



INFORMATION

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Allowing AEMO to accept cash as credit support

Initiation of consultation on urgent rule to allow AEMO to accept cash as credit support

The Australian Energy Market Commission (AEMC) has published a consultation paper on a rule change request from Delta Electricity (Delta) that proposes for cash to be provided as credit support. We are seeking feedback on the problem raised in the rule change request and on the solution proposed by Delta. Stakeholder submissions to the consultation paper are due by 21 November 2024.

We are proposing to expedite this rule change request, as we consider that it is an urgent rule. Objections to the expedited process are due by 7 November 2024.

Delta is proposing that cash be an accepted form of credit support

Delta considers that profitable and solvent market participants in the National Electricity Market (NEM) could be unable to obtain an accepted form of credit support under the current arrangements. Currently, market participants are required to provide credit support either as a bank guarantee or a letter of credit from an acceptable lender.

Delta's current arrangements for credit support expire at the end of 2024, and it has been unsuccessful to date in obtaining new credit support arrangements. Lenders have cited environmental, social and governance (ESG) policies as reason for not providing credit support to Delta. If Delta is unable to obtain new credit support arrangements, Delta could be restricted from participating in the NEM from the end of 2024. Delta is registered as a generator and customer in the NEM.

In its rule change request, Delta has proposed that the Australian Energy Market Operator (AEMO) be allowed to accept cash as credit support. This would provide an alternative option for all market participants to provide credit support.

We are proposing to expedite this rule change request

We consider the rule change request is urgent as the rule change, if not made as a matter of urgency, will imminently result in prejudicing or threatening the safety, security or reliability of the national electricity system.

This is because Delta may be unable to provide an acceptable form of credit support to AEMO from the end of 2024, which creates a risk that Delta could be suspended from participating in the NEM.

Given Delta operates 1320MW of firm and synchronous generation capacity in NSW, we believe that a sudden restriction in Delta's participation in the NEM could create an imminent threat to reliability and security in the NEM. We note that AEMO's 2024 Electricity Statement of Opportunities (ESOO) highlighted forecast reliability gaps in NSW, as well as Victoria and South Australia for this coming summer.

The expedited process lasts eight weeks from the publication of the consultation paper and includes one round of consultation. Any stakeholder can object to the expedited process. Objections must be lodged with the AEMC by **7 November 2024** and set out reasons why the rule change request is not urgent. If we receive a valid objection, we will switch to a standard rule change process.

Objections to the expedited process are due by 7 November 2024.

Submissions to the consultation paper are due by 21 November 2024.

We will consider the NEO in assessing this rule change request and are proposing four assessment criteria

In assessing this rule change request, we will consider how any proposed changes would contribute to the achievement of the National Electricity Objective (NEO). We will consider all components of the NEO in our decision-making, although we can weight each component of the NEO as we consider appropriate in the circumstances. Our initial view is to weight the reliability, safety and security components of the NEO higher than the emissions component, as we consider the potential costs from reliability and security risks in relation to this rule change request are likely to be more substantial than emissions benefits.

In addition to considering the NEO, we are proposing to use four assessment criteria to assess the rule change request:

- **Safety, security and reliability:** Do the proposed changes enable the reliable, secure and safe provision of energy at efficient cost to consumers over the long term? Do the proposed changes promote the efficient operation and use of, and investment in, generation facilities, load, storage, networks and other system service capability?
- **Emissions reductions:** Do the proposed changes efficiently contribute to achieving government targets for reducing, or that are likely to reduce, Australia's greenhouse gas emissions?
- **Flexibility:** Are the proposed changes future proof, resilient and able to accommodate market, technological, policy, climate and other changes?
- **Predictability and stability:** Do the proposed changes promote predictability and stability in the regulatory framework for stakeholders?

We also note that the long-term viability and closure of coal-fired power stations is subject to broader considerations that are beyond the scope of this rule change request, which considers whether cash should be accepted as credit support

We are seeking stakeholder feedback to the consultation paper

We have published a consultation paper to initiate this rule change process. We are seeking stakeholder feedback on:

- problems raised in the rule change request and any other related problems
- the solution proposed by Delta to allow AEMO to accept cash as credit support
- any variations to the proposed solution or alternative solutions
- our proposed approach to assessing the rule change request.

Submissions to the consultation paper are due by **21 November 2024**.

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