



ZEN ENERGY'S RESPONSE TO THE AEMC NATIONAL ELECTRICITY AMENDMENT (ALLOWING AEMO TO ACCEPT CASH AS CREDIT SUPPORT) RULE 2024

21 November 2024





Ms Anna Collyer
Chairperson
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Ms Collyer

RE: ERC0403 National Electricity Amendment (Allowing AEMO to accept cash as credit support) Rule 2024 Consultation Paper

Zen Energy (ZEN) welcomes the opportunity to make this submission to the Australian Energy Market Commission (the Commission) on the consultation paper of Delta Electricity (Delta) on the National Electricity Amendment (Allowing AEMO to accept cash as credit support) Rule 2024.

ZEN strongly supports this proposed rule change which will address existing inefficiencies in the market while helping to expand market participation and encourage a more dynamic and flexible market.

Do the current available options for credit support create problems in the National Electricity Market (NEM)?

The current rules governing credit support were established for an energy market dominated by small group of large established retailers and generators with ready access to traditional banking services. While this approach was appropriate at that time it now appears outdated in a market with a diverse range of participants, each of whom have differing business models. As the market has continued to grow and evolve, the existing credit support rules increasingly pose a series of challenges which particularly impact smaller and new entrant retailers.

Securing a bank guarantee often involves retailers paying additional fees to financial institutions, and requires them to engage legal and financial advisors, incurring significant costs, as well as administrative burden, as it often requires ongoing renewals, complex documentation, and oversight. Importantly, accessing a bank guarantee on short notice to meet a margin call from the Australian Energy Market Operator (AEMO) can not only be difficult, but almost impossible to manage for smaller market participants when considering the tight deadlines from AEMO and the processing times from financial institutions.

The requirement to provide bank guarantees therefore limits competition in the market by creating unnecessary and inefficient barriers to entry due to the costs and administrative burden of accessing these bank guarantees for new retailers. This inevitably restricts consumer choice which leads to higher prices and reduced innovation. Also, the administrative costs associated with accessing bank guarantees unevenly disadvantage smaller retailers as banks will invariably charge higher fees and place more prerequisites on smaller market participants as opposed to their larger competitors.

Such requirements do not align with an efficient market structure, where participants should be able to fulfill their obligations in the most streamlined and cost-effective way.

What are the potential benefits of allowing cash to be provided as credit support?

Allowing cash as credit support would make it easier for smaller and emerging retailers to meet prudential requirements, thereby lowering barriers to entry and enabling more competition in the market. This would help encourage more diversity in retail offerings, providing consumers with a broader array of choices and potentially lowering energy prices.

Implementing this rule change also allows retailers to select an alternative that aligns with their specific financial capacities and business models. This flexibility would reduce reliance on traditional financial instruments, allowing participants to allocate resources more effectively. It would also simplify operations, by removing the administrative and financial burdens of securing bank guarantees. This change would lower transaction costs, minimise legal and advisory expenses, and remove the need for ongoing renewals.


Most importantly, there appears to be little justification that cash should not be accepted, as the most efficient approach would be allowing multiple options to provide credit support, enabling the market and retailers to meet their obligations in the most cost-effective way, supporting a more efficient and stable market.

What are the potential costs of allowing cash to be provided as credit support?

ZEN acknowledges the potential concerns that accepting cash as credit support could expose AEMO to insolvency risks, such as the potential loss of priority over funds to other creditors and the risk of liquidators reclaiming cash deposits. However, we note that the Australian Securities Exchange (ASX), which operates as a high-volume financial market subject to price volatility, accepts cash as credit support without compromising stability. This demonstrates that cash collateral can serve as a secure and efficient form of credit support in large-scale, complex markets.

ZEN Energy would like to thank the Commission for the opportunity to comment on the Consultation Paper. Should you wish to discuss or have any further enquiries regarding this submission, please contact compliance@zenenergy.com.au

Yours Sincerely



Glenn Garnaut
Chief Governance Officer
ZEN Energy Pty Ltd





'ZEN Energy's Journey' was commissioned to tell the ZEN story and the journey to reconciliation with Australia's indigenous people. The artist, Brooke Sutton, is a proud Kalkadoon woman from Queensland, Australia.



Scan the QR code or click [here](#) to watch a video explaining the meaning behind the painting.

We acknowledge the Traditional Custodians of the land, waters and knowledge for the places where we gather collaborate and strengthen communities. In our work, we recognize the importance of Country – not just as a place, but how it maintains community, family, kin, lore and language. We pay our respects to Elders past, present and emerging.

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ZENENERGY



ZEN ENERGY

About us

ZEN stands for Zero Emissions Now, our call to action. We believe that by turning towards low cost, renewable energy, our communities will become more sustainable and prosper accordingly. Our purpose is to lead communities into a zero-carbon world.

ZEN is accelerating Australia's path to becoming a renewable energy Superpower and is Australia's first electricity retailer to have a near-term science-based emissions reduction target in line with limiting global warming by 1.5°C. In the 6 years since we obtained our electricity retail license, ZEN has brought together a community of sustainability-driven customers (governments, businesses, industries, and residents), renewable energy suppliers and capital partners.

Some of our key customers include the South Australian Government, CSIRO's sites in New South Wales, Victoria, and the Australian Capital Territory and the Southern Sydney Regional Organisation of Councils (SSROC) which comprises twenty-five local councils in New South Wales. In 2023, ZEN has delivered more than 1.3 TWh of renewable energy.

Having grown our portfolio of power purchase agreements including over 20 solar and wind farms, ZEN is now developing its own utility-scale projects which include the Templers Battery Project (111MW/2.6MWh) expected to commence construction in early 2024, and the Solar River Solar (200MW solar PV and 100MW/200MWh battery storage), which is in late stage development phase.



A group of children are jumping on a beach, with sand flying in the air. The children are wearing casual clothing, and the scene is captured in a dynamic, low-angle shot. The background shows a clear sky and a fence in the distance.

ZEN
ENERGY

**AUSTRALIA'S FIRST
ENERGY COMPANY
COMMITTED TO LIMITING
GLOBAL WARMING BY
1.5°C.**