6 March 2026

AEMO Review Secretariat
C/o- Department of Climate Change, Energy, the Environment and Water
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Submitted online via DCCEEW submission portal

AEMO Governance Review Secretariat

Re: Consultation on the Review of AEMO Governance

Stanwell Corporation Limited (Stanwell) welcomes the opportunity to provide a brief response to the Department of Climate Change, Energy, the Environment and Water's (DCCEEW) consultation on the Review of the Australian Energy Market Operator's (AEMO) Governance arrangements.

Stanwell is Queensland's leading provider of electricity and energy solutions to the National Electricity Market (NEM), and large energy users along the eastern seaboard of Australia. With over 40 years of continuous operations, Stanwell's experience in working with communities to build, operate and maintain reliable energy generation assets is also being applied to the rollout of renewable energy.

Stanwell is developing a pipeline of renewable energy and energy storage projects throughout Queensland, whilst maintaining a reliable supply of baseload power from two of the most efficient and reliable coal-fired power stations in Australia – the Tarong Power Station near Kingaroy, and Stanwell Power Station near Rockhampton.

Stanwell acknowledges the work of the DCCEEW in preparing this Consultation Paper and seeking the input and views from industry on the governance arrangements for AEMO.

This response contains the views of Stanwell only and should not be construed as indicative or representative of the views of the Queensland Government.

The consultation timeframe is insufficient to support genuine stakeholder engagement

Stanwell has concerns that the timeframe for this consultation does not reflect the significance of the proposal to restructure the market operator – the central entity for the majority of Australia's energy market and system operations.

In our view the short timeframe between the release of this high-level Consultation Paper to when final recommendations are scheduled to be provided to Energy Ministers at the next 2026 ECMC meeting, brings into question whether the Review Panel will have sufficient time to appropriately consider and address stakeholder input and concerns on the matters raised in the Consultation Paper. Stanwell suggests that the Panel conduct a further round of stakeholder consultation on any draft recommendations prior to them being submitted to Energy Ministers for their consideration.

Introduction

The scope and extent of AEMO's roles and responsibilities has expanded significantly since the inception of the NEM. These additional services have been largely applied on an ad hoc basis and continue to contribute to increased costs for market participants and energy consumers. While changes are needed to minimise these impacts on the market and consumers, altering the market operator's corporate structure may not provide a cost effective or appropriate governance solution. Ultimately, any changes must maintain the necessary independence and autonomy of AEMO, required to operate a commercial, highly technical, and complex energy system.

Rather than undertaking a costly restructure of AEMO's corporate structure, the review must instead focus on the divestment of non-core activities that currently detract from AEMO performing its legislated role, i.e. the operation and security of the physical energy system, and other directly related activities. In our view, there is likely to be significant scope for different treatment of non-core functions such as those already separated out to other entities such as AusEnergy Services Ltd (ASL), and should also include federal and jurisdictional energy related schemes.

AEMO's current corporate structure and accountability should not be changed

The proposal to convert AEMO from a company limited by Guarantee into a Commonwealth entity raises significant risks to its independence.

The current corporate structure enables AEMO to operate independently within the various Acts governing the electricity and gas sectors, with obligations to a collective group of Federal, State, and Territory energy ministers through the Energy and Climate Change Ministerial Council (ECMC).[1]

The *Public Governance Performance and Accountability Act 2013* (PGPA Act) provides for the establishment of both Commonwealth Statutory and Corporate Commonwealth entities. As we understand it, the example provided in the Consultation Paper is to restructure AEMO into the latter and for this reason, this is where we will focus our comments.

[1] See AEMO, Governance, processes and polices – accessed at < https://www.aemo.com.au/about/corporate-governance/governance-processes-and-policies#:~:text=The%20SOR%20provides%we strongly 20a%20role,or%20the%20conduct%20of%20regulators.>.

Commonwealth Statutory entities

We strongly oppose the option to restructure AEMO into a Commonwealth Statutory entity i.e. a quasi-Commonwealth department, under the PGPA Act.

The market operator must maintain its independence and impartiality. For this to occur it must not be beholden to the policy, directions, and reporting obligations of the Commonwealth as it would become if it were to be restructured as a Commonwealth Statutory entity pursuant to the PGPA Act.

Importantly, on our reading, the PGPA Act appears to make provision for "...*ensuring or promoting proper accountability for the use and management of public resources*...".[2]

Given AEMO is primarily funded by fees paid by registered energy market participants (generators, distributors, retailers), based on a user-pays, full cost-recovery, not-for-profit model, [3] it does not seem reasonable to restructure AMEO under an Act that requires accountability for the management of public funds. However, the growing portion of AEMO's activities that are directly funded by state and federal governments via fee-for-service arrangements, [3] we believe could be addressed in the points made below rather than addressed through a costly restructure and changes in accountability under the PGPA Act.

Corporate Commonwealth entities

While these entities do have their own legal personalities, and may operate as a commercial entity, they are established to fulfil specific Commonwealth objectives. [4]

Noting that in the case of a Corporate Commonwealth entity: "*The PGPA Act does not give ministers general power to direct the activities of a Corporate Commonwealth entity*, [it does however] *give broad ministerial powers to require the entity to provide information about its activities. Corporate Commonwealth entities are generally not required to comply with policies of the Australian Government, except where there is a direction from the responsible minister under the enabling legislation,* [or] *through a government policy order.* [4]

A Corporate Commonwealth entity would operate as a company controlled or overseen by a specific individual, such as a Commonwealth Department Secretary. [5]

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2 Governance, *Performance and Accountability Act 2013* s 102 (1)(a), (1)(b), ss 15, 18, 20A, 21, and Chapter 2 Part 2-4.

3 Australian Energy Market Operator, Energy market Fees and charges accessed at < AEMO | Energy market fees and charges>.

4 Australian Government, Department of Finance, "Types of Australian Government Bodies" located at < https://www.finance.gov.au/government/managing-commonwealth-resources/structure-australian-government-public-sector/types-australian-government-bodies#:~:text=A%20level%20of%20financial%20autonomy,a%20government%20policy%20order.>.

5 *Governance, Performance and Accountability Act 2013* ss 15, 16, 17, 19, and 22.

Again, as we understand it, this would mean that ultimate accountability would be to the Commonwealth.[6 & 7] This places the impartiality and independence – key features of the market operator - at risk.

This then raises the question as to whether AEMO's obligations under the *National Electricity Law* (NEL) would continue to apply, particularly in instances where Commonwealth interests and directions do not align with that of jurisdictions. Stanwell's preference is to maintain AEMO's current corporate structure. In our view this will help ensure that energy and energy policy remains within the remit of the States, and that AEMO's governance and accountability obligations under the NEL remain the remit of collective energy ministers through the ECMC.

It then becomes crucial that any government reforms clearly define the roles and responsibilities of AEMO, the Commonwealth, and jurisdictional ministers with accountability mechanisms in place to enhance transparency and provide assurance of independence and impartiality to the market. This must be done without constraining AEMO's capacity to make timely and independent operational decisions, especially in circumstances involving system security and reliability risks, as they are assessed by AEMO.

Ministerial Directions and policy-making boundaries

It is crucial for the continued independence of the market operator that any Ministerial Directions to AMEO are given within established Rules and Rule making processes. Additionally, new policy outcomes should be implemented though existing mechanism such as the Australian Energy Market Commission (AEMC), rather than directed to AEMO. This would preserve the integrity of national governance arrangements and help to ensure appropriate industry consultation while supporting robust scrutiny.

AEMO should not operate as a commercial entity

There is no obligation on a Corporate Commonwealth entity to operate at a profit. Pursuant to the PGPA Act the focus is on accountability, performance and financial reporting.[8] However the PGPA Act does provide for a Government Business Enterprises (GBE), who must add to shareholder value. Whatever the intended outcome of this Review, we do not believe it is in the interests of the market for AEMO to operate as a commercial entity. Their focus should instead be the management of the physical market and system. While we do support greater transparency and accountability, care is needed to ensure any changes do not restrict AEMO's independence, and can minimise costs to the market and energy consumers.

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6 *Governance, Performance and Accountability Act 2013* ss 15, 16, 17, 19, and 22.

7 *Corporations Act 2011 s 50AA*; *Governance, Performance and Accountability Act 2013* s 89; See also Australian Government Department of Finance, Commonwealth Company located at < https://www.finance.gov.au/about-us/glossary/pgpa/term-commonwealth-company#:~:text=wholly%2Downed%20Commonwealth%20companies%20%2D%20companies,result%2C%20have%20some%20additional%20responsibilities> ; Review of AEMO Governance – Terms of Reference, and Discussion Paper, p 6.

8 *Governance, Performance and Accountability Act 2013* s15.

There are cost efficiency gains from narrowing functional scope

As a general principle, significant changes to corporate structure and the establishment of new entities tends to increase costs, structural complexity and expenditure rather than reduce it. Subsequently, changes to AEMO's corporate structure, including the establishment of new entities or conversion to a Commonwealth entity, are likely to increase governance complexity and administrative costs. There is limited evidence that these changes would deliver offsetting efficiency gains.

The progressive expansion of AEMO's functions has had clear budgetary implications, including a diversion of resources away from its core role of operating the NEM efficiently for the benefit of consumers. In the absence of stronger scrutiny, non-core functions risk continual expansion without a clear or direct link to AEMO's foundational purpose.

Rather than undertaking an entire corporate restructure, there may instead be a stronger case for a more prudent approach that would see a divestiture of AEMO's non-core functions through a transition process over time. In our view this would improve efficiency by narrowing AEMO's remit to enable a re-focus on its primary operational mandate of managing the physical market and energy system. It would also reduce internal stretch and dilution of resources, support clearer organisational priorities, and may improve cost efficiency. It may also allow a closer alignment between AEMO's resources and its operational responsibilities.

However, careful consideration is required as the relocation of these functions – particularly to government departments – may introduce indirect costs, including longer delivery timeframes, increased resourcing requirements, and less efficient consultation processes. This must be achieved without unnecessarily increasing overall system costs.

Non-core functions should be extracted from AEMO's remit

Since its establishment in 2009 by the Council of Australian Governments (COAG), the roles and responsibilities of the market operator have significantly expanded beyond original intentions. As previously noted, the breadth and intensity of AEMO's current responsibilities are stretching its organisational capacity, resources, and constraining its ability to maintain sustained focus on its core operational mandate, raising concerns about role clarity and institutional focus, i.e. activities that directly support efficient operations on the physical market and energy system. [9]

To address these challenges, Stanwell recommends extracting non-core functions from AEMO and (in consultation with industry), assign these to entities outside AEMO. This segregation could include a gradual transition away from planning, advisory, and policy-driven functions to an alternate entity. However, stakeholders – specifically those from the energy sector - will need the opportunity to provide additional input into the process and recommendations of any further proposals on this issue.

[9] *National Electricity (South Australia) Act 1996* s 49 and section Notes; see also Australian Energy Market Operator, "*Who we are*", located at https://www.aemo.com.au/about/who-we-are.

Where non-core functions are divested to other Commonwealth entities, we see little need to then augment AEMO's corporate structure to facilitate increased Commonwealth oversight. The remit of the market operator should be clarified and narrowed rather than centralising its governing authority.

Fee for service cost recovery

Reforms that shift functions to the Commonwealth or consolidate activities within a Commonwealth entity could result in costs being absorbed centrally, transferred to states through alternative funding mechanisms, or, in some cases, passed through to market participants. While such changes may not increase total system costs, they would have implications for transparency, accountability, and the alignment between decision making authority and financial responsibility.

Divesting non-core functions would change how the costs of advisory and fee for service activities are allocated and then recovered. For example, the costs associated with government requests for data would be allocated to the respective government rather than bundled into participant costs, where there is no visibility on the actual costs of these requests and additional services.

A key consideration is not whether advisory or administrative functions continue to be funded, but whether the existing link between the requesting jurisdiction and cost recovery is maintained. Care will need to be taken to ensure that the true costs of policy-driven or jurisdictional-specific reform are incurred by the relevant / requesting entity rather than smeared across market participants.

In our view the further delineation of ASL from AEMO is a positive proposal. We would like additional details and further opportunities for stakeholders to provide more substantial feedback to more detailed recommendations.

Similarly, any new structure or narrowing of functional scope, would need to ensure that any function or program funded by market participant fees would maintain and improve transparency of costs and expenditure. In our view more consultation and assessment of changes to AEMO's budget and fee increases will need to be more transparent of AEMO's expenditure and expenses, and how these are applied to market participants.

Commonwealth and other jurisdictional schemes

In the case of Commonwealth and jurisdictional schemes, there is a risk that costs associated with these services are not transparently allocated or fully ring-fenced, potentially leading to cross-subsidisation by other market participants or jurisdictions. Currently there is limited transparency around AEMO's procurement activities in circumstances where it both defines system security requirements and how those requirements are met, including lack of transparency around procurement decision, costs, and contractual terms.

Stronger ring-fencing and more transparent cost-recovery arrangements are needed to align with broader governance principles underpinning the national energy framework, emphasising clear separation between policy, regulation and system operation in order to avoid blurred accountabilities.

In our view this approach echoes external governance analyses that cautions against combining operational, advisory and quasi-policy functions within a single institution to avoid undermining perceived independence and market confidence.[10]

Board composition, independence and industry representation

The Board of the market operator is a structural feature of AEMO's existing governance, membership and voting arrangements and provides government with a decisive role in board composition and outcomes. Now that AEMO's remit has expanded, the current structure seems misaligned with AEMO's foundational purpose as the independent technical market operator. However, as previously noted, a corporate Commonwealth governance restructure may be a cumbersome and ineffective solution.

Where Board members are drawn primarily from policy or generalist backgrounds there is a risk that operational decisions become influenced by policy directives, and AEMO is informally steered toward policy shaping roles beyond its core mandate.

AEMO's Board composition should reflect relevant industry experience, preferably in the real-time electricity and gas markets, as well as practical engineering experience with the capability to oversee a highly complex physical energy system. It seems appropriate that representatives for these Board positions should be nominated by industry.

To be clear, Stanwell is not advocating for the exclusion of government representation, but rather a functional alignment to ensure that the skill weightings of AEMO's Board sufficiently prioritise deep technical engineering and market experience.

Information sharing and accountability risks

Under current arrangements, AEMO's information sharing is governed by the National Energy Law which provides a symmetrical information sharing regime applied consistently across NEM jurisdictions and market participants.[11] These arrangements are necessary to ensure important neutrality safeguards, confidentiality, and market confidence.

Were AEMO to be brought under Commonwealth legislation through its governance arrangements (as proposed in the Consultation Paper), the market operator will then have an obligation to provide information directly to government on request as noted above.

[10] Cambridge Economic Policy Associates (CEPA), *A Report on Best Practice Governance and Regulation of Energy Market / System Operators*, a collaboration of the Australian Energy Council and Energy Networks Australia, September 2020.
[11] *National Electricity (South Australia) Act 1996*, Schedule 1, Part 6, Division 6 ss 54 to 54H.

The proposed changes risk creating an asymmetry between governments and market participants where governments receive preferential access to operational or market sensitive information, ultimately undermining trust in AEMO's role as an independent market operator, and affecting perceptions of market transparency and fairness.

Conclusion

There are considerable benefits to a lean operational market operator, focused on real-time market operation, dispatch and system security.

However, the proposed corporate restructure appears unlikely to provide the envisaged benefits, but will instead expose the market and consumers to unnecessary costs and complexities. Additionally, there is a real risk that transitioning AEMO to a corporate Commonwealth entity or Commonwealth statutory body, would undermine AEMO's necessary independence. These issues could be largely avoided by simply implementing a more proportionate and measured reform pathway.

AEMO's primary obligation should be focused on running the energy market in accordance with its core mandate under the National Electricity Law and Rules. Any reform must preserve AMEO's operational independence and maintain established accountability arrangements under the national energy framework, and avoid introducing new risks to market confidence.

This Review must recommend the further divestment and functional separation of AEMO's non-core functions that incorporates clear institutional boundaries. This will support improved alignment between resources and responsibilities, and enable governments to pursue policy objectives through more appropriate institutional vehicles.

Stanwell welcomes the opportunity to discuss further any of the issues raised in this submission. Please direct any inquiries to Lya McTaggart by email to lya.mctaggart@stanwell.com.

Yours sincerely

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