



Electricity Roadmap financial entities
performance audit

Report to the Minister

September 2025

Energy >>



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Image taken on Worimi Country (Myall Lakes)

The Independent Pricing and Regulatory Tribunal

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Audit report snapshot

Overall conclusion: Partially effective

The Scheme Financial Vehicle (SFV) and the Financial Trustee (FT) have established foundational governance systems and processes and these are partially effective. The risk of a major financial failure has been low to date, reflecting the early stage of Electricity Infrastructure Roadmap development and no failures were identified through our audit. However, some key governance functions, including enterprise-wide risk management, contract oversight, and inter-entity coordination, are as yet underdeveloped and will need to be strengthened to keep pace with the growing level of risk.

The core issues

The entities are on a positive trajectory, but further action is required to achieve a future state that includes clear oversight roles, strengthened risk management, and governance and operational systems that protect the financial interests of NSW electricity customers.

It is important that the entities finalise the approach to implementing the agreed operational model between the FT, the SFV and the Consumer Trustee (CT) as soon as practicable. This will ensure processes and systems developed are fit for purpose for the future state and are rolled out in a timely manner.

Future strengthening of the statutory framework, to address some of the gaps and ambiguities, would provide greater certainty.

Key findings

1. The SFV Board as yet has an incomplete view of enterprise risk, which may result in additional costs for electricity customers if not addressed.
2. Current understanding of roles and responsibilities of the CT, FT and SFV needs clarity to provide the foundational layer of assurance required for the anticipated increase in Roadmap scale and complexity.
3. Large contracts are currently managed with manual processes, with limited existing capacity to manage scale and complexity yet to be developed.

Key recommendations



Formalise governance

The FT and SFV together with the CT establish a tripartite agreement, or other form of agreement, to define roles and enhance active oversight of on-going financial risks



Strengthen financial and risk controls

The SFV implement a comprehensive enterprise risk management framework to manage contribution volatility risks for NSW electricity customers and help protect the liquidity of the Electricity Infrastructure Fund

Chapter 1 »

Executive Summary

01

1.1 Context

The NSW Government's Electricity Infrastructure Roadmap (Roadmap) represents a \$32 billion¹ public-private transformation of the electricity system. The *Electricity Infrastructure Investment Act 2020* (EII Act) minimum objectives of 12 GW of new generation capacity by 2030 and 16 GWh of long-duration storage by 2030 are ambitious and will need to be supported by many hundreds of kilometres of network infrastructure to deliver electricity to customers.² The Financial Trustee (FT) and the Scheme Financial Vehicle (SFV) are the financial entities created in 2022 under the EII Act to act as the financial engine of the Roadmap and along with the Consumer Trustee (CT), are responsible for managing much of the financial risk.

At the time of writing this report, more than two-thirds of the 2030 generation minimum objective has been locked in, alongside 40% of the 2030 long-duration storage target.³ There are 20 projects in operation.⁴ Over the next 20 years, many more contracts will be signed, and large transactions will be managed by the FT and the SFV to support the energy transition as the coal-fired power stations retire. The scale of financial risks and complexity will increase over time as more projects get underway.

IPART has been appointed as a regulator under the EII Act to audit the performance of the key delivery entities for the Roadmap, the FT, the SFV, the CT and the infrastructure planner. This, our first audit assesses whether the FT and the SFV are sufficiently equipped, through governance systems and risk controls, to protect customer interests in a period of elevated financial and energy security risk. It considers only a small but important part of the Roadmap machine. The success of the Roadmap relies on a broad range of factors and is in the hands of many participants, regulators, policy makers and independent reviewers.

We will follow this audit with performance audits of the Consumer Trustee and the Infrastructure Planner to deliver an assessment of the effectiveness of those entities in delivering their functions. Other reviews have identified necessary Roadmap design changes and process improvements. Additional reviews targeting specific challenges in delivering Roadmap outcomes are planned or underway and will deliver additional findings that may apply to the FT and the SFV.

¹ NSW Government, NSW Climate and Energy Action, [Electricity Infrastructure Roadmap](#), accessed 21 August 2025.

² EII Act, s 44.

³ NSW Government, NSW Climate and Energy Action, [Electricity Transition](#), accessed 28 August 2025.

⁴ NSW Government, NSW Climate and Energy Action, [Energy Transition](#), accessed 28 August 2025.

1.2 Audit conclusion

Our audit concluded that the processes and systems of governance for the FT and the SFV are partially effective. The risk of a major financial failure has been low to date, reflecting the early stage of Roadmap development and no failures were identified through our audit. However, some key governance functions, including enterprise-wide risk management, contract oversight, and inter-entity coordination, are as yet underdeveloped and will need to be strengthened to keep pace with the growing level of risk.

Our audit followed 3 lines of inquiry. To assist in understanding the context of our findings, we suggest viewing them through the 'Three Horizons Framework'. This is not the audit framework itself, but a strategic lens that helps distinguish between acceptable early-stage imperfections and critical weaknesses that will prevent long-term success for any enterprise.

- **Horizon 1:** Establishing the basics. The current state, where foundational processes are built and operations stabilise. Imperfect systems are expected, but they must be on a clear path to maturity.
- **Horizon 2:** Coordinated excellence. The desired future state, where governance systems are aligned, risks are proactively managed, and value for money is delivered through foresight and coordination.
- **Horizon 3:** An enduring, resilient system. The long-term ambition, where the governance model is robust enough to withstand external shocks and market transitions over decades.

Our audit found that unresolved Horizon 1 issues are creating a barrier to reaching Horizon 2, which if left unaddressed will expose electricity customers to escalating and avoidable financial risk. We have made 18 specific recommendations to the FT and the SFV to assist them to push through current barriers toward Horizon 2 and quickly to Horizon 3.

We note there is an important opportunity to consider some of the broader structural and governance challenges in the upcoming Statutory Review of the EII Act. The Statutory Review could ascertain if amendment of the legislation or supporting regulations is warranted to further improve role clarity, clarity of objectives and coordination.

Despite the issues identified in this audit, we also found areas of good practice that provide a strong foundation for forward progress. Both the FT and the SFV have established robust internal financial controls, developed sophisticated modelling capabilities, and demonstrated professionalism and commitment to the Roadmap's success.

During its first two years, SFV's operational activities were undertaken by AusEnergy Services Limited (ASL) (formerly known as AEMO Services Limited) under a use of resources arrangement. The recent appointment of a SFV Chief Executive Officer and the SFV's transition to an insourced operating model is strategically justified and is expected to enhance internal capability. We saw evidence of significant progress by the SFV in recent months and with continuing strong leadership, we expect that this momentum will be sustained.

Table 1.1 The 3 lines of inquiry and our conclusions

Lines of inquiry	Conclusions
1. Do the FT and the SFV have sound governance systems and processes in place to identify and manage financial risks to protect the interests of NSW electricity customers?	Partially effective. The SFV and the FT have established foundational governance systems and processes for the early stages of the Roadmap including the adoption of the Statutory Risk Management Framework. The SFV needs to continue to develop the enterprise risk management framework, improve the subsidiary policies in collaboration with the CT, evolve its organisational structure to effectively manage future financial risks. The FT needs to update the instrument of appointment together with the CT.
2. Do the SFV and the FT appropriately manage the financial risks to protect the interests of NSW electricity customers?	Partially effective. The SFV has established foundational financial forecasting, liquidity planning, reporting processes and have executed contracts in line with CT recommendations. However, financial liabilities are currently small but will increase significantly in the near term. Further development in contract management capability, review of hedging policy, establishment of the enterprise risk management framework are necessary to manage future financial risks effectively. The FT is appropriately performing its allocated risk management obligations, however, the FT has a limited role in managing risk. There is a lack of clarity about the FT's role in monitoring the SFV in the EII Act and the instrument of appointment of the FT. The expectation that there should be oversight over the SFV has not been clearly articulated.
3. Are the systems and processes, either planned or in place, efficient and economical in delivering value for money for NSW electricity customers?	Partially effective. The SFV's transition to insourced operations is strategically justified and expected to enhance efficiency and internal capability. Engagement of external experts was reasonable given initial capacity constraints. However, evidence of value for money and mature contract management is limited. Until the entities implement the agreed operational model with clearly defined roles and responsibilities of the FT and the SFV (and CT), there is no clear pathway to implement the necessary systems and processes to get there.

1.3 Recommended plan for action

This report makes 18 recommendations designed as essential 'guardrails' to fortify the governance of the FT and the SFV. They are structured to address immediate deficiencies while building a mature framework capable of managing the Roadmap's full complexity. Implementation is planned in three phases: foundational fixes by March 2026, enhanced systems by June 2026, and full framework maturity by December 2026.

Table 1.2 below lists the recommendations to formalise governance and strengthen financial and risk controls in order of priority and notes the lead entity and timeline for action.⁵

Table 1.2 List of recommendations in order of priority

No.	Recommendation	Lead entity	Priority	Timeline
Formalise governance				
10	The SFV and the FT, in collaboration with the CT, take all reasonable steps to formalise a tripartite agreement, or other form of agreement, to operationalise and coordinate the interface of the respective roles and responsibilities, to enhance governance coherence and ensure efficient and effective delivery of the Roadmap.	FT, SFV	High	30 Nov 2025
17	The SFV and the FT, in collaboration with the CT, finalise and approve a detailed project plan specifying roles, responsibilities, and timelines for the Roadmap entities to ensure cost-effective delivery.	FT, SFV	High	31 Mar 2026
15	The SFV, in collaboration with the CT and the FT, develop formal Performance Criteria for the purpose of the CT reviewing the performance of the SFV.	SFV	High	31 Mar 2026

⁵ In accordance with clause 75(3) of the *Electricity Infrastructure Investment Regulation 2021*, the Tribunal decided not to publish, at this time, some of the information contained in the report provided to the Minister. For that reason, in this report, the numbering in lists of recommendations and conclusions omits some numbers.

No.	Recommendation	Lead entity	Priority	Timeline
18	The SFV and FT, in collaboration with the CT, commission an external expert to evaluate the functioning of the agreed operational model post-implementation, including alignment with governance obligations and control expectations. The results of the review referred to in Recommendation 16 would inform this process.	FT, SFV	Medium	31 Dec 2026
16	The SFV Board commission an independent post-implementation review after completion of insourcing operational and administrative processes, evaluating whether the expected financial and operational benefits have been achieved.	SFV	Low	One year after the earlier of completion of the insourced model or 31 Dec 2026

Strengthen financial & risk control

7	The SFV develop and adopt a comprehensive Enterprise Risk Management Framework (ERMF) aligned with ISO 31000, integrated with the Statutory Risk Management Framework (SRMF) to the extent that integration is possible to proactively manage enterprise-wide risks and ensure robust risks oversight.	SFV	High	Adoption of ERMF 1 Feb 2026
11	The SFV establish monthly and quarterly reporting on enterprise risk management and operational incidents, as required under the subsidiary Operational Risk Policy, following Enterprise Risk Management Framework adoption (as per Recommendation 7) to ensure transparent risk oversight.	SFV	High	1 Feb 2026
12	The SFV conduct periodic reviews of all of its funding sources to ensure funding is appropriate for future Electricity Infrastructure Fund cash flow needs as LTESAs mature, integrating findings into financial planning and ensuring alignment with financial risk management objectives.	SFV	High	1 Feb 2026 and ongoing

No.	Recommendation	Lead entity	Priority	Timeline
13	The SFV incorporate an assessment of funding sources as part of the reporting process supporting the subsidiary Treasury & Liquidity Policy to reflect the formal periodic review process identified in Recommendation 12.	SFV	High	1 Feb 2026
3	The SFV, in collaboration with the CT, update all existing subsidiary policies (e.g. Treasury & Liquidity, Operational Risk) to reflect the current Roadmap operational environment, use all reasonable endeavours to secure the CT Board approval for any changes, and establish formal annual review process to ensure ongoing relevance.	SFV	High	1 Feb 2026 (31 March 2026 for Wholesale Electricity Policy as per Recommendation 8) and ongoing
8	The SFV, in collaboration with the CT, establish a process for defining its role and responsibility (over the short and longer term) in mitigating Risk #4 (contracts market liquidity from the SRMF), and for integrating the agreed positions into the subsidiary Wholesale Electricity Policy to provide clarity for this function.	SFV	High	31 Mar 2026
5	The SFV identify and evaluate options (e.g. cost, scalability and integration) for a dedicated Contract Management System and a Financial Markets Product System, and procure selected system solutions, to enhance operational management capabilities.	SFV	Medium	30 Apr 2026
4	The SFV, in collaboration with the CT, continue to evaluate efficacy of a hedging strategy and as applicable, formalise a SFV Hedging Policy based on the costs and benefits of hedging.	SFV	Medium	30 Jun 2026
14	The SFV implement a process for periodic independent validation of its Electricity Infrastructure Fund forecasting models and assumptions, to provide assurance regarding accuracy and reliability in financial projections.	SFV	Medium	30 Jun 2026 and ongoing

No.	Recommendation	Lead entity	Priority	Timeline
9	The SFV, in collaboration with the CT, review the formal roles and responsibilities for mitigating the five SRMF financial risks, and take all reasonable steps to assist in incorporating these into an updated SRMF to ensure clear accountability.	SFV	Low	31 Dec 2026
6	The SFV implement a dedicated Contract Management System, and a Financial Markets Product System based on Recommendation 5, to streamline operations and enhance risk management.	SFV	Low	One year after procurement (30 Apr 2027) subject to Recommendation 5

1.4 Opportunities for future policy reform

The findings in this audit led us to examine the factors that have impacted the ability of the FT and the SFV to deliver good robust governance systems and sophisticated highly developed risk management to date. We identified structural challenges that compromise accountability for delivering shared outcomes across the CT, the FT and the SFV. While these governance arrangements were not the formal subject of the audit's scope and we did not identify failures to date, they emerged as material contextual issues during the audit. We consider it important to document them, given their relevance to the broader integrity, and accountability of the CT, the FT and the SFV and the potential for future misalignment of purpose.

The central governance tension

The audit entities, the FT and the SFV, operate in a unique space between public and private governance. Each audit entity is constituted under corporations law, meaning their directors have legal duties to their companies. Yet these same entities perform public policy functions and manage electricity customer funds to deliver Roadmap outcomes mandated by the NSW Parliament. This creates a central governance tension:

- Corporations law duties require directors to act in their company's best interests.
- Public interest mandates require decisions that serve broader community goals.

Only the CT has an explicit, legislated duty to act in the long-term financial interests of NSW electricity customers. The FT and the SFV are not subject to this overriding public interest obligation. We understand that this tension is a deliberate design choice to harness commercial expertise, but it requires constant navigation and robust governance frameworks to work effectively.

Role clarity, coordination and cooperation

The CT, the FT and the SFV are appointed as independent entities not under the direction of Government. The legislative framework seeks to allocate roles and responsibilities across the three entities to ensure delivery of outcomes and appropriate allocation of risk. However, as practical implementation of the statutory framework has evolved, some challenges have emerged. While we have developed recommendations to assist the FT and the SFV to address some of these challenges, the upcoming Statutory Review could consider whether there is a case for amendment of the legislation or regulations to improve role clarity, coordination, risk management and resilience of the Roadmap.

We identified:

- A need for shared responsibility in the preparation of the Statutory Risk Management Framework to ensure it is fit for purpose.
- Suboptimal levels of clarity around the role of the FT in reporting to the CT and administering the SFV that resulted in delays to the development of organisational capability.

- Coordination between key entities operating through informal arrangements rather than structured protocols which would strengthen risk management.

We have made several audit recommendations to address the practical issues, that our audit identified in the short term. However longer-term structural reform could consider alignment of purpose, clear lines of responsibility and accountability and coordination between entities. These need to be certain and enforceable during critical periods of Roadmap delivery. Failures of governance, during periods of uncertainty or necessary Roadmap course correction, may have negative consequences for achieving Roadmap outcomes.

The upcoming Statutory Review of the EII Act may provide an opportunity to further strengthen foundational governance arrangements and address the following important issues at the statutory level:

1. **Clarity of purpose:** consider whether performance and resilience in the system would be strengthened if all entities were required to consider the intended public policy outcomes of the Roadmap and the interests of electricity customers, when executing their functions.
2. **Role clarity:** consider whether refinement of the definition of roles and responsibilities in the statutory framework would enhance performance and resilience of the Roadmap. For example:
 - a. consider whether clarifying the intent of the statutory duty of the FT to administer the SFV in the statutory framework would be beneficial
 - b. consider whether mandating a formal governance agreement between Roadmap entities such as the CT, the FT and the SFV in the statutory framework would be beneficial.
3. **Process for developing and updating the SRMF:** Improve the governance and process for developing and updating the SRMF to expand the involvement of the FT and the SFV in triggering review and ensuring the SRMF is optimal.

This audit acknowledges that the Roadmap's hybrid public-private model was a deliberate design choice to harness commercial agility. Our recommendations are not intended to impose burdensome government bureaucracy. Rather, they aim to establish the essential 'guardrails' to strengthen the governance arrangements.

Chapter 2 »

Context

Overview of the Electricity Infrastructure Roadmap and the financial entities' purposes, roles and responsibilities.

02

2.1 IPART's performance audit role

The Minister appointed IPART as the regulator to audit the performance of the FT, the SFV, the CT and the infrastructure planner.

IPART has completed the performance audits of the FT and the SFV and we are presenting this report to the Minister for Energy. The objective of this audit is to assess whether the financial entities under the Roadmap have processes and systems of governance in place to ensure the SFV is managing key financial risks to protect the interests of NSW electricity customers.

Our audit complies with the Australian Auditing Standards (ASAE 3500 Performance Engagements) and other professional standards including equivalent international standards.⁶ We applied the audit design matrix to break down the audit objective into smaller, more detailed questions and criteria for good practice.⁷ This ensures that the audit fieldwork is focused and that the evidence is sufficient and appropriate.

Although IPART was appointed the regulator in December 2021, the details that provide for the performance audit of entities were made through a regulation in November 2023.⁸ Subsequently in May 2024, we published our annual audit plan⁹ for 2024-25, and we commenced the FT and the SFV audits in October 2024. We are planning to audit the CT and the infrastructure planner in 2025-26.¹⁰

IPART also reports to the Minister annually on the exercise of functions under the EII Act by FT, CT, infrastructure planner and the regulator.¹¹ We provide our report by 31 October. The audit report and the annual report together will provide transparency on what the Roadmap entities have accomplished, and whether entities have acted efficiently, effectively and economically in exercising their functions.¹²

2.2 Overview of the Electricity Infrastructure Roadmap

The Roadmap is given effect through the EII Act. The objects set out in section 3 of the EII Act include 'to improve the affordability, reliability, security and sustainability of electricity supply' and 'to encourage investment in new generation, storage, network and related infrastructure by reducing risk for investors'.¹³ The SFV makes this happen through establishing and managing the Electricity Infrastructure Fund (EI Fund), with the SFV entering into commercial contracts as a credit-worthy counterparty and mitigating financial risks associated with commercial contracts.

⁶ IPART, May 2024, [NSW Electricity Infrastructure Roadmap – Performance Audit Guideline](#).

⁷ INTOSAI, 2019, GUID 3920 The Performance Auditing Process.

⁸ Electricity Infrastructure Investment Amendment (Performance Audits) Regulation 2023.

⁹ EII Regulation, cl 69(1).

¹⁰ IPART, [Annual Audit Plan 2025-26 New Electricity Infrastructure Roadmap – May 2025](#).

¹¹ EII Act, s 70.

¹² EII Act, s 67 and EII Regulation cl 73(2).

¹³ EII Act, s 3(1).

The EII Act also sets out the infrastructure objectives, including minimum objectives for the 2030 objective investment period:

- 12 GW generation capacity
- 2 GW long-duration storage infrastructure capacity and storage of 16 GWh.¹⁴

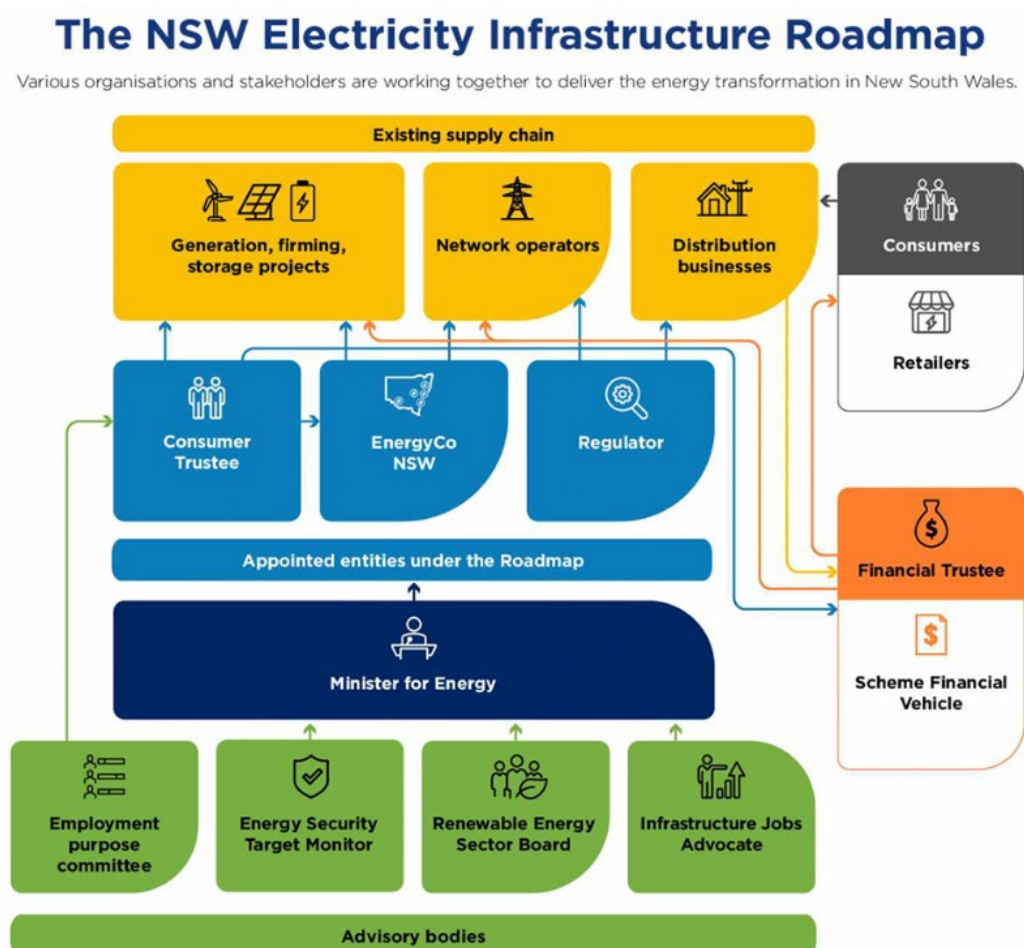
The minimum objective for the 2034 objective investment period is a total of 28 GWh for the construction of long-duration storage infrastructure.¹⁵

The Roadmap is expected to:

- attract up to \$32 billion in private investment for regional energy infrastructure by 2030
- support 6,300 construction jobs and 2,800 ongoing jobs, mostly in regional NSW.¹⁶

Figure 2.1 shows the various Roadmap entities that support and deliver the Roadmap.

Figure 2.1 Roadmap entities



Source: NSW Government, NSW Climate and Energy Action, Roadmap entities and advisory bodies, accessed 7 August 2025.

¹⁴ EII Act, s 44(3).

¹⁵ EII Act, s 44(3A).

¹⁶ EnergyCo, [The Electricity Infrastructure Roadmap](#), accessed 7 August 2025.

The NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) also support the Minister for Energy to monitor and implement the Roadmap.

Financial management of the Roadmap

The Roadmap legislative framework establishes the role and functions of the CT, the FT and the SFV and establishes their independence from Government. The entities appointed or established to undertake these functions are companies with duties and responsibilities under corporations law. This financial management model is designed to provide financial security to investors and enable commercial flexibility, but it requires oversight to ensure decisions remain aligned with public purposes (objects of the EII Act) and the long-term financial interests of the electricity customers, who ultimately fund the scheme.

Understanding the governance, legal duties, and performance of the financial entities established under the EII Act is essential to our evaluation of whether these entities are effectively realising their contribution to the Roadmap's ambitions.

Box 2.1 Governance model structure of FT and SFV in brief

Design: Non-government corporations deliver public outcomes under the EII Act.

Tension: Directors of these corporations must act in their company's interests but also manage funds from the electricity customers.

Gap: Only the CT, the appointor of FT, has an explicit duty to act in electricity customers' long-term financial interests.

Risk: Potential misalignment between duty to act in a commercially reasonable and prudent way and public purpose.

Note: The Minister has appointed a private company as the CT, but could have appointed another body (such as a NSW government entity) as the CT. The FT is to establish the SFV as a company limited by shares under the *Corporations Act 2001* of the Commonwealth.

Source: IPART analysis.

2.3 Purpose of the entities

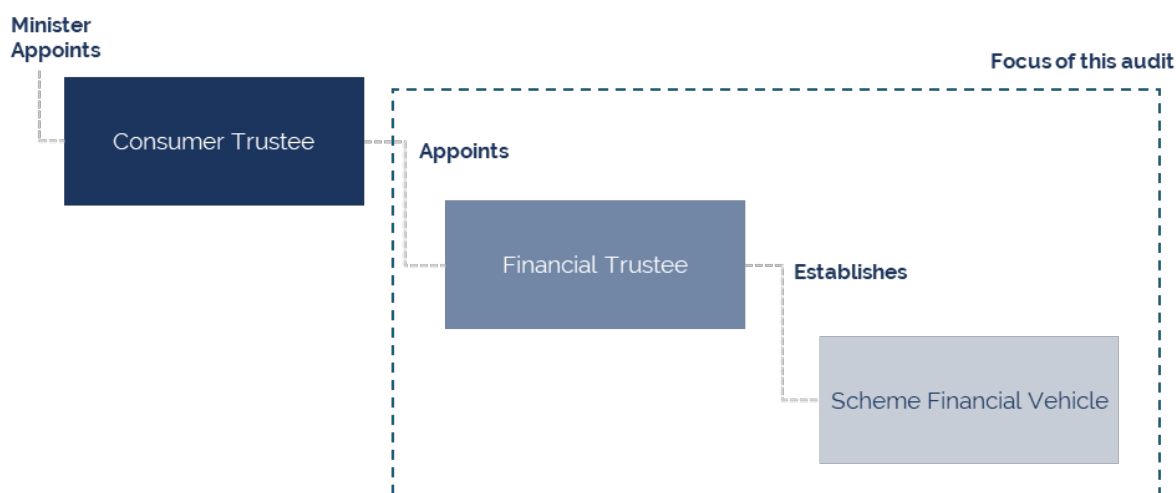
The CT, FT and SFV have been created with different purposes and manage different aspects of the financial risks associated with the Roadmap. It is important that they coordinate and cooperate in the exercise of their respective roles and responsibilities to minimise the risks and achieve the EII Act objectives.

In seeking to understand the purpose of the entities and how they are expected to undertake their functions we relied on the EII Act, *Electricity Infrastructure Investment Regulation 2021* (EII Regulation) and the second reading speech from the [NSW Parliament Hansard, Electricity Infrastructure Investment Bill, 2020, 10 November 2020](#) (Second Reading Speech) as well as instruments of appointment, constitutions, statutory risk management framework and insights provided by the entities and other stakeholders.

Under the EII Act, the Minister appoints the CT. The CT appoints the FT, and the FT establishes the SFV. Figure 2.2 below shows the relationship between the CT, FT, and SFV. The FT and the SFV are the focus of this performance audit. However, we have included information about the CT in the context of the report because it plays a critical role in setting up the FT and acting in the long-term financial interests of NSW electricity customers.

Sections 2.6 and 2.7 provides more details about the roles and responsibilities of the audit entities – the FT and the SFV.

Figure 2.2 Relationships between CT, FT and SFV



Source: IPART interpretation of the EII Act, ss 61(1), 62(1).

2.3.1 Purpose of the Consumer Trustee

The CT must act independently and in the long-term financial interests of NSW electricity customers.¹⁷ The CT must undertake its work in a way that is consistent with the objects of the EII Act¹⁸, which includes (amongst other things) to improve the affordability, reliability, security and sustainability of electricity supply.¹⁹ The CT is appointed by the Minister²⁰ and reports yearly to the Minister on the exercise of its functions through IPART's annual report²¹. However, it is not subject to the control or direction of the Minister in the exercise of functions under the EII Act.²²

Despite its name, the CT is not a trustee in the legal sense. The CT focuses on the long-term financial interest of electricity customers which has a trustee-like role²³.

The Minister appointed AusEnergy Services Limited (ASL) (formerly known as AEMO Services Limited) as the CT in 2021 under the EII Act.²⁴ It is a subsidiary of AEMO. ASL is a not-for-profit company limited by guarantee, with members being AEMO (70% of voting rights) and the NSW Government (30% of voting rights).²⁵ AEMO is the independent market operator for the National Electricity Market and is a not-for-profit public company limited by guarantee.

The Second Reading Speech identified that the Roadmap needed to provide 'investment certainty to the private sector to lower the cost of capital of the new infrastructure, in turn lowering electricity prices for consumers'. The CT contributes to this outcome by tendering, designing and recommending Long Term Energy Service Agreements (LTESAs) to project proponents for generation, firming and storage infrastructure. The LTESAs intend to 'give the investor certainty the project can earn an agreed minimum level of revenue from selling its electricity supply services into the electricity market. That is the level of revenue required to ensure the investor commits to the construction and operation of the project'.²⁶

The CT is responsible for determining the standard terms and conditions of the LTESAs.²⁷ The CT must plan and conduct competitive tenders for LTESAs unless the regulator authorises generally or in a particular case.²⁸ The AER has the power to authorise the CT not to conduct a competitive tender for LTESAs, giving flexibility to the tender process. Successful operators are offered LTESAs for projects including new renewable energy generation, firming and long-duration storage.

¹⁷ EII Act, s 60(3).

¹⁸ EII Act, s 3(3).

¹⁹ EII Act, s 3(1)(a).

²⁰ EII Act, s 60(1).

²¹ EII Act, s 70.

²² EII Act, s 60(5).

²³ EII Act, s 60(4).

²⁴ On 11 July 2025 AEMO Services Limited changed name to AusEnergy Services Limited.

²⁵ AEMO, AEMO FY24 annual report, September 2024.

²⁶ Second Reading Speech.

²⁷ EII Act, s 50(1).

²⁸ EII Act, s 45(1)(b) and s 47(1).



LTESAs offer the right to access minimum cash flows for a project over a long period of time. They have been designed to protect investors from the risk of unexpectedly low wholesale energy prices, incentivising investment to support long-term stability in supply and contracting.

The LTESAs give the operators periodic options to exercise a derivative arrangement in return for constructing and operating projects.²⁹ The derivative arrangement is not meant to pay for the construction of the project nor pay for the power produced.³⁰

The CT is also responsible for developing a statutory risk management framework (SRMF) to manage the risk associated with the LTESAs in order to protect the financial interests of NSW electricity customers.³¹ The SRMF is intended to guide the SFV in managing risks associated with the LTESAs.

The AER has some oversight of the CT. The CT must consult with the AER when developing the LTESA tender rules.³² The SRMF that CT develops must also be approved by the AER before implementation.³³ The Minister may require the AER to review an approved SRMF and require the CT to amend the SRMF in accordance with a recommendation by the AER arising from the review.³⁴

The CT is a 'protected person' under section 73 of the EII Act. It is not personally subject to any civil liability for anything done (or omitted) in good faith and for the purpose of exercising functions under the EII Act.³⁵ The liability attaches to the Crown instead.³⁶



The CT holds the strongest customer financial interest duty but does not have direct control over the FT and the SFV. The SFV is responsible for managing contract execution and financial risks that may evolve downstream.

²⁹ EII Act, s 46(1).

³⁰ [Second Reading Speech](#).

³¹ EII Act, s 51(1).

³² EII Act, s 47(6).

³³ EII Act, s 51(3).

³⁴ EII Act, s 51(6).

³⁵ EII Act, s 73(1).

³⁶ EII Act, s 73(2).

2.3.2 Purpose of the Financial Trustee

The EII Act does not provide the FT with a specific purpose other than specifying its functions. However, the FT must undertake its work in a way that is consistent with the objects of the EII Act³⁷, which includes (amongst other things) to improve the affordability, reliability, security and sustainability of electricity supply.³⁸

The FT is the person or body appointed under the EII Act s 61(1). The CT appointed the FT through an Instrument of Appointment (IoA).³⁹ One of the obligations sets out in section 5.2 of the IoA requires FT to act in an honest, timely, efficient, competent, professional and commercially reasonable manner. However, the FT is not subject to the control or direction of the CT or the Minister in the exercise of functions under the EII Act.⁴⁰

The FT established the SFV.⁴¹ The SFV is a company limited by shares under the EII Act s 62(1). The FT holds the SFV's shares 'on trust' for the purposes of the EII Act.⁴² It is not clear from the EII Act or the Second Reading Speech whether the legislature intended for the creation of a trust. We consider that it is likely that the legislature created a statutory trust, as opposed to a trust in the traditional sense. This view is consistent with FT's Instrument of Appointment which requires the FT to hold all the shares of the SFV 'on statutory trust' for the purposes of the EII Act.⁴³

The FT is not a trustee in the traditional sense, despite its name with the word 'trustee' under the EII Act. There is no beneficiary as no person or persons receive a direct benefit from the trust. The legislation is silent on whether the FT holds any fiduciary duties.

The FT must not transfer its shares in the SFV, other than in the course of holding them on trust for the purposes of the EII Act without the prior written consent of the CT.⁴⁴ If some other person or body is appointed as the new FT, the FT must transfer those shares to the new FT.⁴⁵

While the FT administers the SFV, it does not participate in the SFV's day to day decisions. The FT may appoint (as nominated by the CT) or remove a director from the SFV at any time.⁴⁶ The appointment must be in accordance with the Board Appointment Protocol, within the SFV Constitution. However, the specific circumstances for the removal of an SFV director are not provided in the Instrument of Appointment.

The FT is a 'protected person' under section 73 of the EII Act. It is not personally subject to any civil liability for anything done (or omitted) in good faith and for the purpose of exercising functions under the EII Act.⁴⁷ The liability attaches to the Crown instead.⁴⁸ This means that if the FT failed to deliver its functions under the EII Act in good faith, any resulting liability would ultimately attach to the Crown.

³⁷ EII Act, s 3(3).

³⁸ EII Act, s 3(1)(a).

³⁹ EII Act, s 61(1).

⁴⁰ EII Act, s 61(3).

⁴¹ EII Act, s 62(1).

⁴² EII Act, s 62(3).

⁴³ Instrument of Appointment – Financial Trustee, 15 September 2022, cl 2.2.

⁴⁴ Instrument of Appointment – Financial Trustee, 15 September 2022, cl 5.2.

⁴⁵ EII Act, s 62(5).

⁴⁶ Constitution – Scheme Financial Vehicle, 3 October 2022, cls 8.2, 8.3.

⁴⁷ EII Act, s 73(1).

⁴⁸ EII Act, s 73(2).



The FT holds the SFV's shares on trust for the purposes of the EII Act and administers the SFV but has no express fiduciary duty to electricity customers. Its position between the CT and the SFV can lead to accountability expectations that are not explicitly addressed under the current legal and operational framework.

2.3.3 Purpose of the Scheme Financial Vehicle

The SFV is intended to be 'a credit-worthy counterparty for network, generation and storage projects' to give investors 'long-term revenue certainty'.⁴⁹ The SFV is required to establish and maintain the EI Fund⁵⁰ and to act in a commercially reasonable and prudent way under any contract or agreement made under the EII Act⁵¹. The EI Fund is a pool of funds held in a bank account by the SFV. Money held in the EI Fund is to be paid into an account kept with an authorised deposit-taking institution.⁵²



The EI Fund operates as a transactional bank account, rather than a traditional investment fund. The purpose of the EI Fund is to manage income and expenditure associated with network infrastructure investment, the terms of the Long-Term Energy Service Agreements, Access Payment Deeds and administration of the CT, FT, SFV and regulator.⁵³

The SFV's role is to intermediate cash flows between proponents undertaking legislated activities in the NSW energy sector and the NSW Distribution Network Service Providers.⁵⁴ It recovers costs of the Roadmap from the electricity customers through the Distribution Network Service Providers (Ausgrid, Endeavour Energy and Essential Energy), who make quarterly payments into the EI Fund.⁵⁵ The contribution determination amount is set by the AER as the regulator.⁵⁶

The SFV was established by the FT as a company limited by shares under the *Corporations Act 2001* (Cth).⁵⁷ As such, the SFV must manage financial transactions and contractual obligations in a manner consistent with all laws, but in a way that is consistent with the objects of the EII Act⁵⁸. This includes improving the affordability, reliability, security and sustainability of electricity supply.⁵⁹

⁴⁹ [Second Reading Speech](#).

⁵⁰ EII Act, s 53(1).

⁵¹ EII Act, s 62(4).

⁵² EII Act, s 53(2).

⁵³ A fund refers to a pool of money and assets managed for investment purposes, often by a professional fund manager. A bank account, on the other hand, is a standard account held with a financial institution for storing and accessing money.

⁵⁴ Constitution – Scheme Financial Vehicle, 3 October 2022, cl 2.2.

⁵⁵ EII Act, s 58(1) and AER, [NSW Electricity Infrastructure Fund - Contribution determination guideline](#), August 2024.

⁵⁶ EII Act, s 56.

⁵⁷ EII Act, s 62(1).

⁵⁸ EII Act, s 3(3).

⁵⁹ EII Act, s 3(1)(a).

The CT could appoint a different person or body to be the FT from time to time to administer the SFV and hold the SFV's shares on trust⁶⁰, however the EII Act requires that SFV is counterparty to all LTESAs.⁶¹ The SFV is also counterparty to a range of contracts required to enable the proper exercise of its statutory functions, such as payment deeds with access rights holders and network operators for Priority Transmission Infrastructure Projects (PTIPs)⁶², and Renewable Energy Zone (REZ) network infrastructure projects. Additionally, the SFV has liabilities to pay amounts to persons under the EII Act regardless of whether a contract exists – e.g. liabilities for payments by the SFV under an access scheme, or payments to networks operators.⁶³

The SFV directors are appointed by the FT, but the person must first be nominated by the CT for election as a director.⁶⁴ The directors of the SFV are responsible for overseeing the proper management and operations of the SFV.⁶⁵ The EII Act does not define the SFV as a 'protected person' under section 73 and therefore the SFV, not the Crown, is subject to any liability associated with its EII Act functions.^{66, 67, 68}

The SFV is a not-for-profit company. The SFV Constitution restricts distribution of profits or assets either directly or indirectly to its member (the FT). According to the Constitution, if any property or funds remain on the future winding-up or dissolution of the Company, and after satisfaction of all its debts and liabilities, the property or funds may not be paid to or distributed to the member.⁶⁹



The SFV is positioned as the financial engine of the Roadmap, responsible for executing contracts and managing flow of customer funds. It operates under corporations law, the objects of the EII Act and the statutory obligation to act in a commercially reasonable and prudent matter. This could create a potential conflict between commercial practice and public expectation that requires management.

⁶⁰ EII Act, s 62(5).

⁶¹ EII Act, s 46(1).

⁶² On 13 August 2025 the EII Act was updated to refer to Priority Network Infrastructure Projects, but this report uses Priority Transmission Infrastructure Projects (PTIPs) that was in place while audit fieldwork was undertaken.

⁶³ EII Act, s 39.

⁶⁴ Constitution – Scheme Financial Vehicle, 3 October 2022.

⁶⁵ Constitution – Scheme Financial Vehicle, 3 October 2022, cl 9.1.

⁶⁶ [Second Reading Speech](#).

⁶⁷ EII Act, s 73.

⁶⁸ Directors can be personally liable for company debts and penalties if they breach their duties. Common areas of liability include insolvent trading, breaches of environmental law, and failures in work health and safety. Source: Australian Institute of Company Directors, [Liabilities of directors](#), accessed 23 June 2025.

⁶⁹ Constitution – Scheme Financial Vehicle, 3 October 2022, cl 17.

2.3.4 Summary of the entities' purpose, level of control and other responsibilities

The CT, FT and SFV must exercise their functions under the EII Act in a way that is consistent with the objects of the EII Act.⁷⁰ The entities have different purposes when exercising their individual functions as set out in the EII Act. The EII Act framework is designed so that some entities are at arm's length from the Minister and government.

Table 2.1 Entities' purpose, level of control and other responsibilities

Roadmap entity	Purpose under the EII Act	Level of control under the EII Act	Other responsibilities outside of the EII Act
Consumer trustee	The CT is to act independently and in the long-term financial interests of NSW electricity customers. (EII Act, s 60(3))	In the exercise of functions under this Act, the CT is not subject to the control or direction of the Minister. (EII Act, s 60(5)) The Minister may suspend or terminate the appointment of CT only under certain circumstances. (EII Act, s 68) The AER approves the CT's SRMF.	Where the CT is a corporation established under the <i>Corporations Act 2001</i> (Cth) (as it currently is) that Act applies. Directors have duties to act with care and diligence, in good faith in the best interests of the company and for a proper purpose, not improperly use information or position, and manage conflicts of interest.
Financial trustee	The FT's purpose is not specified in the EII Act but must undertake its work in a way that is consistent with the objects of the EII Act. (EII Act, s 3(3))	In the exercise of functions under this Act, the FT is not subject to the control or direction of the consumer trustee or the Minister. (EII Act, s 61(3)) The CT may suspend or terminate the appointment of FT only under certain circumstances. (EII Act, s 68)	It is unclear whether FT holds any fiduciary duties. It is likely that the FT would have a duty to avoid and manage conflicts of interest whilst undertaking its roles under the EII Act. The Instrument of Appointment requires FT to act in an honest, timely, efficient, competent, professional and commercially reasonable manner. (IoA, s 5.2)
Scheme financial vehicle	The SFV must act in a commercially reasonable and prudent way under any contract or agreement made under the EII Act. (EII Act, s 62(4))	The EII Act does not specify whether the SFV is subject to the control or direction of the Minister or other entities. In effect, there is no mechanism of control or direction.	The <i>Corporations Act 2001</i> (Cth) applies. Directors have duties to act with care and diligence, in good faith in the best interests of the company and for a proper purpose, not improperly use information or position, manage conflicts of interest. The FT may remove a SFV Director from office. (The SFV Constitution)

⁷⁰ EII Act, s3(4).

2.4 The EII Act requires the audit entities to work together

This performance audit examines the audit entities individually exercising their functions and also to the extent that they operate collectively. The audit entities are the FT and the SFV, however CT also has an oversight role in some of their functions.

Examples of functions that require the audit entities (and the CT) to work together include:

- Contribution determination⁷¹ – The Australian Energy Regulator's annual contribution determination process requires the SFV to coordinate inputs from various Roadmap entities to provide actual and forecast expenditure data, under the oversight of FT. The Australian Energy Regulator published a contribution determination guideline to explain the process involved, expected timeframe and input data from CT, FT, SFV and other Roadmap entities.⁷²
- Statutory Risk Management Framework (SRMF)⁷³ – The CT developed the SRMF and subsidiary policies for implementation by the SFV during 2022-23. The Australian Energy Regulator approved the SRMF. The SRMF provides that the CT must notify the SFV of approved revisions to the subsidiary policies. These amendments must be adopted by the SFV as soon as practicable unless otherwise authorised by the CT.
- Reporting of the SFV's activities by FT to IPART annually⁷⁴ – The annual reporting process requires FT, CT and other Roadmap entities, to report on their activities. It provides transparency on the tasks delivered and their respective accountabilities in contributing to the delivery of the Roadmap. The FT is responsible for reporting to the regulator on the activities of the SFV during a financial year, as part of the FT's annual report.⁷⁵

The list above is not an exhaustive list of all the interactions amongst the Roadmap entities.

We note that the EII Act does not mandate a formal joint oversight committee or a memorandum of understanding. However, some level of communication and cooperation is essential to deliver on statutory functions. For example, the SFV is primarily responsible for contacting CT, FT and other Roadmap entities, compiling all relevant data into the contribution determination model and conducting quality assurance in relation to the data and supporting material submitted to the AER. This requires the SFV to work with the CT and the FT to inform the AER contribution determinations and similarly the CT and the SFV must collaborate to identify and manage risks that may arise from LTESAs through the application of the SRMF.

The EII Act does not contemplate dispute resolution processes or third-party oversight. However, it appears possible for circumstances to arise where a lack of agreement or alignment may undermine the ability of one or all of the entities to deliver on their functions. We note that a dispute resolution process is provided in the Instrument of Appointment between the CT and the FT but has not yet been tested.⁷⁶

⁷¹ EII Act, s 56.

⁷² AER, [NSW Electricity Infrastructure Fund - Contribution determination guideline](#) – August 2024.

⁷³ EII Act, s 51.

⁷⁴ EII Act, s 61(2)(c).

⁷⁵ EII Regulation, cl 42B(1)-(2).

⁷⁶ Instrument of Appointment – Financial Trustee, amended August 2024, clause 11.

A structural limitation exists in the current operating model. The SFV does not report directly to IPART for the annual report to the Minister under the EII Act unlike the CT and the FT. Instead, the FT reports on the SFV's activities, which may constrain the regulator's visibility into the SFV's operations. In addition, the SFV is required to report to the CT on its performance against the requirements of the SRMF and subsidiary policies, including the overall performance of the framework, risk management contracts and breaches of the SRMF or SFV subsidiary policies. As financial risk exposure grows, this indirect oversight arrangement may limit transparency and responsiveness to emerging risk issues.

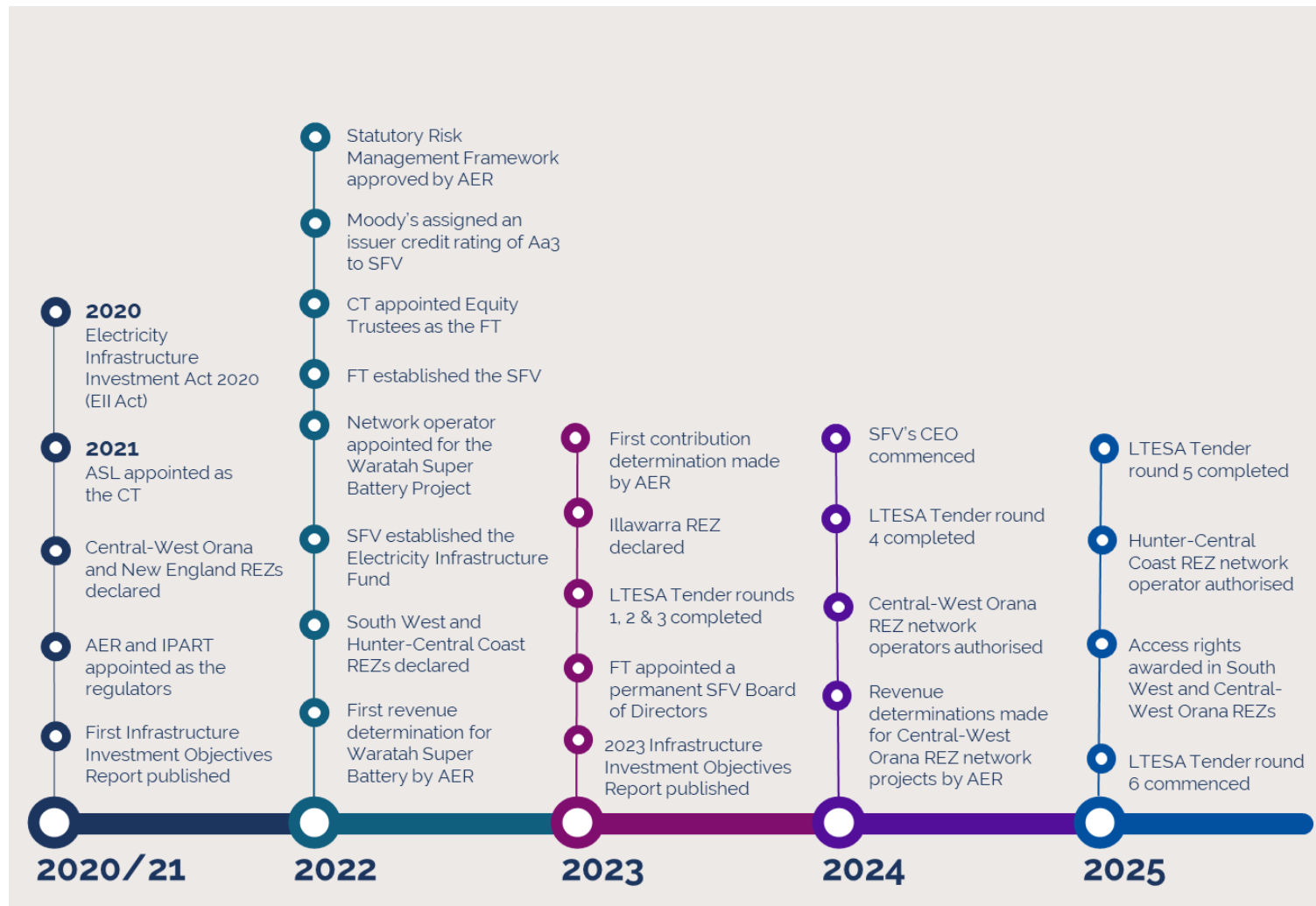
2.5 Progress of the Roadmap

It has been almost 5 years since the commencement of the Roadmap in December 2020. The Roadmap is progressing from an establishing phase to a delivery phase. In the Central-West Orana REZ, key development tasks have been completed: REZ declared, LTESAs awarded, network operator authorised, access scheme declared, access rights awarded, and construction of network infrastructure has commenced. The next REZs are expected to follow a similar development pathway with improved coordination and streamlined processes.

The financial entities were appointed or established in 2022 to support the roll out of the Roadmap. We discuss their roles and responsibilities in the next sections of the report.

Figure 2.3 below shows key Roadmap milestones that are mostly relevant to the functions of the FT and the SFV.

Figure 2.3 Roadmap milestones



a. This figure shows Roadmap milestones that are mostly relevant for the functions of the FT and the SFV.

b. The years represent calendar years, except for 2025 where it only shows milestones up to 30 June.

Source: IPART analysis.

2.6 Financial Trustee's roles and responsibilities

2.6.1 Appointment of the FT

The CT appointed Equity Trustees Limited as the FT in September 2022 following an expression of interest and tender process.⁷⁷

The FT holds an Australian Financial Services Licence (AFSL) that enables the SFV to conduct its business by dealing in financial products, specifically the derivative agreements known as Long Term Energy Service Agreements.⁷⁸

2.6.2 Functions of FT

The FT's functions under the EII Act include:

- Administer the SFV.⁷⁹
- Establish the SFV as a company limited by shares under the *Corporations Act 2001* (Cth). The shares must be held by the FT on trust for the purposes of the EII Act.⁸⁰
- Report to IPART on the activities of the SFV during a financial year. The report must be included as part of the annual report provided by the FT to IPART.⁸¹
- Be consulted by AER about contribution determinations, and to advise the AER about contribution determinations.⁸²

2.6.3 Requirements under the Instrument of Appointment

The Instrument of Appointment (IoA) is an agreement signed by both parties when the CT appointed the FT under the EII Act. The original IoA was signed on 15 September 2022. Some amendments were made to the IoA under an Amendment Deed signed by both parties on 9 August 2024. The CT sets the terms and conditions of the IoA and has significant influence on deciding what FT must do as the appointed financial trustee.

We understand that there are ongoing discussions between the CT and the FT regarding an update to the IoA.

The obligations and services of the FT are defined in section 5.2 and Schedule 2 of the IoA. The FT must carry out the functions of the FT under the EII Act in accordance with the requirements of the EII Act.

⁷⁷ ASL, [NSW Electricity Infrastructure Roadmap – Financial Trustee appointed and Scheme Financial Vehicle established](#), 21 September 2022.

⁷⁸ ASL, [Long-Term Energy Service Agreement template](#), Long-duration storage, Draft publication version: 22 May 2024.

⁷⁹ EII Act, s 61(2)(a).

⁸⁰ EII Act, s 62(1).

⁸¹ EII Regulation, cl 42B(1)-(2).

⁸² EII Act, s 61(2).

We consider the following obligations are particularly relevant to this performance audit:

Administer the SFV

- Administration of the SFV in accordance with section 61(2)(a) of the EII Act.
- Receive reports from the SFV board evidencing that the SFV is making payments in accordance with the SFV's budget or otherwise permitted by the IoA.⁸³
- Company secretarial activities.
- Act as a payment agent for the SFV, by making payments on behalf of the SFV.

Monitor the SFV

- Undertake appropriate oversight of the SFV as considered necessary by the FT and CT, including through the FT's existing Monitoring Program and Base Compliance Program.
- Monitor for any regulatory activity that may affect the SFV.
- Do all things within its power to procure that it receives adequate reporting from the SFV board to monitor whether the SFV has, promptly:
 - provided an annual report on the performance of Risk Management Framework to the FT and CT.
 - provided to FT, CT and IPART an audited financial report prepared under section 301 of the *Corporations Act 2001* (Cth) and setting out the net exposure of the SFV to the wholesale electricity market under the aggregate liabilities of the LTESAs and Risk Management Contracts entered into by the SFV.
 - provided a report outlining the SFV's performance against the Performance Criteria to the FT and the CT.⁸⁴

Australian financial service licensing (establishment service)

- Entering into an intermediary authorisation agreement with the SFV to enable the SFV to issue, vary or dispose of certain financial products, including derivatives, in reliance on the intermediary authorisation licensing exemption set out in section 911A(2)(b) of the *Corporations Act 2001* (Cth).

Contribution determination

- Advise and provide information to AER in relation to the annual contribution determination.
- Submit to AER an assessment of required contributions, provided to the FT by the SFV and prepared in accordance with the EII Act and SFV treasury policy approved by the CT.⁸⁵

Performance audit and annual report

- Comply with performance audit requirements undertaken by IPART.

⁸³ Instrument of Appointment – Financial Trustee, 15 September 2022, cl 5.2(d).

⁸⁴ Instrument of Appointment – Financial Trustee, 15 September 2022, cl 5.2(h)(iii), (iv) and (vi).

⁸⁵ Instrument of Appointment – Financial Trustee, 15 September 2022, cl 5.2(e).

- Procure that the SFV provides to the FT and CT a report outlining the SFV's performance against the performance criteria and other information necessary to report to IPART's annual report.

2.6.4 The proposed operational model requires clarifications

The proposed operational model may modify FT's tasks, like reporting under the EII Act s 61(2)(a). The next version of the IoA might outline this in more detail. We understand that it is under development as we prepare this report.

Box 2.2 Proposed FT's operational model (in development)

Current state of operation, which is proposed to be retained in the future:

- Hold the SFV shares in statutory trust.
- Regulatory reporting, as required by law.
- Acting as the Australian Financial Services Licence (AFSL) intermediary, to provide the SFV with the necessary authority to undertake its financial services activities.
- Consultation and information provision for AER's contribution determination, as required by the EII Act.

Propose operational model (in development) would remove the following activities from the IoA that are not currently performed by FT:

- Ensure financial services provided/outsourced for the SFV (Accounting & Finance, payments/transfers, IT, company secretarial activities, etc) and payment of providers, as required under the third milestone 3.1(c)(i)(A) and (B) in the IoA.
- Change reporting undertakings to come directly from the SFV [to the CT] when relates to SFV activity.
- Company secretarial activities (have been insourced by the SFV).

Source: ASL, Operating Model – Function Changes, undated.

2.7 Scheme Financial Vehicle's roles and responsibilities

2.7.1 Establishment of the SFV

The FT established the Scheme Financial Vehicle Pty Ltd in 2022 as a company limited by shares under the *Corporations Act 2001* (Cth).⁸⁶ The SFV is governed by an independent board of directors that are appointed by the FT.⁸⁷

Prior to the Minister authorising the SFV to incur administrative costs in September 2024, the SFV could not recover its administrative costs from the EI Fund, therefore limiting its ability to employ staff, lease premises or run internal business systems. The SFV's functions were undertaken by the FT, as specified under the FT's IoA, or by ASL specified under the Use of Resources Letter. The Use of Resources Letter is a labour hire arrangement where ASL (not in its capacity as the CT under the EII Act) provide operational support for the SFV on an hourly rate, paid for by the FT. For example, the management of project development agreements are undertaken by ASL under the Use of Resources Letter arrangement.⁸⁸

The EII Act was amended in December 2023 to provide an avenue for the SFV to directly recover its own administrative costs as money payable from the EI Fund.⁸⁹ In September 2024, the Minister authorised payments from the EI Fund to cover the administrative costs of the SFV. Since then, the SFV has been transitioning to an insourced operating model with the approval of the SFV Board.

The figure below shows the stages of growth of the SFV. We consider that the SFV is moving from establishing the basics (Horizon 1) to maturing into coordinated excellence (Horizon 2) under the Three Horizons Framework as discussed in section 1.2.

Figure 2.4 The stages of growth of the SFV



Source: IPART Analysis.

⁸⁶ EII Act, s 62(1).

⁸⁷ Constitution – Scheme Financial Vehicle, 3 October 2022.

⁸⁸ The SFV response to draft audit design matrix, 20 June 2025.

⁸⁹ EII Act, s 55(a1).

2.7.2 The Statutory Risk Management Framework

Enterprise risk management is an approach for identifying and mitigating risks across the entity and its functions that could threaten performance. The entities face different types of risk, such as financial, cyber and technology, compliance, and human capital. An enterprise risk management framework is not required under the legislation. However, the EII Act does require the CT to develop a risk management framework to manage the risks associated with LTESAs. This is referred to in this audit as the Statutory Risk Management Framework (SRMF).

The SFV is required to manage financial risks from LTESAs or risk management contracts in accordance with the SRMF developed by the CT.⁹⁰ Subsidiary policies are developed by the CT to address risks identified by the SRMF.^{91, 92} Therefore, the audit looks at the SFV's implementation of SRMF and subsidiary policies.

The SFV must follow the SRMF and its subsidiary policies to manage risks associated with LTESAs, like having a sufficient cash balance to make payments, while acting in a commercially reasonable and prudent way under any contract or agreement made under the EII Act or risk management contracts under the SRMF.^{93, 94} The SRMF also provides for the SFV, where appropriate, to enter derivative arrangements that hedge risks arising from LTESAs and the SFV to enter a second type of derivative arrangement referred to as a risk management contract.^{95, 96}

Figure 5 outlines the hierarchy of risk management where the Statutory Risk Management Framework sits under the broader enterprise risk management framework.

⁹⁰ EII Act, s 51.

⁹¹ ASL, Statutory Risk Management Framework, July 2022, section 8.1.

⁹² The AER approves the SRMF but does not have an ongoing role in monitoring its implementation. The AER also does not have a role in reviewing or approving the subsidiary policies.

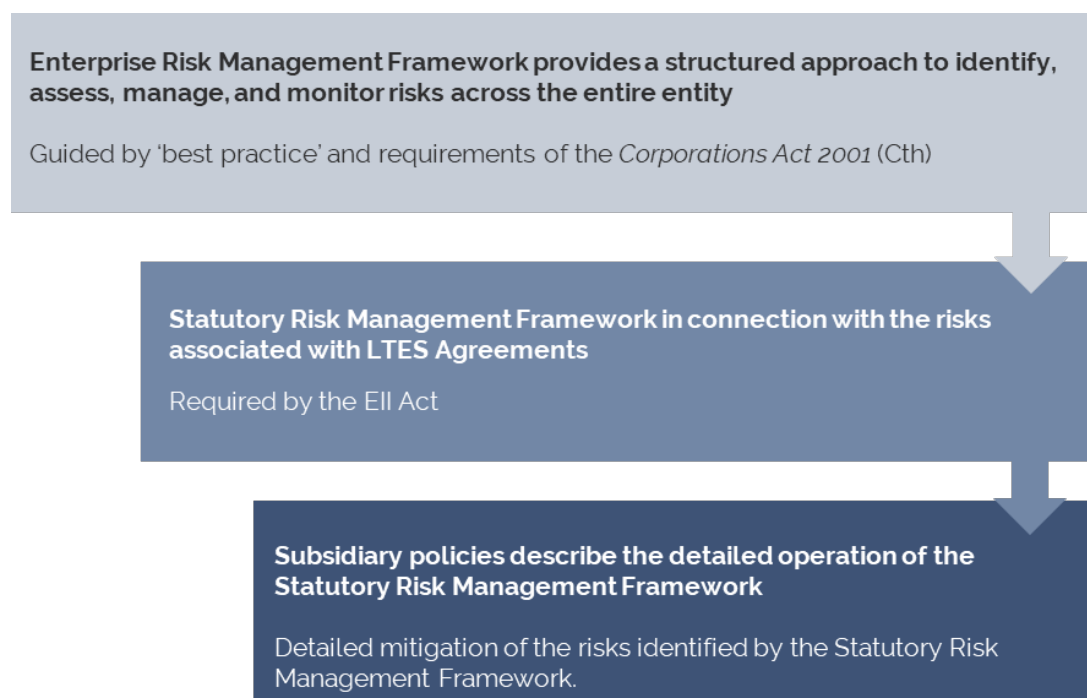
⁹³ EII Act, ss 51(8), 62(4).

⁹⁴ EII Regulation, cl 32.

⁹⁵ [Second Reading Speech](#).

⁹⁶ EII Regulation, cl 32(3).

Figure 2.5 Hierarchy of risk management



Source: IPART analysis, *Electricity Infrastructure Fund (Part 7 of the EII Act) Policy Paper*, OECC, Sept. 2021, and *Statutory Risk Management Framework*, ASL, July 2022..

The EII legislation requires the SRMF to mitigate specific risks and that it must also address implementation.⁹⁷ Table 2.2 below lists the 5 risks as they are addressed in the SRMF.

Table 2.2 The 5 specific risks covered by the SRMF

Risk 1	Benefit of LTES Agreements The risk that the expected long-term and short-term benefits of LTES agreements are not fully realised, resulting in unexpected costs and exposure to NSW electricity customers. This includes risks relating to entering LTES agreements for too much or too little generation or long-duration storage.
Risk 2	Electricity Infrastructure Fund liquidity The risk that the cash balance of the Electricity Infrastructure Fund is not sufficient to pay for the liabilities of the scheme financial vehicle under the EII Act on any specific day, including LTES agreement payments, and the administrative costs of the consumer trustee, financial trustee and the AER.
Risk 3	Contributions volatility The risk to the financial interests of NSW electricity customers of unexpected or significant increases in the liabilities for payments by the scheme financial vehicle under LTES agreements from year to year
Risk 4	Contracts market liquidity The risk that LTES operators exercise their options resulting in liquidity reducing in the wholesale (financial electricity) contract market, which may increase costs to retailers from managing wholesale electricity price risk on behalf of their customers.

⁹⁷ EII Act s 51(8) and EII Regulation cl 32(1).

Risk 5 Prudent cash balance

The risk that uncertainty in future payments to LTES operators leads to unnecessarily high or low contributions from distribution network service providers (who recover these contributions from electricity customers) in particular years, to provide the scheme financial vehicle with a prudent minimum cash balance.

Source: ASL *Risk Management Framework*, July 2022, Table 2.

The CT prepared 5 subsidiary policies in 2022-23 for the SFV that have been reviewed by the SFV Board. The subsidiary policies must be consistent with the SRMF. The SFV must adopt the subsidiary policies of the CT (unless variations are approved by the CT). We understand that the SFV and the CT are in the process of reviewing the subsidiary policies, where CT is responsible for approving the changes prior to the SFV's implementation.

Table 2.3 The subsidiary risk management policies and purpose under the SRMF



LTES Agreements

The risk associated with the Consumer Trustee recommending LTES agreements



Counterparty credit

Risk of losses to the Scheme Financial Vehicle due to counterparty default.



Operational risk

Risk of losses to the Scheme Financial Vehicle due to failing of people, processes or systems.



Wholesale electricity

Risk of financial losses to the Scheme Financial Vehicle due to wholesale electricity markets including differences in LTES agreement and risk management contract volumes and / or adverse movements in wholesale electricity prices.



Treasury and liquidity

Risk of cash flow shortfalls / insolvency to the Scheme Financial Vehicle due to insufficient liquidity of the Scheme Financial Vehicle

Note: Each subsidiary policy may address one or more of the risks in the SRMF.

Source: ASL *Risk Management Framework*, July 2022, Table 4

2.7.3 Functions of the SFV

The SFV plays a critical role in facilitating funding and payments to private sector participants in the Roadmap and their investors. The SFV works alongside the other Roadmap entities to incentivise and bring forward private sector investment in electricity infrastructure assets.

The SFV has functions under the EII Act and EII Regulations including:

- Establish and maintain the EI Fund for the purposes set out in the EII Act.⁹⁸
- Enter into risk management contracts, consistent with the SRMF established by the CT and approved by the AER.⁹⁹
- Enter into LTESAs with project proponents.¹⁰⁰

⁹⁸ EII Act, s 53.

⁹⁹ EII Act, s 52(1).

¹⁰⁰ EII Act, s 48(1).

- Pay amounts from the Fund in accordance with the EII Act, including to network operators in accordance with revenue determinations of the AER.¹⁰¹
- Make payments from the Fund to the CT, the FT and regulator as required in the IoA or otherwise authorised by the Minister, to enable the exercise of their functions under the EII Act.¹⁰²
- Make contribution orders to Distribution Network Service Providers based on the annual contribution determination made by the AER.¹⁰³
- Receive money under a contribution order from a Distributed Network Service Provider.¹⁰⁴
- Prepare a financial report about the EI Fund as soon as practicable after the end of each financial year.¹⁰⁵
- Prepare monthly records of payments into and from the EI Fund.¹⁰⁶
- Enter into payment deeds with access right holders on certain terms and conditions for the payment of access fees determined by the CT under EII Act, section 26.¹⁰⁷
- Be consulted on the terms and conditions, including bonding arrangements, of a payment deed between the SFV and access rights holder.¹⁰⁸

The SRMF provides additional roles and responsibilities for the SFV including:¹⁰⁹

LTES related activities

- Review and decide on the recommendations on LTESA made by the CT
- Execute and manage the approved LTESAs
- Provide the AER with all necessary information for it to make its contribution determination

Risk management contract related activities

- Independently analyse the financial product risk to inform the decisions to execute risk management contracts
- Make independent decisions to execute and manage risk management contracts
- Adapt, approve and implement the subsidiary policies
- Seek approval from the CT when SFV subsidiary policies are proposed to not be consistent with the subsidiary policies of the CT.

Reporting in relation to risk management

- Ensure that differences between risk management contracts (including basis risk) and LTESAs are managed

¹⁰¹ EII Act, s 39(1).

¹⁰² EII Act, s 55.

¹⁰³ EII Act, s 58(1).

¹⁰⁴ EII Act, s 54(a).

¹⁰⁵ EII Act, s 53(3).

¹⁰⁶ EII Act, s 53(3).

¹⁰⁷ EII Regulation, Schedule 1A, cl 14(1).

¹⁰⁸ EII Regulation, Schedule 1A, cl 14(2).

¹⁰⁹ EII Act, s 51(2).

- Ensure that the net effect of risk management contracts and LTESAs reduce the net exposure of the NSW electricity customers contributing to Roadmap costs.
- Provide its audited statutory accounts and an annual report to IPART and CT.
- Report to the CT on its performance against the requirements of the SRMF and subsidiary policies, including the overall performance of the framework, risk management contracts and any breaches of the SRMF or SFV subsidiary policies.¹¹⁰

2.7.4 EI Fund administration

The SFV established the EI Fund and manages payments into and out of the EI Fund.¹¹¹

Figure 2.6 below summarises the categories of income and expenditure of the EI Fund and the governance arrangement of each component.

The SFV maintains the EI Fund, using contributions and interest income to fund payments, supporting affordable electricity supply.¹¹² The primary source of income is from NSW electricity customers, who pay the electricity retailers via their bills, and the money is then passed onto Distribution Network Service Providers to contribute to the EI Fund through AER's contribution determinations.¹¹³ The EI Fund also receives access payments from the holders of access rights to declared Access Schemes.¹¹⁴ Although the Roadmap's financial flows originate from electricity customers, they are governed under a statutory framework and administered by entities charged with delivering public outcomes. The audit therefore considers whether governance and risk management arrangements support the long-term financial interests of electricity customers and public interest objects set out in the EII Act.

The SFV is required to maintain a minimum prudent cash balance for the Fund as determined by the AER.¹¹⁵ This requirement is designed to protect the EI Fund's liquidity and ensure that the SFV can meet its financial obligations as they fall due.¹¹⁶ The minimum prudent cash balance target for 2025-26 is \$269.10 million.¹¹⁷

In performing its functions, the SFV is to operate with commercial autonomy on a day-to-day basis, in a commercially reasonable and prudent way under any contract or agreement.¹¹⁸

¹¹⁰ ASL, Statutory Risk Management Framework, July 2022, section 5.

¹¹¹ EII Act, ss 53-55.

¹¹² EII Act, ss 53(1), 56, 54, 55 and 3(1)(a).

¹¹³ EII Act, s 56.

¹¹⁴ EII Act, ss 24 and 26.

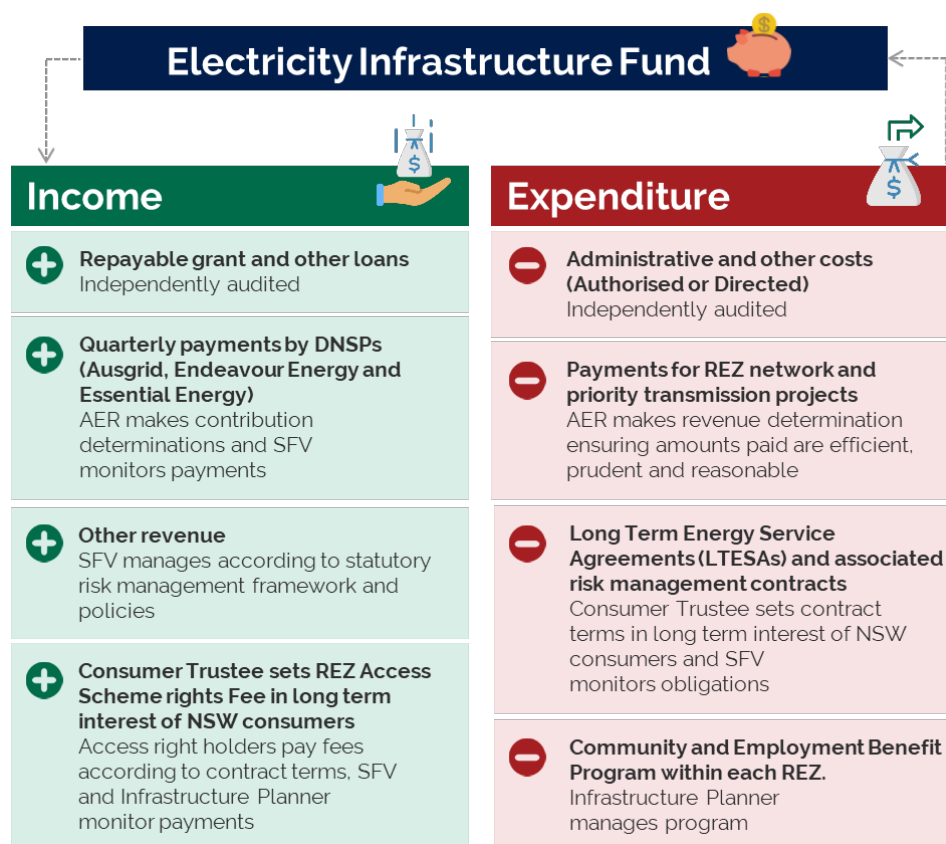
¹¹⁵ EII Act, s 56(3)(a).

¹¹⁶ EII Act, s 56(1).

¹¹⁷ AER, [NSW Electricity Infrastructure Fund - Contribution Determination for 2025-26 - 19 February 2025](#).

¹¹⁸ EII Act, s 62(4).

Figure 2.6 EI Fund income and expenditure categories and governance



Source: IPART Analysis

2.7.5 An LTESA specifies the infrastructure and the derivative arrangement

Under the EII Act, an LTESA is an agreement entered into between the SFV and the LTES operator under which:

- the LTES operator constructs and operates the applicable infrastructure, and
- if the LTES operator does this, the LTES operator may periodically opt to exercise a derivative arrangement.¹¹⁹

In practice, when the CT recommends an LTESA, the execution of an LTESA is conditional upon entry into and compliance with 2 separate contractual project documents:

- Project Development Agreement (PDA) – includes obligations on the LTES operator to achieve Financial Close, construct and commission the project, and comply with various social licence commitments.
- 'LTESA' – includes the specific terms of the derivative arrangements and ongoing operational obligations on the LTES operator.¹²⁰

¹¹⁹ EII Act, s 46(1).

¹²⁰ ASLs, [Generation LTESA](#), accessed 28 August 2025.

The PDA and the 'LTESA' together, appear to comprise the LTESA as described in the EII Act. The PDA, specifying the pre-operational terms of the infrastructure project, is not identified as a separate contract in the EII Act.¹²¹

The LTESAs will have a term of up to 20 years for the generation LTESAs and up to 40 years for long-duration storage LTESAs.¹²²

The project documents for the 'LTESA' and PDA have standard dispute resolution clauses in the contract templates to manage disputes between the LTES Operator and the SFV.¹²³

If a court is to assess liquidated damages in relation to a breach of a contract to which the SFV is a party, it is to take into account damages suffered by NSW electricity customers as if they were damages suffered by the SFV.¹²⁴

The number of contracts and agreements are increasing as more infrastructure projects are committed to the renewable energy transition. The financial risk exposure increases as the scale of these contracts increases. Figure 2.7 below shows the indicative number of contracts that the SFV has entered into since the beginning of the Roadmap.

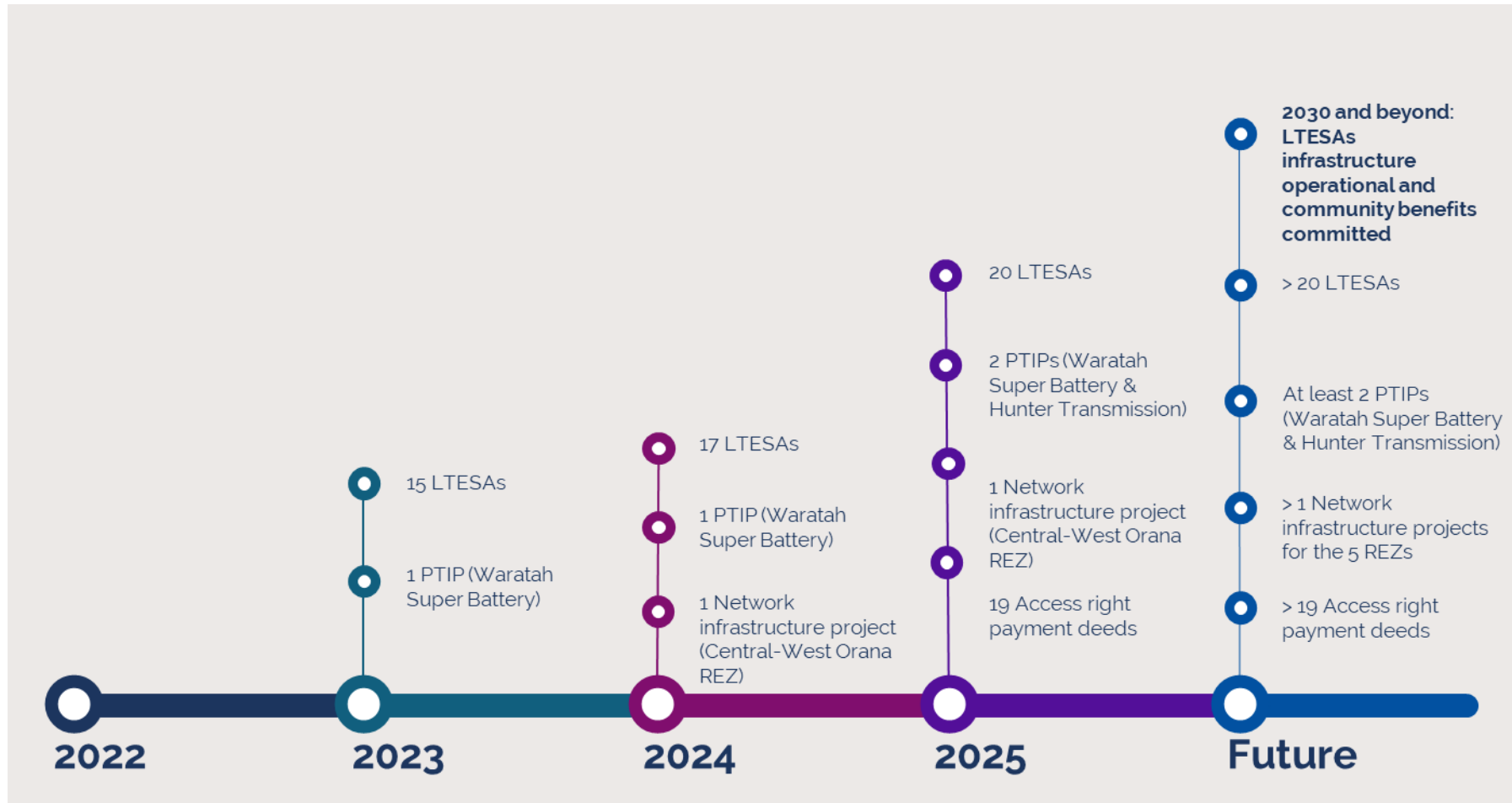
¹²¹ Recital B of the [template LTESA agreement available on ASL's website](#) provides: 'As a condition of the award of this Agreement, LTES operator has agreed to develop and construct the Project in accordance with the requirements and milestones set out in the PDA'. Accessed on 20 August 2025.

¹²² ASL, [Long-Term Energy Services Agreements](#), accessed 7 August 2025.

¹²³ ASL, [NSW Roadmap – Tender Round 6, Long Duration Storage LTESA, Tender Documents](#), accessed 7 August 2025.

¹²⁴ EII Act, s 62(7).

Figure 2.7 The commercial contracts that the SFV has entered into are increasing



a. The years represent calendar years, except for 2025 where it only shows milestones up to 30 June.

b. The number of contracts shown is cumulative (not incremental).

c. Not all REZs will need a network infrastructure project under the EII Act, some may be managed directly via AER determination using the process under the National Electricity Rules.

Source: IPART analysis.

2.7.6 The proposed operational model requires further consideration

We understand that the proposed operational model for the administration of the respective roles and responsibilities of the CT, FT and SFV is still under development as we prepare this report.

We noted that the entities have considered reallocation of certain responsibilities in the proposed operational model, including payment services from the FT to the SFV. However, at the time of this audit, there is no formal agreed operational model for the CT, FT and SFV.

Box 2.3 Proposed SFV's operational model (in development)

Retain current operations (transition from ASL resources to insourcing):

- SFV management (governance, Board papers, risk management, Finance, Balance Sheet and Liquidity Management, Reporting).
- Contract execution: LTESAs, Priority Transmission Infrastructure Projects Network Operators Payment Deeds, Access Payment Deeds.
- LTESA management.

Undertake new operations (transition from FT to insourcing):

- The SFV to perform company secretarial activities, rather than undertaken by the FT.
- The SFV to undertake payment, though FT may need to provide payment services during the transition.
- The SFV to implement reporting etc to reflect revised performance management and governance model.

Source: ASL, Operating Model – Function Changes, undated

Chapter 3 »

First line of inquiry – Governance systems and process

Do the FT and the SFV have sound governance systems and processes in place to identify and manage financial risks to protect the interests of NSW electricity customers?

03

3.1 Context



Line of Inquiry 1 – Governance systems and processes

Do the FT and the SFV have sound governance systems and processes in place to identify and manage financial risks to protect the interests of NSW electricity customers?

Sound governance systems and processes are crucial for effective management of the Roadmap entities, and the achievement of the objectives and sustainability of the Roadmap. Appropriate systems are required to ensure transparency, accountability, and efficiency and should provide a framework for decision-making, risk management, and stakeholder engagement.

Key features of the Roadmap governance framework are the legislative basis of the EII Act and *Electricity Infrastructure Investment Regulation 2021* (EII Regulation), the Statutory Risk Management Framework, as developed by the CT and approved by the Australian Energy Regulator, and the subsidiary policies developed by the CT and adopted or adapted by the SFV.

3.2 Conclusion

The overall Audit Criteria was partially met.

The SFV and the FT have established foundational governance systems and processes for the early stages of the Roadmap including the adoption of the Statutory Risk Management Framework. The entities need to continue to develop an enterprise risk management framework, improve the subsidiary policies, update the instrument of appointment and evolve its organisation structure to effectively manage future financial risks.

Key conclusions under Line of Inquiry 1 include:¹²⁵

01

SFV systems for EII Act and EII Regulation compliance

Since its inception in September 2022, the SFV has acted and delivered its functions, in compliance with the specific legislative requirements of the EII Act, and EII Regulation through a Use of Resources labour hire arrangement with the company, ASL, appointed as the CT. The SFV is currently transitioning to insourcing responsibility for its operational and administrative activities to enhance efficiency and internal capabilities.

03

LTESA and EI Fund risk management

Due to the relatively early stage of the Roadmap, NSW electricity customers have only been exposed to limited financial risks potentially faced by the SFV in its role executing and managing LTESAs and administering the EI Fund. However, with the ongoing maturity of the Roadmap entities, the LTESAs and associated risk management agreements, the current operational SFV subsidiary policies (e.g. Wholesale Electricity Policy), and various systems and processes (especially contract management and financial market product systems) require enhancements to ensure that the SFV continues to be effective in managing key financial risks to protect the interests of NSW electricity customers.

¹²⁵ In accordance with clause 75(3) of the *Electricity Infrastructure Investment Regulation 2021*, the Tribunal decided not to publish, at this time, some of the information contained in the report provided to the Minister. For that reason, in this report, the numbering in lists of recommendations and conclusions omits some numbers.

-
- 04 FT's role in administering the SFV**
The term 'administer' is not defined in either the EII Act or the Instrument of Appointment (IoA) for the FT. This ambiguity in the term 'administer' has led to differing expectations among entities and is a key reason for duplicated or unclear responsibilities. The audit concludes that without clarification, this ambiguity may undermine accountability as financial risks grow.
-
- 05 Adoption of SRMF and subsidiary policies**
The SRMF, prepared by the CT and approved by the Australian Energy Regulator (AER) was applied to the SFV as required by the EII Act without change. The subsidiary policies were prepared by the CT, as per section 8.1 of the SRMF and formally adopted by the SFV Board. Changes to the subsidiary SFV Wholesale Electricity Policy were approved by the CT.
-
- 06 SFV Hedging Policy**
There was no SFV Hedging Policy in place at the time of the audit. While this was not a high priority given the current stage of the Roadmap and LTESAs, consideration of whether hedging is required or would be effective to manage derivative risk from LTESAs options and other financial exposures with the LTESAs is required.
-
- 07 SFV Enterprise Risk Management Framework and reporting**
The SFV had not implemented an Enterprise Risk Management Framework (ERMF). In the absence of an ERMF, the risk identification, assessment and analysis, identification of mitigating controls and risk treatment cannot be undertaken on a regular or consistent basis. Whilst the SFV is working towards risk management improvements, it has been operating with ad hoc and immature operational risk management. The lack of an ERMF has likely adversely impacted regular SFV management reporting as this has not included specific detailed information of broader enterprise risk management activities as required under the subsidiary Operational Risk Policy
-
- 08 SFV financial risk management reporting**
Since December 2024, management reporting includes detailed, regular, and generally compliant reporting to both the SFV Board and the CT to allow for monitoring of SFV financial risk management activities. However, management reporting regarding financial risk management activities was not fully developed at the earlier stages of the Roadmap.
-

3.3 Were there effective systems and processes?

The first Audit Criterion was to assess whether the FT and the SFV have systems and processes to effectively deliver their functions in accordance with relevant legislation (including EII Act, *Corporations Act 2001* (Cth), and EII Regulation).

Findings



1. The SFV is working towards improving systems and processes but did not yet have fully developed systems and processes to effectively deliver functions in accordance with all relevant legislation. The development of appropriate systems and processes will become increasingly critical as the financial risks, associated with the execution and management of LTESAs and administration of the EI Fund, build.
2. The FT has the function of administering the SFV under section 61(2)(a) of the EII Act. We understand the FT has taken a narrow view of administration requirements. While it has been acting and delivering its functions, in compliance with most of the specific legislative requirements of the EII Act, and EII Regulation, there were evident gaps in service requirements to enable the SFV to operate effectively.

Observations

We sought to identify the systems and processes in place within the FT and the SFV necessary to support entity functions and responsibilities as established under the applicable legislative provisions. There was an expectation that the FT and the SFV would comply with all the relevant provisions of the EII Act and EII Regulation, as well as the *Corporations Act 2001* (Cth).

We also looked for evidence of appropriately mature systems and procedures that effectively identified and addressed financial and operational risks that the entities were facing in the current state of Roadmap development. In addition, we assessed the capacity of the entities' current and proposed systems and processes to manage the emerging risks from the evolving nature of the Roadmap.

We found evidence that the FT and the SFV have the following effective processes and systems to establish and manage the Electricity Infrastructure Fund:

- the process employed by the SFV in aggregating costs and considering volatility risk for the most recent contribution determination.
- the SFV cash management and forecasting process appeared appropriate to effectively manage EI Fund liquidity and prudent cash balance risks to date. Systems and processes were found to be at an early maturity level and are a work in progress.
- an external opinion obtained from EY concluded that, in all material respects, the cash management controls within the SFV, provided and overseen by Equity Trustees Limited as the Financial Trustee, were suitably designed and operated effectively throughout the period from 16 September 2022 to 30 June 2023.
- a sample of completed FT payment checklists confirmed, on a substantive basis, the operation of the SFV payment processing compliance and control checks.

Some processes and systems were partially effective and require further development

We focused our inquiry on the SFV having process and systems in place in accordance with relevant legislation as counterparty to LTESAs. We did not undertake further inquiry into FT as it does not make decisions in the execution of LTESAs.

We found evidence that the SFV has been active in progressively identifying and addressing required enhancements in processes and systems including:

- Processes to change 'subsidiary policies' that support the statutory risk management framework and were developed by the CT early in the establishment of the SFV.
- Identifying and addressing evolving internal resourcing requirements for the management of key SFV functions from November 2024.

While individually, these matters do not represent an imminent risk to the operation of the FT or the SFV, collectively they underpin good governance and are operationally important. They should be addressed as soon as reasonably practical.

The current suite of subsidiary policies in force at the time of the audit, applicable to the SFV and issued in late 2022 or during 2023, is in need of an update. The policies do not fully align with the change from labour hire arrangements with ASL to insourcing of SFV responsibility for operating and administrative systems and processes and require enhancements to ensure the SFV is managing key financial risks to protect the interests of NSW electricity customers. The CT is required to authorise any inconsistencies between its own subsidiary policies and those of the SFV as per section 8.1 of the Statutory Risk Management Framework.

The SFV has advised that an updated suite of four risk subsidiary policies have been submitted to the CT for approval, noting that as part of the consultation process a limited number of inconsistencies have been identified by the CT. The revised policies reflect the change in operating model and the SFV considers that these will be fit for purpose at this stage of the entity's maturity. The SFV's Wholesale Electricity Policy (WEP) requires more substantive amendments. Further consultation with the CT is in progress and will be presented to the Board for review following that process.

Subsidiary policies are an important part of the Roadmap financial risk management framework. Development of up to date policies is both important and urgent to meet the growing risks associated with increasing funds under management and contractual liabilities.

A number of processes and systems were not yet developed

The SFV does not have a dedicated Hedging Policy to manage projected financial risks such as that arising from derivative risk associated with electricity wholesale market options within LTESAs. The official setting at the time of the audit was that there was to be no hedging by the SFV, which was deemed appropriate for the Roadmap stage at that time.

The lack of a Hedging Policy may expose the EI Fund to contribution volatility and excessive financial losses, which could result in higher costs for electricity customers, as well as adverse reputational damage for the SFV. Although hedging is an important policy consideration, the volume of generation LTESAs that could be exercised currently means that this does not need to be addressed with urgency. However, determining whether hedging is required as part of the long-term risk management strategy is important.

The SFV has not yet implemented systems and processes pertaining to a specialised Contract Management System (which would specifically address post-execution contract management and oversight) or Financial Markets Product System, as referenced in the subsidiary SFV Operational Risk Policy. Rather, at the time of the audit, the SFV relied on an Excel based approach to address risks associated with contract and financial markets product management.

We consider the implementation of dedicated, specialised systems to be a high priority. This approach needs urgent development to match the evolving and increasingly complex nature of contracts under management. The SFV has developed a technology roadmap which includes a Contract Management System as well as a Financial Markets Product System as being slated for requirements scoping, vendor selection and implementation over the next 12 – 18 months. The SFV has advised that it will continue to utilise an Excel approach until these systems are implemented.

The SFV does not yet have an Enterprise Risk Management Framework (ERMF), which is a holistic framework to identify and seek to manage a broader range of organisational risks than those stipulated in the SRMF.¹²⁶ We note that the SRMF is prescribed in the EII Act and specifically addresses risks associated with LTESAs. The SFV has advised that an ERMF and Compliance Management Framework (CMF) were well progressed at the conclusion of the audit. Draft enterprise risk and compliance management artefacts were provided for information purposes to the SFV Board's meeting on 23 May 2025. A board risk workshop was held on 10 June 2025. We understand that these artefacts were to be submitted to the SFV Board at the 8 August 2025 meeting for further consideration and subsequent adoption. The development of an ERMF has become a high priority to manage the evolving future state of the SFV and the increasing complexity of their operations. We consider this has now become urgent.

We did not find evidence that the FT has been able to deliver on all specified functions. The FT is required to 'administer' the SFV as per section 61(2)(a) of the EII Act, however the term is not defined in the legislation, the SRMF, or the IoA.

Initially, there appeared to be some expectation that the FT would have a more active role in monitoring SFV compliance and effectiveness. This was evident in the terminology used in parts of the EII Act and the IoA; however, the role was not clearly specified and as a result, this intended vision was never comprehensively satisfied in practice. Overall, the FT roles and responsibilities did not fully align with this prospect.

There have been several instances where actions required by the FT under the IoA had not been completed by the stated milestone date. It is unclear whether these were actions to be completed by the FT in isolation or dependent on actions by others. For example, the FT is dependent on the CT to nominate directors prior to appointment by the FT. A delay in the nomination resulted in a delay of over four months in appointing the SFV board.

¹²⁶ Enterprise Risk Management Framework provides a holistic view of all risks: strategic, financial, operational, and compliance. It is supported by a formal Risk Appetite Statement that defines the level of risk the board is willing to accept, and specific, detailed policies for managing material financial exposures, such as interest rate or commodity price risk.

We note that, Clauses 3.4 and 3.5 of the IoA require notification by the FT if the specified 'conditions' are not achieved by the nominated milestone date, and we did not find evidence that this was consistently met. The CT has confirmed that it was aware of the status of all conditions of the IoA, either through formal communications (although as noted above this was not consistent or inclusive of all conditions) or via ongoing dialogue between the FT and CT.

Impact

Inconsistent and unaligned organisational policies, compounded by under-developed risk management frameworks, create governance incoherence and operational friction between the entities, risking delays and inefficiencies that may increase costs for electricity customers if left unresolved. Without an approved Risk Appetite Statement, there are no clear, agreed-upon boundaries for risk-taking within the organisation.

The lack of a Hedging Policy may expose the EI Fund to contribution volatility and excessive financial losses, which could result in higher costs for electricity customers, as well as adverse reputational damage for the SFV.

Manual and generic software supported processes are unscalable, prone to human error, and lack the controls necessary for managing multi-million -dollar contracts and financial exposures, creating an elevated risk of missed obligations and ineffective financial management. Unmanaged contract risks could delay infrastructure projects, reducing electricity supply reliability for NSW electricity customers.

Recommendations¹²⁷



3. The SFV, in collaboration with the CT, update all existing subsidiary policies (e.g. Treasury & Liquidity, Operational Risk) to reflect the current Roadmap operational environment, use all reasonable endeavours to secure the CT Board approval for any changes, and establish formal annual review process to ensure ongoing relevance. **Target date:** 1 February 2026 (31 March 2026 for Wholesale Electricity Policy as per Recommendation 8) and ongoing
4. The SFV, in collaboration with the CT, continue to evaluate efficacy of a hedging strategy and as applicable, formalise a SFV Hedging Policy based on the costs and benefits of hedging. **Target date:** 30 June 2026
5. The SFV identify and evaluate options (e.g. cost, scalability and integration) for a dedicated Contract Management System and a Financial Markets Product System, and procure selected system solutions, to enhance operational management capabilities. **Target date:** 30 April 2026

¹²⁷ In accordance with clause 75(3) of the *Electricity Infrastructure Investment Regulation 2021*, the Tribunal decided not to publish, at this time, some of the information contained in the report provided to the Minister. For that reason, in this report, the numbering in lists of recommendations and conclusions omits some numbers.

6. The SFV implement a dedicated Contract Management System, and a Financial Markets Product System based on Recommendation 5, to streamline operations and enhance risk management. **Target date:** One year after procurement (provisionally 30 April 2027) subject to Recommendation 5
7. The SFV develop and adopt a comprehensive Enterprise Risk Management Framework (ERMF) aligned with ISO 31000, integrated with the Statutory Risk Management Framework (SRMF) to the extent that integration is possible to proactively manage enterprise-wide risks and ensure robust risks oversight. **Target date:** Adoption of ERMF 1 February 2026

3.4 Was the statutory risk management framework adopted?

The second Audit Criterion was to assess whether the SRMF and subsidiary policies have been adopted or adapted appropriately, with required approvals. Roles and responsibilities of the FT and the SFV align with the requirements of the IoA and are in accordance with legislation.

Findings

-  3. The SRMF and subsidiary policies were adopted or adapted as required or with the requisite approvals.
4. The SRMF requires additional clarity over which Roadmap entities are accountable for certain roles and responsibilities.
5. Roles and responsibilities of the SFV were found to be in accordance with the legislation.
6. Roles and responsibilities of the FT were limited and reflected a narrow interpretation of the wording of the legislation and the IoA.
7. There is no currently documented tripartite agreement (or similar) between the CT, FT, and SFV regarding the detailed roles and responsibilities for each of the Roadmap entities.
8. There have been several instances where actions required by the FT under the IoA were not completed by the stated milestone date and the CT was aware of this situation.

Observations

We initially looked for evidence that the CT released SRMF and CT endorsed subsidiary policies had been either adopted without changes by the SFV (as appropriate) or whether any changes made to these documents by either the FT or the SFV were appropriate in addressing financial and operational risks and had been approved by the CT. We subsequently determined that the SFV could not change the SRMF and the FT has undertaken a limited role in administering the SFV.

We therefore focussed on looking for evidence that the subsidiary SFV policies were either formally endorsed as unchanged by the SFV Board or that any changes in the SFV endorsed subsidiary policies were appropriate and approved by the CT.

We also evaluated the IoA and looked for alignment and consistency between the legislative roles and responsibilities of the FT and the SFV with the terms of the IoA. As the IoA is an agreement between the CT and the FT, and does not incorporate the SFV, we attempted to identify an authoritative document that clearly established the roles and responsibilities that the FT, SFV, and CT had adopted and how these aligned to the relevant legislative provisions.

We found evidence that the SRMF and a number of subsidiary policies were in place

We found that the SFV subsidiary Treasury and Liquidity Policy, Counterparty Credit Risk Policy, Operational Risk Policy, and LTESA Policy were formally endorsed by the SFV Board as unchanged from the initial CT generated versions. The version of the subsidiary Wholesale Electricity policy endorsed by the SFV Board contained various changes to the initial CT generated version however we noted that the SFV board paper detailing the variations from the CT policy was prepared by the ASL General Manager, Financial Markets who also performed a senior role for the CT.

The SRMF was formally released by the CT in July 2022 as per section 51(2) of the EII Act 2020. The CT and SFV must act in accordance with SRMF. It cannot be adapted by the CT without approval by the regulator. There has been no request to adapt the SRMF to date. The SFV has no formal role or mechanism for reviewing or amending the SRMF.

Certain specific responsibilities of the FT outlined in the IoA were undertaken as required and in accordance with the necessary timeframe, including incorporating the SFV, and holding all the shares in the SFV on statutory trust (which are also FT requirements under the EII Act).

The SFV has complied with the legislative requirements of the EII Act, such as maintaining the EI Fund for the purposes of the Act and entering into risk management contracts, consistent with the SRMF.

The FT has complied with certain specific legislative requirements of the EII Act, including providing the regulator with an annual report on the exercise of its functions under the Act.

We did not see evidence that, in all cases, the SRMF had been implemented appropriately according to clearly defined roles and responsibilities

We note that the SFV may not have the capacity to effectively contribute to mitigating SRMF Risk #4 (see Table 2.2) which relates to contracts market liquidity. Market liquidity is the risk that LTES operators exercise their options resulting in liquidity reducing in the wholesale (financial electricity) contract market, which may increase costs to retailers managing wholesale electricity price risk on behalf of their customers. The SFV advised that it had not yet determined whether it has capacity to control or mitigate this risk. The SFV has further advised that it was engaging with the CT to assess the appropriate response to Risk #4 by considering Wholesale Markets Liquidity reporting which indicates that the impact is minimal to date. The SFV proposed to continue to monitor market liquidity as more LTESAs become active and review if there is any observed liquidity impact.

We note that the five specific risks identified in the Statutory Risk Management Framework (SRMF) do not currently include any formal allocation of roles and responsibilities for each of the Roadmap entities to mitigate these risks.

Any risk management framework should be reviewed regularly to ensure it remains effective and relevant. Periodic reviews of risk management frameworks ensure the entity adapts to changing circumstances, identifies new risks, and maintains the framework's overall utility. Whilst the SFV is subject to the SRMF and appears to be primarily responsible for managing most of the identified risks, there is no process for the SFV or the FT to trigger a review.

We did not find that roles and responsibilities between the entities were well understood. We have previously noted issues relating to the lack of definition of 'administer' in both the legislation and IoA and the impact this had on role clarity between the FT, SFV and in some cases the CT.

The lack of clarity around implementation and appropriate roles and responsibilities for implementing the SRMF undermines its effectiveness. As the number of LTES Agreements to which the SFV is party and their value has now reached a critical mass, clarification of roles and responsibilities to mitigate associated financial risks has become a high priority and should be addressed with some urgency.

The SFV has advised that the CT, FT and SFV are working towards agreeing to a form of tripartite agreement to set out the roles and responsibilities of the three entities (this is necessary as the current IoA is between the CT and the FT and does not incorporate the SFV). We understand that the CT had agreed in principle and provided an initial draft of a tripartite agreement to the SFV on 29 May 2025.

To enable the FT and the SFV to develop appropriate processes and systems and address key risks for their proposed operational model, clarification of roles and responsibilities between the three entities needs to be resolved. This has been an outstanding issue for some time. Progress against a number of recommendations emerging from this audit require the entities to cooperate. We consider this matter should be resolved as soon as reasonably practicable.

Impact

The undefined 'administer' role of the FT creates a material governance gap. It could form accountability expectations that cannot be met, may cause duplication between the FT and CT, and could delay timely action during periods of heightened financial risk.

The lack of responsibility for review and update to the SRMF is also cause for concern. The SRMF is the Government's mandated tool for identifying and controlling key financial risks. Without timely review and attention, it may fail to achieve its purpose of protecting the financial interests of NSW electricity customers in connection with the risks associated with LTES agreements.

More generally, a lack of clarity in roles and responsibilities of each of the Roadmap entities may result in weakened accountability, and governance and risk mitigation fragmentation and gaps. This may also pose significant risks to co-ordinated and effective decision making and ultimately expose electricity customers to increased costs.

Recommendations



8. The SFV, in collaboration with the CT, establish a process for defining its role and responsibility (over the short and longer term) in mitigating Risk #4 (contracts market liquidity from the SRMF), and for integrating the agreed positions into the subsidiary Wholesale Electricity Policy to provide clarity for this function.

Target date: 31 March 2026

9. The SFV, in collaboration with the CT, review the formal roles and responsibilities for mitigating the five SRMF financial risks, and take all reasonable steps to assist in incorporating these into an updated SRMF to ensure clear accountability.

Target date: 31 December 2026

10. The SFV and the FT, in collaboration with the CT, take all reasonable steps to formalise a tripartite agreement, or other form of agreement, to operationalise and coordinate the interface of the respective roles and responsibilities, to enhance governance coherence and ensure efficient and effective delivery of the Roadmap. **Target date:** 30 November 2025

3.5 Were there appropriate organisational structures and resourcing?

The third Audit Criterion was to assess whether organisational structures (including entity board membership) and resourcing (including roles, responsibilities (e.g. for the liquidity of the Electricity Infrastructure Fund), capability, delegations, approvals, and management oversight) are appropriate for the effective and efficient management of financial risks.

Findings



9. The SFV's Board's membership may have created a perceived conflict of interest with the other Roadmap entities as two of the four Directors at the time of the audit had a current or past senior role with either ASL or Equity Trustees. We note that the Board Appointment Protocol of the SFV Constitution specifically disregarded officers of the CT and FT for the purposes of assessing whether a SFV Board nominee is considered conflicted, and the standing item at every SFV Board meeting agenda for Director Declarations of Relevant Interests, Conflicts of Interest & Independence. We have noted that the SFV Director associated with Equity Trustees resigned from the SFV Board from 31 March 2025.
10. In the past state, there appeared to be an exposure to a conflict of interest with ASL acting as both the operational and administrative functional service provider to the SFV as well as being the appointed CT, with a monitoring and oversight responsibility for SFV risk management activities. This exposure seems to have been eliminated with the current transition to the SFV assuming in-house responsibility for its operating and administrative systems and processes.
11. The FT has undertaken a restricted role in Roadmap governance being limited to incorporating the SFV, appointing its Board following CT nomination, and acting as the SFV payment agent. As noted in Section 3.3 above, there is a lack of clarity regarding the FT obligation to 'administer' the SFV which has led to gaps in delivery.
12. The formal delegations of authority to act on behalf of the SFV were considered appropriate. We also noted that the FT process for transacting SFV payments included confirmation of appropriate approvals. In addition, sample testing of SFV contracts found these had been executed within delegations.
13. In the proposed operational model, the SFV resourcing (including capability building) should be effective in managing anticipated financial risks with insourcing of the SFV operational and administrative processes.
14. Given the evolving nature of Roadmap financial risks, there remains a need to closely monitor organisational structures and resourcing (including roles, responsibilities, capability, delegations and management oversight). The nature of the Roadmap implies a shared responsibility for monitoring on the CT, FT and SFV.

Observations

To assess the components of the criteria we looked for developed and formally established organisational structures, that were adequately resourced with appropriate capability, to support the SFV in managing current and emerging Roadmap financial risks.

We assessed the contracted service provision arrangements, with ASL supplying operational and administrative services to the SFV. Specifically, we considered capability and cost and whether there was the possibility of a conflict of interest between this role and ASL being the appointed CT.

We looked for formal documentation of planned resourcing and the SFV Board endorsement of the transition to SFV insourcing of responsibility for operational and administrative functions. The current SFV Board membership was reviewed to ensure that any potential conflict of interest was appropriately managed through disclosure and other remedial actions by Directors.

We tested delegations and approvals against an expectation that these would be formalised, comprehensive, clearly expressed, and appropriately assigned. The appropriateness of management oversight was considered within the context of the limited role that the FT has undertaken in administering the SFV, the potential for conflict of interest with ASL providing contracted services to the SFV, and the transitioning to SFV insourcing.

Appropriate organisational structures and resourcing were identified, and implementation is in progress

We found evidence that the SFV Board approved in December 2024, the transition to a new operating model involving employing staff to insource this responsibility. We found evidence that:

- 'future state' SFV organisation charts have been formalised and have clear lines of responsibility, communication, and resources to manage SFV roles and responsibilities
- the SFV Board approved the SFV organisational chart for the proposed operational model reflecting insourcing of responsibility on 31 July 2024, with a more detailed organisation chart approved by the SFV Board on 16 September 2024.
- initial and updated versions of formal Powers of Attorney were executed, documenting the delegation of authority to approve contractual obligations and financial transactions, which incorporate a restricted number of senior officers nominated with approval authority.

We identified some shortcomings in past management of conflict of interest

We did not see evidence that all conflicts of interest (actual, perceived or potential) had been managed in the recent past. We found that:

- The GM, Financial Markets (which is an ASL position) was accountable for overseeing the accurate and timely preparation of Treasury risk reports. Prior to December 2024, ASL was effectively responsible for both preparing and overseeing the reports. Under the SFV Treasury and Liquidity Policy, the SFV had a responsibility to prepare a monthly Treasury Risk report and provide this to the SFV and CT Boards (under clause 6.11 of the Policy).
- Prior to December 2024, ASL acting as itself (not as the CT), provided the SFV Board with support and analysis of ASL/CT's recommendations to the SFV Board. As ASL is a separate entity from the SFV, with its own Board and Executive General Manager, there arose a potential conflict of interest. In addition, there was no explicit requirement for ASL staff to act in the best interest of the SFV.
- The potential for conflict of interest arising from the contractual resource provision arrangements by ASL, has been resolved with the SFV insourcing responsibility for operational processing and administration from late 2024.

Impact

A conflict of interest arising from the prior arrangements whereby ASL supplied contracted resources to the SFV could have potentially impacted on the effectiveness of SFV decision making, with ultimate implications for potentially higher costs faced by NSW electricity customers.

Recommendations



Not applicable for this Audit Criteria as findings have been resolved through SFV insourcing of operational and administrative functions.

3.6 Was there ongoing communication of risk management activities?

The fourth Audit Criterion was to assess whether there is ongoing transparency, accountability and communication regarding risk management activities (especially with CT). There is an effective monitoring and reporting framework (including escalation).

Findings



15. Transparency, accountability and communication regarding risk management activities (especially with the CT) were found to be partially effective but improving. Continuous improvement per a recognised standard or framework is required to uplift risk management maturity and embed accountability, systems and processes within key operational activities, particularly as financial risks evolve.
16. Risk management activities allocated to the SFV are clearly and comprehensively established via legislation.
17. The FT has undertaken a limited role in risk management reporting, which has been restricted to providing an annual report on the exercise of its functions and the activities of the SFV to IPART. The FT currently receives and passes on SFV regular management reports to the CT without a formal review as the FT does not have a clear responsibility to monitor the contents of the reports.

Observations

We looked for clear statements of accountability for risk management activities and communication with the expectation that this would be comprehensively expressed in formal documents including the EII Act and Regulation, the SRMF, subsidiary entity policies, and a formal ERMF.

Testing of the formal management reporting mechanisms sought confirmation of legislative and policy compliance, as well as evidence of effective, timely, and comprehensive operational risk monitoring.

The mechanisms for reporting and escalation of risk management matters of concern, especially legislative or policy breaches, were tested to ensure that issues were reported to an appropriate level of management in a timely manner and promptly resolved.

We found evidence that accountability for risk management activities allocated to the SFV has been clearly and comprehensively established via a combination of the EII Act and Regulation, the Statutory Risk Management Framework, the SFV subsidiary policies, and the SFV Constitution.

We also found evidence of monthly management reporting, initially undertaken by ASL but progressively assumed by SFV internal staff (from December 2024), providing detailed and generally compliant reporting to both the SFV Board and the CT. There was evidence of a regular and documented escalation channel via the Monthly Management Report (MMR) - these reports were made available to both the SFV Board and the CT, enabling regular and comprehensive monitoring of key financial risks (as expressed in the SRMF) by both entities.

The MMR included a formal checklist of compliance with the various requirements of each of the subsidiary SFV Treasury and Liquidity Policy, the Counterparty Credit Policy, the Operational Risk Policy, and the Wholesale Electricity Policy. SFV Director comments and actions were evident in minutes in response to risk management reporting. As confirmed by the CT, upon receipt of each MMR, ASL personnel review its contents to inform internal reporting processes. Relevant insights and updates are incorporated into reporting to the ASL Board, with further engagement with the SFV or other escalation if required.

We found evidence that the SFV has received external advice and extensive materials on establishing an ERMF and supporting artefacts and practices aligned to ISO 31000, including content captured during a risk workshop and proposed prioritised actions. However, completion of the framework remains outstanding.

Finalisation of the enterprise risk management framework will enhance coordination of risk management activities

We did not see evidence that a broader based ERMF has been established or is in operation. As noted in Section 3.3 above, the SFV has advised that an ERMF and Compliance Management Framework (CMF) were well progressed at the conclusion of the audit. Draft enterprise risk and compliance management artefacts were provided for information purposes to the SFV Board's meeting on 23 May 2025. A board risk workshop was held on 10 June 2025. We understand that these artefacts were to be submitted to the SFV Board at the 8 August 2025 meeting for further consideration and subsequent adoption.

We did not see evidence of reporting on enterprise risk occurring - Section 7.4 of the subsidiary SFV Operational Risk Policy requires that SFV monthly and quarterly reporting includes specific detailed reporting on enterprise risk management and operational incidents. This form of reporting does not appear to have been included in the MMRs and was noted in the compliance commentary of the reports as incomplete until the establishment of an SFV ERMF. We note that the development of an ERMF is underway and we consider this matter to be in hand. Nevertheless, integration of enterprise risk to the SFV and CT Boards reporting processes should be completed as soon as reasonably practicable.

Impact

Incomplete reporting of broader operational enterprise risks and their management may result in ineffective SFV management decisions leading to additional costs for electricity customers and adverse reputational impact for the SFV.

Recommendations



11. The SFV establish monthly and quarterly reporting on enterprise risk management and operational incidents, as required under the subsidiary Operational Risk Policy, following Enterprise Risk Management Framework adoption (as per Recommendation 7) to ensure transparent risk oversight. **Target date:** 1 February 2026

Chapter 4 »

Second line of inquiry –Financial risks management

Do the SFV and the FT appropriately manage the financial risks to protect the interests of NSW electricity customers?



4.1 Context



Line of Inquiry 2 – Financial risks management

Do the SFV and the FT appropriately manage the financial risks to protect the interests of NSW electricity customers?

The SRMF has identified the following specific risks associated with the Roadmap, which would have an adverse financial impact on NSW electricity customers if they were not appropriately mitigated:

- Benefit of LTES agreements
- Electricity Infrastructure Fund liquidity
- Contribution volatility
- Contracts market liquidity
- Prudent cash balance.

4.2 Conclusion

The overall Audit Criteria was partially met.

The SFV has established foundational financial forecasting, liquidity planning, reporting processes and has executed contracts in line with CT recommendations. However, current financial liabilities are relatively small but will increase significantly in the near term. There are financial risks going forward if it does not progress with further development in contract management capability, review of hedging policy, and establishment of the enterprise risk management framework, which are all necessary to manage future financial risks effectively.

The FT is appropriately performing its risk management obligations however, the FT has a limited role in managing risk. There is a lack of clarity about the FT's role in monitoring the SFV in the EII Act and the instrument of appointment of the FT. The expectation that there should be oversight over the SFV has not been clearly articulated.

Key conclusions under Line of Inquiry 2 include:

01

Contract management risks

Future state contract management risks and applicable controls have not been identified, assessed or treated by the SFV as per the Operational Risk Policy. Mechanisms for monitoring contract performance by the SFV have been developed but are yet to be fully implemented to meet the future state requirements of the subsidiary Operational Risk Policy.

02

Statutory and risk management contracts

The SFV appears to have acted in a commercially reasonable and prudent way in the execution of its EII Act related contracts, specifically the various LTESAs and a payment deed related to a Priority Transmission Infrastructure Project, and its risk management contracts, including the revolving credit facility and the various funding agreements entered into.

03	Current and future management of contribution volatility At the time of the audit, the SFV was effectively managing contribution volatility risks arising from any unexpected or significant increases in the liabilities for payments under LTESAs and other agreements. With the anticipated expansion of LTESAs and the exercise of options by LTESA counterparties, the EI Fund will face higher payment liabilities, resulting in increased contribution determination volatility risk. Consequently, current systems and processes will require further development and oversight.
04	SFV financial risk monitoring and Future state financial risks At the time of the audit the SFV was effectively monitoring and reporting financial risks via the detail in the SFV Monthly Management Reports, which are provided to both the SFV Board and the CT. A specialised Contract Management System and Financial Markets Product System had not been fully implemented in line with the proposed operational model requirements of the Operational Risk Policy.
05	SFV management reporting and forecasting The SFV has implemented reporting and forecasting mechanisms that will drive the achievement of expected outcomes. However, given the inherent limitations and uncertainties with forecasting in this volatile environment we cannot categorically conclude the current / future reporting and forecasting mechanisms will be fit for purpose in the Roadmap future state.
06	SFV reporting against performance criteria Performance Criteria had not been formally established by the CT at the time of the audit to support effective SFV management reporting.
07	FT reporting The FT has not undertaken a direct role in Roadmap related reporting to drive the achievement of expected outcomes. The limited role performed by the FT is partly attributed to the lack of a specific definition of the term "administer" (as a required FT responsibility) in the EII Act and related documents. The SFV has directly assumed responsibility for its own management and risk reporting.

4.3 Did the SFV act in a commercially reasonable and prudent way?

The first Audit Criterion was to assess whether the SFV acts in a commercially reasonable and prudent way under any contract or agreement made under the EII Act (including risk management contracts and the management of fund liquidity risks).

Findings

- 18.  Future state contract management risks and applicable controls to address proposed implementation of operational arrangements have not been identified, assessed or treated as per the Operational Risk Policy. Due to the absence of a SFV ERMF (as noted in Section 3.3 above), the identification and assessment of risks associated with SFV contracts and deeds was not comprehensive (the SRMF only considers risks associated with LTESAs) to manage the emerging key financial risks under any contract or agreement made under the EII Act.
- 19. Mechanisms for monitoring contract performance by the SFV have been developed but are yet to be fully implemented to meet the future state requirements of the subsidiary Operational Risk Policy (as noted in Section 3.3 above). Two LTESA operators have reached the stage of being able to exercise the derivative arrangement and only one demand response LTESA operator has delivered notice of its intent to exercise their option for the 2025-26 financial year.

20. The SFV appears to have acted in a commercially reasonable and prudent way under any contract or agreement made under the EII Act to date.
21. The establishment of the SFV revolving credit facility is considered prudent. However, consideration of expanding the amount available to meet future liabilities is required to ensure ongoing commercially reasonable and prudent management of fund liquidity risk. The SFV has advised that it is actively engaged in discussions with additional banking partners for standby liquidity facilities. The SFV has noted that it considers the annual Contribution Determination as the appropriate time to consider future funding sources and the suitable mix between funded sources and undrawn standby facilities.
22. The funding agreements entered into by the SFV appeared to be commercially reasonable and prudent in that they support the liquidity of the EI Fund and reduce the likelihood of contribution determination volatility by providing alternative sources of interim funding requirements.
23. As the Roadmap progresses and more LTESAs reach the stage that the LTES operator can choose to exercise the derivative arrangement, the SFV may seek to manage the financial risks associated with the derivative options available to counterparties in the LTESAs. However, there is currently no SFV Hedging Policy in place to provide guidance in this area (as noted in Section 3.3 above). Such a policy would be required if hedging is to be used as a risk management mechanism in the future.
24. The SFV is transitioning to insourced operational and administrative responsibility and processes and to increase resources (both people and systems) to ensure the SFV can act prudently and is managing key financial risks under any contract or agreement made under the EII Act.

Observations

We sought to identify each of the various categories of contracts or agreements executed under the EII Act (e.g. LTESAs, PDAs and Priority Transmission Infrastructure Project (PTIP) payment deeds) and confirm these against legislative provisions relevant to entering into contracts.

The various funding agreements that the SFV has entered into were assessed to establish whether these were commercially reasonable and prudent, with particular reference to mitigation of the financial risks expressed in the SRMF.

We considered the SFV historic current asset and current liability levels in assessing the commercial reasonableness and prudence of the SFV funding agreements.

We found that at the time of the audit, the SFV risk management contracts comprised the LTESA associated PDAs (designed and negotiated by the CT and recommended to the SFV to execute) and various funding agreements that mitigate EI Fund liquidity, EI Fund prudent cash balance, and contribution determination volatility risks.

The SFV acted in a commercially reasonable way under the LTESAs and associated PDAs

We saw evidence that over the course of 5 separate tender rounds conducted by the CT, the SFV had executed 20 LTESAs, upon the recommendation of the CT. The audit sampled LTESAs from the fourth tender round to establish that the SFV acted under legislative instruction by the CT. The CT submits the final LTESA and PDA to the SFV with the recommendations from the CT, and supporting legal opinions and probity report. Under the SFV Constitution, subject to any requirements under applicable laws and the SRMF (to the extent applicable). The SFV must enter into any LTESA recommended by the CT to the SFV.

The audit sampled a payment deed that the SFV had entered into related to a PTIP based on AER publication of Revenue Determination for the project. The payment liabilities were accounted for in the annual Contribution Determination that manages the liquidity risk associated with network infrastructure projects (REZ network and Priority Transmission Infrastructure projects).

Strengthening of contract management and capability is required

The audit found that mechanisms for monitoring contract performance by the SFV were yet to be fully implemented (as noted in Section 3.3 and Recommendations #5 and #6 above). However, this was considered appropriate for the relatively low number of LTESAs and PDAs requiring management.

The SFV had three funding agreements in place at the time of the audit. The SFV advised that the existing standby liquidity arrangements were to be evaluated for adequacy with the increasing number of LTESAs and anticipated higher financial exposure with the maturing of these agreements. We found that the current assets exceeded current liabilities on 30 June 2023, 31 December 2024, and 31 March 2025.

The SFV had plans in place, associated with the insourcing of operational and administrative responsibility and processes, to increase resources (both people and systems) to ensure the Scheme Financial Vehicle can act prudently and manage key financial risks.

SFV focus on strengthening processes and capability to ensure commercial prudence, requires consistent and long-term application rather than urgent action.

There was no SFV Hedging Policy in place at the time of the audit. Hedging is a strategy available to mitigate financial risks such as the derivative and basis risk associated with LTESAs, We addressed this issue in Section 3.3.

Impact

Adequate standby liquidity facilities would mitigate the risk of SFV being unable to meet payment obligations, which could, in turn, potentially increase costs for customers and impact reputation. While not creating an immediate financial risk, the adequacy and reporting of financial risk mitigation needs to mature as the Roadmap continues to grow, to mitigate any future risk of inadequate stand-by liquidity facilities.

Recommendations

- 12. The SFV conduct periodic reviews of all of its funding sources to ensure funding is appropriate for future Electricity Infrastructure Fund cash flow needs as LTESAs mature, integrating findings into financial planning and ensuring alignment with financial risk management objectives. **Target date:** 1 February 2026 and ongoing
- 13. The SFV incorporate an assessment of funding sources as part of the reporting process supporting the subsidiary Treasury & Liquidity Policy to reflect the formal periodic review process identified in Recommendation 12. **Target date:** 1 February 2026

4.4 Did the SFV manage contribution determination volatility risks?

The second Audit Criterion was to assess whether the SFV effectively manages contribution determination volatility risks arising from any unexpected or significant increases in the liabilities for payments under Long-Term Energy Service Agreements (LTESAs) and other agreements.

Findings

- 25. The AER Contribution Determination process supports the SFV in seeking to effectively manage contribution determination volatility risks arising from any unexpected or significant increases in the LTESA and other Agreement payment liabilities.
- 26. The risk of unexpected or significant increases in the liabilities for payments under LTESAs and other agreements is reduced due to the relatively long lead time (of at least 12 months) built into the structure of the LTESAs whereby the counterparty must give notice that they wish to exercise the available option. In addition, long duration storage, firming, and demand response LTESAs include an annuity cap which limits overall financial exposure.
- 27. The SFV Monthly Management Reports included information for senior management monitoring of factors relevant to contribution volatility risks including current and forecast information on LTESA liability valuations, and medium and longer-term cash flow forecasts.

Observations

To evaluate the realisation of the criteria we looked for a formally documented methodology on the Contribution Determination (CD) process and a structured approach by the SFV. We looked for comprehensive source documents for calculating the required annual CD.

We then sought to identify the various elements and inputs available to the SFV to reduce the risk of unexpected or significant increases in LTESA and other agreement payment liabilities. These elements and inputs were then evaluated for their effectiveness in diminishing contribution volatility risks.

The SFV reasonably manages volatility risks

We found the Contribution Determination process was documented in a guideline published each year by the AER. The Contribution Determination sets a minimum prudent cash balance (MPCB) for the EI Fund. The audit tested elements of the LTESA and infrastructure payment risk components (e.g. PTIPs), as well as payment timing mismatch considerations that is required (e.g. potential timing differences between EI Fund outgoings and CD receipts) to ensure that the balance of the EI Fund is adequate to manage the volatility risk.

The structure of the LTESAs requires that the counterparty must give at least six months' notice that they wish to exercise the available option which provides the SFV with lead time to manage any potential financial exposure.

The SFV MMRs, provided to both the SFV Board and the CT, include information on LTESA liability valuations and the target 'Commercial Operations Date' (which links to the potential exercise of options by counterparties).

There were regular cash flow forecasts prepared for the SFV management, as well as a graphical representation of the EI Fund Account Balance History and Forecasts, which are also included in monthly management reports.

Recommendations



Not applicable for this Audit Criteria as all observations were positive.

4.5 Were LTESAs managed in accordance with SRMF?

The third Audit Criterion was to assess whether LTESAs and other agreements (i.e. PDAs) are executed in accordance with CT recommendations and are managed effectively and in compliance with the relevant requirements of the Statutory Risk Management Framework and subsidiary policies.

Findings



28. The execution and management of the LTESAs and other relevant agreements in place at the time of the audit complied with the relevant provisions of the SRMF and issued SFV subsidiary policies. The execution and management of the LTESAs and other relevant agreements complied with the relevant provisions of the SRMF mechanisms currently in place for monitoring contract performance by the SFV. This was consistent with the formative status of the LTESAs and PDAs requiring management.
29. A Contract Management System and Financial Markets Product System are yet to be fully implemented in line with the future state requirements of the Operational Risk Policy. With the current evolutionary state of Roadmap and LTESA maturity, the management of derivative risks from LTESAs options and other LTESA related financial exposures were not a high priority given there have been no LTESA annuity products or swaps active during the 2024-25 financial year.

Observations

We tested the LTESAs against the CT recommendation and looked for documentation that supported the SFV assurance of LTESA compliance with the EII Act.

We looked for a specialised SFV contract management system, as required under the SRMF and the subsidiary SFV Operational Risk Policy, as well as a formal Hedging Policy providing guidance and limits to the SFV in managing LTESA based derivative option risk. These elements were assessed within the context of both the current evolutionary state of Roadmap and LTESA maturity and future state financial risk exposures.

Agreements were appropriately executed

We found evidence to support the SFV execution of the LTESAs (including the CT recommendation, legal opinion that the Tender Round had been conducted in compliance with the EII Act, EII Regulation, and applicable Tender Rules). The PDAs form part of the LTESA documentation.

We also found that the various SFV funding agreements were appropriately managed by the SFV.

Development of appropriate contract management systems is underway but not in place

We did not see evidence that mechanisms were in place for monitoring contract performance by the SFV - these are yet to be fully implemented (as noted in Section 3.3 and Recommendations #5 and #6 above); however, we noted the current formative status of the LTESAs and PDAs requiring management. The SFV advised that at the time of the conclusion of audit field work, only two LTESAs have reached Commercial Operations Date (COD). The SFV informed us that full build-out of the contract management function is to occur over the coming 12 months as a final position is expected to be reached on PDA management responsibility, SFV resourcing increases, and more LTES Projects reach their COD. Nevertheless, with the increasing number and value of LTES Agreements under management, implementation of a robust contracts management system has become urgent.

Recommendations



Not applicable for this Audit Criteria as relevant recommendations are in Section 3.3 as noted above.

4.6 Was the SFV reporting to achieve outcomes?

The fourth Audit Criterion was to assess whether the SFV has effective reporting and forecasting mechanisms to drive the achievement of expected outcomes.

Findings



30. The SFV has implemented reporting and forecasting mechanisms that will drive the achievement of expected outcomes. However, there are inherent limitations and uncertainties with forecasting in this environment (e.g. as the energy sector can be subject to significant external volatility, especially associated with wholesale prices). As such, we cannot categorically conclude the current / future reporting and forecasting mechanisms will be fit for purpose in the Roadmap future state.
31. Both short and longer-term cash flow forecasting needs to be continuously undertaken, back tested to monitor performance, and assessed for effectiveness in the future state environment.

Observations

We considered that the effective outcomes expressed in the criteria related to mitigation of the financial risks expressed in the SRMF, which are attributable to the SFV, as well as compliance with the legislative requirements of the EII Act and Regulation and the various subsidiary SFV policies.

We expected the SFV to have well developed and clearly documented fund liquidity and derivative risk valuation forecasting systems. Assumptions and sources should be documented.

We identified the various SFV reporting and forecasting models and associated risk management approaches and reviewed these via a system walkthrough. We especially considered the degree of validation available to and undertaken by the SFV.

We tested the extent and appropriateness of management reporting of forecasting results. We assessed relevance, timelines, frequency, and appropriateness of reporting channels.

Reporting and forecasting mechanisms were appropriate

We found that the SFV recognised the financial risk of the LTESAs derivative option, which obligate the SFV to make payments to the counterparty if the wholesale electricity market price falls below a set floor when an option has been exercised.

The Monthly Management Reports (MMRs) to the SFV Board provided appropriate detailed information on the current estimate of the liability of this derivative risk. This contributed to ensuring the SFV has effective reporting and forecasting mechanisms in place for derivative risk.

Fund liquidity risk management activities (e.g. cash flow forecasting and monitoring) were undertaken on a rolling basis with a daily 'forward cash flow outlook' email sent to SFV officers. The SFV cash forecasting model provided a long-term view (out to 380 days) to support financial planning.

Detailed back testing of entity cash flow forecasts was undertaken by the SFV to evaluate forecasting effectiveness and results are included in the MMR.

The SFV had developed a detailed Minimum Prudent Cash Balance (MPCB) model to reflect the increasing financial maturity of the Roadmap (i.e. given increased understanding of financial risk interrelationships). The MPCB involved projections under various scenarios and with a 99th percentile risk assumption to incorporate buffers and adopt a conservative position.

The MPCB model (which had been approved by the AER) is supported by a formal explanatory document, which is updated annually and included a Methodological Appendix providing extensive detail on the assumptions used in the methodology.

The LTESA valuation methodology was specifically evaluated by independent external auditors and recommendations for change were actively considered by the SFV management and the Board.

Longer term cash flow forecasting was embedded as part of the LTESA valuations model, and this had been independently reviewed by EY as part of their statutory audit.

The LTESA valuations model was supported by formal explanatory documents prepared by the SFV, or in the previous operating model by ASL under the labour hire arrangement, detailing the forecasting methodology and the assumptions and estimates used. The valuation model assumptions are regularly reviewed and updated as part of the SFV ongoing valuation process for the LTESAs.

Ongoing validation is required for forecasting mechanisms

The longer-term cash flow forecasting needs ongoing validation as more LTESAs reach the stage where the LTESA operators can exercise derivative options. At this early stage, only two LTESA operators had the opportunity to exercise LTESA derivative options and the associated derivative risk to the SFV is relatively modest.

Impact

If forecasting is ineffective this can potentially lead to inappropriate management decisions and exposure to unanticipated financial risks resulting in increased costs to electricity customers and reputational impact for the SFV.

Recommendations

- 14. The SFV implement a process for periodic independent validation of its Electricity Infrastructure Fund forecasting models and assumptions, to provide assurance regarding accuracy and reliability in financial projections. **Target date:** 30 June 2026 and ongoing

4.7 Was the SFV monitoring and reporting of financial risks effective?

The fifth Audit Criterion was to assess whether the SFV has effective monitoring and reporting (especially to the CT) of financial risks.

Findings

- 32. Financial risks were effectively monitored and reported in detail in the SFV MMR available to both the SFV Board and the CT.
- 33. The SFV Board meeting minutes highlighted the detailed consideration of financial risks by the SFV Board on an ongoing basis. The SFV MMR complied with the monitoring of financial risks reporting requirements of the subsidiary SFV Treasury and Liquidity Policy, Counterparty Credit Policy, and Wholesale Electricity Policy.
- 34. The lack of an ERMF has adversely impacted regular SFV management reporting as this had not included specific detailed information of enterprise risk management activities as required under the subsidiary SFV Operational Risk Policy.

35. The current Instrument of Appointment refers to a requirement for the SFV to provide the CT and the FT with a periodic report of performance against 'the Performance Criteria'. These Performance Criteria were yet to be formalised by the CT at the time of the audit.

Observations

We tested the extent and appropriateness of the SFV monitoring and management reporting of financial risks (as identified in the SRMF). We assessed relevance, timelines, frequency, and appropriateness of reporting channels.

Our review included confirmation of whether the SFV monitoring and reporting of financial risks was compliant with legislative and subsidiary policy requirements.

In addition, we looked to review a formal SFV ERMF to evaluate the identification and management of operational risks faced by the SFV.

We found that the SFV MMR, provided to the SFV Board and the CT, complied with the monitoring of financial risks reporting requirements of the subsidiary SFV Treasury and Liquidity Policy, Counterparty Credit Policy, and Wholesale Electricity Policy.

SFV reporting escalation was achieved by making the MMR available to both the SFV Board and the CT, enabling regular and comprehensive monitoring of key financial risks (as expressed in the SRMF) by both entities.

The SFV Board meeting minutes highlighted the detailed consideration of financial risks by the SFV Board on an ongoing basis.

Criteria only partially or not met

We did not yet see evidence that a broader based ERMF had been established or is in operation at the time of the audit (as noted at Section 3.3 and recommendation #7 above).

We did not see evidence that Performance Criteria, to direct SFV periodic management reporting, had been established by the CT, in collaboration with the FT, as required by the IoA. Performance criteria are an important long-term measure of long-term progress against organisational objectives but we note that key financial risks are being monitored by the SFV and CT Board. We consider the development of performance criteria to be important but not urgent.

Impact

Without clear Performance Criteria, the CT lacks the authority to hold the SFV to account for value delivery or operational excellence. This weakens electricity customer protection and limits the transparency of financial stewardship across the scheme.

Recommendations



15. The SFV, in collaboration with the CT and the FT, develop formal Performance Criteria for the purpose of the CT reviewing the performance of the SFV. **Target date:** 31 March 2026

4.8 Was FT meeting risk management obligations?

The sixth Audit Criterion was to assess whether the FT has effectively performed its risk management obligations by advising, consulting and providing information to the regulator in relation to contribution determinations.

Findings



36. The information provided by the FT for the annual Contribution Determination and the level of interaction between the FT and the AER was consistent with legislative requirements and effective in helping ensure that the SFV was managing key financial risks to protect the interests of NSW electricity customers. Within the legislative context, the FT had undertaken a very limited role in the contribution determination process.
37. The SFV has primary responsibility for aggregating information held by the SFV and/or provided by the various Roadmap entities (including the FT) into the Contributions Determination template worksheet for submission to the AER, in line with sub-section 56(7) of the EII Act.

Observations

With a greater understanding of the limited role the FT has undertaken in the contribution determination process, we looked for evidence that the FT had consulted to an appropriate extent with the regulator in relation to contribution determinations and that the FT provided the required information to the SFV to compile the annual contribution determination data input and calculation template.

We found the following evidence:

- A letter from FT to the AER dated 10 January 2025 confirming that the FT had complied with section 61(2)(b) of the EII Act to advise the regulator in relation to contribution determinations.
- Documentation from FT to the SFV for their aggregation and supply to the AER, of the 2025-26 annual contribution determination (in compliance with Clause 39 of the EII Regulation).
- Correspondence between the AER and the FT regarding the contribution determination process.

The CT proposed operational model includes the FT retaining 'Consultation and information provision for AER's contribution determination, as required by EII Act' as one of the de minimis functions currently performed by the FT.

Recommendations



Not applicable for this Audit Criteria as the FT has undertaken a limited role in the Contribution Determination process.

4.9 Was the FT reporting and communication effective?

The seventh Audit Criterion was to assess whether the FT has effective reporting and communication mechanisms to drive the achievement of expected outcomes.

Findings



38. The FT does not have effective reporting and communication mechanisms to drive the achievement of expected outcomes. The FT undertakes a limited role in Roadmap related risk management reporting, only providing an annual report on the exercise of its functions and the activities of the SFV to IPART. At the time of the audit, the FT received and passed on SFV regular management reports to the CT without a formal review.
39. The FT had been informally reviewing the SFV MMR in its role as a 'shareholder' ensuring the content is compliant with SFV subsidiary policy requirements. The CT's proposed operational model includes that the FT will no longer act as a reporting conduit between the SFV and the CT.
40. The SFV had recently assumed the direct responsibility for achieving expected Roadmap financial risk management outcomes.

Observations

With a greater understanding of the limited role the FT has undertaken in administering the SFV we tested FT's compliance with the specific reporting and communication requirements of the EII Act and Regulation and the IoA.

We found the FT has been receiving adequate reporting from the SFV Board, as per the IoA clause 5.2(h) requirement, except for reports of 'performance against the Performance Criteria' as these criteria have not been formally set by the CT (noted in Section 4.7 and recommendation #15 above).

Responsibility for SFV reporting was provided under a Use of Resources contract by ASL from 13 October 2022. At the time of the audit, the SFV was transitioning to insourced management reporting responsibility.

The FT had informally reviewed the SFV monthly reports in its role as a 'shareholder' ensuring the content is compliant with subsidiary policy requirements.

The CT proposed operational model includes a change in reporting undertakings which will be provided directly to the CT from the SFV rather than via the FT.

The FT met its limited specific legislative reporting requirements (per section 70(1) of the EII Act) to provide the IPART with an annual report on the exercise of its functions under the Act. The FT also met its obligations to report to the regulator on the activities of the SFV during a financial year (per clause 42(B)(1) of the EII Regulation).

Recommendations



Not applicable for this Audit Criteria as the FT has undertaken a limited role in Roadmap related risk management reporting.

Chapter 5 »

Third line of inquiry – Value for money

Are the systems and processes, either planned or in place, efficient and economical in delivering value for money for NSW electricity customers?

05

5.1 Context



Line of Inquiry 3 – Value for money

Are the systems and processes, either planned or in place, efficient and economical in delivering value for money for NSW electricity customers?

The achievement of value for money requires ensuring that the resources allocated to a particular project or programme are used in a way that realises desired outcomes while using the least number of resources possible, thereby attaining maximum efficiency and economy.

5.2 Conclusion

The overall Audit Criteria was partially met.

The SFV transition to insourced operations is strategically justified and expected to enhance efficiency and internal capability. Engagement of external experts was reasonable given initial capacity constraints. However, evidence of value for money and mature contract management was limited. Until the proposed operational model of the roles and responsibilities of the FT and the SFV (and CT) is formally agreed upon by the three entities, there is no clear pathway to implement the necessary systems and processes to get there.

Key conclusions under Line of Inquiry 3 include:

01

SFV and FT use of external experts

The current and proposed use of external experts appeared reasonable in supporting the SFV in managing key financial risks to protect the interests of NSW electricity customers. The use of external experts by the FT had been limited to legal and consulting fees and had not been a material outlay within the context of the Roadmap liabilities.

02

Efficiency of SFV Treasury operations

SFV Treasury operations appeared to be efficient and are maturing as the organisation transitions into a proposed operational model (i.e. services and support activities to be insourced rather than externally contracted).

03

Proposed operational model project plan

There was no formal project plan or a proposed amended Instrument of Appointment for proposed operation model.

5.3 Was there reasonable use of external experts?

The first Audit Criterion was to assess whether the use of external experts is reasonable and cost effective.

Findings



41. The SFV engaging external experts to provide specialist skills and advice in technical risk areas to address specific financial risks, based on the information available appears to have been a reasonable and cost effective short term approach.
42. The impact of external engagements had been presented and reviewed by the SFV Board.
43. Costs of insourcing appeared reasonable and were not a material factor when compared to the potential liability exposure related to the LTESA agreements. Relative cost was a part of the rationale for the change in the SFV operating model from contracted labour hire arrangements involving ASL supplying operational and administrative functions to SFV insourced resources.
44. As a future state concern, the SFV was considering using external experts to manage any future hedging activities, which may not be required for a further 18 months. Due to the technical and specialist nature of this activity, the use of external experts in this function would seem appropriate.
45. The FT use of external experts was comparatively limited and appeared appropriate.

Observations

To validate the criteria, we looked for formalised arrangements, where relevant, and evaluated whether the engagements were appropriate and reasonable when compared to the specific financial risks faced by the Roadmap entities and the specialised capability required for the identified instances of SFV and FT engagement of external experts.

We found that the SFV had engaged external experts to provide specialist skills and advice in technical risk areas (such as support for KYC legislative requirements, and taxation and legal advice), as a relatively short-term requirement (i.e. not an ongoing matter). The SFV Board had regularly reviewed the results of these external engagements.

The SFV had cited relative cost as the reason for the transition from previous contracted arrangements involving ASL supplying operational and administrative functions to SFV insourced resources.

The SFV was considering using external experts to manage any future hedging activities, which may not be required for a further 18 months. The reason noted by the SFV was that it would likely be cost effective to use external experts for this technical and specialised activity.

The use of external experts by the FT had been limited to legal and consulting fees based on the FT breakdown of estimated 2024-25 FT costs provided as part of the inputs to the AER's Contribution Determination.

Recommendations



Not applicable for this Audit Criteria as all observations were positive.

5.4 Were SFV treasury operations efficient?

The second Audit Criterion was to assess whether the SFV's treasury operations are efficient (including maturity and future state).

Findings



- 46. Relative cost was a part of the rationale for the change in the SFV operating model from ASL contracted labour hire to SFV insourced resources.
- 47. The proposed operational model is expected to be more efficient as the SFV had forecast achieving administrative cost savings in the proposed operational model as part of the transitioning to SFV insourcing responsibility for treasury operations.
- 48. At this early stage of transition, we were unable to confirm that the transition from contracted labour hire to insourcing has achieved its intended financial and operational benefits.

Observations

As a reflection of the current transition from ASL providing contracted services to SFV for treasury operations to SFV insourcing direct responsibility for this role, we looked for details of any cost analysis undertaken by the SFV to support the decision to insource and evidence of the SFV Board evaluation and endorsement of the proposal.

We found the SFV treasury operations have been provided by ASL since the establishment of SFV as part of the contracting arrangements for SFV operational and administrative functions.

An analysis by the SFV identified potential administrative cost savings from moving from a contracted operational and administrative process service (supplied by ASL) to insourcing these activities with internal SFV resources. The analysis was presented to the SFV Board in December 2024. The transfer of certain functions from ASL to SFV commenced from September 2024 and was substantially progressed during November and December 2024. At the time of the audit, the target completion date for full implementation of the insourced model was 1 July 2025.

Validation of operational efficiency is recommended

We did not see evidence that the transition from current labour hire/Use of Resources to insourcing has achieved its intended financial and operational benefits yet. However, the full scale of financial and operational benefits from an external labour hire to insourcing model cannot be assessed over such a short period and there has been insufficient time to properly assess the realisation of potential savings.

Impact

It may be too soon to fully ascertain if the transition to insourcing will realise the intended financial and operations benefits and enable SFV achievement of its objectives and value for money.

Recommendations

- 16. The SFV Board commission an independent post-implementation review after completion of insourcing operational and administrative processes, evaluating whether the expected financial and operational benefits have been achieved.
Target date: One year after the earlier of completion of the insourced model or 31 December 2026

5.5 Is there a clear pathway to future state?

The third Audit Criterion was to assess whether there is a project plan identifying the target maturity level, detailing how and when it will be implemented, and with clear roles, responsibilities of the CT, FT and SFV. The proposed operational arrangement is reflected in the proposed amended Instrument of Appointment.

Findings

- 49. The CT had developed a proposed operational model to the current Roadmap operating model however, this has yet to be formally agreed upon by the SFV and FT and as such, there was no formal project plan for future operational model at the time of the audit.
- 50. The FT, CT and SFV were progressing towards finalising the roles and responsibilities in the proposed operational model with items such as a Deed of Amendment to the Instrument of Appointment, a Tripartite Agreement, amendments to the SFV Constitution, and performance reporting criteria, currently in discussion between the three entities and will be subject to their respective board approvals.

Observations

We looked for a formalised and agreed project plan which presented fully defined and comprehensive roles and responsibilities, and a clear milestone timetable able to be monitored for achievement by the participants.

With a more complete appreciation of the limited mandate of the IoA, we looked for a proposed form of tripartite agreement between the CT, FT, and SFV that would reinforce the agreed operational arrangements for the 3 Roadmap entities.

We found the CT had prepared a proposed operational model which seeks to provide greater clarity over the roles and responsibilities for the relevant three Roadmap entities.

Formal agreement and adoption of a future operational model is outstanding

The proposed operational model has yet to be formally agreed upon by the CT, SFV and FT. Progression of the agreed operational model requires collaboration and consultation from all 3 parties. Certain aspects of the proposed operational model have already been implemented, most notably the SFV retaining various current functions but performing these with its own staff.

Some functions of the FT were proposed to be removed from the proposed IoA in the proposed operational model, such as company secretariat activities and receiving and passing on SFV reporting to the CT. A proposed amended IoA had not been developed at the time of the audit.

We did not see evidence that a project plan or proposed amended Instrument of Appointment for the proposed operational model had been developed and endorsed by all parties. (It is acknowledged that progression of the proposed operational model is not completely within the control of the SFV. We understand that a working group of representatives of each of the CT, FT and SFV were working through the documentation to reflect the proposed operational model.)

Neither did we see evidence that the interim governance and accountability risks during the transition to the proposed operational model had been considered by the Roadmap entities.

Progress toward achieving a mature future state for the FT and the SFV is becoming urgent to ensure effective and efficient operations across the FT and the SFV as the size and complexity of their Roadmap functions increase. We also consider resolution of this issue, along with establishing a tripartite agreement on roles and responsibilities to be a precursor to other high priority actions that we have identified through this audit.

Impact

Effective governance and clarity over roles and responsibilities of Roadmap entities may be adversely impacted without a detailed project plan for the design and implementation of a future operational model for the Roadmap. Delays in clarifying authority or implementing integrated frameworks also affect external parties. Developers may face uncertainty, and electricity customers may ultimately bear the cost of inefficiency or under delivery.

Recommendations



17. The SFV and FT, in collaboration with the CT, finalise and approve a detailed project plan specifying roles, responsibilities, and timelines for the Roadmap entities to ensure cost-effective delivery. **Target date:** 31 March 2026
18. The SFV and FT, in collaboration with the CT, commission an external expert to evaluate the functioning of the agreed operational model post-implementation, including alignment with governance obligations and control expectations. The results of the review referred to in Recommendation 16 would inform this process. **Target date:** 31 December 2026

Appendices

Appendix A >>

Responses from the Financial Trustee
and Scheme Financial Vehicle



A.1 Response from the Financial Trustee

17 September 2025

By email: carmel.donnelly@ipart.nsw.gov.au

Ms Carmel Donnelly PSM
Chair
The Independent Pricing and Regulatory Tribunal NSW

Dear Tribunal Members

Financial Trustee Response to the IPART Electricity Roadmap financial entities performance audit September 2025 under the Electricity Infrastructure Investment Act 2020

Thank you for providing IPART's final Electricity Roadmap financial entities performance audit September 2025 under the Electricity Infrastructure Investment Act 2020 (**Audit Report**), and for inviting Equity Trustees Limited (**EQT**), the Financial Trustee (**FT**) under the Electricity Infrastructure Investment Act 2020 (**EII Act**) to respond to the Audit Report.

EQT is grateful that in conducting its audit, IPART has adopted a collaborative approach and taken into account the comments made by it throughout the audit process. EQT's comments referred to the limited nature of the functions of the FT and the proposal by the CT, SFV and FT to amend the future state operational arrangements and the Instrument of Appointment to reflect SFV's status as a body corporate in its own right (subject to the Corporations Act 2001 (Cth)) with its own governance structures and the ability and resources to administer own affairs.

EQT accepts the Recommendations made in the Audit Report, to the extent that they relate to the FT and its functions, and confirm that the FT, SFV and the CT are well progressed in advancing the recommendations in a collaborative manner. EQT sets out our responses to each recommendation in the table annexed to this letter.

EQT as FT has worked proactively with the CT and SFV in the performance of its existing functions and on the development of the future state operational arrangements.

EQT as FT will continue to work with the SFV and CT to finalise the updates to the operational framework and changes to the documents which underpin the arrangements between the parties.

EQT also plans to provide input on the upcoming Statutory Review which, as the Report notes (at page 15), could consider whether there is a case for amendment of the legislation or regulations to improve role clarity, coordination, risk management and resilience of the Roadmap.

Yours sincerely,



Andrew Godfrey
Executive General Manager, Corporate & Superannuation Services

Copy to: Ms Christine Allen, Director Regulation and Compliance, IPART
Via email: Christine.allen@ipart.nsw.gov.au



Annexure - Response to the Recommendations

No.	Recommendation	FT Response
10	The SFV and the FT, in collaboration with the CT, take all reasonable steps to formalise a tripartite agreement, or other form of agreement, to operationalise and coordinate the interface of the respective roles and responsibilities, to enhance governance coherence and ensure efficient and effective delivery of the Roadmap, by 30 November 2025.	Accept: A well-progressed draft of the tripartite agreement, which recognises the organisational structure and governance of each party, is currently being formalised between the parties. The FT expects this will be settled and executed by 30 November 2025.
17	The SFV and FT, in collaboration with the CT, finalise and approve a detailed project plan specifying roles, responsibilities, and timelines for the Roadmap entities to ensure cost-effective delivery, by 31 March 2026	Accept: The FT will continue to collaborate with the SFV and the CT to formalise and approve a project plan.
15	The SFV, in collaboration with the CT and the FT, develop formal Performance Criteria for the purpose of the CT reviewing the performance of the SFV by 31 March 2026.	The FT will confer with the SFV and the CT to progress the development of the formal Performance Criteria for the SFV.
18	The SFV and FT, in collaboration with the CT, commission an external expert to evaluate the functioning of the agreed operational model post-implementation, including alignment with governance obligations and control expectations by 31 December 2026. The results of the review referred to in Recommendation 16 would inform this process.	Accept: The FT will engage an external expert in conjunction with the SFV, and in collaboration with the CT. Noting the review referred to in Recommendation 16 would inform this process. Dependency: Costs to be approved by the CT under the Instrument of Appointment.

A.2 Response from the Scheme Financial Vehicle

16 September 2025

Ms Carmel Donnelly PSM
Chair
The Independent Pricing and
Regulatory Tribunal NSW

By email: carmel.donnelly@ipart.nsw.gov.au

Dear Carmel,

Re: SFV Response to the IPART Electricity Roadmap financial entities performance audit

Thank you for providing IPART's final performance audit report (**Report**) of the Scheme Financial Vehicle (**SFV**) and the Financial Trustee (**FT**). We appreciate the opportunity to respond and confirm this response is provided on behalf of SFV. SFV is fully committed to the success of the NSW Government's Electricity Infrastructure Roadmap (**Roadmap**).

Recommendations

SFV accepts the recommendations set out in the Report. SFV had already commenced implementing many of these recommendations prior to the performance audit and many of the responses are well progressed. We are committed to continuing to implement the recommended foundational and enhanced measures within the stated timeframes to further strengthen governance and operational systems to protect the interests of NSW electricity customers.

While this response is limited to SFV, we note that several of the recommendations require collaboration between the SFV, FT and the Consumer Trustee (**CT**) and confirm that the parties are well progressed in advancing the recommendations in a coordinated manner. We have set out our response to each Recommendation in the Annexure to this letter.

Role and operating model of SFV

SFV was established as a Corporations Act 2001 (Cth) company limited by shares in September 2022 by the FT in accordance with the *Electricity Infrastructure Investment Act 2020* (NSW) (**EII Act**). As a not-for-profit company with an independent Board, SFV is the financial conduit between generation, storage and transmission infrastructure investors and NSW electricity customers and is intended to accelerate the build out of renewable energy zones in NSW. SFV must discharge the legislative duties and obligations placed on SFV Directors under the Corporations Act whilst exercising its functions as set out in the EII Act and related legislative instruments.

As recognised by IPART in the Report, SFV's initial establishment and operation has required arrangements with other Roadmap entities, while navigating challenges associated with limitations in the legislative framework and the increasing scale, speed and complexity in the implementation of the Roadmap.

During its first two years, SFV's operational activities were undertaken by AusEnergy Services Limited (**ASL**) (previously AEMO Services) under a use of resources arrangement. SFV was also

reliant upon establishment related services from the FT. Under this model, the SFV Board was relying on ASL and the FT to support its decision-making and risk assessment under the Roadmap and under the Corporations Act. Limitations in the statutory framework necessitated these arrangements as under the EII Act SFV was unable to access funds from the Electricity Infrastructure Fund (**EIIF**) to pay its own administrative costs and it had no other source of income. This limitation was rectified in September 2024.

As the Report observes, there were several challenges with the foundational governance framework of SFV's original operating model. This led the SFV, CT and FT to agree a revised operating model and the parties are currently working to operationalise and coordinate the interface of the three entities to ensure efficient and effective delivery of the Roadmap. SFV is encouraged by IPART's observations that the implementation of the revised operational model is strategically justified and will strengthen risk management, governance and operational systems.

It is less than 12 months since SFV commenced moving to an insourced operating model. IPART's Report highlights "evidence of significant progress by the SFV in recent months and with continuing strong leadership, we expect that this momentum will be sustained". That is consistent with SFV's plan to continue to enhance systems and processes, deploy systems, and recruit skilled staff.

Key Findings

SFV welcomes the overall conclusions of the audit and acknowledges the Report's three key findings:

1. Enterprise risk – SFV continues to work proactively to develop the enterprise risk management framework and is well advanced in this respect.
2. Roles & Responsibilities – SFV is committed to continuing to collaborate and work with the CT and FT to clarify roles and responsibilities.
3. Contracts – SFV is in the early stages of its operational development and is progressively developing systems and processes to achieve full operational maturity to allow it to manage the increasing scale and complexity of the Roadmap.

SFV supports the Report's observations that SFV is set on a positive trajectory with areas of good practice that provide a strong foundation for forward progress.

Opportunities for future policy reform

SFV welcomes the observations in the Report that there is an important opportunity for consideration of some of the broader structural and governance challenges in the upcoming Statutory Review of the EII Act. SFV looks forward to contributing to the Statutory Review process and to addressing the unique challenges faced by SFV as a company exercising statutory functions.

We appreciate the collaborative approach to this inaugural performance audit for the Roadmap. The recommendations provided will assist SFV in further strengthening governance and operational systems. SFV looks forward to reporting on implementation of the recommendations to reach Horizon 3 and to achieve coordinated excellence and an enduring, resilient governance system.

Yours sincerely,



Stewart Cummins
Chief Executive Officer

Annexure - SFV response to Table 1.2 of Report (*List of Recommendations in order of priority*)

Recommendation	Comment
10. The SFV and the FT, in collaboration with the CT, take all reasonable steps to formalise a tripartite agreement, or other form of agreement, to operationalise and coordinate the interface of the respective roles and responsibilities, to enhance governance coherence and ensure efficient and effective delivery of the Roadmap.	Accept: Implementation of this Recommendation is well progressed. SFV will continue to collaborate with the FT and CT to formalise a tripartite agreement, to facilitate the proper administration and coordination of the interface of each party's statutory functions and obligations.
17. The SFV and the FT, in collaboration with the CT, finalise and approve a detailed project plan specifying roles, responsibilities, and timelines for the Roadmap entities to ensure cost-effective delivery.	Accept: SFV will continue to collaborate with CT and FT to finalise and approve a detailed project plan for the proposed operational model to ensure cost-effective delivery.
15. The SFV, in collaboration with the CT and the FT, develop formal Performance Criteria for the purpose of the CT reviewing the performance of the SFV.	Accept: Implementation of this Recommendation is progressing. The CT is currently developing formal Performance Criteria to be provided to the SFV and FT for consideration.
18. The SFV and FT, in collaboration with the CT, commission an external expert to evaluate the functioning of the agreed operational model post-implementation, including alignment with governance obligations, and control expectations. The results of the review referred to in Recommendation 16 would inform this process.	Accept: SFV, together with the FT and in collaboration with the CT, will undertake the commissioning of an external expert to evaluate the functioning of the operational model post-implementation; noting that it will be informed by the review referred to in Recommendation 16.
16. The SFV Board commission an independent post-implementation review after completion of insourcing operational and administrative processes, evaluating whether the expected financial and operational benefits have been achieved.	Accept: SFV values the opportunity for evaluation and insight that an independent post-implementation review would provide and commits to undertake this as scoped in the Recommendation.
7. The SFV develop and adopt a comprehensive Enterprise Risk Management Framework (ERMF) aligned with ISO 31000, integrated with the Statutory Risk Management Framework (SRMF) to the extent that integration is possible to proactively manage enterprise-wide risks and ensure robust risks oversight.	Accept: SFV values effective risk management and is committed to maturing the foundational elements including finalising the development and adoption of a comprehensive Enterprise Risk Management Framework (ERMF). SFV's Board approved the SFV's Enterprise Risk Management Policy on 8 August 2025, a key milestone in establishing the ERMF.
11. The SFV establish monthly and quarterly reporting on enterprise risk management and	Accept: SFV adopted a revised subsidiary Operational Risk Policy on 30 July 2025 and

Recommendation	Comment
operational incidents, as required under the subsidiary Operational Risk Policy, following Enterprise Risk Management Framework adoption (as per Recommendation 7) to ensure transparent risk oversight.	have commenced implementing the reporting cadence on risk management and operational incidents.
12. The SFV conduct periodic reviews of all of its funding sources to ensure funding is appropriate for future Electricity Infrastructure Fund cash flow needs as LTESAs mature, integrating findings into financial planning and ensuring alignment with financial risk management objectives.	Accept: SFV acknowledges and supports the need to conduct regular, periodic funding reviews to ensure it continues to meet its cash flow needs as LTESAs mature. The SFV Treasury and Liquidity Subsidiary Policy (adopted on 30 July 2025 following approval by the ASL Board, acting as the CT on 22 July 2025) requires Quarterly and Half-Yearly Treasury and Liquidity Reports. SFV implemented this approach from 30 June 2025. The Treasury and Liquidity Reports include a review of current funding sources and assessment of future funding requirements. All financial impacts of funding options are included in the financial forecasts for the SFV.
13. The SFV incorporate an assessment of funding sources as part of the reporting process supporting the subsidiary Treasury & Liquidity Policy to reflect the formal periodic review process identified in Recommendation 12.	Accept: <i>Ties to response to Recommendation 12 above.</i>
3. The SFV, in collaboration with the CT, update all existing subsidiary policies (e.g. Treasury & Liquidity, Operational Risk) to reflect the current Roadmap operational environment, use all reasonable endeavours to secure the CT Board approval for any changes, and establish formal annual review process to ensure ongoing relevance.	Accept: Prior to the performance audit, SFV had identified the need to update the subsidiary policies. Since the completion of the audit, SFV has already revised and adopted the following four subsidiary policies following notification on 30 July that the four subsidiary policies were approved by the ASL Board, acting as the CT, on 22 July 2025 (as required under the SRMF): • Counterparty Credit Risk Policy • LTESA Policy • Operational Risk Policy • Treasury & Liquidity Policy SFV is continuing to collaborate with the CT on updating the Wholesale Electricity policy.

Recommendation	Comment
8. The SFV, in collaboration with the CT, establish a process for defining its role and responsibility (over the short and longer term) in mitigating Risk #4 (contracts market liquidity from the SRMF), and for integrating the agreed positions into the subsidiary Wholesale Electricity Policy to provide clarity for this function.	Accept: SFV acknowledges the importance of clarifying its role in addressing Risk #4 as defined in the SRMF. SFV is already collaborating with the CT to define an appropriate role in this context and clarify SFV's role in market liquidity interventions and embed that role into a revised Wholesale Electricity Policy (WEP).
5. The SFV identify and evaluate options (e.g. cost, scalability and integration) for a dedicated Contract Management System and a Financial Markets Product System, and procure selected system solutions, to enhance operational management capabilities	Accept: As noted in the report, identification and evaluation of options for a dedicated Contract Management System and Financial Markets Product System (and procurement of selected system solutions) forms part of the SFV technology roadmap for FY26.
4. The SFV, in collaboration with the CT, continue to evaluate efficacy of a hedging strategy and as applicable, formalise a SFV Hedging Policy based on the costs and benefits of hedging.	Accept: SFV acknowledges the importance of managing the risks associated with wholesale electricity price volatility inherent in generation LTESA contracts. SFV will continue to collaborate with the CT to carefully evaluate the efficacy, benefits, and associated costs of establishing a hedging policy tailored specifically to generation LTESA exposures.
14. The SFV implement a process for periodic independent validation of its Electricity Infrastructure Fund forecasting models and assumptions, to provide assurance regarding accuracy and reliability in financial projections.	Accept: SFV intends to implement a broader review of EIF forecasting models and assumptions by an independent third party to provide assurance regarding accuracy and reliability in financial projections.
9. The SFV, in collaboration with the CT, review the formal roles and responsibilities for mitigating the five SRMF financial risks, and take all reasonable steps to assist in incorporating these into an updated SRMF to ensure clear accountability.	Accept: SFV is committed to supporting a review of the formal roles and responsibilities for mitigating the five SRMF financial risks. SFV is encouraged by the observation in the Report that there would be value in expanding the involvement of the FT and the SFV in triggering review of the SRMF and ensuring the SRMF is optimal.
6. The SFV implement a dedicated Contract Management System, and a Financial Markets Product System based on Recommendation 5, to streamline operations and enhance risk management.	Accept: The decision to implement new systems will be an outcome of the evaluation process identified in Recommendation 5. <i>Refer also to response for Recommendation 5.</i>

Appendix B

Glossary

Terms and definitions used in this report

B

B.1 Performance audit and Electricity Infrastructure Roadmap acronym explainer

Term	Definition
AEMO	Australian Energy Market Operator Limited
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator. The AER's role is to scrutinise the cost of projects so consumers pay no more than necessary now and in the future. The costs will be recovered from NSW customers through AER's yearly contribution determination.
ASL	AusEnergy Services Limited (ASL) is an independent subsidiary of AEMO.
Basis risk	Basis risk means the risk arising from differences in the variables between LTESAs and risk management contracts, including price, volume and timing
Capacity	As described in clause 3.7.2(d)(1) of the National Electricity Rules and the NER glossary.
Consumer	An end use customer of electricity
Contribution Determination or CD	A contribution determination made by the AER under section 56 of the EII Act. The AER annual contribution determination sets the amount required to be recovered from DNSPs. The amount determined includes a minimum prudent cash balance to ensure the Scheme Financial Vehicle has sufficient funds to meet its liabilities.
CT	Consumer Trustee (CT). AusEnergy Services Limited (formerly AEMO Services Limited) was appointed by the Minister for Energy as the Consumer Trustee under the <i>Electricity Infrastructure Investment Act 2020</i> .
CWO REZ	Central-West Orana Renewable Energy Zone
DCCEEW	The NSW Department of Climate Change, Energy, the Environment and Water (formerly, the NSW Office of Energy and Climate Change)
Derivative risk	Financial risk from LTESA price fluctuations If the market price for electricity is lower than the agreed-upon "strike price" within the LTESA, the LTES operator can exercise their option to receive the payment from the SFV. Only applies when LTES operators provide appropriate notification to SFV that they will exercise the derivative arrangement.
DNSP	Distribution Network Service Provider (DNSP) that owns, operates, or controls an electricity distribution network. DNSPs are licenced under the <i>Electricity Supply Act 1995</i>
EI Fund	The Electricity Infrastructure Fund (EI Fund) established and regulated under Part 7 of the EII Act
EII Act	The <i>Electricity Infrastructure Investment Act 2020</i> (EII Act) gives effect to the NSW Government's Electricity Infrastructure Roadmap
EII Regulation	<i>Electricity Infrastructure Investment Regulation 2021</i>
EnergyCo	The Energy Corporation of New South Wales (EnergyCo) is a statutory authority established under the <i>Energy and Utilities Administration Act 1987</i> , under which it may act to investigate, plan, coordinate and promote energy infrastructure development in NSW. EnergyCo has been appointed Infrastructure Planner by the Minister for Energy under section 63 of the EII Act, for NSW's five Renewable Energy Zones (REZs) and for two priority transmission infrastructure projects (PTIPs).
EQT	Equity Trustees Limited (EQT) was appointed Financial Trustee under the EII Act by the CT pursuant to, and subject to the terms of the Instrument of Appointment.
ERMF	Enterprise Risk Management Framework
Firming infrastructure	Firming infrastructure refers to flexible capacity that is scheduled in the central dispatch process by AEMO and can ramp-up quickly when there is a sudden increase in demand.
FT	Financial Trustee

Term	Definition
	The Consumer Trustee appointed EQT as the independent Financial Trustee established under the EII Act.
Generation	Refers to the process of generating electricity by a generating unit.
Hedging	Hedging is a risk management strategy to offset losses in investments by taking an opposite position in a related asset. In the context of the National Electricity Market (NEM), hedging refers to the practice of generators and retailers using financial contracts to reduce the risk associated with volatile wholesale electricity prices.
IoA	Instrument of Appointment (IoA) dated 15 September 2022 under which the Consumer Trustee appointed Equity Trustees Limited as Financial Trustee pursuant to section 61 of the EII Act.
IP	Infrastructure Planner
IPART	The Independent Pricing and Regulatory Tribunal (IPART) was appointed as a regulator in December 2021 under the EII Act.
KYC	Know-Your-Customer (KYC) identification procedures must be applied for 'reporting entities' under the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (Cth) (AML/CTF Act).
LDS	Long duration storage
LDS LTESA	A financial derivative contract that provides series of options to access a variable annuity payment. If the option is exercised, the annuity payment will be in the form of a top up to net operational revenues achieved by projects.
LTES operator	Long-term Energy Services operator
LTESA	Long-term Energy Service Agreement LTESA is an agreement entered into between the SFV and a person (the LTES operator)
National Electricity Rules	The National Electricity Rules govern the operation of the National Electricity Market (NEM). Changes to the National Electricity Rules are made by the AEMC.
NEM	National Electricity Market
Network infrastructure project	A REZ Network Infrastructure Project or Priority Transmission Infrastructure Project as defined under the EII Act.
PDA	Project Development Agreement associated with an LTESA. This report does not discuss Development Agreements under Access Schemes as defined in the EII Regulations cl 42CA.
PTIP	The EII Act establishes a process for delivering priority transmission infrastructure projects (PTIPs). We note that on 13 August 2025 the EII Act was updated to refer to PTIP as Priority Network Infrastructure Projects (PNIPs) We have not updated the report as all audit work was already completed using PTIP terminology. PTIPs are not necessarily related to a REZ; rather, they are projects based in NSW that are identified in the most recent integrated system plan published by AEMO under the National Electricity Rules, or a project assessment draft report or project specification consultation report prepared under the National Electricity Rules. Prior to authorising or directing a PTIP, the Minister for Energy must be satisfied it is an appropriate response to address forecast energy security breaches in NSW.
Revenue Determination	A revenue determination made by the AER for projects authorised by the Consumer Trustee or authorised (or directed) by the Minister (Part 5 of the EII Act). The AER published guidelines explaining the transmission efficiency test applied to both contestable and non-contestable projects in NSW under the EII Act.

Term	Definition
REZ	A Renewable Energy Zone (REZ) declared by the Minister for Energy under the <i>Electricity Infrastructure Investment Act 2020</i> .
SFV	Scheme Financial Vehicle (SFV). The FT established the SFV as a company limited by shares under the EII Act s 62(1). The FT holds the SFV's shares 'on trust' for the purposes of the EII Act.
SRMF	The Statutory Risk Management Framework (SRMF) governs the management of specific risks associated with LTESAs under the <i>Electricity Infrastructure Investment Act 2020</i> . The SRMF was developed by the Consumer Trustee pursuant to section 51 of the EII Act, and approved by the AER.
Statutory Review	Section 78 of the EII Act states a review of the Act is to be undertaken as soon as possible after the period of 5 years from the commencement of this section. Section 78 of the EII Act commenced on 1 July 2021, therefore the review will commence on or after 1 July 2026
Tenders	The Consumer Trustee identifies timing and scale for renewable energy generation and storage investment. The Consumer Trustee incentivises these new investments through tenders for LTESAs.
Tender rules	Tender rules, made by the Consumer Trustee under section 47(5) of the EII Act, and under regulation 42A of the EII Regulation, that sets out how the Consumer Trustee will conduct Tender Rounds in respect of the award of LTESAs
Wholesale market or price	The NEM is a wholesale market through which generators and retailers trade electricity. Retailers then resell electricity to businesses and households (customers). There are two ways to buy and sell electricity in the NEM wholesale market: through the spot market (spot prices) and the contracts market (contract prices).

Appendix C

About the audit

Details on how we conducted this audit
and what we examined



C.1 Audit objective

This performance audit assessed whether the financial entities under the NSW Electricity Infrastructure Roadmap (Roadmap), namely the Financial Trustee (FT) and the Scheme Financial Vehicle (SFV), have processes and systems of governance in place to ensure that the SFV is managing key financial risks to protect the interests of NSW electricity customers.

C.2 Scope and period

The audit focused exclusively on the governance, risk management, and operational systems of the FT and the SFV. It did not assess the performance of the Consumer Trustee (CT), the Department of Climate Change, Energy, the Environment and Water (DCCEEW), or broader Roadmap entities. It also did not assess the merit of the Statutory Risk Management Framework (SRMF) which was developed by the CT in 2022. The audit assessed arrangements and performance primarily during the period from October 2022 to 31 March 2025.

C.3 Audit framework

This report is an independent reasonable assurance report. It has been prepared in accordance with the Standard on Assurance Engagements ASAE 3500 *Performance Engagements*.

The audit objective was assessed using a structured methodology comprising 3 Lines of Inquiry, each supported by audit criteria. This approach enabled a systematic examination of:

- governance systems and processes
- financial risk management practices
- efficiency and value for money.

This framework is consistent with applicable assurance standards, including ASAE 3500 *Performance Engagements*.

The responsible parties for this audit are the FT and the SFV. Their responsibilities are to perform their functions as established under the *Electricity Infrastructure Investment Act 2020*.

C.4 Lines of Inquiry and audit criteria

Line of Inquiry 1 - Governance systems and processes

We assessed whether the FT and the SFV have sound governance systems and processes in place to identify and manage financial risks to protect the interests of NSW electricity customers. Criteria examined included:

- The FT and the SFV have systems and processes to effectively deliver their functions in accordance with relevant legislation (including *Electricity Infrastructure Investment Act 2020*, *Corporations Act 2001* (Cth), *Electricity Infrastructure Investment Regulation 2021*).

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- The Statutory Risk Management Framework and subsidiary policies have been adopted or adapted appropriately, with required approvals. Roles and responsibilities of the FT and the SFV align with the requirements of the Instrument of Appointment and are in accordance with legislation.
 - Organisational structures (including entity board membership) and resourcing (including roles, responsibilities (e.g. for the liquidity of the Electricity Infrastructure Fund), capability, delegations, approvals, and management oversight) are appropriate for the effective and efficient management of financial risks.
 - There is ongoing transparency, accountability and communication regarding risk management activities (especially with CT). There is an effective monitoring and reporting framework (including escalation).

Line of Inquiry 2: Financial risk management

We assessed whether the SFV and the FT appropriately manage the financial risks to protect the interests of NSW electricity customers. Criteria examined included:

For the SFV:

- The SFV acts in a commercially reasonable and prudent way in managing any contract or agreement made under the EII Act (including risk management contracts and the management of fund liquidity risks).
- The SFV effectively manages contribution volatility risks arising from any unexpected or significant increases in the liabilities for payments under Long-Term Energy Service Agreements (LTESAs) and other agreements.
- LTESAs and other agreements are executed in accordance with CT recommendations and are managed effectively and in compliance with the relevant requirements of the Statutory Risk Management Framework and subsidiary policies.
- The SFV has effective reporting and forecasting mechanisms to drive the achievement of expected outcomes.
- The SFV has effective monitoring and reporting (especially to the CT) of financial risks.

For the FT:

- The FT has effectively performed its risk management obligations by advising, consulting and providing information to the regulator in relation to contribution determinations.
- The FT has effective reporting and communication mechanisms to drive the achievement of expected outcomes.

Line of Inquiry 3: Value for money

We assessed whether the systems and processes, either planned or in place, are efficient and economical in delivering value for money for NSW electricity customers. Criteria examined included:

- The use of external experts is reasonable and cost effective.

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- The SFV's Treasury Operations are efficient (including maturity and future state).
 - There is a project plan identifying the target maturity level, detailing how and when it will be implemented, and with clear roles, responsibilities of the CT, FT and SFV. The future state operational arrangement is reflected in the proposed amended Instrument of Appointment.

C.5 Evidence collection and analysis

The audit gathered sufficient and appropriate evidence through a combination of:

- Review of legislative instruments and contractual frameworks
- Examination of governance policies, board papers and meeting minutes
- Interviews and workshops with key personnel from the FT, SFV and CT
- Analysis of risk frameworks, treasury policies and financial reports
- Review of planning documentation and internal evaluation material
- Desktop maturity assessments.

All evidence was tested for relevance, sufficiency and reliability to ensure robust findings.

C.6 Finding development and evaluation framework

Findings were developed against each audit criterion using a 4-part structure:

- Findings – A concise statement of fact based on evidence.
- Observations – Supporting narrative or explanation.
- Impact – The consequence of the finding for public value, especially in terms of electricity customer risk, cost or system security.
- Recommendations – A proposal for action to address the finding or strengthen performance.

This framework ensured that each issue identified was not only substantiated, but its significance clearly understood, and its resolution constructively proposed.

C.7 Opinion formation process

For each Line of Inquiry, the audit team formed a clear evaluative judgment based on the weight of evidence. These indicative views were then synthesised to inform the overall audit opinion on whether governance arrangements are effective in protecting electricity customers' interests.

The opinion uses standard evaluative language, such as effective, partially effective, or not effective; to convey the auditor's level of assurance in plain terms. The opinion is formed in accordance with the professional standards outlined in ASAE 3500 Performance Engagements.

- **Effective:** The entities have effective processes and systems of governance in place to manage key financial risks.

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- **Partially effective:** The entities have some processes and systems of governance in place, but significant weaknesses were identified that undermine their effectiveness in managing key financial risks.
 - **Not effective:** The entities do not have effective processes and systems of governance in place to manage key financial risks.

Throughout the report, we have made judgments against the specific audit criteria for each Line of Inquiry. We have used the following ratings:

- **Met:** The entity meets all aspects of the audit criterion.
- **Partially Met:** The entity meets some, but not all, aspects of the audit criterion.
- **Not Met:** The entity does not meet the audit criterion.

C.8 Level of assurance

This performance audit provides reasonable assurance. This is a high, but not absolute, level of assurance. The procedures performed were designed to obtain sufficient appropriate evidence to reduce engagement risk to an acceptably low level as the basis for our 'partially effective' conclusion.

C.9 Inherent limitations

All assurance engagements are subject to inherent limitations. This performance audit is not a financial audit or a forensic investigation and provides reasonable, not absolute, assurance. Conclusions are based on the evidence available within the scope and period of the audit, and there is a risk that fraudulent or erroneous activities may not have been detected.

C.10 Assurance, independence, and quality review

The audit was conducted in accordance with applicable ethical and professional standards. IPART operates independently of the Roadmap entities under this audit and reports directly to the Minister for Energy.

The audit was subject to rigorous internal quality assurance procedures, including:

- multiple levels of review within the audit team
- legal and subject matter experts' input
- consistency checks across findings, recommendations and conclusions.

These processes ensured that the report's conclusions are well-founded, clearly reasoned, and presented with transparency and fairness.

C.11 Audit subject matter expert capability statement

IPART partnered with Centium Pty Ltd as subject matter experts for this audit.

The team assembled to undertake the performance audit held combined specialist subject matter expertise across the relevant audit focus areas, including operational, risk and financial disciplines.

The individual members of the team were highly experienced, with an extensive history undertaking operational performance reviews in both the public and private sector over at least 25 years.

Educational and professional qualifications held by team members included Bachelor of Economics, Bachelor of Business Studies, Bachelor of Commerce, Master of Business (with merit), Graduate Certificate in Internal Audit, Graduate Diploma in Management, Chartered Accountant, Certified Practicing Accountant, Registered Company Auditor, Registered Tax Agent, Fellow of the Institute Internal Auditors Australia, and Member of the Governance Institute of Australia.

C.12 Assurance Practitioner's Responsibilities

Our responsibility is to express an independent conclusion on the performance of the FT and the SFV, based on our audit procedures. We conducted this audit in accordance with ASAE 3500 Performance Engagements, and our responsibilities under that standard are further detailed at www.auasb.gov.au.

C.13 Audit cost

The estimated cost of this audit is \$250,000.

C

Appendix D

Addendum

Addendum to the final report



D

D.1 Addendum to the final report

At the time of finalising the performance audit report, it came to our attention that ASIC has commenced proceedings against Equity Trustees Superannuation Limited, alleging failures in due diligence relating to the Shield Master Fund (Shield).

ASIC has alleged Equity Trustees Superannuation Limited failed, in relation to Shield, to do all things necessary to ensure the financial services covered by its Australian financial services licence were provided efficiently, honestly and fairly. The allegations include an alleged contravention of section 912A of the *Corporations Act 2001* (Cth).

Equity Trustees Limited (Equity Trustees), the entity appointed as the Financial Trustee under the Electricity Roadmap is a related body corporate to Equity Trustees Superannuation Limited. Equity Trustees acted as the Australian financial services licence intermediary (holder of the Australian financial licence) that provided the Scheme Financial Vehicle with the necessary authority to undertake its financial services activities for the Long-Term Energy Service Agreements (LTESAs). We found that the Scheme Financial Vehicle had undertaken key due diligence to confirm that the LTESAs, as recommended by the Consumer Trustee, were not in breach of the *Electricity Infrastructure Investment Act 2020*, and that there was effective probity around the tender process. We did not investigate whether Equity Trustees exercised due diligence as the Australian financial services licence holder in relation to the execution of LTESAs.