

Stuart Norgrove
Adviser
Australian Energy Market Commission
60 Castlereagh St,
Sydney
NSW 2000

Marsh Pty Ltd
ABN 86 004 651 512
One International Towers Sydney
100 Barangaroo Avenue
Sydney, NSW Australia 2000
PO Box H176
Australia Square, Sydney, NSW 1215
T +61 2 8864 8888
www.marsh.com.au

7 May 2025

Subject: National Electricity Amendment – Surety

Dear Stuart,

Thank you for inviting Marsh to provide feedback to the draft rule amendments specifically regarding the proposal to allow participants to provide surety bonds as credit support. Marsh views this as a positive development with the potential to expand the pool of NEM credit support providers.

Marsh provides the following feedback regarding the draft rule changes in relation to the use of surety bonds (as provided to Marsh in email dated 9 April 2025):

(b) be resident in, or have a permanent establishment in, Australia;

Marsh views this condition to potentially conflict with section (a) (4). Sureties may be required to participate from offshore jurisdictions hence Marsh would recommend the removal of this requirement.

Clause 3.3.4 defines an acceptable credit rating to be:

- *a rating of A-1 or higher for short term unsecured counterparty obligations of the entity, as rated by Standard and Poor's (Australia) Pty. Limited; or*
- *a rating of P-1 or higher for short term unsecured counterparty obligations of the entity, as rated by Moodys Investor Service Pty. Limited.*

Sureties typically hold 'Financial Strength' ratings from major external rating agencies rather than the short-term versions. These ratings have been deemed acceptable by many market beneficiaries including Australian government departments. Marsh would suggest amending the requirement to the "Financial Strength" rating issued by either of these agencies and setting the minimum bar at A-/A3.

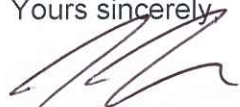
Payment cycle for bonds: in Marsh's experience bond payments in the Australia have been made expeditiously within 24-48 hours of presentation. Whilst the proposed movement from current timelines to 48 hours is welcomed, using the market standard language of 'on demand' on the bond form will, in Marsh's opinion, fit more squarely within Surety's operating guidelines, and potentially attract greater market interest in participation.

Marsh Pty Ltd (ABN 86 004 651 512, AFSL 238 983).

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Stuart Norgrove
Australian Energy Market Commission

Yours sincerely,

A handwritten signature in black ink, consisting of several fluid, overlapping loops and strokes, positioned above the name Marsh Surety.

Marsh Surety