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Report calls for Improvements in Market Operator Governance

A new energy industry report calls for improvements to the governance framework for the Australian Energy Market Operator (AEMO) to support investment efficiencies, manage growing customer costs and achieve national energy goals.

[Releasing the report, by leading energy economic and policy advisory group, Cambridge Economic Policy Associates \(CEPA\)](#), the Australian Energy Council and Energy Networks Australia said it pointed to the need to establish the best ongoing structure and governance for AEMO.

The AEC's Chief Executive, Sarah McNamara, said: "Given the central role of the market operator in a rapidly transforming energy sector, it is vital the scope of its work and the framework under which it performs its functions remain fit-for-purpose.

"This is not intended as a review of AEMO's current performance, but rather a careful consideration of the best governance processes to support high performance and accountability in a shifting energy landscape."

Energy Network Australia CEO Andrew Dillon said the market operator's role and costs had expanded significantly over recent years.

"Given this, we felt it was timely to revisit the existing governance framework – a sentiment echoed in the Edwards review of the Energy Security Board, which recommended a revised statement of role for AEMO," he said.

"Ministers agreed to that, but today's report suggests governments should undertake a deeper review to ensure the structure and governance of our national market operator can deliver for customers of a modern energy system."

The report on best practice in governance and regulation of energy market and system operators compared Australia's framework with six other operators, including in the United Kingdom, New Zealand and the USA. This was supplemented by interviews with market stakeholders across the energy supply chain.

AEMO was created in 2009 with a governance of 60 per cent ownership by the participating National Electricity Market (NEM) jurisdictions and 40 per cent by registered participants. Registered participants include generators, retailers and network companies. AEMO recovers its operating and capital expenses from registered participants.

AEMO's role has grown over time, particularly with the expansion of the National Transmission Planner function to develop an Integrated System Plan. Its role in market development has also become more significant through its membership of the Energy Security Board, as has its work on operational areas, such as demand side participation trials, virtual power plants, ahead markets and its renewable integration program.

The report identifies three options to improve the governance structure of the market operator and increase transparency and engagement. Each would see an improvement compared with current arrangements.

The report also found:

- While AEMO is formally accountable to its members there are questions about the extent to which they are well enough informed or able to address issues that might arise.
- Limited evidence of AEMO demonstrating accountability to its members, or of members holding the operator to account through the formal governance channels.
- While government oversight either directly or through the Council of Australian Governments (COAG) may have replaced the formal governance processes, this is not ideal and may not be the most effective way of holding AEMO to account.
- Formal arrangements to support accountability are weaker than those seen in other jurisdictions.

For a web version of this media release, [click here](#).

Media contacts

Australian Energy Council - Carl Kitchen 0401 691 342, carl.kitchen@energycouncil.com.au

Energy Networks Australia - Michael Lewis, (03) 9103 0405, mlewis@energynetworks.com.au

About the Australian Energy Council

The Council represents 22 major electricity and downstream natural gas businesses operating in competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses, and are major investors in renewable energy generation.

About Energy Networks Australia

[Energy Networks Australia](#) is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.