



16 November 2024

Ms Anne Collyer
Chair
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Allowing AEMO to accept cash as credit support

Blue NRG welcomes the opportunity to provide feedback on the *Allowing AEMO to accept cash as credit support* rule change proposal.

Blue NRG is an Australian owned business energy retailer based in Melbourne, Victoria. Established in 2012, we are a small electricity retailer specialising in providing energy plans and tailored energy solutions to businesses in Victoria, New South Wales, South Australia and Queensland.

As a smaller successful retailer in the NEM, Blue NRG has sufficient funds to meet AEMO credit support requirements. However, unlike larger entities with extensive banking facilities, smaller retailers often face limited options for securing bank guarantees. The reliance on bank guarantees exposes retailers to unnecessary risks due to potential delays or processing issues within financial institutions—issues that can lead to unintended consequences through no fault of the retailer, even when they remain solvent and possess sufficient funds.

Blue NRG supports the proposal to allow AEMO to accept cash as credit support, as this timely rule change would reduce operational and financial risks for all market participants. This, in turn, will ultimately lead to improved retail competition and greater investment in consumer innovation. We assert that the benefits of allowing AEMO to accept cash as credit support would further support one of the AEMC objectives, the National Energy Retail Objective (NERO), by promoting efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to price, quality, safety, reliability, and security of supply of energy.

Please see our responses to the AEMC consultation paper questions below.

For any questions regarding this submission, please contact Shaun Hooper (shaun.hooper@bluenrg.com.au).

Your Sincerely

Signed by:

EBC553C1D11745C...
Shaun Hooper

Head of Energy Markets

Blue NRG

Level 2/350 Collins Street
Melbourne VIC 3000

PO Box 24390
Melbourne VIC 3001

T 1300 599 888
E info@bluenrg.com.au

www.bluenrg.com.au
ABN: 30 151 014 658



Question	Answer
<p>Question 1: Do the current available options for credit support create problems in the NEM?</p> <ul style="list-style-type: none"> • How likely is it that other participants may face issues in the future obtaining bank guarantees or letters of credit, similar to the issues currently faced by Delta or otherwise? • Could the current options for credit support create risks to the supply of electricity? Are these short-term risks or longer-term risks to the broader NEM? • Are there any other issues faced by market participants due to the current options to provide credit support? 	<p>Blue NRG agrees the current options for AEMO credit support are limited and create unnecessary challenges for retailers by requiring bank guarantees, that can be difficult to obtain compared to using cash.</p> <p>Likelihood of Future Issues for Other Participants:</p> <p>In general, the prudential requirements are a material issue for small retailers as access to reallocations from generators and other counterparties is far more restricted than in the past. Larger retailers with generation may not have the same issue. Allowing retailers to post cash as credit support to meet AEMO's requirements could increase market competitiveness by removing barriers to entry. There are no reasons to suggest that reallocations availability will increase over the longer term.</p> <p>AEMO can run an ad-hoc Maximum Credit Limit (MCL) review at any time, requiring retailers to respond within 5 business days. Currently, the only form of acceptable credit support in this situation is a non-standard prescribed format bank guarantee. For smaller retailers, obtaining a bank guarantee within 5 days can be challenging and time consuming.</p> <p>Additional Issues with Current Credit Support Options:</p> <p>The reliance on bank guarantees puts retailers at risk due to the performance, accuracy, and timeliness of financial institutions. Retailers, through no fault of their own, may face suspension from the market due to delays or issues with bank processing, even if they remain solvent and have sufficient funds. Inflexible bank guarantee requirements expose all market participants to unnecessary operational and financial risks.</p>



Question	Answer
<p>Question 2: What are the potential benefits of allowing cash to be provided as credit support?</p> <ul style="list-style-type: none"> • What benefits do you consider there to be from allowing cash to be provided as credit support? • If there are benefits, how material could they be? 	<p>As smaller retailers do not have access to readily available bank guarantees, being able to post cash would benefit small retailers by not having to go through extra procedures for</p> <p>Consumers would ultimately benefit through the reduced retailer burden creating greater retailer competition and retailer stability.</p>
<p>Question 3: What are the potential costs of allowing cash to be provided as credit support?</p> <ul style="list-style-type: none"> • What are your views on risks to AEMO and markets participants from insolvencies if cash is provided as credit support? Are these risks sufficiently material to outweigh any benefits of the proposal? • What do you consider would be the likely impact on emissions by allowing cash to be provided as credit support? • Are there any other potential costs from allowing cash to be provided as credit support? • If there are costs, how material are they? 	<p>Blue NRG does not believe there would be additional costs to retailers to provide cash as credit support compared to seeking a bank guarantee.</p>
<p>Question 4: Are there any provisions that could enable AEMO to sufficiently manage insolvency risks when accepting cash as credit support?</p>	<p>Blue NRG believes the risks associated with the provision of cash and a bank guarantee as credit support are similar and therefore no further provisions are required.</p>



Question	Answer
<p>If cash is accepted as a form of credit support, do insolvency risks to AEMO and the market need to be managed? If so, could risks be satisfactorily managed by:</p> <ul style="list-style-type: none"> • socialising costs from cash clawbacks among market participants, instead of AEMO bearing the costs? • guidance to AEMO on conditions for which cash could be provided as credit support? • AEMO registering a security interest in the cash on the Personal Property Securities Register? 	
<p>Question 5: Would transitional rules be needed?</p> <p>We note that Delta’s current bank guarantee facilities are expiring at the end of 2024. If a rule was made to allow AEMO to accept cash as credit support, would transitional rules be needed to enable Delta or other participants to provide cash as credit support during an interim period? If so, what would be an appropriate form of transitional rules?</p>	<p>Blue NRG does not believe transitional rules are required.</p>
<p>Question 6: Are there any additional variations or alternative options to Delta’s proposal?</p> <p>Do you have any additional variations or alternative options to Delta’s proposal that may address problems associated with the available options for providing credit support in the NEM?</p>	<p>Blue NRG does not have any suggested alternatives to the proposal.</p>



Question	Answer
<p>Question 7: Assessment framework</p> <p>Do you agree with the proposed assessment criteria? Are there additional criteria that the Commission should consider or criteria included here that are not relevant? What are stakeholders views on the costs and benefits of the proposed solution or alternative options against these criteria?</p>	<p>Blue NRG believes the proponents' proposed rule change will increase the secure provision of energy at efficient cost to consumers over the long term.</p> <p>We believe the proposed solution is a lower cost, more efficient and sensible, with no material implementation costs.</p>