

## ALLOWING AEMO TO ACCEPT CASH AS CREDIT SUPPORT: DRAFT RULE

**15 MAY 2025**

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make this brief submission to the Allowing AEMO to accept cash as credit support, Draft Rule. The EUAA are supportive of the draft rule.

In our submission to the Consultation paper (ERC 0403) we stated our support for this rule change because:

- If this rule did not proceed we were concerned that serious immediate risks to stable supply of electricity. In the case of Delta Electricity, immediate risks to supply and system services like inertia and system strength, will arise if they are forced to withdraw capacity before sufficient replacement assets are in place (including assets that provide MWh, dispatchable capacity and system services).
- If this rule did not proceed we were concerned that serious medium to long-term risks to stable supply of electricity if the timely deployment of sufficient gas fired peaking plant is compromised.
- We believe that the risk to stable supply of electricity (and system strength services) is far greater than the risks to AEMO from insolvencies if cash is provided as credit support.
- In addition to serious risks to stable supply of electricity supply, if more flexible prudential arrangements are not in place then the ability of new market entrants would be compromised which in turn would lead to less competition and potential concentration of market power into the hands of a small number of vertically integrated market participants.
- We do not see that this rule change would have a negative impact on emissions (i.e. emissions would not be greater than they otherwise would have been) as there is no indication that this rule change would extend the life of the Delta Electricity asset beyond its current scheduled retirement date.
- While some have argued that prematurely forcing Delta Electricity from the market would reduce emissions faster than they otherwise would have, we are not convinced of this as other dispatchable generation would need to be engaged to maintain energy supply. This would include greater output from other thermal generation including diesel generators, forcing emissions higher in the short to medium-term.

We have seen little evidence provided by other submissions that would materially change these views. It would appear that the AEMC have come to a similar conclusion in this draft rule.

Therefore, we are supportive of the draft rule and agree with the AEMC that it will:

- Increase flexibility in providing credit support without weakening credit support arrangements.
- Increasing credit support options would assist smaller retailers and enhance retail competition.
- Would not increase risks for participants, including AEMO.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.



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