

17 July 2018

Ms Nicky Cusworth  
Chair  
Economic Regulation Authority  
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Perth WA

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Dear ~~Ms Cusworth~~ *Nicky*

### Forecast Capital Expenditure – Adjustment Proposal

I am writing to seek approval from the Economic Regulation Authority (ERA) for an adjustment to the Australian Energy Market Operator's Forecast Capital Expenditure for the 2016-19 Review Period. The **attached** adjustment proposal relates to proposed capital expenditure required due to impacts of the new market reform and two rule changes.

The WEM Rules require AEMO to apply to the ERA for a reassessment if AEMO's budget for a financial year is likely to result in revenue recovery or capital expenditure over the relevant Review Period that exceeds 115% of Allowable Revenue or 110% of Forecast Capital Expenditure. In AEMO's view, having regard to proposed capital expenditure required to deliver the required projects, the threshold for Forecast Capital Expenditure will be exceeded.

Our adjustment proposal includes actual and forecast expenditure for the 3-year period and includes details of the capital expenditure required to:

- Commence market reform work as obligated in new WEM Rules.
- Implement system changes to meet rule change timelines.
- Complete System Management IT projects which will remove dependence on Western Power for the provision of IT systems.
- Complete infrastructure upgrades required.
- Establish additional new facilities to accommodate extra people to deliver the above.

We have targeted the proposal document to be suitable for both the ERA to use as the basis for its determination and for stakeholders to understand AEMO's capital requirements. Should the ERA require any additional supporting documentation to support its determination, this can be provided upon request.

We are committed to working with the ERA in an open and transparent manner through this process. If there is anything we can do to assist your office with its determination of our adjustment proposal, please contact me on [REDACTED]

Yours sincerely

[REDACTED]  
Cameron Parrotte  
**Executive General Manager Western Australia**

cc: Attachments: 2016-2019 Forecast Capital Expenditure – Adjustment Proposal