



# INFORMATION

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## Allowing AEMO to accept cash as credit support

### We have made a more preferable draft rule

**The Australian Energy Market Commission (AEMC) has made a more preferable draft rule to increase optionality and flexibility for participants to provide credit support in the National Electricity Market (NEM), without weakening the existing credit support arrangements.**

**We are seeking stakeholder feedback by 15 May 2025.**

### The draft rule would increase flexibility in providing credit support

The draft rule would amend the credit support arrangements in the NEM to increase optionality and flexibility for market participants to provide credit support and meet their prudential requirements, without weakening the credit support arrangements. Under the draft rule, participants would be allowed to provide:

- cash as credit support up to a limit of \$5 million for each participant
- surety bonds as credit support
- credit support from a broader pool of credit support providers.

This determination is in response to a rule change request from Delta Electricity (Delta) to allow the Australian Energy Market Operator (AEMO) to accept cash as credit support.

### Participants would benefit from the draft rule, in particular small retailers

Increased optionality and flexibility in the credit support arrangements would deliver multiple benefits for market participants providing credit support.

There would be opportunities for participants to reduce costs associated with providing credit support by utilising the least cost credit support option for their individual circumstances. This could be through reduced fees in obtaining credit support from a lender, or through lower working capital requirements.

Additionally, participants would have reduced risks of triggering a default event from potential delays in providing credit support or from restrictions in obtaining credit support. Participants would have a wider range of credit support options, which includes cash that can be provided to AEMO on short notice and without reliance on a third-party. This would address the issue raised by the proponent, who noted it was unable to obtain credit support from lenders under the existing arrangements.

These benefits are likely to be most beneficial for small retailers, who typically have higher financing costs and lower access to capital. Reduced costs and risks of default for small retailers would support lower prices to consumers, increased investment in service innovation, and/or expanded offerings for consumers. In turn, this would support reduced barriers to entry and increased competition in the retail market, leading to consumer benefits.

### We are seeking to minimise risks to participants

While the draft rule would deliver net benefits, there are certain risks associated with the changes to the credit support arrangements that we have sought to manage.

One risk is the potential for any cash used as credit support to be clawed back as an unfair preference payment if a participant becomes insolvent. We have assessed a range of

options to mitigate and manage this risk, and have included multiple layers of protection, including:

- granting AEMO a first ranking charge over that cash
- imposing a limit of \$5 million on the amount of cash credit support a participant can provide
- enabling AEMO to recover potential clawback costs from participants receiving net payments
- set off rights for the cash held as credit support if the participant defaults, if AEMO were to use set off arrangements.

The draft rule also seeks to clarify the application of existing National Electricity Law (NEL) displacement provisions relating to the provision and use of credit support, which could further reduce clawback and insolvency-related risks. An appropriate amendment to the NEL could better mitigate these risks, however NEL amendments are not within the remit of the AEMC.

Another risk is that payments may not pay out in time for the completion of the settlement run and the corresponding monies could be delayed in reaching participants. This is an existing issue in the current arrangements, for example delayed payments from bank guarantees, but would be exacerbated by the introduction of surety bonds. The draft rule seeks to address this issue of delayed payments to participants by allowing delayed payments to be distributed to participants in a more timely manner.

### The draft rule would commence on 9 August 2026

The commencement date for the draft rule would be 9 August 2026. This would allow AEMO to implement any necessary changes to processes, systems, and procedures prior to accepting cash or surety bonds as credit support. The commencement date would be aligned with the commencement of the *Shortening the settlement cycle* rule change, which will make changes to the settlement and prudential systems and procedures by shortening the settlement cycle to nine business days following the end of a billing period.

The draft rule also includes transitional rules for AEMO to develop and publish guidelines on the provision of cash as credit support by 9 May 2026. This would provide AEMO with time to develop the guidelines, and provide participants with time to understand and make any preparations prior to the commencement of the rule.

We will continue to work with AEMO to understand potential implementation timeframes.

### We are seeking stakeholder feedback

Stakeholder feedback to the draft determination is encouraged, with submissions due by **15 May 2025**.

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