

Australian Energy Markets Commission

Submitted online via: <https://www.aemc.gov.au/contact-us/lodge-submission>

21 November 2024

Submission to National Electricity Amendment (Allowing AEMO to accept cash as credit support) Rule 2024: Consultation Paper

The Australian Energy Council welcomes the opportunity to make a submission to the National Electricity Amendment (Allowing AEMO to accept cash as credit support) Rule 2024: Consultation Paper (Consultation Paper).

The Australian Energy Council (AEC) is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The current credit support arrangements in the NEM represent prudent risk management and in a developed country of the size of Australia with deep and sophisticated credit and finance markets AEMO's credit support arrangements should operate efficiently. However, based on the information in the proponent's rule change request it appears that Australian financial markets are unwilling to perform their role in the case of the proponent.

Our understanding is that the benefit of allowing cash to be provided as credit support is that it will allow AEMO to continue with prudent risk management when it comes to the Delta being required to provide collateral to AEMO.

We note the Consultation Paper includes discussion regarding the potential for clawback if Delta is to become insolvent. As a generator supplying into the NEM Delta would generally not be required to provide credit support to AEMO, however their retail activities increase the likelihood of more regular credit support requirements. This is obviously a possible risk but without understanding the size of the exposure it is difficult to provide meaningful commentary.

The method for managing AEMO's exposure to Delta (in the event of insolvency) should be guided by the materiality of the exposure AEMO would face. For example, if it is \$1 million then socialising the costs may be acceptable. Whereas if it was \$10 million perhaps not.

If the exposure is significant, we believe the most comprehensive arrangements are implemented to mitigate the risk. Based on the Consultation Paper this would require AEMO registering a security interest in the cash on the Personal Property Securities Register. Further investigation may be required to ascertain if this completely resolves the issue.

Other responses to the Consultation Paper:

- The AEC will support the AEMC if it determines that transitional rules are required.
- The AEC supports the AEMC's assessment criteria.

We note that AGL has successfully objected to *“the need for, and use of, the expedited rule change process.”* However, AGL still *“supports consideration of the substantive issues raised in the rule change proposal”* through the normal rule change process. The AEC understands the AEMC’s reasoning supporting its decision to follow the normal rule change process.

Any questions about our submission should be addressed to Peter Brook, by email to peter.brook@energycouncil.com.au or by telephone on (03) 9205 3103.

Peter Brook

Wholesale Policy Manager

Australian Energy Council