

07 May 2025

Ms Anne Collyer  
Chair  
Australian Energy Markets Commission  
Level 15, 60 Castlereagh Street  
SYDNEY NSW 2000

*Submitted electronically via the AEMC website*

Dear Ms Collyer,

**RE: Draft rule determination: National Electricity Amendment (Allowing AEMO to accept cash as credit support) Rule 2024 — ERC0403**

GloBird Energy (**GloBird**) welcomes the opportunity to provide feedback on the AEMC's National Electricity Amendment (Allowing AEMO to accept cash as credit support) draft rule determination.

GloBird commenced operations in 2015 and has steadily grown, currently retailing energy to over 200,000 residential and small business customers across Victoria, New South Wales, Queensland and South Australia. Our excellent value energy offerings, innovative products and a high-quality customer service are key drivers of our success in this highly competitive energy market.

GloBird strongly supports the rule change proposed by Delta Electricity to allow AEMO to accept cash as credit support in addition to the current method of a bank guarantee.

**Support for increased optionality and flexibility**

We would like to extend our gratitude to the AEMC for the draft rule determination and look forward to its successful implementation. GloBird fully supports the increased optionality and flexibility for participants to provide credit support. The current reliance on third parties for credit support is a structural problem that this rule effectively addresses. By allowing participants to provide cash as credit support, the rule enhances the ability of market participants to meet their prudential requirements without the need for third-party involvement.

**The \$5 million limit on the amount of credit support that can be provided as cash is too low**

We acknowledge that the \$5 million limit is a step in the right direction, but we encourage the AEMC to assess if such amount is sufficient to provide meaningful flexibility. As an example, GloBird which has only circa 100k electricity customers currently needs to provide credit support of over \$10m. In the event that a third-party financier refused to provide GloBird bank guarantee or security bonds, being able to provide \$5m in cash would not help us or other similar sized retailers. We strongly recommend AEMC to consider removing the limit and allowing retailers to use only cash for prudential. If a limit must be imposed, we believe it is appropriate to set the limit at \$20 million, to provide adequate flexibility for small to medium size energy retailers.

**Mitigation of Clawback Risks**

We acknowledge the potential risk that cash used as credit support can be clawed back in an insolvency situation. However, we believe that this risk is effectively mitigated by the points the AEMC raises, specifically:

- Granting AEMO a first-ranking charge over the cash.
- Set off rights for the cash held as credit support if the participant defaults.
- Allowing AEMO to recover potential costs from participants receiving net payments.

Additionally, we propose that AEMO could further reduce or potentially eliminate the default risk by charging an ongoing fee, being a percentage of the cash used, as prudential credit support. This fee could be calculated based on the probability of Retailer of Last Resort (RoLR) events and retailer defaults, the fee collected can be accumulated in a dedicated funding pool and used solely toward future retailer failures and cost recovery by AEMO if the failed retailer was using cash as prudential credit support. Implementing such a fee structure and creating a dedicated funding pool would provide protection and ensure that the financial stability of the market is maintained. We note that other instruments used for credit support (eg Bank Guarantees) have on going fees attached to them.

In conclusion, GloBird strongly supports the AEMC's draft rule determination to allow AEMO to accept cash as credit support. We believe that increasing the cash limit will further enhance the benefits of the rule while risk can be further reduced by implementing an ongoing fee for those parties using cash as credit support.

GloBird will be pleased to meet with the AEMC to further discuss this proposed Rule change. Please contact Nabil Chemali via email: [nabil.chemali@globirdenergy.com.au](mailto:nabil.chemali@globirdenergy.com.au)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Hal Zhou', written in a cursive style.

**Hal Zhou**  
Chief Executive Officer  
GloBird Energy Pty Ltd