

13 September 2022

Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

via email to: publicsubmissions@erawa.com.au

AUSTRALIAN ENERGY MARKET OPERATOR (AEMO) REPORTING GUIDELINE

Synergy welcomes the opportunity to make a submission in response to the Economic Regulation Authority's (**ERA**) draft "guideline for the regulatory financial reporting of the Australian Energy Market Operator's accounts and expenditure incurred in performing its functions in Western Australia" (**guideline**)¹ and associated reporting template (**template**).²

Synergy supplies electricity to more than one million residential and commercial customers and as the state's largest electricity generator and retailer, incurs approximately 45% of the wholesale electricity market fees.

Synergy supports the ERA's draft guideline and template and considers the proposed level of information disclosure by AEMO to be reasonable. Further, Synergy considers the draft guideline and template will promote transparency and accountability in relation to AEMO's functions and permit market participants to assess the reasonableness of AEMO's allowable revenue and forecast capital expenditure.

Synergy provides the following guideline commentary for the ERA's consideration:

Publication timing (section 2.1) and annual reporting requirements (section 3)

- Section 2.1 requires a financial report must comprise of four elements whereas section 3 (page 6) specifies a financial report consists of three elements.

Annual reporting requirements (section 3)

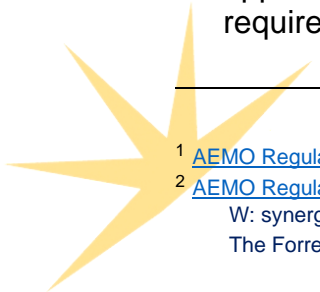
- Although the draft guideline specifies Australian Accounting Standards Board (**AASB**) standards in relation to statement of cashflow and forecast cashflow, and statement of financial position that AEMO must comply with, the guideline also contains a generic requirement that "The financial statements received by the ERA must be consistent with accounting standards established by the AASB that are current at the time of preparation...". The draft guideline should specify all applicable accounting standards to assist AEMO to comply with the reporting requirements.

¹ [AEMO Regulatory Reporting Guideline \(erawa.com.au\)](http://erawa.com.au)

² [AEMO Regulatory Reporting Guideline Template \(erawa.com.au\)](http://erawa.com.au)

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AEMO's budget (section 4)

- Synergy notes the draft guideline does not require a balance sheet to be published alongside the budget for the upcoming financial year. Without a published balance sheet, there is limited visibility on forecast assets and liabilities, borrowings or repayments. In the event capital expenditure is to be funded through new debt, it would be useful for the forecast total debt for the budget year to be published.

Operating revenue and market fees (section 4.1)

- Synergy recommends the draft guideline include a requirement for AEMO to publish a five year forward forecast of market participant fees and the underlying calculations for such. In that regard, Synergy proposes the draft template also include an operating revenue model that relates actual / forecast market participant fees to AEMO's actual / forecast expenditure and energy consumption estimates. Synergy considers this proposal to be consistent with the requirement for transparent decision making under section 26(1)(g) of the *Economic Regulation Authority Act 2003*.

Risk statement (section 4.2)

- The draft guideline requires AEMO's annual proposed budget must include a statement of risks including the risks associated with forecast operational and capital expenditure and revenue collection over the coming year. Synergy recommends the guideline also require AEMO to publish details on its interest rate management approach including details on its borrowing profile given recent interest rate developments.

Definitions (section 5)

- Synergy recommends reference to "cyber security costs" is included within the definition of "Operating reporting category" given the significance of these costs in the approved sixth allowable revenue proposal.

Synergy confirms this submission can be made public. Please contact me should you require further information or have any queries.

Yours sincerely



SIMON THACKRAY
MANAGER REGULATION AND COMPLIANCE