



To: The Board of Directors of AEMO

Independent limited assurance report to the Board of Directors of the Australian Energy Market Operator Limited for the Wholesale Electricity Market

Scope

In accordance with the terms of our engagement letter dated 14 January 2022 and subsequent variation dated 13 December 2024, we were engaged by the Australian Energy Market Operator Limited (AEMO) to perform an independent limited assurance engagement for the year ended 30 June 2026, in respect of AEMO's internal controls to support compliance, in all material respects, with the Electricity System and Market Rules version 4 June 2025 to version 1 May 2026 (the "Rules"), for the Wholesale Electricity Market (WEM) in the following areas:

- the compliance of AEMO's internal procedures and business processes with the Rules
- AEMO's compliance with the Rules and WEM Procedures
- AEMO's market software systems and processes for software management.

In designing our procedures in relation to AEMO's processes for software management, the criteria used to evaluate compliance was AEMO's IT Standards and Policies relating to IT General Controls ("ITGCs").

AEMO management's responsibilities

AEMO management is responsible for:

- (a) identification of the compliance requirements within the Rules
- (b) maintaining an effective internal control structure, including control procedures, to ensure compliance with the Rules
- (c) identification and implementation of controls which will mitigate those risks that prevent the compliance requirements being met and monitoring ongoing compliance
- (d) maintaining information relevant to compliance with the Rules that is free from material misstatement.

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Our Independence and quality management

We have complied with the ethical requirements of the Accounting Professional and Ethical Standard Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* relevant to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Australian Standard on Quality Management ASQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained.

Our engagement has been conducted in accordance with the Australian Standard on Assurance Engagements (ASAE 3000) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. That standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention to indicate that AEMO did not maintain, in all material respects, internal controls in relation to compliance with the Rules for the year ended 30 June 2026.

The procedures we performed were based on our professional judgement and included:

- inquiry and observation of staff and management to understand the operation of controls
- review of relevant AEMO policies and procedures
- undertaking procedures to evaluate the design effectiveness of key controls
- performing limited sample tests on the operating effectiveness of key controls.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.



Our procedures did not include any assessment of compliance or controls by market participants or other external parties. For example, our procedures did not consider whether data received by AEMO from external organisations was complete, accurate and valid beyond limited assurance tests of the procedures that AEMO perform over validating the reasonableness of this data.

In addition, ITGCs have been tested on a homogenous basis across AEMO's IT environment, as agreed with AEMO, and therefore it is noted that samples selected for testing may not have been directly selected from WEM systems.

In designing our procedures in relation to AEMO's market software systems, our procedures were limited to testing of AEMO controls over obtaining third party certifications of the systems. Our scope did not include re-performing or validating the calculations, or certification, of WEM systems such as WEM Dispatch Engine (WEMDE), POMAX Settlements, POMAX Metering, RCM, RTDE, or other market systems.

We accept no responsibility for the adequacy or accuracy of work performed by AEMO or the independent certifiers in relation to system certification. We accept no liability to AEMO, or to any other person, for any part of our limited assurance conclusion that relies on or assumes the adequacy of system certification.

Our procedures did not include an assessment of key processes and controls associated with Operational Technology, including, but not limited to, Supervisory Control and Data Acquisition (SCADA) and Real Time Systems.

Our procedures focused on AEMO's internal controls in relation to compliance with the Rules. We have not performed procedures over the completeness or accuracy of all information published or provided by AEMO.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion.



Use of report

This report was prepared for the Board of Directors of AEMO for the purpose set out in the Description of Supplies between PwC and AEMO dated 14 January 2022 (including subsequent variation dated 13 December 2024), using criteria designed for this purpose. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Board of Directors of AEMO, or for any purpose other than that for which it was prepared.

We make no representation concerning the appropriateness of this report for anyone other than AEMO. If anyone other than AEMO chooses to use or rely on it they do so at their own risk.

This restriction applies:

- to the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute
- even if we consent to anyone other than AEMO receiving or using this report.

Inherent limitations

Because of the inherent limitations of any assurance framework, together with any internal control system, it is possible that fraud, error or non-compliance may occur and not be detected. Further, the internal compliance and control culture has not been reviewed and no view is expressed as to its effectiveness. A limited assurance engagement throughout the year ended 30 June 2026 does not provide assurance on whether compliance with the Rules will continue in the future.

A limited assurance engagement is not designed to detect all instances of non-compliance with the Rules, as it is limited primarily to making inquiries, of AEMO, and applying analytical procedures. The limited assurance conclusion expressed in this report has been formed on the above basis.

Other Information

The information included in Appendix B is presented by AEMO management to provide risk rating details, root cause, recommendations, management responses and timelines for the observed exceptions. Such information has not been subject to the procedures applied by PwC in the assessment of AEMO's internal controls in relation to compliance with the Rules and accordingly, we express no opinion on it.



Basis for Qualified conclusion

Our procedures identified instances of non-compliance with AEMO’s IT Standards for access management throughout the period 1 July 2025 to 30 June 2026. We therefore qualify our conclusion in this regard, with reference to the materiality factors outlined in Appendix A.

A summary of key exceptions and non-compliance with the applicable AEMO IT Standards is provided below:

Criteria	Finding Summary	Risk Rating	Compliance Rating
AEMO’s <i>Identity Access Control and Authentication Security Standard</i>	Instances of non-compliance with AEMO’s IT Standards. Our procedures have identified instances where AEMO’s IT access management controls were performed inconsistently with respect to AEMO’s IT Identity Access Control and Authentication Security Standard. The effect of non-compliance with IT policies is an increased risk of unauthorised or inappropriate access to systems and data, including reports, automated calculations and reconciliations, and interfaces, which form part of AEMO’s internal controls in relation to compliance with the Rules.	Medium	Level 1

Refer to Appendices A and B for a summary of findings.



Qualified Conclusion

Based on the procedures performed and evidence obtained, except for the matters noted in the *Basis for Qualified Conclusion* paragraph, nothing has come to our attention that causes us to believe that AEMO did not maintain, in all material respects, internal controls in relation to compliance with the Rules for the year ended 30 June 2026.

PricewaterhouseCoopers

PricewaterhouseCoopers
By

N. Burjorjee

Nick Burjorjee
Partner

Melbourne
21 October 2026



Appendix A – Summary of Findings

Findings identified through the limited assurance engagement are reported to AEMO management and Finance Risk and Audit Committee each year.

We have considered materiality when evaluating the effect of identified control weakness on our conclusion. When assessing materiality, we considered qualitative factors as well as quantitative factors, including:

- the purpose of the engagement and specific requirements of the engagement
- the importance of an identified control weakness in relation to the area of activities and the entities overall objectives
- the impact of a centralised function on other parts of the entity
- public perception and/or interest in the area of activity
- the cost of alternative controls relative to their likely benefit
- the length of time an identified control weakness was in existence
- the frequency and severity of control weaknesses identified in previous engagements.

The table below summarises new findings reported, and findings from prior periods which remained open throughout the year ended 30 June 2026. This includes findings reported by AEMO management or through our procedures. The items included in the table below comprise 45 market-related observations, and 17 IT-related observations.

	Critical	High	Medium	Low
Level 1	0	0	8	40
Level 2	0	0	4	10
Level 3	0	0	0	0
Total	0	0	12	50

The table below summarises findings from prior periods which were open as at 1 July 2025 and have since been closed. These include 22 market-related observations and 17 IT-related observations.

	Critical	High	Medium	Low
Level 1	0	0	8	18
Level 2	0	0	5	7
Level 3	0	0	0	1
Total	0	0	13	26

All findings in the tables above have been agreed with management and formally reported to AEMO's Finance Risk and Audit Committee.



We have categorised control observations noted according to agreed risk and compliance ratings. The risk ratings applied for each finding are aligned to the likelihood and consequence matrix adopted by AEMO's Finance Risk and Audit Committee.

The ratings have been tailored to reflect the potential impact on the market as follows:

Risk Rating	Definition
Critical	Findings which may have a catastrophic impact on market operations if they are not addressed immediately and require executive action with regular reporting at Board level.
High	Findings which may have a major impact on market operations if they are not addressed as a matter of priority. These findings require senior management attention with regular monitoring and reporting at executive and Board meetings
Medium	Findings which may have a moderate impact on market operations if they are not addressed within a reasonable timeframe. These findings require management attention with regular ongoing monitoring.
Low	Findings which may have a minor impact on market operations if they are not addressed in the future. These findings are the responsibility of management with regular monitoring and reporting at staff meetings.

Compliance Rating	Definition
Level 1	Evidence of non-compliance with review criteria. These should be addressed as a matter of high priority. (Non-compliance)
Level 2	Issues which could possibly result in non-compliance with review criteria but where no evidence of actual non-compliance was found. However, there is considered to be insufficient formal evidence of controls in place or being actioned in relation to these issues. (Gaps in control design or operating effectiveness)
Level 3	Housekeeping matters and opportunities for improving internal controls and procedures relating to electricity market procedures. (Control improvement opportunities)

Appendix B – Summary of Observations & Management Comments

The following table provides a summary of issues against compliance with the Rules. It is presented by AEMO's management to the Economic Regulation Authority Western Australia (ERA). Comments provided by AEMO management in response to the observations are not included within the scope of PwC's report and have not been subjected to the procedures applied by PwC in the assessment of AEMO's compliance with the Rules.

The detailed findings in relation to the Wholesale Electricity Market (WEM) are shown below, split between findings from the current review period (PwC reported and Management reported) and a status update of findings reported during the prior year review

Appendix B.1 – Wholesale Electricity Market – Findings reported by PwC – 1 July 2025 to 30 June 2026

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status
26 WEM 1	Issue Type Non-compliance reported by PwC Obligation ESM Rule 3.19.5	No evidence was retained by AEMO to demonstrate confirmation of receipt sent for Outage Intention Plans submitted by Market Participants and the Network Operator from July 2025 to February 2026. In accordance with ESM Rule 3.19.5, AEMO must confirm receipt of an Outage Intention Plan (OIP) or a revised OIP submitted by a Market Participant or a Network Operator in accordance with clauses 3.19.1, 3.19.2 or 3.19.9, as applicable. OIP submissions, revisions and withdrawals are made via the OIP Portal within Wholesale Electricity Market System (WEMS) for Market Participants and via the Market Participant Interface (MPI) in the Outage Management System (OMS) for the Network Operator. This facilitates automated receipt confirmation, enables Power System Engineers (PSEs) to evaluate validity of submitted OIPs for the relevant year, monitor submissions and undertake follow-ups as required. This process has been effective since 28 February 2026. Review of the Outage Management notification distribution list did not include the AEMO Outages channel. As a result, AEMO was unable to evidence that confirmations of receipt were issued and retained for OIP submissions and revisions, as required by ESM Rule 3.19.5 prior to 28 February 2026. All identified instances of non-compliance relate to the period 1 July 2025 to 28 February 2026. In March 2026 AEMO implemented a new process that included retaining confirmation of receipt sent for Outage Intention Plans. Implication Where evidence of confirmation of receipt is not maintained for OIP submissions and revisions, AEMO has limited ability to demonstrate timely acknowledgement of receipt, and subsequent compliance with the ESM Rules.	Compliance Rating: Level 1 Risk Rating: Low (Likelihood: Possible; Consequence: Moderate)	No management action required as the current process in place supports compliance with ESM Rule 3.19.5.	Management Response AEMO accepts this finding and recommendation. Implementation Date N/A

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status															
26 WEM 2	Issue Type Control operating issue reported by PwC Obligation Multiple ESM Rules	Mandatory PSOC eLearning modules are not consistently completed by their assigned due dates, with no limited documented timeframes or escalation pathways	Compliance Rating: Level 2 Risk Rating: Medium (Likelihood: Unlikely; Consequence: Major)	Management should: 1. Update the Mandatory Training Completion Procedure to include: - Documentation and assignment of roles and responsibilities for the end-to-end administration, monitoring and enforcement of PSOC training completion, including accountability for maintaining the WEM RTO Status Report, updating LMS groups, enrolling staff, and reconciling completion records. - expected timeframes for completion of training modules following assignment; - risk-based criteria to determine the criticality of each module and corresponding completion expectations (e.g. whether completion is required prior to undertaking control room duties or has been delivered through in person training); and - defined escalation pathways where training is not completed within the expected timeframes - Establish and communicate clear consequences for individuals who do not complete mandatory modules within the required timeframe including alignment to performance management and removal from control room duties. This where deemed relevant by management, should be	Management Response AEMO accepts this finding and recommendation. Implementation Date 30 December 2026															
		Power System Operations Controllers (PSOCs) are required to complete mandatory eLearning modules to maintain competencies for operating the South-West Interconnected System (SWIS). Modules are assigned on an as-needed basis and recorded in the eLearning transcript, covering operational concepts relevant to control room activities.																		
		Inspection of completion records for five (5) modules deployed in FY26 identified four (4) modules where training was completed after the assigned due dates for 9 PSOCs.																		
		<table><tr><th>Mandatory Training Module</th><th>Training completed post due date</th><th>No. of business days past due date</th></tr><tr><td>WEMDE & WEMDE-UI 3.3.0 Upgrade</td><td>2 instances (11%)</td><td>6 – 31</td></tr><tr><td>Contingency Lower Co-optimisation Release 3.2.0 Updates</td><td>4 instances (22%)</td><td>2 – 62</td></tr><tr><td>COA Telemetered Limit (Dynamic Line Ratings)</td><td>3 instances (17%)</td><td>3 – 41</td></tr><tr><td>COA Commitment Constraints</td><td>2 instances (11%)</td><td>12 –16</td></tr></table>				Mandatory Training Module	Training completed post due date	No. of business days past due date	WEMDE & WEMDE-UI 3.3.0 Upgrade	2 instances (11%)	6 – 31	Contingency Lower Co-optimisation Release 3.2.0 Updates	4 instances (22%)	2 – 62	COA Telemetered Limit (Dynamic Line Ratings)	3 instances (17%)	3 – 41	COA Commitment Constraints	2 instances (11%)	12 –16
		Mandatory Training Module				Training completed post due date	No. of business days past due date													
		WEMDE & WEMDE-UI 3.3.0 Upgrade				2 instances (11%)	6 – 31													
		Contingency Lower Co-optimisation Release 3.2.0 Updates				4 instances (22%)	2 – 62													
		COA Telemetered Limit (Dynamic Line Ratings)				3 instances (17%)	3 – 41													
		COA Commitment Constraints				2 instances (11%)	12 –16													
		AEMO have developed a Mandatory Training Completion Procedure (the Procedure) which provides guidance on operational training across WEM, NEM, and Gas operations.																		
Management has advised that while some flexibility in completion timeframes is required to balance operational demands, there is a general expectation that modules should be completed within four weeks. Notification is sent to the PSOC’s Line Manager as they approach the due date and when training becomes overdue. This expectation however, is not documented within the Procedure.																				
In addition, the procedure does not detail: - risk-based criticality criteria and completion expectations; or - roles, responsibilities, and escalation pathways for monitoring and enforcing timely completion, including consequences for non-completion.																				
In addition, roles and responsibilities for the administration and monitoring of training are not clearly defined, contributing to inconsistent oversight. This was evidenced by: - one control room operator not being recorded in the eLearning register (although this did not result in required training being missed); and - three staff who had completed training not being captured in the WEM RTO Status Report, despite being recorded in LMS training records (relating to staff on secondment or PSOCs who commenced control room duties after the relevant training was delivered).																				
Implication																				
Where eLearning modules are not completed on a timely basis, there is increased risk that PSOCs may not maintain the competencies required to effectively perform control room operations, particularly where critical training is not completed prior to undertaking control room duties. In this instance, inspection of market advisories and market reports noted no significant power system incidents occurred during the respective periods of training being overdue.																				

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status
				reflected in the Procedure (as per recommendation 1). Include an update on the status of training completion as part of monthly Controller Meetings. This will include informing Controllers of key upcoming dates to be aware of, and the reporting of overdue individuals and training.	
26 WEM 3	Issue Type Control operating issue reported by PwC Obligation ESM Rule 2.36.1(d)	AEMO did not retain evidence to support its decisions on twelve system certification qualifications, as required by AEMO's System Certification Framework In accordance with clause 2.36.1(d) of the ESM Rules, where AEMO uses software systems to perform calculations of quantities, prices or amounts defined under these Rules, AEMO must ensure that any versions of the software used by AEMO have been certified as compliant with the ESM Rules by an independent auditor. In July 2025, AEMO developed a System Certification Framework, effective immediately. Section 4.8 of the Framework, <i>Implementation of Suggested Monitoring or Controls</i>, requires that where the certifier suggests mitigations, controls or changes to the software, for a qualification identified, the decision regarding whether to implement the recommendation(s) or accept the deployment and use of the software system with those qualifications, should be recorded along with the reasoning (e.g. in an email). Inspection of the eight (8) system certifications obtained throughout the FY26 audit period identified 13 recommendations from the certifier to improve AEMO's ability to comply with the ESM Rules. These included: - Prudential and Settlements Service (PaSS) software – 10 recommendations - WEM Dispatch Engine (WEMDE) - 2 recommendations - Available Duration Gap/Electricity Storage Resource Obligation Duration Uplift Tool – 1 recommendation Sample testing across all 13 recommendations identified 12 instances where evidence was unable to be obtained to demonstrate adherence with Section 4.8 of the Framework. One recommendation, relating to the Available Duration Gap Tool, was compliant with section 4.8. Inquiry with management noted that in most cases, the qualifications represented by the independent auditor above have been historically raised as part of previous versions of the software certified. Implication Where decisions regarding the implementation of certification qualifications are not documented along with the supporting reasoning, AEMO has a reduced ability to demonstrate that risks identified by the independent certifier have been appropriately considered and addressed, and that the software used to perform calculations under the ESM Rules continues to comply with those Rules.	Compliance Rating: Level 2 Risk Rating: Low (Likelihood: Unlikely; Consequence: Minor)	Management should: - Strengthen the System Certification Framework to clarify the requirements and responsibilities for documenting decisions on certification recommendations, including the expected content and location of records. - Reiterate to relevant stakeholders the importance of documenting decisions made in response to certifier recommendations, together with the supporting reasoning, in line with Section 4.8 of the Framework. - For the outstanding 12 recommendations, formally document AEMO's decision in line with Section 4.8.	Management Response AEMO accepts this finding and recommendation. Implementation Date 31 December 2026

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status
26 WEM 4	Issue Type Control design issue reported by PwC Obligation Multiple ESM Rules	Reassess the Detective Trigger Process to determine whether supporting controls can be designed and documented in advance of trigger events, particularly for higher-criticality obligations, to support a preventative rather than reactive compliance approach AEMO has developed a Detective Trigger Process and Detective Trigger Register to capture obligations that are contingent upon a date, specific event or condition occurring. In accordance with the Process, where an obligation on the Register has not been triggered, management may postpone the identification of the key controls designed to support compliance until an event occurs that requires AEMO to comply with the obligation. In the interim, the Detective Trigger Process requires active monitoring from management on whether the defined trigger has occurred, so that a response plan may be prepared. Once an obligation has been triggered, and a process or control has been developed by management, the obligation is to be removed from the Register. Discussion with management noted that roles and responsibilities for monitoring, updating, and maintaining the Detective Trigger Register are not clearly defined or consistently understood by obligation owners. Currently, the Register is maintained within the EMM Confluence repository. As a result, there is inconsistency in how obligations are assessed, updated and removed from the Register when trigger events occur. Inspection of AEMO's Detective Trigger Register identified obligations that had been triggered and for which processes had been established, but which remained recorded within the Register, including: • Congestion Information Report (Clauses 2.27B.6 and 2.27B.7) - ref 1 • Capacity Credit Reallocation (Clause 4.23A.3) - ref 30 • Reassessment of Loss Factors (Clause 2.27.15) - ref 23 • Variations to NCESS Contracts when assigned Capacity Credits (Clause 5.3.1(b)) - ref 32 • Regulatory access to Market Surveillance Data Catalogue(Clause 2.16.2D and 2.16.2E) - ref 17, 18 No instances were identified where an obligation that should have been included in the Register had been omitted. Implication Where roles and responsibilities for maintaining the Detective Trigger Register are not clearly defined, there is increased risk in the Register being maintained in a timely, accurate and consistent manner. Whilst there is limited risk associated with obligations that remain within the Register after being triggered and a subsequent process is in place, it is good practice to ensure the Register accurately reflects the current state of AEMO's processes and controls.	Compliance Rating: Level 2 Risk Rating: Low (Likelihood: Rare; Consequence: Minor)	Management should: 1. In consultation with Risk & Compliance, investigate the ability to capture Detective Trigger Register details within the GRC, including assigning obligation accountability to an appropriate owner, to support tracking of trigger status, and enable ongoing monitoring for compliance. 2. Establish a periodic process to review obligations captured within the Detective Trigger Register, to determine if the obligation(s) should remain on the register, or have a corresponding control. Evidence of this assessment being performed should be maintained	Management Response AEMO accepts this finding and recommendation. Implementation Date 30 June 2027

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status
26 WEM 5	Issue Type Control design issue reported by PwC Obligation ESM Rule 4.28A.2 and 7.13.1E(b)	Temperature data supporting market calculations cannot be verified as reviewed for completeness and accuracy In accordance with ESM Rules 4.28A.2 and 7.13.1E(b), AEMO must record temperature data for Energy Producing Systems (including publicly available maximum daily temperatures and SCADA-measured temperatures) and publish maximum daily ambient temperature data for each relevant Facility on the WEM Website within the prescribed timeframe. Temperature data is automatically recorded within WEMS using Bureau of Meteorology data and SCADA measurements; and is relied upon to support market calculations and reporting. AEMO has developed the Temperature Data Check work instruction, which outlines the key activities to be undertaken by AEMO on a weekly basis to review the quality of temperature data. The review is intended to confirm that temperature data for the preceding Trading Week is complete and accurate. Review noted that evidence demonstrating completion of the weekly review is not retained, and the work instruction does not specify requirements for evidencing or maintaining records of review completion. Implication Where evidence of the weekly temperature data review is not retained, AEMO has reduced ability to demonstrate that temperature data used in market calculations and publication has been verified for completeness and accuracy.	Compliance Rating: Level 2 Risk Rating: Low (Likelihood: Rare; Consequence: Immaterial)	Management should: 1. Update the Temperature Data Check work instructions to document AEMO's process for evidencing completion of the weekly temperature data review 2. Reiterate to the Market Management team the importance of documenting and retaining records evidencing completion of the weekly temperature data review	Management Response AEMO accepts this finding and recommendation. Implementation Date 31 December 2026
26 WEM 6	Issue Type Control design issue reported by PwC Obligation ESM Rule 3.6.11	The UFLS 3-year review is not supported by an internal procedure to define roles and responsibilities, and factors to be considered. In accordance with ESM Rule 3.6.11, AEMO must review the Under Frequency Load Shedding (UFLS) scheme at least every three years to ensure settings remain appropriate and adequate to maintain Power System Security. The review assesses whether the existing load shedding arrangements remain fit for purpose, considering changes in system demand, generation mix and network topology. Review noted that the end-to-end execution of the UFLS 3 year review is not supported by a documented procedure covering: • Roles and responsibilities, including any reviews to be performed. • Data/inputs required, including any reconciliations/checks to perform to ensure completeness and accuracy of data used. • Key timelines for conducting and completing the review. Implication Without a documented procedure, there is increased risk of inconsistent execution of the UFLS 3-year review. This may result in incomplete or inadequate reviews, ultimately challenging AEMO's ability to maintain appropriate load shedding arrangements and Power System Security within the SWIS.	Compliance Rating: Level 2 Risk Rating: Low (Likelihood: Rare; Consequence: Minor)	Management should: Develop an internal guide to support the UFLS 3-year review process. The work instruction should, at a minimum, clearly define roles and responsibilities, factors to consider, data inputs required, and any other items deemed relevant by management.	Management Response AEMO accepts this finding and recommendation3 Implementation Date 31 December 2026.

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status
26 WEM 7	Issue Type Control design issue reported by PwC Obligation ESM Rule 7.4.32	The framework to support the review and revision of gate closure has not been formally developed and documented Gate closure in the SWIS is the deadline before a trading interval after which participants can no longer submit or amend bids, offers, or submissions for dispatch and pricing. The associated gate closure parameters define the timing of this cut-off relative to the trading interval, ensuring submissions are firm ahead of real-time delivery. In accordance with ESM Rule 7.4.32, AEMO may revise the Gate Closure by publishing on the WEM Website the revised Gate Closure, and the date and time from which the revised Gate Closure will take effect. ESM Rule 7.4.30 sets out the key criteria for a Gate Closure review, which relate to preventing significant and quantifiable risk to Power System Security and Power System Reliability (PSS/PSR). The purpose of the gate closure framework is to support AEMO's process for reviewing and, where necessary, revising gate closure parameters to ensure they remain appropriate for the effective operation of the WEM. It is acknowledged that the criteria for triggering a Gate Closure review are inherently variable, context-dependent, and may not be fully captured through prescriptive criteria. AEMO's operational teams continuously monitor for issues that may warrant a review through a range of activities. Review noted that while ESM Rule 7.4.30 outlines high-level review criteria, the framework to support the review and revision of gate closure in line with ESM 7.4.32 has not been formally developed and documented. Specifically, there is no documented guidance outlining: • High-level factors or considerations to be assessed when determining whether a Gate Closure review is warranted (recognising these are not intended to be exhaustive or prescriptive); • Clearly defined roles and responsibilities, including necessary reviews and approvals (noting approval responsibility is documented in AEMO's regulatory delegations document). Implication Where there is an absence of a formally documented framework or guidance to support the review and revision of gate closure, there is an increased risk of inconsistent processes being followed. This may lead to the inadequate review of gate closure parameters.	Compliance Rating: Level 2 Risk Rating: Low (Likelihood: Rare; Consequence: Minor)	Management should: 1. Management should develop and document high-level guidance to support the review and revision of Gate Closure parameters under ESM Rule 7.4.32. The guidance should, at a minimum: • Define roles and responsibilities for conducting a Gate Closure review (referencing existing approval delegations where applicable); • Outline high-level factors or considerations that may inform whether a review is warranted, recognising these are indicative rather than exhaustive or prescriptive; and • Acknowledge that the methodology, criteria, and timelines for any review will necessarily be tailored to the specific circumstances at the time.	Management Response AEMO accepts this finding and recommendation. Implementation Date 31 May 2027

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status
26 WEM 8	Issue Type Control design issue reported by PwC Obligation ESM Rule 3.4.4, 3.5.5, section 7.7	Formal scripts have not been developed to support the communication of Directions to Facilities by the control room, increasing the risk of inconsistent interpretation by Rule Participants Under ESM rules 3.4.4, 3.5.5 and 7.7, AEMO may issue Directions to Market Participants and Network Operators to manage and maintain Power System Security and Power System Reliability within the SWIS. Directions are a mechanism used by AEMO to direct Rule Participants to take specific actions in respect of their facilities, typically to maintain Power System Security and Reliability within the SWIS. Given Directions require Rule Participants to take specific actions, it is critical that they are communicated clearly, unambiguously, and in a manner that is readily distinguishable from regular operational correspondence. Review noted that no formal scripts are in place to support the communication of Directions to facilities. While management indicated that the control room references details captured within Market Advisory templates, this practice is not defined within any policy, procedure or training material. It is acknowledged that a script exists within the NEM Control Room. Implication Without a formal script, there is increased risk of inconsistency in how Directions are communicated and interpreted, and that Rule Participants may not readily distinguish a Direction from regular operational correspondence. This may lead to delayed or inadequate responses, ultimately impacting Power System Security within the SWIS.	Compliance Rating: Level 2 Risk Rating: Low (Likelihood: Rare; Consequence: Moderate)	Management should: 1. Leveraging materials that exist in the NEM, develop a script to support the issuance of Directions from the control room. The script should ensure Directions are clearly distinguishable from regular operational correspondence and include key information required to be communicated to the Rule Participant. 2. Once developed, incorporate the script into relevant control room procedures and training materials to ensure consistent application by all Power System Operations staff.	Management Response AEMO accepts this finding and recommendation. Implementation Date 31 December 2026
26 WEM 9	Issue Type Control design issue reported by PwC Obligation ESM Rule 3.18E	Power System Engineer (PSE) competency assessment requirements for independently approving outage plans are not documented, and peer review evidence during the shadowing period is not retained In accordance with ESM Rule 3.18E, AEMO is required to undertake an Outage Evaluation as soon as practicable following submission or revision of an Outage Plan received from the Market Participant or Network Operator. AEMO are required to notify the relevant Market Participant or Network Operator of the outcome, publish the status of the Outage Plan, and retain records of the evaluation and supporting rationale. Network Operators and Market Participants submit Outage Plans via the Market Participant Interface (MPI) within the Outage Management System (OMS). These plans are assessed by a PSE against the Outage Evaluation Criteria outlined in Outage Evaluation Criteria – Primary Network and Secondary Equipment and Outage Evaluation Criteria – Generation guidelines. As advised by management, PSEs are required to complete a formal competency-based assessment, including completion of a PSE training checklist and a period of supervised shadowing, prior to independently reviewing and approving outage plans. Review of outage plan approvals identified one individual who had not completed their formal assessment and had approved outage plans. Inquiry with management noted that this related to PSEs undergoing their shadowing period, however evidence to demonstrate peer review or oversight by a qualified PSE was not retained. • Further, review noted that these requirements are not documented. Specifically: • The requirement to complete a formal training checklist prior to undertaking independent approval activities is not robustly documented;	Compliance Rating: Level 2 Risk Rating: Low (Likelihood: Rare; Consequence: Moderate)	Management should: 1. Update the Outage Evaluation Criteria – Primary Network and Secondary Equipment and Outage Evaluation Criteria – Generation guidelines to document: • Completion requirements for training checklists; • Defined timing and structure of the shadowing period; and A process to evidence and retain peer review during the training period.	Management Response AEMO accepts this finding and recommendation. Implementation Date 30 June 2027

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status
		- While the training checklist references a shadowing period, it does not define the timing or duration of the shadowing period; and - There is no process to evidence, retain or review peer review performed during the training period. Implication Without a formally documented PSE training framework, there is an increased risk that outage plans may be approved by PSEs who have not demonstrated the required level of competency, which may result in incorrect approval decisions. Further, without evidence of peer review or shadowing being maintained, there is limited ability for AEMO to demonstrate appropriate oversight.			

Appendix B.2 – Wholesale Electricity Market – Findings reported by Management – 1 July 2025 to 30 June 2026

AEMO's Risk & Compliance team is responsible for verifying the status of non-compliances reported by Management to ensure that remediation actions have been implemented and closed. All Management identified non-compliances are reported by Risk & Compliance to the FRAC on a quarterly basis. For Management reported findings, PwC have relied on the information provided in the compliance breach forms and the status per Management representation.

The following table is a summary of Management identified non-compliances reported to the AEMO Finance Risk and Audit Committee.

No.	Obligation	Finding	Compliance rating	Rating as reported by Management	Breach form completed	Breach form reference	Status as reported by Management
26 WEM 10	ESM Rule 10.2.2(b)	A settlement statement invoice was incorrectly sent to another Market Participant	Level 1	Low	Yes	CCS0002154	Closed
26 WEM 11	ESM Rule 3A.10.6	Confidential Generator Performance Standard (GPS) data was provided to the Economic Regulation Authority	Level 1	Low	Yes	CCS0002186	Closed
26 WEM 12	ESM Rule 4.1.23C	Indicative Individual Reserve Capacity Requirements were not made available to Market Participants for a respective month	Level 1	Low	Yes	CCS0002216	Closed
26 WEM 13	ESM Rule 9.14.1	Settlement statements were unable to be access by Market Participants for two days	Level 1	Low	Yes	CCS0002217	Closed
26 WEM 14	ESM Rule 6.3B.2(c)	A Short Term Energy Market (STEM) submission for one Market Participant was incorrectly converted above the price ceiling	Level 1	Low	Yes	CCS0002220	Open
26 WEM 15	ESM Rule 1.65.3	AEMO's published annual report did not include an annual statement of cash flows and a statement of financial position for Western Australian operations for FY25	Level 1	Medium	Yes	CCS0002235	Closed
26 WEM 16	ESM Rule 4.28.11A	The December 2024 Adjustment 3 Individual Reserve Capacity Requirement was calculated early and did not include all required trading intervals	Level 1	Low	Yes	CCS0002272	Closed
26 WEM 17	ESM Rule 2.37.1	Credit limit letters were issued late to two Market Participants	Level 1	Low	Yes	CCS0002275	Closed
26 WEM 18	ESM Rule 2.40.2	Trading margins for all Market Participants within the WEM Market Participant Interface were incorrectly calculated for one day due to incorrect meter data	Level 1	Low	Yes	CCS0002281	Closed
26 WEM 19	ESM Rule 2.16.2B	Delays for new facilities were not uploaded to the Market Surveillance Data Catalogue within the deadline	Level 1	Low	Yes	CCS0002293	Closed
26 WEM 20	ESM Rule 2.16.2	An incorrect loss factor was applied for a Market Participant settlement calculation	Level 1	Low	Yes	CCS0002333	Open
26 WEM 21	ESM Rule 2.31.10.	AEMO did not respond to a Market Participant within 20 business days for an intermediary exemption application	Level 1	Low	Yes	CCS0002326	Closed
26 WEM 22	ESM Rule 9.10.3D	AEMO did not correctly calculate the Real Time Market dispatch costs based on Real Time Market Offers for Registered Facilities, due to incorrect WEMDE outputs	Level 1	Low	Yes	CCS0002349	Closed
26 WEM 23	ESM Rule 4.28.11A	The May 2025 Adjustment 3 Individual Reserve Capacity Requirement was calculated early and did not include all required trading intervals	Level 1	Low	Yes	CCS0002350	Closed

No.	Obligation	Finding	Compliance rating	Rating as reported by Management	Breach form completed	Breach form reference	Status as reported by Management
26 WEM 24	ESM Rule 6.3A.5(c)	The RCOQ was not published by AEMO by the due date	Level 1	Low	Yes	CCS0002351	Closed
26 WEM 25	ESM Rule 9.3.1	The Settlement Cycle Timeline published did not include all required Trading Weeks	Level 1	Low	Yes	CCS0002359	Closed
26 WEM 26	ESM Rule 4.28.4	Supplementary Capacity payments were incorrectly calculated for Registered Facilities	Level 1	Low	Yes	CCS0002364	Closed
26 WEM 27	ESM Rule 2.40.2	Incorrect meter data was used to calculate the Prudential Risk Report	Level 1	Low	Yes	CCS0002368	Closed
26 WEM 28	ESM Rule 4.26.2AD(b)	The STEM Capacity Adjusted Planned Outage and Capacity Adjusted Forced Outage values were incorrectly calculated by AEMO	Level 1	Low	Yes	CCS0002369	Open
26 WEM 29	ESM Rule 4.12.5(e)	Opportunistic Outages were not included in the Capacity Adjusted Planned Outage calculation by AEMO	Level 1	Low	Yes	CCS0002371	Open
26 WEM 30	ESM Rules 6.3A.3(c), 6.3A.3(f)	Incorrect Loss Factors were utilised for 2 months for a Rule Participant	Level 1	Low	Yes	CCS0002372	Open
26 WEM 31	ESM Rule 4.13.13(a)	Reserve Capacity Security was not returned to Rule Participants in the relevant Capacity Year	Level 1	Low	Yes	CCS0002378	Open
26 WEM 32	ESM Rule 3.7.28	AEMO did not publish a call for submissions for the provision of System Restart Service within the required timeframe.	Level 1	Low	Yes	CCS0002385	Open
26 WEM 33	ESM Rule 4.26.1E, 4.26.1F	Incorrect Facility Reserve Capacity Deficit Refunds were calculated	Level 1	Low	Yes	CCS0002407	Open
26 WEM 34	ESM Rule 7.11C.3	AEMO did not publish Affected Dispatch Interval reports within the required timeframe	Level 1	Low	Yes	CCS0002410	Open
26 WEM 35	ESM Rule 3.6.11	The UFLS review was not completed within 3 years of the previous review	Level 1	Low	Yes	CCS0002413	Open

Appendix B.3 – Wholesale Electricity Market – Summary of prior year findings reported by PwC

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status	FY26 Status
25 WEM 1	Issue Type Non-compliance reported by PwC Obligation ESM Rules 9.18.1	AEMO published, and then rectified, incorrect settlement statements for one trading week In accordance with ESM Rule 9.18.1, AEMO must issue invoices to Rule Participants in accordance with the timelines specified under clauses 9.3.3 and 9.15.6. Review noted that initial invoices related to the Trading Week beginning 1 December 2024, published on 2 January 2025, contained significant errors in settlement outcomes. Specifically, the invoices for 10 Rule Participants across 25 facilities were impacted by up to \$500k, due to the impact of missing Reserve Capacity Obligation Quantities (RCOQ) for four trading days. The error was identified by the Prudentials and Settlements team on the same day as publication as part of invoicing post-publication verification. Accordingly, AEMO withdrew the previously published invoices on 2 January 2025, and re-issued invoices on 3 January 2025 following the WA Capacity Investment & Assessment recalculating RCOQ for the missing periods, resulting in a non-compliance with the WEM Settlement Cycle Timeline by one business day. Discussion indicated that while management were aware of this incident, at the time of fieldwork it had not followed AEMO's breach reporting process. Management indicated that they were in the process of determining the root cause of the RCOQ error and intended to complete their investigation in full prior to self-reporting the breach to the Risk and Compliance team. Implication It is acknowledged that in this instance, the issuance of a WEM Market Message to inform the market was made by AEMO in a timely manner. However, where invoices are published with material errors and are not identified in a timely manner, there is an increased risk of impacting a Rule Participants' cashflows, which may impact stakeholder confidence and AEMO's reputation.	Compliance Rating: Level 1 Risk Rating: Low (Likelihood: unlikely; Consequence: Minor)	Management should: 1. Review current settlement verification processes to identify the ability to detect errors in RCOQ prior to processing and publishing invoices. 2. Identify which teams across AEMO are responsible for settlement inputs. Once identified, the responsible team (with consultation with P&S) should identify detective controls (and other validating activities) to ensure inputs into the Settlement process are accurate and complete in nature.	Management Response AEMO accepts this finding and recommendation. Implementation Date 30 June 2026	Status: Closed Management have developed the WEM Verification Work Instruction to support key activities to verify draft settlement statements, which includes checks for detecting errors in RCOQ. Further, and to support the Work Instruction noted above, Prudentials and Settlements conducted an exercise to identify which teams across AEMO are responsible for settlement inputs and captured within confluence. It was noted that although the teams and business owners are identified, each individual team is now responsible for identifying detective controls.
25 WEM 2	Issue Type Non-compliance reported by PwC Obligation ESM Rules 7.2.7	Constraints that were relaxed to achieve optimal dispatch outcomes were not published completely on the AEMO website In accordance with clause 7.2.7 of the ESM Rules, AEMO must as soon as practicable after the end of each quarter, publish on the WEM Website a report summarising the total number, frequency and type of Constraints that were relaxed. AEMO may "relax" Constraints used in the Central Dispatch Process in order to resolve infeasible dispatch solutions. Review identified that AEMO has a process to automatically extract information on relaxed constraints from the Wholesale Electricity Market Dispatch Engine (WEMDE) into a database (SolutionSlackVariables). However, only 4 of 42 relaxed constraint types were published on the AEMO Website in FY25 at the time of fieldwork.	Compliance Rating: Level 1 Risk Rating: Low (Likelihood: unlikely; Consequence: Minor)	Management should: 1. Following completion of the August WEMDE Release (3.1.5), management should validate that the SolutionSlackVariables database table includes all relaxed constraints and are included in the quarterly Relaxed	AEMO accepts this finding and recommendation. Implementation Date 31 December 2025	Status: Closed Following the WEMDE Release (3.1.3) in August 2025, management have updated the relevant database tables, including SolutionSlackVariables, to ensure all relaxed constraints are captured. From Q4 2025, all relaxed constraints have been included in the quarterly Relaxed Constraints

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status	FY26 Status
		The root cause of the above was due to a limitation in technology. Discussion with management indicated that a business decision was made to limit the number of constraints that are captured within this database due to the amount of storage required, and consequently the relaxed constraints published on the AEMO website are incomplete. Management have indicated that a change will be made in the upcoming August WEMDE Release (3.1.5) to address this issue. Implication Where AEMO do not publish all data required for relaxed constraints, rule participants and other users of the report will not obtain a complete view of all relaxed constraints within the respective quarter.		Constraints Report.		Reports.
25 WEM 3	Issue Type Non-compliance reported by PwC Obligation ESM Rules 2.16.1, 2.16.2, 2.16.2B, and 2.16.3	The Market Surveillance Data Catalogue and supporting Data Dictionary are incomplete, and are under development to meet the requirements of the ESM Rules In accordance with ESM Rule 2.16.2, AEMO must develop and maintain the Market Surveillance Data Catalogue (MSDC), which details data to be compiled concerning the market. AEMO must provide access to all items within the MSDC to the Coordinator and the Economic Regulation Authority (ERA) (ESM Rule 2.16.2B) and develop a 'data dictionary' to explain the data captured in the MSDC (ESM Rule 2.16.3). Throughout FY25 AEMO has been in consultation with the ERA and Energy Policy WA (EPWA), who have informed AEMO of issues with the completeness and integrity of data included in the MSDC and data dictionary. This represents a non-compliance with ESM Rules which require that AEMO develop a MSDC and publish a data dictionary. AEMO has created the MSDC 2.0 Project Working Group to address the issues reported by the ERA and EPWA. Implication Where there is an incomplete MSDC and supporting data dictionary in place, there is increased difficulty for the Coordinator, ERA, Rule Participants and the public to locate and access specific market data that is contained in AEMO's WEM Systems, which may be required to support operational and regulatory activities.	Compliance Rating: Level 1 Risk Rating: Low (Likelihood: unlikely; Consequence: Minor)	Management should: Complete the MSDC 3.0 Project to support meeting the requirements of the ESM Rules and the expectations of ERA/EPWA	Management Response AEMO accepts this finding and recommendation. Implementation Date 1 June 2026	Status: Closed Management have completed the MSDC 3.0 Implementation Assessment released in November 2025.
25 WEM 4	Issue Type Non-compliance reported by PwC Obligation ESM Rule 7.11.6(e)	There were Market Advisories published by AEMO that did not include all information required of the ESM Rules AEMO must inform Rule Participants and the public of current or impending situations that could affect power system security or reliability, or the operation of market processes, which may be published in the format of a Market Advisory. These are typically published by Power System Operations or Real-Time Market Monitoring staff. In accordance with ESM Rule 7.11.6, AEMO must publish minimum information within a Market Advisory, including (specifically for 7.11.6(e)) the latest time at which AEMO would need to intervene through an AEMO Intervention Event should the response from Market Participants not be such as to obviate the need	Compliance Rating: Level 1 Risk Rating: Low (Likelihood: rare ; Consequence: Moderate)	Management should: Review the Market Advisory template to validate it includes data fields to be populated in line with ESM Rule 7.11.6. If changes are made to the Market Advisory template, communicate any updates to the	Management Response AEMO accepts this finding and recommendation. Implementation Date 30 November 2025	Status: Closed Management have updated the Market Advisory template to align with ESM Rule 7.11.6 requirements. Missing data fields have been identified and updated to address gaps. A link to the Market Advisory templates are stored

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status	FY26 Status
		for the AEMO Intervention Event. Sample testing was performed for sixteen (16) Market Advisories to check that information published met the requirements of ESM Rule 7.11.6. Sample testing identified two instances whereby a Market Advisory was issued, however, it did not include the required information as per 7.11.6(e). Each instance related to the Direction of a Rule Participant by AEMO. Implication Where Market Advisories do not include relevant information as per the ESM Rules, there is increased difficulty for Rule Participants and the public to understand the current or upcoming state of the Wholesale Electricity Market. This may limit their ability to make informed decisions in respect to their operational activities.		relevant staff across AEMO that may publish a Market Advisory.		within the WEM RTO – Real Time Operations Confluence page and SharePoint folder and is accessible to relevant staff.
25 WEM 5	Issue Type Non-compliance reported by PwC Obligation ESM Rule 8.3.4	AEMO did not provide the Metering Data Agent notification of acceptance of the Facility registration application As per ESM Rule 8.3.4, if AEMO accepts a Facility registration or Facility deregistration, it must notify the Metering Data Agent for the relevant Network. Through our sample testing of one Facility registration application, it was identified that AEMO successfully accepted the registration of a Scheduled Facility, [name redacted] in February 2025. Upon request from PwC, management was unable to provide evidence to demonstrate communication was made with the Metering Data Agent (Western Power), once the facility registration was accepted. Inspection performed by PwC confirmed that AEMO agreed the accuracy of Meter Registry information with Western Power prior to accepting the facility registration (as required per ESM Rule 8.3.2), limiting the risk of operational or financial impacts to the Wholesale Electricity Market through non-compliance with ESM Rule 8.3.4. Implication It is acknowledged that no operational or financial impacts have been noted in respect to [name redacted] within the audit period, and this issue represents a technical non-compliance with the ESM Rules.	Compliance Rating: Level 1 Risk Rating: Low (Likelihood: Unlikely; Consequence: Minor)	Management should: 1. Develop a tracker to monitor and support the timeliness of all registration activities, from the point of application, through to acceptance/rejection by AEMO. This tracker should include who is responsible at each stage and include consideration to AEMO's Delegations. 2. Explore opportunities to utilise systems to support the timeliness and completion of registration activities, as well as assisting in evidencing work performed and approvals obtained (e.g Jira, ServiceNow, etc)	Management Response AEMO accepts this finding and recommendation. Implementation Date 30 June 2026	Status: Closed Management provided evidence of a tracker developed to monitor and support the timeliness of all registration activities, from the point of application through to acceptance/rejection by AEMO. The tracker includes identification of who is responsible at each stage and incorporates consideration of AEMO's Delegations. Further, management conducted analysis exploring opportunities to utilise systems (e.g. Jira, excel-based trackers) to support the timeliness and completion of registration activities. The analysis assessed suitability based on task complexity, standardisation and repeatability, with management identifying improvement of tracker utilisation is required before considering Jira implementation.

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status	FY26 Status										
25 WEM 6	Issue Type Control Operating issue reported by PwC Obligation Multiple	AEMO’s key control activities to support compliance with the ESM Rules have not been fully defined and documented in line with AEMO’s Control Standard AEMO’s Controls Standard (December 2024) outlines the methodology and key control attributes for complying with regulatory obligations. The Controls Standard applies to all systems, processes and personnel engaged in the operation of energy markets. Section 8 of the Controls Standard requires that descriptions of controls: - Clearly define the attributes of the control activity such as who performs the control, what they perform, when it is performed, and why it is performed. - Define the level of automation of the control. - Identify whether the control is designed to prevent or detect non-compliances. - Identify an owner accountable for the effective operation of the control. AEMO’s obligation and control register for the ESM Rules contains a total of 995 obligations, comprising 75 ‘Major’, 728 ‘Moderate’, 165 ‘Minor’, 3 ‘Immaterial’ and 24 ‘TBC’ rated obligations in-scope for the market audit. Of the 75 obligations assessed by management as ‘Major’, analysis of the obligation and controls register identified 54 unique controls documented to support compliance. Of these, the following was identified: <table><tr><th>Controls Standard Requirement</th><th>Comments</th></tr><tr><td>Clearly define the details of the control activity (i.e. the why, what, where, who, when, how)</td><td>24 instances (out of 54) where control attributes were not captured in full</td></tr><tr><td>Define the level of automation of the control (e.g. automated or manual)</td><td>In all 54 instances, the level of automation was not documented</td></tr><tr><td>Identify whether the control is designed to prevent non-compliances or detect them</td><td>In all 54 instances, the control type was not defined</td></tr><tr><td>Identify an owner accountable for the effective operation of the control</td><td>4 instances (out of 54) where an accountable owner had not been assigned</td></tr></table> It is acknowledged that a Compliance Transformation Blueprint has been rolled out with a multi-year program, which is intended to ensure key controls and their supporting attributes are captured completely and accurately within AEMO’s new GRC system. The Controls Standard was subsequently communicated by Risk & Compliance in July 2025 as part of the GRC technology implementation. However, as at the time of reporting this is yet to be applied in practice, with controls informally documented during FY25. Implication Where key controls have not been adequately defined and documented, there is an increased risk that the control may not be effectively implemented (i.e. as they have not been subject to review or corresponding monitoring activities), leading to potential non-compliance. Further, it may be difficult for AEMO to demonstrate their activities to support compliance, in the event of an incident.	Controls Standard Requirement	Comments	Clearly define the details of the control activity (i.e. the why, what, where, who, when, how)	24 instances (out of 54) where control attributes were not captured in full	Define the level of automation of the control (e.g. automated or manual)	In all 54 instances, the level of automation was not documented	Identify whether the control is designed to prevent non-compliances or detect them	In all 54 instances, the control type was not defined	Identify an owner accountable for the effective operation of the control	4 instances (out of 54) where an accountable owner had not been assigned	Compliance Rating: Level 2 Risk Rating: Medium (Likelihood: Rare; Consequence: Major)	Management should: 3. Develop a plan (in consultation with Risk & Compliance) to document and capture key controls in the new GRC system. A risk-based approach should be considered to ensure higher rated obligations and their respective controls are prioritised. Based on the plan above, review and update control documentation and undertake periodic monitoring and reporting over the implementation status (for example, to the Risk and Compliance team). Any delays to the Plan should be communicated in a timely manner with Risk & Compliance. Assign ratings to the 24 ‘TBC’ rated obligations	Management Response AEMO accepts this finding and recommendation. Implementation Date 30 June 2026	Status: Closed Management has developed a plan, in consultation with Risk & Compliance, to uplift and document key controls in the GRC system in line with the Controls Standard. Supporting guidance has been developed to assist the business in reviewing and redrafting controls. Implementation of the plan has commenced, including initial uplift activities and periodic reporting of these activities. Review and update of control documentation, along with periodic monitoring and reporting of implementation status will be performed in line with the developed plan.
Controls Standard Requirement	Comments															
Clearly define the details of the control activity (i.e. the why, what, where, who, when, how)	24 instances (out of 54) where control attributes were not captured in full															
Define the level of automation of the control (e.g. automated or manual)	In all 54 instances, the level of automation was not documented															
Identify whether the control is designed to prevent non-compliances or detect them	In all 54 instances, the control type was not defined															
Identify an owner accountable for the effective operation of the control	4 instances (out of 54) where an accountable owner had not been assigned															

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status	FY26 Status
25 WEM 7	Issue Type Control design issue reported by PwC Obligation Multiple	There is limited evidence maintained to support the review performed for the PSO Controller progression assessment. As part of WEM Real-Time Operations (RTO), the Power System Operations Controller (PSOC) role requires individuals to demonstrate competency across key operational processes, including power system operation, generation, dispatch, security operations, and outage assessment. As per the PSOC progression framework, there are seven levels, from Level 1 (Initial Appointment) to Level 7 (Security and Generation Dispatch Consolidation). The skills and responsibilities to be demonstrated by a controller for progression to Level 7 (L7) are outlined in the 'WEM Consolidation & Progression to PSOC L7 – Guideline'. In addition, the 'WEM RTO Skills Assessment Matrix' lists examples of evidence that may support the assessment (e.g. system event reports, peer feedback, and operational experience). The Guideline and Matrix do not require supporting evidence to be maintained to support the assessment of L7 PSOC skills. Throughout FY25, there were four successful progressions from L6 to L7. Testing of all progressions noted evidence of endorsement from the Progression Panel, however there was no documented reasoning in respect to the listed criteria within the Guideline. Implication Where there is an absence of documentation to support the assessment and decision-making process for controller progression, this limits traceability in the progression process which may restrict the ability to demonstrate that decisions are made consistently and in accordance with the defined competency criteria.	Compliance Rating: Level 2 Risk Rating: Low (Likelihood: Unlikely; Consequence: Minor)	Management should: 1. Update the WEM Consolidation & Progression to PSOC L7 - Guideline to include a requirement for the progression panel to document their assessment against defined criteria, and to retain records to support progression decisions. 2. Explore opportunities to incorporate an automated approval flow for endorsement of progression.	Management Response AEMO accepts this finding and recommendation. Implementation Date 31 December 2025	Status: Closed Management have updated the WEM Consolidation and Progression to PSOC L7 Guideline, for the inclusion of the progression panel to document their assessment against defined criteria, and retain records to support progression decisions. These are included under Section 6.2 'Assessment materials' which are to be collated and saved within the WEM RTO Training SharePoint site for each individual. Management have informed that supporting evidence mapped to the PSOC L7 criteria are considering options for automation.
25 WEM 8	Issue Type Control design issue reported by PwC Obligation ESM Rules 5.3.1, 5.3.2	The internal work instruction to support the calculation impact of Capacity Credits on Non-Co-optimised Essential System Services contracts should be updated to reflect current practices performed by management In accordance with WEM Rule 5.3.1: • where a Market Participant that has entered into a Non-Co-optimised Essential System Services (NCESS) contract with AEMO in respect of a Facility, and is assigned Capacity Credits for the Facility in a Reserve Capacity Cycle that coincides with the period of the NCESS Contract, then AEMO must vary the payment terms of the NCESS Contract. • The total payment under the NCESS Contract should be reduced by the value of the total amount of the expected Capacity Credit payments to be paid to the relevant Market Participant for that Reserve Capacity Cycle. • Any revised payment terms are to be applied in the next Settlement Statement. To support this process, the 'NCESS New Contract and Process Creation' work instruction defines the process to develop new NCESS contracts. In addition, a	Compliance Rating: Level 2 Risk Rating: Low (Likelihood: Rare; Consequence: Minor)	Management should: 1. Update the current internal work instruction to define the calculation, application and review processes for the Excel tool for calculating payment variations under NCESS contracts. 2. This should include (at a minimum) clearly defined roles and responsibilities and outline documentation	Management Response AEMO accepts this finding and recommendation. Implementation Date 1 October 2025	Status: Closed Management have updated the internal work instruction: NCESS Capacity Credit Interactions, to reflect current practices for calculating payment variations under NCESS contracts using the Excel tool. Roles and responsibilities are clearly defined, and documentation requirements have been established to maintain evidence of calculations,

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status	FY26 Status
		spreadsheet tool has been developed to calculate the impact of Capacity Credits on NCESS contracts, in which results are to be communicated and peer-reviewed via email. However, the work instruction does not include guidance to support the calculation, application, and review processes of the spreadsheet tool. Four NCESS contracts have become active in FY25, including one contract being assigned capacity credits in a Reserve Capacity Cycle that coincides with the period of the NCESS contract. In line with AEMO's process, a peer review was completed with evidence of review retained. Implication Where documented guidance for NCESS-related processes do not accurately reflect current activities performed by management, there is an increased risk of key person dependency and inconsistent processes being followed. This may lead to incorrect billing and settlement of the affected rule participant(s).		requirements to maintain evidence of calculations, peer reviews, and approvals to ensure traceability.		peer reviews, and approvals. Updated work instructions are stored on the Energy Market Management Confluence page
25 WEM 9	Issue Type Control design issue reported by PwC Obligation WEM Rules 2.13.16 and 2.13.17	AEMO's review of Tolerance Ranges is not supported by an internal work instruction In accordance with WEM Rules 2.13.16 and 2.13.17, on a frequency deemed necessary by AEMO, AEMO may determine a Tolerance Range for acceptable deviations by facilities for targeted electricity outputs within the South-West Interconnected System (SWIS). The most recent Tolerance Range review was conducted in December 2022 and included Facility Tolerance Ranges under the WEM Rules for 2022. Management attests that they are planning a Tolerance Range Review for late 2025, given the significant changes in the SWIS since the last Review was performed. Review noted that there are no internal work instructions in place to support the calculation, reassessment, and review of Tolerance Ranges. Work instructions could include: - Processes to monitor the need for a Tolerance Range Review to be triggered by AEMO. - Related obligations that AEMO are required to comply with. - Roles and responsibilities throughout the Review process, including any reviews and approvals to be performed prior to publishing. - Data/inputs required to be obtained, including any reconciliations/checks to perform to ensure completeness and accuracy of data used. - Key timelines to be considered. Implication Where there is an absence of documented processes to support the monitoring, review and calculation of Tolerance Ranges, there is an increased risk of key person dependency, and miscalculation of Tolerance Ranges in line with AEMO's risk appetite. Incorrect or inappropriate calculation of Tolerance Ranges may lead to increased challenge in maintaining Power System Security.	Compliance Rating: Level 2 Risk Rating: Low (Likelihood: Rare; Consequence: Minor)	Management should: - Develop and formalise internal work instructions that align with the current Tolerance Range review process performed. - The work instructions should, at a minimum: - Outline steps to monitor the need to trigger a Tolerance Range review; - Clearly define roles and responsibilities, including necessary review and approvals; - Identify data inputs and criteria essential for the assessment; - Set clear timelines for conducting and completing the review process	Management Response AEMO accepts this finding and recommendation. Implementation Date 31 December 2025	Status: Closed Management have developed and formalised an internal procedure and supporting work instructions to support the Tolerance Range Review process. A Tolerance Range Review was conducted, with outcomes published in May 2026. The procedure and work instructions will be applied on an ongoing basis to support future reviews.

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status	FY26 Status
25 WEM 10	Issue Type Improvement opportunity reported by PwC Obligation WEM Rules 9.20.6	The process to calculate the default levy following a rule participant's payment default is manual and management should explore opportunities to automate the calculation. In accordance with ESM reference 9.20.6, if after five Business Days following a Payment Default, AEMO is yet to recover in full the overdue amount, then it must raise a Default Levy from all Market Participants (other than from Market Participants with unrecovered Payment Defaults) to cover the remaining shortfall (including interest calculated in accordance with clause 9.18.7). While there have been no instances identified where payments were not recovered from Rule Participants in FY25, there has been an increase in suspension events and subsequently cure notices being issued in the WEM, and this trend may increase if wholesale energy prices continue to rise, and more Rule Participants join the WEM. Review noted that the process to calculate the default levy for recovering overdue amounts after a participant's payment default is complex and manual, and includes calculation of interest charged using the Bank Bill Swap Rate (BBR) on the default levy amount. Management has not explored opportunities to automate the calculation, such as through dedicated software solutions or macro-enabled spreadsheets. Implication Where there is reliance on a manual process for calculating the default levy and associated interest, there is increased inefficiency and risk of human error in financial calculations. This could lead to the incorrect default levy amounts being charged to Rule Participants, resulting in reputational and financial consequences.	Compliance Rating: Level 3 Risk Rating: Low (Likelihood: Unlikely; Consequence: Minor)	Management should: 1. Investigate automated (or partially automated) solutions to calculate the default levy calculation process and interest utilising real-time data inputs including Bank Bill Swap Rates.	Management Response AEMO accepts this finding and recommendation. Implementation Date 30 June 2026	Status: Closed Management have informed that calculations for default levy have been investigated to partially automate. Prudentials & Settlements Manager has included the opportunity to automate the default levy calculation to their inter process improvement list to further investigate and implement automated functions where possible.
24 WEM 6	Issue Type Noncompliance reported by PwC Obligation WEM Rules 3.17.1, 3.17.4, 3.17.6	The Low Reserve Condition Declaration Procedure has not yet been updated, requiring the Pre-WEM Lack of Reserve framework to be used in practice to declare instances of insufficient capacity to meet demand In accordance with WEM Rule 3.17.1, AEMO may declare a Low Reserve Condition in accordance with the Low Reserve Condition Declaration Procedure (LRCD Procedure), when there is a risk of: - Insufficient capacity to meet expected energy demand; - Load shedding in order to maintain Power System Security; or - An Essential System Service shortfall that compromises AEMO's ability to maintain Power System Security or Power System Reliability. As identified and reported by management (Ref 891), AEMO had not developed the LRCD Procedure by 1 October 2023, as it relies on the completion of upstream WEM-Reform projects including ST/MT PASA, and Reliability Standard Implementation. Consequently, AEMO have applied the principles and requirements from the Lack of Reserve Framework (i.e. the pre-WEM Reform framework) to guide the declaration and remediation actions in the instance of supply and demand imbalances. Throughout the WEM Reform period (1 October 2023 to 30 June 2024), there	Compliance Rating: Level 1 Risk Rating: Low (Likelihood: Unlikely; Consequence: Minor)	Management should: 1. Formalise the LRCD Procedure. Ensure any processes to manage supply and demand imbalances are reviewed and updated (where required) to meet the requirements of the LRCD Procedure.	Management Response AEMO accepts this finding and recommendation.	Status: Closed Management and AEMO Procedure Change Working Group (APCWG) have approved the updated LRCD WEM Procedure on 3 July 2025 and published the procedure on the AEMO website.

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments / Implementation Status	FY26 Status
		have been 33 instances of a Lack of Reserve being declared by AEMO, however none have resulted in load shedding (or other significant market events). Implication While management has adopted the previous Lack of Reserve Framework to address Low Reserve Conditions, the failure to implement the processes as per the LRCO Procedure represents a technical non-compliance with the Rule requirements. It is acknowledged that no Lack of Reserve conditions have resulted in load shedding scenarios for the period under review.				

Appendix B.4 – Wholesale Electricity Market – Summary of prior year findings reported by Management

No.	Obligation	Finding	Compliance rating	Rating as reported by Management	Breach form completed	Breach form reference	Status as reported by Management
25 WEM 12	ESM Rule 2.22A.7(b)	AEMO did not include the annual forecast statement of cash flows or a forecast statement of financial position for FY25.	Level 1	Low	Yes	CCS0002306	Open - Overdue
25 WEM 15	ESM Rule 3.2.8(c)	The WEM Procedure for FCESS Accreditation has not been designed to consider droop settings for multiple FCESS providers.	Level 1	Low	Yes	1008	Closed
25 WEM 16	ESM Rule 4.26.2CA	The Relevant Demand of a Demand Side Programme for a Trading Day was incorrectly calculated for a Rule Participant.	Level 1	Low	Yes	1014	Closed
25 WEM 18	ESM Rule Appendix 5, Step 3	The Indicative Individual Reserve Capacity Requirement was calculated incorrectly for a Market Participant	Level 1	Low	Yes	CCS0002005	Closed
25 WEM 23	ESM Rule 2.22A.8	AEMO's Annual Report does not adhere to ERA Guidelines	Level 1	Medium	Yes	CCS0002089	Open - Overdue
25 WEM 28	ESM Rule 10.2.2(b)	Confidential information of a Market Participant was released .	Level 1	Low	Yes	CCS0002122	Closed
25 WEM 29	ESM Rule 7.11D.3(a)i.	AEMO resumed the market with less than 2 hours notice and did not recommence at the start of a Trading Interval	Level 1	Low	Yes	CCS0002133	Closed
25 WEM 30	ESM Rule 6.3A.3	Incorrect loss factors were used in STEM	Level 1	Low	Yes	CCS0002135	Open - Overdue
25 WEM 31	ESM Rule 9.9.10(b)	Incorrect inclusion of zero and negative quantity tranches in Marginal Offer Price calculations	Level 1	Low	Yes	CCS0002161	Closed
25 WEM 32	ESM Rule 9.10.3E	The Facility Performance Factor was missed and not applied to RTM Base Compensation (FCESS Cost Review changes)	Level 1	Low	Yes	CCS0002165	Closed
25 WEM 33	ESM Rules 7.8.5B, 7.8.6 7.8.6A	Failure to use same inputs for Scenarios	Level 1	Low	Yes	CCS0002168	Open
25 WEM 34	ESM Rules 2.32.7BA(b) and (c)	AEMO did not issue a Registration Correction notice upon identifying a Market Participant becoming insolvent	Level 1	Low	Yes	CCS0002208	Open - Overdue
25 WEM 35	ESM Rules 2.32.7BA (b) and (c)	AEMO did not issue a Registration Correction notice upon identifying a Market Participant becoming insolvent	Level 1	Low	Yes	CCS0002209	Closed
25 WEM 36	ESM Rule 9.8.3(d)	Incorrect Input used into Supplementary Capacity payments calculations for Market Participant [name redacted].	Level 1	Low	Yes	CCS0002219	Closed

No.	Obligation	Finding	Compliance rating	Rating as reported by Management	Breach form completed	Breach form reference	Status as reported by Management
24 WEM 11	WEM Rule 2.22A.8	AEMO's published annual report for FY23 did not adhere to the new ERA Guidelines.	Level 1	Low	Yes	CCS0002299	Open – Overdue
24 WEM 13	WEM Rule 3.7.30	AEMO did not develop, maintain and publish a standard form contract for the provision of a System Restart Service, including undertaking stakeholder consultation prior.	Level 1	Low	Yes	CCS0002300 (Historical 879)	Open
24 WEM 19	WEM Rule 3.16.8	MT PASA report was not published on time.	Level 1	Low	Yes	CCS0002301 (Historical 886)	Open – Overdue
24 WEM 22	Multiple	AEMO failed to develop multiple WEM Procedures by 1 October 2023.	Level 1	Low	Yes	CCS0002302 (Historical 890)	Open - Overdue
24 WEM 57	WEM Rule 3.17.2	No Low Reserve Condition Report was published in accordance with clause 3.17.3	Level 1	Low	Yes	977	Closed
23 WEM 37	2.22A.7(b)	AEMO issued the FY24 Budget which did not include information required by the Regulatory Reporting Guidelines (an annual forecast statement of cashflows and a forecast statement of financial position).	Level 1	Low	Yes	CCS0002298 (Historical 858)	Open - Overdue

Appendix B.5 – Information Technology – Summary of findings

There were 12 new findings, comprising 6 Medium and 6 Low rated Information Technology findings reported by PwC for the year ended 30 June 2026. In addition, 5 findings raised in prior periods remained open, comprising of 3 Medium and 2 Low rated findings. These findings have the potential to impact a range of markets and systems across AEMO, including the WEM and GSI.

The new findings related to logical access (2 Medium, 1 Low), physical access (1 Medium), and IT operations (3 Medium, 5 Low). No findings were identified regarding change management and program development.

17 observations identified in prior periods were closed in FY26.