

PILBARA ISOCO BUDGET AND FEES

2024-25

1. Introduction and Overview

The Pilbara ISOC Co (ISO) is a not-for-profit company limited by guarantee, appointed by Government to perform the role of the independent system operator under the Pilbara electricity regime. Its current members are the three main network service providers (NSPs) in the North-West Interconnected System: Horizon Power, APA and Rio Tinto.

The ISO receives no ongoing Government funding but recovers its operating and capital expenses through fees levied on participants. Each fee is limited to recovering the costs of providing the service.

The ISO budget and fees are set under Subchapter 4.5 of the Pilbara Networks Rules (Rules) and the Interim Budget and Cost Management Procedure (Procedure).

The Rules require the fees to be consistent with the Pilbara Electricity Objective and to only include costs which would be incurred by a prudent person, acting efficiently and seeking to achieve the lowest practicably sustainable cost of performing its functions.

This document outlines the 2024-25 Budget, as required to perform the functions of the ISO as outlined in Chapter 2 of the Rules, which include:

- (a) Maintain and improve system security
- (b) Administer exemptions
- (c) Develop and administer procedures
- (d) Administer protocol framework
- (e) Manage registration and publish information
- (f) Manage visibility regime
- (g) Manage the power system model
- (h) Undertake budgeting
- (i) Determine loss factors
- (j) Oversee generation adequacy regime
- (k) Undertake system coordination
- (l) Through the ISO control desk, participate in system operations
- (m) Undertake post-incident investigations
- (n) Procure essential system services
- (o) Undertake energy balancing and settlement
- (p) Develop and administer constraint rules

- (q) Provide access and connection services
- (r) Undertake network coordination and planning
- (s) Publish information and undertake pre-disclosure
- (t) Undertake compliance monitoring
- (u) Develop rule change and procedure change proposals

2. Consultation

The Draft Pilbara ISOC Co Budget and Fees consultation paper for 2024-25 was published on ISO's website on 10 May 2024 and consulted on in accordance with the standard consultation process outlined in Appendix 1 of the Rules as follows:

Event	Date
Publish Budget and Invitation for Submissions	10 May 2024
Public Submission Period	10 May 2024 – 27 May 2024
Board Approved the Final Budget	June 2024
Budget Commencement	1 July 2024
Final Budget Published	By 15 July 2024

The ISO received submissions from APA and Horizon Power on the draft budget and fees for 2024-25. These submissions and the ISO stakeholder response table are available on the ISO's website. The submissions were considered prior to the ISO Board consideration and approval of the 2024-25 budget and fees.

The ISO has made the following changes to its budget as a result of stakeholder feedback:

- The Other Expenses category has been itemized to provide greater transparency of costs, while preserving the commercial and confidential information of the ISO (in accordance with the Procedure);
- The ISO has published on its website the auditor letter and executive summary of the ISO Control Desk audit; and
- The ISO is reviewing the necessity and timing of completing its long-term coordination and planning work to ensure it meets the requirements of the Rules while, so far as reasonably practicable, minimising cost and disruption to Rules participants.

As part of the 2025-26 budget process the ISO will consider opportunities to provide in-house services where it makes financial and operational sense to do so, for example the external provision of some modeling functions and some legal services.

3. Budget Objectives

Rule 122 outlines the Budget Objective, that is:

- fees are consistent with the Pilbara Electricity Objective; and
*{The Pilbara Electricity Objective is to promote efficient investment in, and efficient operation and use of, services of Pilbara networks for the long-term interests of consumers of electricity in the Pilbara region in relation to –
(a) price, quality, safety, reliability and security of supply of electricity; and
(b) the reliability, safety and security of any interconnected Pilbara system.}*
- the ISO Fees include only costs which would be incurred by a prudent person performing the ISO's functions under Part 8A of the Act, acting efficiently, in accordance with good electricity industry practice (GEIP), and seeking to achieve the lowest practicably sustainable cost of performing those functions, while effectively promoting the Pilbara Electricity Objective; and
- the secondary budget objective is to achieve the primary objective as simply and inexpensively as possible, while ensuring that all affected stakeholders (including consumers on to whom the costs may be passed) have a reasonable opportunity to be heard.

The Procedure requires that the annual budget must be sufficiently detailed enough for registered NSPs and other stakeholders to assess the budget against the Budget Objectives, but that it do so in a way which preserves the commercial and confidential information of the ISO.

This document provides:

- the 2024-25 Budget, 2023-24 Budget (adjusted post Mid-year Review) and 2023-24 estimated actual expenditure;
- Major spending changes from 2023-24; and
- A breakdown of major spending items, including the expected costs that were incurred in 2023-24 and the functions that the 2024-25 Budget items relate to.

4. Fees

The ISO fee is payable in equal shares by the registered NSPs: Horizon Power, APA and Rio Tinto [See Rule 129(1)].

The Procedure outlines the process whereby ISO fees will be invoiced periodically throughout the year having regard to the solvency of the ISO. This includes:

- the ISO will issue invoices to registered NSPs fees on a monthly basis (example: the annual budget will be divided into monthly invoices, smoothed throughout the year);
- any over-collection of ISO fees will be deducted from the following year approved annual budget [See Rule 124(2)(b)];
- the ISO may invoice registered NSPs additional fees periodically throughout the year having regard to the solvency of the ISO.

This paper further discusses fees to recover costs for access and connection functions in section 4.4 of this paper.

4.1 ISO Fee

The total estimated annual ISO fee for 2024-25 is \$4.82 million. Each registered NSP is required to pay an equal share of this fee. This equates to a monthly fee of around \$134,000 per month for each NSP.

The purpose of the ISO fee is to fund the ISO's functions as outlined in the Rules. The ISO fee is consistent with the Pilbara Electricity Objective and only includes costs which would be incurred by a prudent person performing the ISO's functions acting efficiently in accordance with GEIP and seeking to achieve the lowest practicably sustainable cost of this functions.

The ISO fee does not include the Coordinator fee, Authority fee or costs recovered under the Interim Access and Connection Procedure (see section 4.4 of this paper). These fees will appear as separate line items on invoices (Coordinator and Authority fees), or be separately invoiced (access and connection fees).

Rule 124(2)(b) allows for the budget to include an adjustment with respect to the revenue earned in the previous financial year. The 2024-25 ISO fee does not include an adjustment in respect to the amount of revenue collected by the ISO in 2023-24, as the ISO has been collecting fees periodically on a cost-recovery basis, having regard for the solvency of the ISO.

In 2024-25, the ISO will be levying fees on a monthly basis. This may result in an adjustment in the following financial year.

Rule 124(2)(c) allows for the ISO to allocate costs between functions on a fair and reasonable basis. The ISO does not currently incur costs which can be attributed to functions other than those under Part 8A of the *Electricity Industry Act 2004* (Act).

4.2 Coordinator Fee

Rule 128 of the Rules allows the Coordinator to recover costs to carry out its functions under Part 8A of the Act, including:

- Rulemaking functions; and
- Secretariat services provided to the Pilbara Advisory Committee.

Rule 128 (3) of the Rules requires the Coordinator to notify the ISO five business days before 30 June of the Coordinator fee.

The Coordinator fee for 2023-24 was \$309,357.

The Coordinator fee for 2024-25 is \$410,334. This fee is approved by the Minister for Energy. The ISO administers the collection of the Coordinator fee but has no control over the fees charged and it does not form part of the ISO budget and fee consultation and approval process.

Each registered NSP is required to pay an equal share of this fee. This is invoiced monthly with ISO fees, as a separate line item.

4.3 Authority Fee

Rule 126 of the Rules allows the Economic Regulation Authority (Authority) to recover costs to carry out its functions under Part 8A of the Act, including:

- Support the ISO in exemptions to Codes;
- Support the ISO in compliance investigations and enforcement; and
- Disputes.

Rule 126(3) of the Rules requires the Authority to notify the ISO five business days before 30 June of the Authority fee.

The Authority fee for 2023-24 was \$6,400.

The Authority fee for 2024-25 is \$10,787. The ISO administers the collection of the Authority fee but has no control over the fees charged and it does not form part of the ISO budget and fee consultation and approval process.

Each registered NSP is required to pay an equal share of this fee. This is invoiced with ISO fees, as a separate line item.

4.4 Access and Connection Fees

Rule 274R of the Rules empowers the ISO to recover the ISO's cost of performing access and connection functions from the Host NSP by way of a fee determined by the ISO.

The ISO may determine and publish a reasonable standard fee for a class of function or activity (Rule 274R(2)(a)), or where there is no such standard fee, the fees recovered must not exceed the costs which the ISO can identify as being directly attributable to the connection request (Rule 274R(2)(b)).

To date, the ISO has not had sufficient access and connection applications to be able to determine a standard fee for access and connection activities. The ISO has therefore passed through only external consultant costs for access and connection.

To off-set increasing costs driven by increased access and connection tasks performed by internal resources, the ISO has investigated access and connection fees and charges that could be used to recover costs of internal resources used for access and connection.

The criteria used to determine appropriate cost recovery charges include:

- the charge needs to meet the requirements of the Rules, including Rule 274R(2)(b) whereby costs need to be directly attributable to the connection request; and
- the charges need to preserve the commercial and confidential information of the ISO, including salaries.

The ISO will charge a flat hourly rate of \$247/hour plus GST for internal resources, which includes labour costs, modelling software and appropriate overheads (ICT, training and development and rent).

The ISO has used an estimated revenue of \$100,000 for internal access and connection functions. This represents around 400 hours of access and connection tasks performed in 2024-25. This revenue has been deducted from the total ISO fees in the 2024-25 but has not been deducted from the specific line items in the budget (i.e. labour, software or administrative costs), as these costs will need to be paid even if this quantum of revenue is not collected.

5. Financials

Table 1 provides the 2024-25 ISO Budget. The Budget has been built up identifying the functions that the ISO needs to perform in 2024-25 under the Rules.

The Pilbara electricity system is transitioning to a low carbon future. The current system is designed around predominately dispatchable thermal generation comprised of gas turbines. Decarbonisation efforts will likely see a rapid growth in the Pilbara electricity system as well as a change in the types of technologies that are available to supply electricity and the services that are required to support the new technologies on the system. Decarbonisation is also changing the nature and complexity of the work undertaken by the ISO and associated resourcing requirements to achieve the lowest practicably sustainable cost of performing its functions.

The work performed by ISO in any one year can be difficult to predict in volume and complexity, for example - the number and complexity of access and connection applications, exemption requests or post-incident reviews. The proposed budget is based on an ISO workplan, previous years' budgets and estimates provided by consultants. Consistent with prior years, a global contingency is included.

The ISO will continue to maximise the use of internal resources where possible. It is expected that the ISO will be able to complete additional tasks with additional resources, so the quantity of work completed by the ISO is also expected to increase.

Consultants will continue to be used for specialist and bespoke work outside the current capability and capacity of the ISO team. This includes legal, economic, modelling and engineering expertise. The ISO endeavours to achieve value for money through its selection of consultants through competitive tender processes.

The 2023-24 estimated actual comprises actual expenditure to 31 May 2024, as well as other known and committed expenses including: salaries, rent, essential system services (ESS) procurement, power system modelling and ACCC authorisation. It is estimated that the ISO will have an underspend against the 2023-24 Budget. The underspend is as a result of delays in employing staff, which resulted in both reduced salary costs and reduced work being undertaken as existing resources were at capacity. It is expected that ISO will spend its entire 2024-25 Budget. The ISO does not recover fees for costs it does not incur.

Table 1: Pilbara ISOCO budget

Pilbara ISOCO Budget			
	Budget 24-25	Budget 23-24	2023-24 Est Actual
Operating Expenses (Regulatory and Technical)			
GOVERNMENT SERVICES	\$421,121	\$327,273	\$315,757
LEGAL AND PROFESSIONAL FEES			
Legal	\$250,000	\$530,000	\$561,004
Professional Fees	\$70,000	\$60,000	\$45,000
SYSTEM OPERATIONS			
ISO Control Desk	\$1,224,000	\$1,000,000	\$938,004
ENGINEERING AND TECHNICAL SERVICES			
Access and Connection Costs	\$300,000	\$300,000	\$99,222
Engineering Consultancy	\$250,000	\$365,000	\$271,114
Technical Investigations and Reviews	\$300,000	\$460,000	\$437,911*
POWER SYSTEM SOFTWARE	\$11,000	\$45,000	\$66,418
LONG-TERM PLANNING AND COORDINATION	\$600,000**	\$0	\$0
REGULATORY & TECHNICAL ISO LABOUR COSTS	\$1,337,800	\$925,000	\$601,639
Operating Expenses (Administration)			
ACCOUNTING AND AUDIT SERVICES	\$70,000	\$95,000	\$98,737
DIRECTOR FEES	\$165,000	\$150,000	\$139,442
TRAINING AND DEVELOPMENT	\$51,000	\$40,000	\$32,905
TRAVEL	\$30,000	***	\$2,268
INFORMATION AND COMMUNICATION	\$50,000	\$30,000	\$33,227
BANKING AND INSURANCE	\$75,300	\$90,000	\$80,159
OFFICE EXPENSES AND RECRUITMENT	\$108,500	\$30,000	\$28,606
CONTINGENCY, AMORTISATION AND DEPRECIATION	\$330,000	\$230,000	\$24,486
Total Operating Expenses	\$5,643,721	\$4,677,273	\$3,775,898
Member ISO Fees	\$4,822,600	\$4,050,000	\$3,360,920

*Includes around \$178k Actual Expenditure which relates to consultant work on 2023-24 ESS procurement, generation adequacy, reference node and loss factor calculations. This was completed and fees were collected in 2022-23, but invoices were paid in 2023-24.

**The ISO is reviewing the necessity and timing of completing this work to ensure it meets the requirements of the Rules while, so far as reasonably practicable, minimising cost and disruption to Rules participants.

***Previously included in Training and Development category

Proposed Fees and other recoverable expenses			
	Budget 2024-25	Budget 2023-24	Est. Act 2023-24
Total operating expenses	\$5,643,721	\$4,677,273	\$3,775,898
ISO Fees	\$ 4,822,600	\$4,050,000	\$3,360,920
Coordinator Fees	\$410,334	\$309,357	\$309,357
Authority Fees	\$10,787	\$17,916	\$6,400
Access and Connection - Consultants	\$300,000	\$300,000	\$99,222
Access and Connection - Labour	\$100,000	\$0	\$0

5.1 Other Pilbara Electricity Regime Costs

The ISO is required to procure both frequency control essential system services (FCESS) and spinning reserve essential system services (SRESS) under Subchapter 8.1 Rules.

The ISO has entered into the following ESS contracts:

- Pilbara Iron (Rio Tinto)
 - FCESS (+/- 20MW); and
 - Base SRESS 20 MW
- APA
 - Base SRESS 20MW

The total projected cost for all payers of ESS for 2024-25:

- Primary Frequency Control Service - \$504,000 ex GST
- Base Spinning Reserve Service - \$5,808,000 ex GST

The ISO Control Desk may also enable secondary FCESS and supplementary SRESS in certain circumstances for the purposes of maintaining system security. The ISO does not provide an estimate of the costs of enabling these services, however the the total cost of ESS is published each year in the Annual Report into the Cost and Effectiveness of Essential System Services.

The ESS costs are allocated for FCESS based on load swing (see Rule 227), and for SRESS based on the runway model (see Rule 229).

The Cost of ESS is not paid via ISO fees, but rather settled monthly in accordance with Subchapter 8.3 of the Rules.

Total Pilbara Electricity Regime costs

	2024-25	2023-24 Est Actual
Total Operating expenses	\$5,643,721	\$3,777,898
ESS	\$6,312,000	\$4,866,986
Total Pilbara electricity regime costs	\$11,955,721	\$8,644,884

6. Major Spending Changes

The 2024-25 budget represents an increase of \$966,448 from the 2023-24 Budget. A breakdown of major spending changes is provided in the table below. These changes are as follows:

- Additional costs associated with the ISO commencing functions that are required every two years under the Rules, including long-term planning and coordination (Chapter 10 of the Rules), ISO Audit (Rule 318) and monitoring the regime’s effectiveness (Rule 369);
- Additional costs associated with the ISO control desk;
- Additional costs of employing staff (approved as part of the 2023-24 Mid-year Review), including salaries, office accommodation, IT and communication, travel and training and an employment assistance program;
- Other costs are expected to decrease as they are being completed by additional internal staff, such as engineering consultant costs, technical studies and accounting; and
- Costs are decreasing as transitional tasks are completed, such as ACCC authorisation, ISO control desk delegation and drafting the Interim Procedures.

Table 2: Major spending changes

Expense	Budget 24-25	Budget 23-24	Difference
GOVERNMENT SERVICES	\$421,121	\$327,273	\$93,848
LEGAL AND PROFESSIONAL SERVICES			
Legal	\$250,000	\$530,000	-\$280,000
Professional Fees	\$70,000	\$60,000	\$10,000
SYSTEM OPERATIONS			
ISO Control Desk	\$1,224,000	\$1,000,000	\$224,000
ENGINEERING AND TECHNICAL SERVICES			
Access and Connection Costs	\$300,000	\$300,000	\$0
Engineering Consultancy	\$250,000	\$365,000	-\$115,000
Technical Investigations and Reviews	\$300,000	\$460,000	-\$160,000
Power Systems Software	\$11,000	\$45,000	-\$34,000
LONG-TERM PLANNING AND COORDINATION	\$600,000	\$0	\$600,000
REGULATORY & TECHNICAL ISO LABOUR COSTS	\$1,337,800	\$925,000	\$412,800
ACCOUNTING AND AUDIT SERVICES	\$70,000	\$95,000	-\$25,000
DIRECTOR FEES	\$165,000	\$150,000	\$15,000
TRAINING AND DEVELOPMENT	\$51,000	\$40,000	\$11,000
TRAVEL	\$30,000	\$0	\$30,000
INFORMATION AND COMMUNICATION	\$50,000	\$30,000	\$20,000
BANKING AND INSURANCE	\$75,300	\$90,000	-\$14,700
OFFICE EXPENSES AND RECRUITMENT	\$108,500	\$30,000	\$78,500
CONTINGENCY, AMORTISATION AND DEPRECIATION	\$330,000	\$230,000	\$100,000
Total Operating Expenses	\$5,643,721	\$4,677,273	\$966,448

7. Major Spending Items

7.1 Government Services

Government Services (\$421,121)

Government services includes the Economic Regulation Authority costs (Rule 126) and Coordinator's costs (Rule 128) for performing functions under the Rules. These costs are determined by these agencies.

The company is expected to incur costs of \$315,757 in 2023-24 for Government Services. These costs relate to the revenue required to perform the functions set out in the Rules. These include:

- \$309,357 for Coordinator Fees in 2023-24; and
- \$6,400 for Authority Fees in 2023-24.

The Coordinator and the Authority have now provided ISO with costs expected to be incurred in 2024-25 to perform functions set out in the Rules. These include:

- \$410,334 for Coordinator Fees in 2024-25; and
- \$10,787 for Authority Fees in 2024-25.

The ISO administers the collection of these fees but has no control over the fees charged by the Coordinator and Authority.

7.2 Regulatory and Technical Operating Expenses

Legal and Professional Services (\$320,000)

The company is expected to incur costs of \$606,004 in 2023-24 for legal and professional services. These costs relate to:

- The preparation of the company's submission to the Australian Competition and Consumer Commission (ACCC) seeking authorisation;
- Drafting and negotiation of the control desk delegation to Horizon Power;
- Drafting and negotiation of the essential system services contracts;
- Creation of an obligations register against the Rules; and
- Drafting and advice on rule changes and other ad hoc advice related to implementation of the Rules.

Legal Services

The budget includes \$250,000 for legal fees in 2024-25. These costs relate to:

- The finalisation of the company's submission to the Australian Competition and Consumer Commission (ACCC) seeking authorisation of certain functions;
- Drafting and advice on Rule and Procedure changes and other ad hoc legal advice on implementation of the Rules; and
- Drafting and negotiating essential systems services contracts.

In response to stakeholder feedback, the ISO will further explore employing an in-house legal counsel to reduce costs on legal consultants as part of the 2025-26 Budget process.

Professional Services

The budget includes \$70,000 for professional fees in 2024-25. These costs relate to:

- Seeking an independent audit of ISO, as required by Rule 318, which must be conducted no later than July 2025;
- Reporting on the Pilbara network regime's effectiveness, as required by Rule 369, which must be conducted no later than July 2025;
- Economic advice on Rule changes, Procedure changes and implementation of the Rules.

The company uses a number of firms for the provision of these services depending on conflicts, availability, skill and cost. The ISO endeavours to achieve value for money through its selection of consultants through competitive tender processes.

System Operations (\$1,224,000)

Systems operations include the costs of the ISO Control Desk, delegated to Horizon Power.

The company is expected to incur costs of \$938,004 in 2023-24 for the ISO Control Desk function.

The budget includes \$1,224,000 for the ISO Control Desk costs in 2024-25.

Rule 125 of the Rules allow Horizon Power to recover its costs for performing ISO Control Desk functions from the ISO. The costs recovered by Horizon Power must not:

- exceed the amount that would be incurred by a prudent system operator performing those functions, acting efficiently, in accordance with good electricity industry practice, to achieve the lowest sustainable cost of performing the functions having regard to the Pilbara Electricity Objective.
- include any allowance for corporate overheads.
- include any mark-up, return on investment or other margin.

Under Rule 125(5), the ISO requested Horizon Power obtain an independent audit of the costs it proposes to recover in 2024-25 are compliant with Rule 125. The independent auditor's letter and executive summary of the audit report confirming the proposed ISO Control Desk costs are compliant with Rule 125 is published on the ISO's website.

Engineering and Technical Services (\$861,000)

The company is expected to incur costs of \$874,665 in 2023-24 for engineering and technical services. These costs relate to:

- Access and connection – the cost of consultants engaged by the ISO to undertake various studies as required by the Interim Access and Connection Procedure;
- Engineering consultancy – developing and updating the power system model on a 6-monthly basis and supplementing the company’s technical skills while identifying and appointing internal technical resources. This cost is expected to reduce in 2024-25, once additional internal engineering FTE are employed by ISO;
- Technical investigations and reviews – a range of technical investigations and reviews, such as post-incident investigations, reference node identification and loss factor calculation;
- Essential System Services identification – studies relating to the identification of quantum and location of essential systems services; and
- Carried-forward consultant costs on 2023-24 ESS Procurement, generation adequacy, reference node and loss factor calculations which was completed, and fees were collected in 2022-23, but invoices were paid in 2023-24.

The company is expected to incur costs of \$861,000 in 2024-25 for technical investigations and reviews. These costs relate to:

- Access and connection – the cost of consultants engaged by the ISO to undertake various studies as required by the Interim Access and Connection Procedure. These costs are passed on to registered NSPs and are expected to increase next year as more access and connection applications are made;
- Engineering consultancy – developing and updating the power system model on a 6-monthly basis;
- Technical investigations and reviews – this expense relates to a range of investigations and reviews the ISO needs to undertake under the Rules. These matters relate to constraint studies, ESS procurement, compliance, exemptions, incidents or other technical work which the ISO does not have the capacity or capability to deliver internally. Some of these expenses are ad hoc and outside the direct control of the ISO. The ISO will not recover these expenses through fees unless they are required; and
- Power System Software – PowerFactory licence.

The company uses a number of firms for the provision of these engineering and technical services depending on conflicts, availability, skill and cost. The ISO endeavours to achieve value for money through its selection of consultants through competitive tender processes.

The ISO will continue to maximise the use of internal resources where possible. Consultants will continue to be used for specialist and bespoke work outside the current capability and capacity of the ISO.

Engineering and technical services consultant costs are expected to decrease from 2023-24 to 2024-25, as they are being completed by additional internal staff, such

as energy balancing and settlement, system coordination functions, some power system modelling studies and investigations and reviews. However, it is also anticipated that additional internal staff will allow the ISO to complete additional tasks, such as a generation adequacy review and system strength study.

Long-term Planning and Coordination (\$600,000)

Chapter 10 of the Rules provides the ISO's long term coordination and planning functions. These require that every 2 years the ISO to prepare and publish:

- A transmission development plan (Rule 281); and
- A Pilbara generation statement of opportunity (Rule 282).

These reports must be published no later than July 2025.

The ISO has estimated a cost of preparing these reports by:

- Reviewing the requirements in Rule 281 and 282 of the Rules;
- Reviewing similar reports prepared by AEMO for the National Electricity Market (the Integrated System Plan) and the Wholesale Electricity Market (the WEM ESOO), adapting likely requirements for the Pilbara electricity system; and
- Discussing with Energy Policy WA the long-term modelling work it is undertaking for the Pilbara as part of its Pilbara Industry Roundtable work.

The ISO is reviewing the necessity and timing of completing this work to ensure it meets the requirements of the Rules while, so far as reasonably practicable, minimising cost and disruption to Rules participants.

Regulatory and Technical ISO Labour Costs (\$1,337,800)

The company is expected to incur costs of \$601,639 in 2023-24 for internal resources. This is less than budgeted, due to the time taken to identify and appoint resources, some staff working part-time and new staff taking leave without pay due to having insufficient leave accrued.

The budget includes \$1,337,800 for regulatory and technical labour costs in 2024-25. This funds salary, super, workers compensation and payroll tax for the positions approved as part of the 2023-24 Mid-year budget review process, including:

- Chief Executive Officer;
- Principal Electrical Engineer;
- Principal Regulation and Engagement;
- Senior Engineer;
- Regulation and Business Support Officer;
- 2 x Graduate Engineers.

The ISO is also considering its future employment needs, and the 2024-25 Budget includes additional labour costs to appoint one graduate electrical engineer to

commence in early 2025 and a vacation student for summer 2024-25. This will assist the ISO to attract high-quality candidates that are graduating in 2024.

7.3 Administrative Operating Expenses

Administrative Expenses (\$879,800)

The estimated actual spend on administrative expenses and contingency for 2023-24 is \$439,829. This includes expenses relating to accounting and audit, director fees, training and development, information and communication technology (ICT), rent, insurance and depreciation.

The ISO has not recorded expenditure against the contingency line item for 2023-24. For some line items in the ISO budget, the actual expenditure was above the approved 2023-24 budget. The expenditure was recorded against these line items including legal and professional services, power system software and accounting and audit services. The difference was made up via contingency, which was approved in accordance with the company's delegation schedule.

The budget includes \$879,800 for administrative expenses and contingency in 2024-25 for expenses relating to accounting and audit, director fees, training and development, ICT, rent, insurance and depreciation.

The ISO is incurring additional costs of employing staff (approved as part of the 2023-24 Mid-year Review), including IT and communication, travel and training and an employment assistance program.

The 2024-25 Budget includes \$100,000 annual cost for office accommodation. This is expected to cover leasing costs, outgoings, fit-out, moving costs and any break-lease costs from existing accommodation.

The 2024-25 budget includes a notional global contingency of around five percent of operating expenses. This is a reduction from the 10 percent contingency carried in 2023-24 (prior to adjustment downwards as part of the mid-year review). Contingency accounts for the difficulty in budgeting for tasks with uncertain complexity and ad hoc frequency under the Rules, while providing fee stability for NSP members. The ISO will not be incurring costs against contingency unless required.