employee engagement	69
	Achieve FY23 Expenditure (net of recoveries) Budget	Budget
	Capital portfolio completed on time, to scope and to approved budget in FY23	85%
	No negative impact to critical systems as a result of IT releases	90%
	Achieve all material legal and reporting obligations	100%