



Economic Regulation Authority

AEMO Regulatory Reporting Guideline

Guideline for the regulatory financial reporting of the Australian Energy Market Operator's accounts and expenditure incurred in performing its functions in Western Australia

Version 1

D250966

Prepared by:	
Record Number:	D250966
Version:	
Effective Date	
Status:	DRAFT
Approved for distribution and use by:	
Name:	
Title:	

VERSION HISTORY

Version	Effective Date	Notes
1		Draft for consultation

Contents

1. INTRODUCTION.....	1
1.1 Revision process	2
1.2 ERA interpretation and application of the Rules.....	2
2. REPORTING FREQUENCY, STANDARD, AND CONTENT	4
2.1 Publication timing.....	4
2.2 Information requirements	4
2.3 Quality assurance	4
2.4 Materiality and verifiability	5
3. ANNUAL REPORTING REQUIREMENTS.....	6
3.1 Financial statements	6
3.2 Qualitative reporting.....	8
4. AEMO'S BUDGET	9
4.1 Operating revenue and market fees.....	9
4.2 Statement of risks.....	9
4.3 Forecast statement of cash flows	10
4.4 Forecast statement of financial position	10
4.5 Forecast capitalised expenditure	10
5. DEFINITIONS.....	11

1. Introduction

The Australian Energy Market Operator (AEMO) operates the Wholesale Electricity Market (WEM) and manages Gas Services Information (GSI) in Western Australia.¹ AEMO's obligations to operate and manage these functions take effect through the Wholesale Electricity Market Rules (WEM Rules) and Gas Services Information Rules (GSI Rules) (collectively, the Rules).

The ERA determines funding for AEMO to execute its functions under the Rules. AEMO recovers its costs from market participants through market fees.² Every three years, AEMO must develop and submit to the ERA an allowable revenue and forecast capital expenditure proposal to cover the forward-looking costs of performing its functions under the Rules over the upcoming three-year period.³ The ERA reviews this proposal and determines AEMO's funding for the upcoming three-year period.⁴ The Rules outline the criteria that the ERA must consider in determining AEMO's funding.⁵

The Rules also require the ERA to publish this regulatory reporting guideline which:

- Must contain annual reporting obligations and provide clarity and guidance to AEMO and market participants about the scope of reporting and how AEMO must annually report to the ERA and market participants.
- Is aimed at providing transparency and accountability in relation to AEMO's functions and allowable revenue and forecast capital expenditure.⁶

The Rules require AEMO to publish, in accordance with the guideline, its:

- a. actual annual financial performance against its budget for the previous financial year by 31 October each year;⁷ And
- b. its budget for the upcoming financial year by 30 June each year.⁸

Templates for these reports are available from the ERA's website.

The introduction of regulatory reporting requirements is intended to increase the transparency of AEMO's actual expenditure compared to its determined funding. This is consistent with the regulatory reporting requirements of market and system operators in other jurisdictions and

¹ AEMO's obligations in the GSI market include the operation of the Gas Bulletin Board (GGB) and the publication of the Gas Statement of Opportunities (GSOO).

² Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.1, ([online](#)); Gas Services Information Rules, 17 December 2021, Rule 107(1), ([online](#)).

³ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.2B(a), ([online](#)); Gas Services Information Rules, 17 December 2021, Rule 108A(2), ([online](#)).

⁴ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.2B(c), ([online](#)); Gas Services Information Rules, 17 December 2021, Rule 108A(4), ([online](#)).

⁵ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.5, ([online](#)); Gas Services Information Rules, 17 December 2021, Rule 109, ([online](#)).

⁶ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.9(b), ([online](#)); Gas Services Information Rules, 17 December 2021, Rule 109(7)(b), ([online](#)).

⁷ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.8, ([online](#)); Gas Services Information Rules, 17 December 2021, Rule 111A(b), ([online](#)).

⁸ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.7, ([online](#)); Gas Services Information Rules, 17 December 2021, Rule 111A(a), ([online](#)).

with regulation of natural monopolies more generally. Regulatory reporting provides clarity to market participants on the expenditure, delivery and timing for individual projects and functions that is being recovered through market fees.

This guideline provides for AEMO to report its financial performance at a resolution suitable to enable market participants to anticipate changes to future market fees and track expenditure determined within the allowable revenue period. Specifically, it allows for visibility of AEMO's expenditure in Western Australian markets by project and function. In particular, this guideline prescribes:

- the form, content, and granularity of financial and other relevant supporting information required to be published,
- Explanations to the annual financial report including apportionment and allocation methods used and relevant information such as forecasts related to fee calculations for the determination of market fees.

1.1 Revision process

The ERA may revise this guideline at any time following public consultation that allows a reasonable opportunity for stakeholders, including market participants, to present their views.⁹

The ERA will review this guideline to ensure that the guideline remains fit for purpose and provides appropriate guidance to AEMO and the market. The ERA may review this guideline:

- After reviewing AEMO's financial reports submitted in accordance with this guideline.
- After any revisions to the Rules that govern the reporting or funding determination processes.

The ERA may also revise the reporting templates to improve its functionality from time to time subject to consultation with relevant stakeholders. Non-material revisions may include alterations to the overall structure of the workbook to improve clarity and ease of reporting.

A version number and an effective date of issue will identify every version of this guideline.

1.2 ERA interpretation and application of the Rules

1.2.1 Role of the ERA

The ERA is primarily responsible for reviewing AEMO's allowable revenue collection and funding for capital works programs. AEMO's budget and financial reports provide useful context to how AEMO uses revenue collected under the allowable revenue determination. The ERA will monitor AEMO's budget and review the financial reports and project reports to better understand AEMO expenditure requirements and improve the quality of AEMO's allowable revenue determinations.

1.2.2 Commencement

This guideline will take effect on the date of publication.

⁹ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.10, ([online](#)); Gas Services Information Rules, 17 December 2021, Rule 109(8), ([online](#)).

1.2.3 *Maintain accounts*

AEMO must maintain appropriate internal accounting procedures to satisfy the reporting intent outlined in this guideline.

1.2.4 *Inflation*

No values provided in the reporting template for the current or previous year , budget or report are to be restated for inflation.

2. Reporting frequency, standard, and content

2.1 Publication timing

By 31 October each year, AEMO must publish a financial report showing its actual financial performance against its budget for the previous financial year.^{10,11} The financial report must comply with this guideline and must comprise:

- Annual financial statements.
- An annual statement of project expenditure, including the details of the contingency approved for each project and the amount if any of the contingency that has been used on that project or released for use on another capital project.¹²
- An annual statement of contingency drawdown.
- Accompanying notes on the methods of preparation.

The reporting requirements for the financial report, project activity statement including any contingency drawdown are further detailed in section 3.

By 30 June each year, AEMO must also publish its annual budget of the upcoming financial year for its costs incurred in carrying out its functions under the Rules.¹³ The budget must be reported in accordance with this guideline and be consistent with the ERA's determination of AEMO's allowable revenue and forecast capital expenditure for the period. The reporting requirement for the budget is detailed in section 4.

2.2 Information requirements

As AEMO is the energy market operator for various jurisdictions across Australia, it reports on an AEMO-wide level rather than jurisdiction level. The financial reports and budget published in accordance with this guideline must only include costs for AEMO's functions in the Western Australia.

The ERA recognises there are certain costs, such as overheads, that AEMO incurs on a national basis rather than jurisdiction basis. Any national or corporate costs allocated to AEMO's Western Australian functions must clearly identify the assumptions underlying the basis of cost allocation to ensure the costs are allocated on a fair and reasonable basis.

2.3 Quality assurance

The notes to the financial report must include any information that would assist the ERA to ensure that the financial report has been prepared in accordance with this guideline.

¹⁰ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.8, ([online](#)); Gas Services Information Rules, 17 December 2021, Rule 111A(b), ([online](#)).

¹¹ This is different from financial reports pursuant to AASB accounting standards.

¹² As outlined in section 3.1.4.

¹³ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.7; Gas Services Information Rules, 17 December 2021, Rule 111A(a), ([online](#)).

2.4 Materiality and verifiability

AEMO must publish all material information related to its annual financial reports and budget. The submitted information must be verifiable.

For the purposes of this guideline, information is verifiable if it can be traced to a source document, business case, or an assumption or advice from an independent party or auditor.

3. Annual reporting requirements

AEMO must publish a regulatory financial report showing its actual financial performance against its budget for the previous financial year.¹⁴ The regulatory financial report comprises three components:

- Financial statements consistent with AASB standards with some additional requirements outlined in section 3.1.
- A statement of project expenditure and contingency outlined in section 3.1.4.
- A qualitative information statement on regulatory financial report in section 3.2

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 unless the accounting standards conflict with the guidelines, in which case the guidelines take precedence for the purposes of AEMO reporting its budget and financial performance to the ERA. The financial reports must comprise the information included in the reporting template provided on the ERA's website.¹⁵

AEMO must provide a copy of its financial report to the ERA in the same format (Microsoft Excel or Word) as the reporting template and must publish the report on the relevant website.¹⁶

3.1 Financial statements

AEMO's regulatory financial reports must include the following financial statements in accordance with the relevant AASB standards and generally accepted accounting principles:

- A statement of profit or loss and other comprehensive income
- a statement of cash flows
- a statement of financial position
- a statement of changes in equity

AEMO's regulatory financial reports must also include:

- a statement of project expenditure and contingency.
- an asset depreciation schedule

The requirements for each of these statements is presented below.

3.1.1 *A statement of profit or loss and other comprehensive income*

A statement of profit or loss and other comprehensive income must be grouped by business function and operating reporting category and at a consolidated level. Apportionment and allocation methods for expenditure across business function (for example staff that work

¹⁴ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.8, ([online](#)); Gas Services Information Rules, 17 December 2021, Rule 111A(b), ([online](#)).

¹⁵ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.2, ([online](#)); Gas Services Information Rules, 17 December 2021, Rule 108A(2), ([online](#)).

¹⁶ For instance, the reporting templates on qualitative advice are presented in Microsoft Word, whereas the quantitative reporting templates are presented in Microsoft Excel.

across different functional units) must be included in the notes to the statement in the template or in an accompanying document, published as part of the financial report alongside the template.

Non-capitalised project expenditure is to be isolated from general expenditure and separately reported in accordance with section 3.1.4.

3.1.2 Statement of cash flow

A statement of cash flow only for the Western Australian operations must be prepared in accordance with AASB 107. This clause will apply from 31 October 2023.

3.1.3 Statement of financial position

A statement of financial position for the Western Australian operations must be prepared using AASB 101 Presentation of Financial Statements and Conceptual Framework for Financial Reporting prepared by the Australian Accounting Standards Board. This clause will apply from 31 October 2023.

3.1.4 Statement of project expenditure and contingency

Project costs are to be reported by project grouped by capitalised projects and non-capitalised projects where possible.

- Commencement date (put into service)
- Projected effective asset life

Within each business function, project expenditure must be disaggregated into capitalised and non-capitalised project expenditure and grouped into the asset categories. Project expenditure is to be further disaggregated at the individual project level by the project reporting categories. Projects must also be linked to AEMO's function under a specific Rule or tie directly to a market objective.

AEMO may apply discretionary headings in the regulatory financial statements for operational and capitalised projects, as required. Any discretionary headings must agree with, or be traceable to, account headings in the service provider's general ledger of the chart of accounts that underlies the base accounts. Capitalised expenditure must reconcile with the relevant entries in the balance sheet.

The ERA's determination of AEMO's allowable revenue and forecast capital expenditure also includes a separate allowance for project contingencies. The use of contingency funds must be separately reported from the general project budget. Remaining contingency funds must be reported in total, grouped into whether associated with capitalised expenditure or non-capitalised expenditure, by asset category, at the project level, and for budget retained after project completion. Where contingency funds for a particular project are accessed, AEMO must outline the actual contingency drawdown, reason for the contingency drawdown, and anticipated total contingency drawdown where it is accessed.¹⁷ Contingency drawdown must be reported against the total and project budgeted contingency.

¹⁷ For example, where a contingency is accessed to manage a risk that is expected to manifest spanning multiple reporting periods, the total expected drawdown relating to the manifested risk must also be reported.

Increases to budgeted project contingency need to be identified with an accompanying explanation for the increase. Where a project's budgeted contingency is changed this must be reported to the ERA where:

- Budgeted contingency funds are used for other projects.
- Budgeted contingency is not required and not recovered through market fees (either for WEM or GSI) through depreciation for capitalised projects or operational expenditure for operational projects and not recovered through market fees (for either WEM or GSI).

Where the project scope is amended, the reasons must be reported to the ERA with the confirmed change in budget.

Where budgeted contingency is diverted to other projects or purposes, the new project or purpose must be separately identified in financial reports. The budget covering the period in which the new project is created must be updated to reflect the new project including scoping statement, forecast cost and associated contingency budget, including the identification of risks.

3.2 Qualitative reporting

The completed reporting template for the financial report must be attached to a description of the methods used in the preparation of the financial report and any notes qualifying the content.

Where AEMO incurs costs nationally, it must ensure only a fair proportion of shared costs are allocated to the WEM and GSI functions in Western Australia. The allocation methods for each of the shared national costs are to be described in the reporting template or an accompanying document that must be published as part of the financial reports. This includes the rationale for apportioning costs common to both AEMO's WEM and GSI functions. The principles guiding the methods applied must be consistent across the organisation. Where they differ, the reasoning must be outlined in the basis for preparation section of the financial report.

Where methods or accounting practices change, such as aggregation or apportionment, this must be identified and explained. Where possible, AEMO must update the budget covering the period in which the change occurs with the revised method to ensure there is a consistent basis for comparison for the twelve-month period. Any interim financial reports published within the previous twelve-month period of the method change, for example informal reporting by AEMO to market participants should explain any variation and provide a consistent basis of comparison.

The notes to the financial report must include any qualitative information that would assist the ERA in its understanding of the report. This includes, but is not limited to, identifying anticipated and unanticipated risks manifested during the year (including risks identified in the budget) leading to material deviations from the budgeted revenue and expenditure.

4. AEMO's budget

The Rules require AEMO to publish its budget for the upcoming financial year by 30 June each year.¹⁸ The budget must be reported in compliance with this guideline.¹⁹

The profit and loss statement of the budget must be grouped by business function and operating reporting.

The operating budget must be published by operating reporting category. Non-capitalised project expenditure must be reported separately. Budgeted capitalised project expenditure forecasts must also be reported grouped by WEM and GSI, asset category, and project reporting category.

AEMO's revenue forecasts, including the demand forecast underpinning the revenue requirement and statement of fees, must include commentary qualifying the basis of the forecast and compare the forecast with other expected operational demand forecasts such as is prepared and published by AEMO such as the Electricity Statement of Opportunities (ESOO) and the Gas Statement of Opportunities (GSOO). The budget must also have an accompanying assessment of risk to financial expenditure and revenue requirements.

The budget must include a comparison with the previous year's budget. An explanation of material variances, with difference greater than or equal to ten per cent on any item in the budget and difference equal to or greater than one per cent of total expenditure, must be provided.

4.1 Operating revenue and market fees

Estimating the market fees payable by market participants requires an estimate of energy consumption (MWh).

AEMO must report the revenues collected against budgeted market fees for both the GSI and WEM. This includes outlining the consumption assumptions used for the budgeted market fees compared to actual consumption. Sources of consumption estimates not already published must also be identified and compared with other forecasts published by AEMO. The basis for the forecast in terms of method and likelihood must be published.

4.2 Statement of risks

The budget must include a statement of risks, quantifying the risks associated with forecast operational and capital expenditure over the coming year. The risks to operational expenditure and revenue collection must be reported and quantified.

This statement of project risks must be grouped by market for the WEM and GSI, and for each capitalised and non-capitalised project. All projects, whether WA only or National, with a total project cost below a threshold of \$500,000 may be grouped and risks aggregated.

¹⁸ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.7, ([online](#)); Gas Services Information Rules, 17 December 2021, Rule 111A(a), ([online](#)).

¹⁹ Wholesale Electricity Market Rules (WA), 1 July 2022, Rule 2.22A.7(b), ([online](#))

4.3 Forecast statement of cash flows

AEMO must include an annual forecast cash flow for the Western Australian operations. The cash flow must be set out in accordance with AASB 107 Cash Flow Statements.

4.4 Forecast statement of financial position

AEMO must include a forecast statement of financial position for the Western Australian operations only.

4.5 Forecast capitalised expenditure

A separate budget showing forecast project expenditure must be included in AEMO published budget papers each year. This must detail the individual projects, the business function each project relates to whether the expenditure is to be capitalised or non-capitalised and the asset type. The budget must include an opening percentage complete, forecast percentage complete by the end of the period, and cost. The forecast of capitalised expenditure must be for expenditure within the budget year and for the project total. Each capitalised project must have an accompanying statement of scope as well as major milestones expected to be met during the year by quarter.

Contingency associated with project costs must be separately reported alongside project costs grouped by business function, whether capitalised or non-capitalised expenditure, by asset type and by project. A statement of risks associated with each project with a budget greater than \$0.5 million must be included.

5. Definitions

List of defined terms

AASB refers to the Australian Accounting Standards Board.

Asset category refers to the following grouping of projects based on their broad business activity type:

- growth – capital expenditure for the purposes of increasing the capacity of assets, undertaking new functions under the Rules, or construction of new assets to meet growth in demand;
- asset replacement and renewal – capital expenditure for the purposes of replacing assets and maintaining service levels;
- improvement in service – capital expenditure for the purposes of improving service levels to meet market participant requirements;
- compliance – capital expenditure for the purposes of meeting regulatory obligations; and
- corporate – capital expenditure for corporate activities.

Business function refers to the business functions of:

- Wholesale electricity market,
- Gas services information.

Capitalised project refers to discrete bodies of work where all or part of the project cost is to be capitalised.

Contingency reporting category refers to funding sequestered for managing project risks and contingency.

Corporate expenditure refers to common expenditure shared across business functions (such as accommodation and utilities that is not directly attributable to the business functions or function). This must be apportioned and allocated to these business functions where possible.

Financial report refers to the information contained within the reporting template as submitted under these guidelines by AEMO and the accompanying publications as required by this guideline in accordance with the Rules.

GSI refers to the Gas Services Information established under the *Gas Services Information Act 2012 (WA)* and the *Gas Services Information Regulations 2012 (WA)*.

Operating reporting category refers to the financial reporting aggregation for general recurrent expenditure for operational purposes. These are:

- Internal labour
- Contract labour
- Consultants
- Depreciation
- Finance costs

- Cloud costs
- Software and licensing
- Other IT and telecommunications costs
- Accommodation costs
- Training costs
- Non-capitalised project costs
- Other costs

Non-capitalised project refers to discrete bodies of work not normally undertaken in the day-to-day operations of the market where project costs are not to be capitalised.

Project reporting category refers to financial reporting aggregation for discrete project expenditure separate from operational activities. These apply to both non-capitalised projects (operational projects) and capitalised projects. These are:

- Internal labour costs
- Contract labour
- Consultants
- Depreciation
- Finance costs
- Cloud costs
- Software and licensing
- Other IT and telecommunications costs
- Training costs
- Other costs

Reporting template refers to the Microsoft Excel template prepared by the ERA for the purposes of AEMO fulfilling its reporting obligations under the Rules and in accordance with this guideline.

Revenue reporting category refers to the sources of revenue from AEMO's activities. These are to be grouped into:

- Electricity Market Income
- Gas Market Income
- Other Revenue – Electricity
- Other Revenue – Gas

WEM refers to the Western Australian Wholesale Electricity Market established under the *Wholesale Electricity Market Rules* created under the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*.