

28 July 2025

Ms Anna Collyer,
Chair,
Australian Energy Market Commission,
GPO Box 2603,
SYDNEY NSW 2000

Lodged online: <https://www.aemc.gov.au/contact-us/propose-rule-change>

Dear Ms Collyer,

Rule Change Proposal – Allowing AEMO to accept cash as credit support under the National Gas Rules

Delta Electricity (**Delta**) submits the **attached** rule change proposal and requests that the AEMC consider it under the expedited rule change process as the issue is non-controversial.

Delta's rule change proposal is to allow AEMO to accept cash to meet credit support requirements in the gas markets, in addition to the existing method of providing a bank guarantee. Delta proposes a cash limit of \$20 million, to align with the cash limit in the electricity market. This would require minor amendments to the National Gas Rules (**NGR**).

Delta considers this rule change request to be simple and non-controversial because the AEMC has recently considered the principles and mechanics, and resolved the issues associated with allowing cash as credit support in the electricity market. In the AEMC's final decision, published on 26 June 2025,¹ it amended the National Electricity Rules (**NER**) to allow AEMO to accept cash as credit support. The AEMC received over 30 submissions during the consultation period and considered a number of issues, including the benefits of allowing participants greater flexibility to meet prudential requirements and the risk of claw back. The risk of claw back was the primary concern raised, and the AEMC introduced multiple layers of protection that will reduce and manage the claw back and insolvency-related risks, including:

- 'granting AEMO a first ranking charge, return rights, and set off rights over cash provided as credit support'; and
- 'limiting the amount of cash each participant can provide as credit support to \$20 million'.²

This proposed change would ultimately allow greater flexibility for participants to meet AEMO's prudential requirements in the gas markets and would provide a much simpler and efficient administrative process for AEMO. AEMO's implementation would be simple and straightforward as it will have already considered the same change for the electricity market.

For these reasons, Delta considers that no issues or concerns will be raised that have not already been considered by the AEMC. It would therefore be unnecessary to hold more than one round of consultation for this rule change request and an expedited rule change process would be appropriate and a more efficient use of AEMC resources.

¹ AEMC, Allowing AEMO to accept cash as credit support, Rule determination, 26 June 2025.

² Ibid p ii.





To discuss further please contact Joel Aulbury, Market Compliance and Regulation Manager, at joel.aulbury@de.com.au.

Yours sincerely,

RICHARD WRIGHTSON
Chief Executive





Name and address of person making the request

Delta Electricity
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Sydney NSW 2000

Description of the proposed rule

Rule 254 under the Declared Wholesale Gas Market (DWGM) Rules and Rule 478 under the Short Term Trading Market (STTM) Rules of the NGR require that, under certain circumstances, market participants must meet prudential requirements. Where a market participant is a net debtor to AEMO, it must provide credit support to AEMO. As per Rule 255 and Rule 479 of the NGR, the current and only accepted form of credit support is a bank guarantee or something similarly immediate, irrevocable and with unconditional commitment in a form accepted by AEMO.

The proposed rule change would allow AEMO to accept credit support in the form of cash under the NGR, in addition to a bank guarantee or letter in a form prescribed by AEMO. This would align the accepted credit support forms between the electricity and gas markets, given the AEMC's recent decision to allow AEMO to accept cash as credit support under the NER.

This proposal would require changes to the NGR as follows:

- amend NGR Rule 255 (a) by inserting 'or cash security' after the word 'AEMO'; and
- amend NGR Rule 479(1) by inserting 'cash security or' after the words 'Subdivision must be'.

Delta notes the AEMC would also need to consider other minor changes in the NGR, similar to those made to the NER to allow cash as credit support, to accommodate where the change interacts with other Rules.

Delta does not currently trade in the Declared Wholesale Gas Market (DWGM) but considers consistency between the STTM and DWGM, and the benefits this change would bring, justify that the change should be made in the NGR for both gas markets.

The nature and scope of the issue with the existing rules

The NGR permits credit support, where required, to be in the form of bank guarantees (or letter from a bank).³ While this has historically not been an issue, there is an increasing trend of financial institutions no longer providing financing arrangements where there is exposure to fossil fuels. This includes coal and gas fired electricity generation and coal mining. This means that there exists a real potential that a market participant, while being a profitable and solvent business, may be unable to meet prudential requirements with AEMO under the NGR.

Delta trades in the STTM but since its bank guarantee facility expired in 2024 it has been unable to provide credit support to AEMO and has relied on AEMO issuing a temporary exemption from providing credit support. The temporary exemption is not a long-term solution as it creates risk for AEMO and uncertainty for Delta and other participants who may rely on it now or in the future.

It is also clear from AEMC's recent consultation and decision to allow cash as credit support under the NER that the existing inability to provide cash as credit support in the gas markets is likely to:

³ NGR Rule 479.



- create higher costs for smaller participants;
- inhibit retail competition; and
- reduce value for customers.⁴

Why the proposed change should be expedited

The National Gas (South Australia) Act 2008 defines a non-controversial rule as...

‘a Rule that is unlikely to have a significant effect on a market for gas...’.⁵

Delta considers that this rule change request is unlikely to have a significant effect on the gas markets because:

- it is simple and requires relatively minor amendments to the NGR; and
- the principles and issues have been considered and addressed in the AEMC’s decision to allow cash as credit support under the NER.

Delta considers that no issues or concerns will be raised that have not already been considered and addressed by the AEMC. Delta also understands that there are implementation benefits and efficiencies to be gained if this change is considered alongside the same change in the NER and therefore align implementation timelines.

How the proposed rule change request would address the issue

The rule change proposal would allow market participants to provide, and for AEMO to accept, credit support in the form of cash under the NGR. The primary issue to be addressed is the inability for market participants to use cash as credit support instead of, or where they are unable to acquire, a bank guarantee or letter in a form prescribed by AEMO as currently required by the NGR Rule 479(1).

How the proposed rule change request will contribute to the National Gas Objective

The proposed rule change meets the National Gas Objective through the following. It:

1. Promotes efficiency and reduces the cost to operate for market participants. It does this by allowing all market participants the option to use cash, instead of financial institutions, to meet AEMO prudential requirements. Maintaining a financing facility, to provide bank guarantees to AEMO, attracts fees and costs. This proposed change would allow market participants, who can obtain financing, to make a choice on the lowest cost option for them.
2. Promotes greater market efficiency through reducing barriers to entry and encouraging greater competition, particularly in the retail market.
3. Promotes predictable and stable credit support arrangements by allowing participants to provide credit support with more certainty, while maintaining the strength and stability of the prudential framework.

⁴ AEMC, Allowing AEMO to accept cash as credit support, Rule determination, 26 June 2025 p i.

⁵ National Gas (South Australia) Act 2008 p 233.





The expected potential impacts of the proposed change to the rules on those likely to be affected including costs and benefits

The proposed rule change would be beneficial to the market and for market participants and it would likely reduce the administrative burden for AEMO. Delta considers that this rule change is likely to be easier for AEMO to implement as it is already considering implementation for the same change to the NER.

Delta considers the risks of this rule change to be minimal as the AEMC can apply the same thinking and approach that it has for the same change it has made to the NER.

