

12/05/2025

Mr Sebastien Heny
Project Director, Australian Energy Market Commission
GPO Box 2603, Sydney
2001 NSW

Dear Mr Heny,

Consultation on Allowing AEMO to accept cash as credit support draft determination

Thank you for the opportunity to participate in the Australian Energy Market Commission (AEMC)'s Consultation on the draft rule to increase optionality and flexibility for market participants to provide credit support.

SA Water is South Australia's leading provider of water and sewage services, providing regulated water and wastewater services to more than 1.7 million people throughout the state. Wholly owned by the Government of South Australia, we have been working to ensure a reliable supply of safe, clean water and a dependable sewerage system for more than 160 years.

To support the provision of regulated water and wastewater services, SA Water is one of the largest individual users of electricity in South Australia, operating facilities across more than 1,900 connection points across a wide spectrum of electricity loads. Our unique position as an essential but flexible consumer of electricity has driven us to take innovative approaches to securing a low-cost, sustainable electricity supply, resulting in SA Water registering as a market customer and an integrated resource provider, offering generation and energy storage services to the market.

SA Water broadly supports the AEMC's proposed draft rule and acknowledges the difficult balance that the AEMC has tried to strike between delivering the benefits to the market from reduced costs, particularly for smaller retailers, and the risks from allowing additional forms of credit support.

We welcome the recommendation for Energy Ministers to consider an appropriate amendment to the National Electricity Law to expressly include rules related to cash credit support in the displacement provisions with a view to enabling future loosening of credit support restrictions on cash.

As a government-owned enterprise, SA Water has rigorous Government requirements on the source, form and approval of any credit support instruments we use to underpin our participation in the National Electricity Market. As such, SA Water would be unable to benefit from the proposed changes to permit the use of surety bonds. If other entities experience similar restrictions, the proposed surety bonds mechanism could have limited application. We suggest the appetite and capacity for market participants to use the surety bond products should be confirmed by the AEMC as part of this draft determination consultation.

Under current arrangements, increases in prudential requirements that result in SA Water having to provide additional credit support within a two- or three-week period represent a significant timing challenge that threatens the ability for SA Water to maintain its market registrations. Consequently, SA Water welcomes the proposed ability to provide up to \$5 million of cash as credit support. However, we further consider that there would be benefit to the market in reducing risks of smaller participants failing to provide credit support, by allowing participants to provide additional cash on a short-term basis while other credit support products are put in place. As such, we suggest the AEMC consider providing an additional mechanism allowing participants to provide up to \$5 million of further cash as credit support (\$10 million in total) for a period of no more than 30 days within any three-month period. This would provide a mechanism to enable stop-gap credit support due to prudential requirement changes without allowing a participant an unlimited window, limiting further the risk to the market.

Finally, SA Water welcomes the proposed escalation mechanism to maintain the real value of credit support over time. We agree that the Australian Consumer Price Index (CPI) published by the Australian Bureau of Statistics, updated annually prior to the start of each financial year is an appropriate mechanism. We further welcome the approach to maintaining consistency with the AEMC providing indexation of the limit.

In preparing our response to the consultation, SA Water has identified sensitive information that we consider provides important context to the AEMC in understanding our submission. We have included this information in a separate, confidential appendix to this letter and request that the AEMC does not publish or disclose this confidential appendix to any person without SA Water's prior written consent.

If you have any queries about this submission, please contact Mr Andrew Wilkins, Energy Markets Specialist at andrew.wilkins@sawater.com.au or (08) 7424 1877.

Kind regards,



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