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Department of Climate Change, Energy, the Environment and Water (DCCEEW)  
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To Whom it May Concern,

**RE: AEMO Governance Review**

AGL Energy (AGL) welcomes the opportunity to respond to the Australian Government Department of Climate Change, Energy, the Environment & Water (DCCEEW) on the AEMO Governance review.

**Key Points**

- AGL supports AEMO's current structure and independence from government, and are of the view that the requirements of the *Corporations Act 2001* support this independence;
- AGL considers that the ISP should remain with AEMO, but support the expansive ISP review as undertaken by the AEMC;
- Any changes to the ASL governance should be to provide greater independence and a focus on developing an appropriate skillset for commercial decision making;
- Where AEMO undertakes policy adjacent work at the behest of government, those costs should be borne by government and subject to parliamentary scrutiny;
- Any changes to data sharing rights and obligations should be to reduce administrative burdens on market participants, and maintain assurances that commercial in confidence information will not be shared with ministers and their departments;
- Given the current stage of the energy transition and concurrent regulatory and statutory reviews, only incremental changes to AEMO's governance framework would be appropriate at this time; and
- If the review is to progress beyond incremental change, it should be undertaken in conjunction with a review into the roles of the AEMC and the AER, per the recommendations of the 2024 Senate Select Committee on Energy Planning and Regulation.

**AEMO's current model**

AGL supports an AEMO that is professionally independent, technically expert and accountable through the National Energy Laws, Rules and associated regulations. However, a structural overhaul in the context of the ongoing energy transition risks fragmentation of the market, and any changes should be carefully considered incremental and focus on practical improvements.

The review occurs amid a heavy program of market change and planning activity (including the 2026 ISP and the AEMC's ISP Framework Review). A major redesign of AEMO's corporate form or a significant consolidation of functions would introduce execution risk and an increase in State based market interventions.



AEMO's effectiveness relies on preserving its independent, not-for-profit role, with no ownership in energy infrastructure, an attribute that must continue. Maintaining this independence is essential to sustaining long-term system planning, investor confidence and stability through the energy transition.

In this context, any expansion to procurement or underwriting functions, particularly through the ASL, must be carefully delineated to avoid conflicts of interest and ensure AEMO's core system operator role remains uncompromised by equity like or contractual interests.

### **Structure under the *Corporations Act 2001***

AGL considers AEMO's current operation as a company limited by guarantee is appropriate, and places clear director duties under the *Corporations Act 2001* (**Corporations Act**), delivering day to day independent market and system operation with integrated planning capability. Keeping the market operation and planning functions together will preserve the productive tension between real time operations and long-term system planning which in turn underpins actionable advice. Moving AEMO to a Commonwealth statutory authority or splitting the market operation from planning risks greater state derogation, further fragmented planning and less actionable advice.

AEMO's existing governance model provides a clear and effective foundation. Under the *Corporations Act*, Directors are required to act in the best interests of the company as a whole, rather than according to any appointing constituency. AEMO's current Constitution further reinforces this by requiring a majority of independent directors, and a mix of board members so the Board benefits from a range of industry and other relevant experience in discharging its obligations.

While AEMO's 60/40 government-to-industry membership split reflects membership classes, it is important to remember that it does not translate into voting blocs at the Board level, nor should it influence how Directors discharge their duties. Director candidates are recommended by an independent selection panel appointed by the Energy and Climate Change Ministerial Council (ECMC) and the final appointment decision is made by the Ministerial Council.

This model embeds clear legal accountability, professional independence, and a skills-based board framework that supports technically robust market operation and planning. Independent institutions are designed to provide stability and confidence in key policy settings, particularly where decisions, like those in the energy sector, have long time horizons and benefit from specialist expertise. Independent settings allow governments to pursue broader economic and social priorities with confidence that key stabilising functions are being managed consistently and transparently. Retaining the current corporate form therefore remains the most stable and fit-for-purpose structure to guide AEMO through the energy transition. We recommend the review reinforce this independence in plain language to reduce ongoing, incorrect narratives about representative directors.

### **Cost distribution and budget oversight**

Generally, while the introduction of a Financial Consultative Committee, at industry's request, has seen a level of additional oversight added, more could be done to ensure that budgetary allocations and financial models that AEMO utilises are subject to greater scrutiny and transparency. AGL would support consideration of models for independent review and assessment of both AEMO's budgets and the cost analysis that AEMO undertakes when assessing amendments and updates to market systems.

Where AEMO supports policy-adjacent work at the request of government, those costs should be met by governments. The current model recovers some costs via participant fees that would be more appropriately paid for by Government(s) and effectively shifts government spending and initiative funding to participants and ultimately consumers. While market development may at times amount to an important function for AEMO to maintain, the recovery of costs should be applicable to those who made the request, including



government. This shift would improve transparency, reduce cross-subsidy perceptions and maintain neutrality of core market operations funding. Consultation material recognises growing budget pressures and responsiveness, and clearer funding provenance should assist.

### **ISP Review**

AGL considers that responsibility for the Integrated System Plan (ISP) should remain with AEMO, as the integration of long-term planning with real-time system operation provides a coherent and nationally consistent foundation for guiding the energy transition. We strongly support the AEMC's ongoing review of the ISP and consider it appropriate that this work continues independently of the broader governance review.

The increasing complexity of the ISP framework has made it more difficult for the process to fully achieve its intended purpose. A comprehensive review is therefore necessary, and it is essential that AEMO retains the ability to meet its core planning objective of minimising total system cost.

Targeted improvements to processes, guardrails, accountability mechanisms and consultation frameworks can strengthen the effectiveness of the ISP without the disruption and uncertainty that would accompany transferring planning functions to a new entity. In a period of rapid market change, maintaining a stable institutional structure while enhancing its performance remains the most pragmatic approach.

AGL considers that relocating the ISP away from AEMO or establishing a separate planning body would risk fragmenting planning responsibilities, diluting accountability and intensifying jurisdictional inconsistencies.

### **ASL Separation**

We acknowledge the concerns of perceived conflicts of interest as ASL (as AEMO's subsidiary) increasingly runs procurement programs, auctions and can take a quasi-participant position. This has been borne out of, and exacerbated by, an ongoing evolution of ASL's role and structure as new functions have been placed on them. In our view, ASL's independence is crucial, as is maintaining a singular body which manages these often State initiated initiatives whilst also preserving a national mindset. Any changes to the ASL structure should be to provide further independence, and embed a strong commercial focus, particularly if it becomes responsible for the Energy Services Entry Mechanism (ESEM) Administration.

For these reasons AGL supports separating ASL into its own distinct body, with a focus on commercial and risk-based decision making relating to the operation of the numerous government underwriting and market facing schemes. Any such entity would also need to have an appropriately constituted and commercially skilled board to provide proper oversight and allow it to make independent, commercial decisions.

### **Information Sharing**

Any governance changes around data and information sharing between market bodies should be made with consideration of protecting commercial in confidence data while also minimising the administrative load on market participants to provide duplicative information between market bodies, in particular AEMO and the AER. Improvements could certainly be made to the current framework, particularly when the *Competition and Consumer Amendment (Australian Energy Regulator Separation) Act 2025* comes into force on 1 July 2026, however regulatory certainty that commercial in confidence information will not be shared with ministers and their departments is crucial.

### **AEMO Review Timing and Scope**

Given the concurrent regulatory review processes being undertaken by DCCEEW and the AEMC (notably the Gas Market Review, extension of AEMO's powers in the East Coast Gas System, Supplier of Last Resort, and implementation of the NEM Wholesale Setting (aka the 'Nelson') Review), any recommendations



to make major changes to AEMOs functions at this time could lead to additional market uncertainty, and any overlapping reforms may lead to unintended consequences.

We would add that the 2024 Senate Select Committee into Energy Planning and Regulation highlighted concerns across each of the AEMO, AER and AEMC. Against that backdrop, conducting a governance review focused solely on AEMO risks examining issues in a vacuum and may fail to address the broader, structural shortcomings the Senate report identified. If considerable change to AEMO's governance framework is determined to be necessary, broader review of the roles of the AER and AEMC must be included.

Given the complex nature of AEMO's governance and the wider framework governing energy in Australia, if a decision is made to proceed with an amendment to AEMO's governance structure, further consultation with industry should be undertaken to ensure unintended consequences are minimised. If you have any queries about this submission, please contact Jordan Dodd at [jdodd@agl.com.au](mailto:jdodd@agl.com.au) or on 0421 418 428.

Yours sincerely,

**Ralph Griffiths**  
**General Manager, Policy and Market Regulation**

#### **About AGL**

At AGL, we believe energy makes life better and are passionate about powering the way Australians live, move, and work. Proudly Australian for more than 185 years, AGL supplies around 4.52 million energy, telecommunications, and Netflix customer services. AGL is committed to providing our customers simple, fair, and accessible essential services as they decarbonise and electrify the way they live, work, and move.

AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market (NEM), comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emission, affordable and smart energy future in line with the goals of our Climate Transition Action Plan. We'll continue to innovate in energy and other essential services to enhance the way Australians live, and to help preserve the world around us for future generations.