

Consultation paper

National Gas Amendment (Allowing
AEMO to accept cash as credit
support under the National Gas Rules)
Rule 2026

Proponents

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About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country

The AEMC acknowledges and shows respect for the Traditional Custodians of the many different lands across Australia on which we live and work. The AEMC office is located on the land of the Gadigal people of the Eora nation. We pay respect to all Elders past and present, and to the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.



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Summary

- 1 The Australian Energy Market Operator (AEMO) operates several wholesale gas markets to enable trading of gas and pipeline capacity in Australia's east coast. These include the Declared Wholesale Gas Market (DWGM) in Victoria, the Short Term Trading Market (STTM) hubs in Adelaide, Brisbane and Sydney, and the two Gas Supply Hubs.
- 2 The prudential framework in the National Gas Rules (NGR) requires Market Participants in the DWGM and Trading Participants in the STTM to provide an acceptable form of financial security to AEMO, unless exempted by AEMO. This requirement provides financial assurance to AEMO in case a participant defaults and is unable to settle its outstanding dues. In such an event, AEMO can make a claim on any security held by AEMO in respect of the defaulting participant to settle any amount owed to AEMO.
- 3 Currently, the only acceptable forms of security (also known as credit support) in the DWGM and the STTM are bank guarantees or another immediate, irrevocable and unconditional commitment in a form acceptable to AEMO. Delta Electricity ('Delta' or the proponent) identified that this requirement could be restrictive for Market and Trading Participants (participants) that are unable to obtain such guarantees.
- 4 Delta submitted a rule change request on 28 July 2025 to allow AEMO to also accept cash as credit support in the DWGM and STTM, in addition to bank guarantees. This request follows from a similar rule change made by the Australian Energy Market Commission (the AEMC or the Commission) on 26 June 2025 to allow AEMO to accept cash as credit support in the National Electricity Market (NEM) up to a limit of \$20 million, which will commence on 1 November 2026.¹
- 5 The Commission has commenced its consideration of Delta's request, and this consultation paper is the first stage. We seek your feedback on the issues raised by Delta, whether the proposed solution to allow cash as credit support can resolve those issues and promote the long-term interests of energy consumers, associated risks and implementation considerations, and viable alternative solutions (if any).
- 6 The Commission will consider Delta's request in the context of proposed broader prudential reforms for both electricity and gas markets, as suggested by the recent NEM wholesale market settings review² and Gas Market Review.³ We note that Delta's request is distinct from these reforms as it deals with a specific aspect of the NGR prudential requirements. It would be valuable to consider this request now as it could result in a complementary change to these proposed reforms, regardless of their direction.

We seek your views on issues with existing credit support options

- 7 Delta considers that while gas market participants did not face barriers in obtaining credit support historically, there has been an increasing trend of financial institutions no longer providing guarantees to participants with exposure to fossil fuels, for example coal and gas fired electricity generation and coal mining. The NGR currently does not allow cash as credit support. Due to these factors, Delta perceives a real risk that a participant, while being a profitable and solvent business, may be unable to meet its credit support requirements under the NGR.

1 AEMC, [Allowing AEMO to accept cash as credit support](#), Rule determination, 26 June 2025.

2 Nelson, T., Conboy, P., Hancock, A., Hirschhorn, P., [National Electricity Market wholesale market settings review](#), Final Report, December 2025.

3 Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, [Gas Market Review Report](#), December 2025.

- 8 Delta considers that the challenges in obtaining bank guarantees combined with the inability to provide cash could result in:
- higher financing costs for participants when providing bank guarantees costs more than cash
 - weaker competition in the retail gas markets due to increased barriers to entry.
- Both these factors could lead to increased costs for gas consumers.
- 9 AEMO has the power to issue temporary exemptions to participants from providing credit support. However, Delta does not consider this to be a long-term solution as this creates risk for AEMO and uncertainty for Delta and other participants who may rely on it now or in the future.

We seek your views on allowing cash as credit support in the gas markets

- 10 As a solution, Delta proposes allowing AEMO to accept cash as credit support in the DWGM and STTM, in addition to bank guarantees. According to Delta, this would promote:
- lower financing costs for participants by allowing them to choose the least cost option available to them to provide credit support
 - greater market efficiency by reducing barriers to entry and encouraging greater competition, particularly in the retail market
 - more predictable and flexible credit support arrangements since participants generally have greater certainty about their own cash availability than obtaining bank guarantees.
- 11 The AEMC's final determination to allow cash as credit support in the National Electricity Rules (NER) identified that cash carries clawback risks for AEMO.⁴ This means that if a participant became insolvent, a liquidator could seek to claw back any cash held by AEMO in respect of that participant in order to pay other creditors. The AEMC's final rule introduced several measures to manage clawback risks, including a \$20 million cash limit per participant and granting AEMO first priority over cash held by AEMO in case of liquidation.
- 12 Delta proposes a similar limit of \$20 million to apply to cash provided as credit support in the NGR to manage insolvency and clawback risks to AEMO and other participants in the gas markets. It also considers that AEMO's implementation would be simple and straightforward, given AEMO is already implementing a similar change for the NEM.
- 13 Delta has requested the Commission to follow an expedited rule change process. Delta's view is that this rule change would be non-controversial since the Commission has previously consulted on similar issues in detail for the NEM. However, the Commission considers that gas markets are quite different from the NEM and could present different issues or risks that were not assessed for the NEM. Hence, the Commission does not consider this rule change request to be non-controversial and will follow a standard process instead of an expedited process for this rule change. Nevertheless, the Commission will draw upon learnings from the NEM rule change where relevant while assessing the issues raised and solution proposed for the gas markets.
- 14 For completeness, the Commission notes that it does not need to consider the Gas Supply Hubs as part of this rule change process. This is because AEMO's current exchange agreement for participation in these hubs already allows participants to provide cash as a security deposit.

⁴ AEMC, [Allowing AEMO to accept cash as credit support](#), Rule determination, 26 June 2025.

We seek your views on our proposed assessment criteria for this rule change

- 15 Considering the National Gas Objective (NGO)⁵ and the issues raised in Delta’s rule change request, the Commission proposes to assess it against three criteria:
- **Market efficiency** – Will the proposed changes have efficiency benefits - e.g. lowering barriers to entry into the retail gas markets and increasing competition?
 - **Flexibility and innovation** – Will the proposed changes make the rules more flexible and resilient to future changes in market settings? Will they foster more innovation in the retail gas markets?
 - **Principles of good regulatory practice** – Will the proposed changes make the credit support requirements in the NER and the NGR more consistent? Will they improve predictability for gas market participants and promote market stability?
- 16 We seek your feedback on our proposal to assess this rule change request against these criteria.

Submissions are due by 30 April 2026

- 17 Written submissions responding to this consultation paper must be lodged online via the [Commission’s website](#) by **30 April 2026**. See next section for instructions on how to make a submission.
- 18 You can also engage with us, such as on one-on-one discussions, at any stage by visiting our [project page](#) and selecting “Contact Project Leader”.

Full list of consultation questions

Question 1: Issues with the currently allowed forms of credit support in the NGR

Do other participants face similar issues with meeting the NGR credit support requirements?
Do participants face any other issues with the NGR credit support requirements?

Question 2: Materiality of the issues raised

How likely is it that, in future, more participants could face similar issues as Delta or otherwise?
Could the current credit support requirements create any risks to the gas markets or gas consumers, and if so, how?

Question 3: Effectiveness of the proposed solution

Do you consider that allowing cash as credit support in the DWGM and STTM would resolve any of the issues identified earlier? If so, to what extent?

⁵ Section 23 of the National Gas Law (NGL).

Question 4: Benefits of the proposed solution

Do you consider that allowing cash as credit support in the DWGM and STTM would provide the proposed benefits?

Do you see any additional benefits from allowing cash as credit support in the DWGM and STTM?

How material would any benefits be?

Question 5: Risks of cash as credit support

Do you agree with the risks identified? If yes, how material do you believe them to be?

Do you perceive any other risks to AEMO, participants, or anyone else, from allowing cash as credit support?

Do you consider that the measures applied for the NEM can mitigate these risks in the gas markets?

Question 6: Limit on cash as credit support

Should there be a limit on cash provided as credit support in the gas markets? If yes, do you propose having the same limit as in the NEM (i.e. \$20 million) or a different value?

Does \$20 million (or your proposed limit) represent a reasonable balance between the benefits of cash as credit support and the level of risk the market is willing to accept?

Question 7: Implementation considerations and costs

Are any additional considerations needed to implement the proposed solution in the gas markets?

Do you propose any additional measures to support the effective implementation of cash as credit support in the gas markets?

Do you consider any costs to arise from allowing cash as credit support in the gas markets?

Question 8: Timeline and transitional provisions

How soon should this rule change commence, if made, and what should be included in the transitional provisions?

Question 9: Alternative solutions

Do you propose any variations or alternative solutions to Delta's proposal that would better resolve the issues identified by Delta, and/or are better aligned with the long-term interests of consumers?

Are there any solutions that sit outside the energy rules, such as industry or jurisdictional initiatives, that would better address these issues?

Question 10: Proposed assessment criteria

Do you agree with our proposed assessment criteria? Are there any additional criteria that the Commission should consider or criteria included here that are not relevant?

How to make a submission

We encourage you to make a submission

Stakeholders can help shape the solutions by participating in the rule change process. Engaging with stakeholders helps us understand the potential impacts of our decisions and, in so doing, contributes to well-informed, high quality rule changes.

We have included questions in each chapter to guide feedback, and the full list of questions is above. However, you are welcome to provide feedback on any additional matters that may assist the Commission in making its decision.

How to make a written submission

Due date: Written submissions responding to this consultation paper must be lodged with the Commission by **30 April 2026**.

How to make a submission: Go to <https://www.aemc.gov.au/contact-us/lodge-submission>, and select the project reference code GRC0089.⁶

Tips for making submissions are available on our website.⁷

Publication: The Commission publishes submissions on its website. However, we will not publish parts of a submission that we agree are confidential, or that we consider inappropriate (for example offensive, defamatory, vexatious or irrelevant content, or content that is likely to infringe intellectual property rights).⁸

For more information, you can contact us

You can contact us with questions or feedback at any stage by visiting our [project page](#) and selecting “Contact Project Leader”. You can also reach out to us below, noting the project code.

Email: aemc@aemc.gov.au

Telephone: (02) 8296 7800

⁶ If you are not able to lodge a submission online, please contact us and we will provide instructions for alternative methods to lodge a submission.

⁷ See: <https://www.aemc.gov.au/our-work/changing-energy-rules-unique-process/making-rule-change-request/submission-tips>

⁸ Further information is available here: <https://www.aemc.gov.au/contact-us/lodge-submission>

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1 The context for this rule change request

This consultation paper seeks stakeholder feedback on a rule change request submitted by Delta Electricity ('Delta' or the proponent) to allow AEMO to accept cash as credit support in the NGR.⁹ This chapter provides context for the rule change request, and information on the rule change consultation and assessment process.

1.1 The NGR requires gas market participants to provide credit support to AEMO

AEMO operates several wholesale gas markets to enable trading of gas and pipeline capacity in Australia's east coast. These include the Declared Wholesale Gas Market (DWGM) in Victoria, the Short Term Trading Market (STTM) hubs in Adelaide, Brisbane and Sydney, and the two Gas Supply Hubs.

As the market operator, AEMO collects payments from gas buyers to pay gas sellers upon settlement of these markets. However, if a buyer becomes unable to pay its outstanding dues on time, it would create a financial liability for AEMO. To cover AEMO's financial liabilities to settle the gas markets, the NGR has a prudential framework requiring participants (typically those who are net debtors to AEMO) to provide a minimum level of financial security (credit support) to AEMO before trading on the gas markets.

Currently, the only acceptable form of credit support is a bank guarantee or another immediate, irrevocable, and unconditional commitment, in a form acceptable to AEMO. Cash is not allowed to be used as credit support.

1.2 Delta seeks to allow cash as credit support in the gas markets

On 28 July 2025, Delta submitted a rule change request to allow cash as credit support in the NGR up to a level of \$20 million.

Delta considers that while obtaining credit support from banks (or other acceptable financial institutions) has not been an issue historically, there has been an increasing trend of financial institutions no longer providing credit support to participants with exposure to fossil fuels. This includes coal and gas fired electricity generation and coal mining. Due to this, Delta perceives a real risk that a market participant, while being a profitable and solvent business, may be unable to meet its credit support requirements under the NGR. For more details, refer to section 2.1 of this consultation paper and Delta's rule change request.¹⁰

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. Delta noted that a temporary exemption is not a long-term solution as this creates risk for AEMO and uncertainty for Delta and other participants who may rely on it now or in the future.

As a solution, Delta proposes allowing AEMO to also accept cash as credit support in the DWGM and STTM, in addition to bank guarantees. For more detail, refer to section 2.2 and section 2.3. According to Delta, this would promote:

⁹ Delta Electricity, Rule change request - [Allowing AEMO to accept cash as credit support under the National Gas Rules](#), 28 July 2025.

¹⁰ Ibid.

- lower costs for participants by allowing them to choose the lowest cost option available to them to provide credit support, noting that banks charge fees for guarantees
- greater market efficiency through reducing barriers to entry and encouraging greater competition, particularly in the retail market
- more predictable and stable credit support arrangements by allowing participants to provide credit support with greater certainty, while maintaining the strength and stability of the prudential framework.

1.3 We have recently allowed cash to be used as credit support in the NEM

Similar to the gas markets, Market Participants in the NEM are also required to provide credit support to AEMO as per rule 3.3 of the NER. On 26 June 2025, the AEMC made a final rule to allow AEMO to accept cash as credit support in the NEM.¹¹ This rule change was made in response to a request from Delta Electricity.

It will commence on 1 November 2026 and enables:

- each market participant to provide up to \$20 million in cash as credit support to AEMO
- more timely distribution of delayed credit support payments.

The AEMC's final determination noted that allowing cash as credit support will increase optionality and flexibility, which will:

- reduce costs to participants by enabling them to opt for the least cost option available to them for providing credit support
- reduce risk of participants failing to provide credit support by reducing reliance on third-party lenders
- reduce barriers to entry into the retail market for participants unable to obtain credit support from lenders
- increase market competition and investment in service innovation, and thereby increase value and lower costs for NEM households.

This rule change is expected to be most beneficial to small and prospective retailers, who play a critical role in driving competition and value for NEM households. Smaller retailers may face different costs, risks, and pressures compared to other participants, such as higher financing costs and lower access to capital. Allowing cash as credit support will provide them more optionality and flexibility to provide credit support, and the \$20 million limit could cover most or all of their credit support requirements in many cases.

1.4 This rule change is being considered in the context of proposed broader prudential reform

Two recent reviews have recommended further reform work on the energy market prudential frameworks. The recently completed NEM wholesale market settings review¹² recommended that Energy Ministers conduct a review of prudential arrangements across both electricity and gas markets. The Australian Government's Gas Market Review¹³ recommended harmonising the credit support requirements based on a participant's net trading position across all gas markets, instead of their absolute position in each market.

11 AEMC, [Allowing AEMO to accept cash as credit support](#), Rule determination, 26 June 2025.

12 Nelson, T., Conboy, P., Hancock, A., Hirschhorn, P., [National Electricity Market wholesale market settings review](#), Final Report, December 2025.

13 Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, [Gas Market Review Report](#), December 2025.

We note that these proposed reviews and reforms are broader than this rule change request, which only deals with a specific aspect of the NGR prudential requirements. The consideration of whether cash should be allowed as credit support in the gas markets will be valuable regardless of the broader direction of these reviews and reforms. Hence, we consider this rule change to be distinct from and complementary to the ongoing broader market reform agenda.

1.5 We have started this rule change process

This consultation paper seeks stakeholder feedback on Delta’s rule change request discussed in section 1.2 above. This is the first stage in our consultation process. A standard rule change process includes the following formal stages:

- a proponent submits a rule change request
- the Commission commences the rule change process by publishing a consultation paper and seeking stakeholder feedback (**this document**)
- stakeholders lodge submissions on the consultation paper and engage through other channels to make their views known to the Commission (**due by 30 April 2026**)
- the Commission publishes a draft determination and draft rule (if relevant)
- stakeholders lodge submissions on the draft determination and engage through other channels to make their views known to the Commission
- the Commission publishes a final determination and final rule (if relevant).

To make a decision on this proposal, we seek stakeholder feedback on how we propose to assess Delta’s rule change request, the stated problem and the proposed solution. Information on how to provide your feedback and other opportunities for engagement is set out at the start of this document. You can also find more information on the rule change process on our website.¹⁴

1.6 We will follow a standard rule change process

Delta requested the Commission to follow an expedited process for this rule change, considering that it would be non-controversial since the Commission had previously considered similar issues in detail for the NEM.¹⁵ However, we do not consider that this rule change request meets the legal test for a non-controversial rule change. This is because, compared to the NEM, the east coast gas markets are:

- quite different and could present different issues or risks that were not assessed for the NEM, and
- comprised of different stakeholders, many of whom might not have previously engaged with the NEM rule change.

Hence, we do not believe that an expedited process is appropriate for this rule change.

¹⁴ <https://www.aemc.gov.au/our-work/changing-energy-rules>

¹⁵ AEMC, [Allowing AEMO to accept cash as credit support](#), Rule determination, 26 June 2025.

2 Issues with credit support in the gas markets and proposed solution

This chapter seeks stakeholder feedback on the issues raised in Delta’s rule change request, its proposed solution to allow cash as credit support in the NGR, the associated benefits and risks, implementation considerations and viable alternative solutions (if any).

2.1 Gas market participants face challenges and incur costs in obtaining bank guarantees

Rules 254 and 478 of the NGR require Market Participants in the DWGM and Trading Participants in the STTM, respectively, to provide an acceptable form of credit support to AEMO, unless exempted by AEMO. Typically, these are participants who are net debtors to AEMO. In both markets, the minimum amount of credit support required to be provided by each Market or Trading Participant (participant) that is not exempt is determined by AEMO periodically based on the participant’s minimum exposure.¹⁶ This requirement provides financial assurance to AEMO in case a participant defaults and is unable to pay its outstanding settlement amount, which could be substantial.

In such an event, under rules 251(2)(c) and 486(2)(c) of the NGR, AEMO can make a claim on any credit support held in respect of the defaulting participant to settle any amount owed to AEMO. Without any credit support arrangements, AEMO might not be able to fully recover its outstanding amount if a defaulting participant became insolvent, and could have to bear the financial liability itself. Thus, credit support requirements in the NGR allow AEMO to manage its risk exposure to participant default. Furthermore, a participant can be suspended from the DWGM and/or the STTM if it fails to maintain the required amount of credit support with AEMO at any time.¹⁷

Currently, the only acceptable forms of credit support are:

- in the DWGM - a bank guarantee or another immediate, irrevocable and unconditional commitment in a form and from a bank or other institution acceptable to AEMO, as per rule 255 of the NGR
- in the STTM - a guarantee or bank letter of credit in a form acceptable to AEMO and from an entity that meets certain specified criteria, as per rule 479 of the NGR.

Delta considers that there is an increasing trend of financial institutions no longer providing credit support to businesses with exposure to fossil fuels, such as coal- and gas-fired electricity generation and coal mining.¹⁸ It states that participants with fossil fuel exposure face limited financing options to meet their prudential requirements under the current arrangements, and 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 had described similar challenges in its previous NER rule change proposal, having been unsuccessful in obtaining credit support from “13 out of 15 lenders due to environmental, social and governance (ESG) constraints, including the Big-4 Australian banks”. Delta stated that the remaining two lenders were only willing to provide bank guarantee for activities that they consider ‘ESG positive’, e.g. mining rehabilitation obligations and renewable Power Purchase Agreements.¹⁹

16 Rule 256 (DWGM) and Rule 480 (STTM) of the NGR.

17 Rule 260 (DWGM) and Rule 488 (STTM) of the NGR.

18 Delta Electricity, Rule change request - [Allowing AEMO to accept cash as credit support under the National Gas Rules](#), 28 July 2025.

19 Delta Electricity, Rule change request - [Allowing AEMO to accept cash as credit support](#), 17 October 2024.

AEMO has the power to issue temporary exemptions from the requirement to provide credit support in the DWGM and STTM.²⁰ However, Delta states that a 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.

Delta also stated in its proposal to change the NGR that the AEMC's equivalent rule change process under the NER made it clear that the existing inability to provide cash as credit support in the gas markets is likely to:

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

The Commission's final determination for the NER rule change concluded that the limited optionality in credit support arrangements imposes higher costs and risks on smaller participants. These participants play a critical role in driving competition and value for consumers. More specifically, the Commission noted that:²¹

- limited optionality in credit support arrangements imposes higher costs on participants, because participants are constrained to third-party instruments such as bank guarantees and letters of credit, rather than being able to use the least cost option available to them;
- these impacts are most material for smaller and prospective retailers, who typically face higher financing costs and have limited access to capital;
- greater optionality and flexibility in credit support arrangements reduces costs and risks for participants, including the risk of failing to provide credit support, particularly where credit must otherwise be sourced from third-party lenders; and
- smaller and prospective retailers play a critical role in driving competition and value for consumers, and measures that support their ability to meet prudential requirements are therefore expected to promote retail competition and deliver consumer benefits.

Question 1: Issues with the currently allowed forms of credit support in the NGR

Do other participants face similar issues with meeting the NGR credit support requirements?

Do participants face any other issues with the NGR credit support requirements?

Question 2: Materiality of the issues raised

How likely is it that, in future, more participants could face similar issues as Delta or otherwise?

Could the current credit support requirements create any risks to the gas markets or gas consumers, and if so, how?

²⁰ Rule 254 (DWGM) and Rule 478 (STTM) of the NGR.

²¹ AEMC, Allowing AEMO to accept cash as credit support, Final determination, 26 June 2025, pp.i, 1-2, 8, 11.

2.2 Delta proposes allowing cash as an alternative form of credit support to bank guarantees

To address these issues, Delta proposes allowing AEMO to accept credit support in the form of cash under the NGR, in addition to the existing options (a bank guarantee or letter in a form prescribed by AEMO).²² To achieve this, Delta proposes the following amendments to the NGR:

- rule 255(a) - Insert 'or cash security' after the word 'AEMO'
- rule 479(1) - Insert 'cash security or' after the words 'Subdivision must be'

Delta states that these proposed changes would allow greater flexibility for participants to meet AEMO's prudential requirements in the gas markets and would likely reduce the administrative burden for AEMO.

According to Delta, the proposed rule change meets the National Gas Objective because it:²³

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.

Delta also states that its proposal would align the accepted credit support forms between the electricity and gas markets, following the rule change to the NER to allow cash as credit support. Alignment of the NEM and NGR has the potential to be beneficial where it reduces regulatory complexity across markets and creates efficiency for companies operating in both markets.

We note that Delta has not requested any changes to prudential arrangements for the Gas Supply Hubs (GSH). For the GSH, AEMO directly makes and administers the terms and conditions for participation (known as the gas trading exchange agreement).²⁴ In addition to allowing bank guarantees as credit support (clause 9.2), AEMO's current exchange agreement already allows market participants to provide unlimited cash as security deposit (clause 9.3) to offset their Prudential Exposure (clause 9.4.1).²⁵ This applies to both existing and any future GSH.

Question 3: Effectiveness of the proposed solution

Do you consider that allowing cash as credit support in the DWGM and STTM would resolve any of the issues identified earlier? If so, to what extent?

²² Delta Electricity, Rule change request - [Allowing AEMO to accept cash as credit support under the National Gas Rules](#), 28 July 2025.

²³ Ibid.

²⁴ AEMO, <https://www.aemo.com.au/energy-systems/gas/gas-supply-hub-gsh/exchange-agreement-and-guides>

²⁵ AEMO, Gas Supply Hub exchange agreement v17, 6 March 2025.

Question 4: Benefits of the proposed solution

Do you consider that allowing cash as credit support in the DWGM and STTM would provide the proposed benefits?

Do you see any additional benefits from allowing cash as credit support in the DWGM and STTM?

How material would any benefits be?

2.3 There are risks to be managed with allowing cash as credit support

There may be risks for AEMO in accepting cash as credit support in gas markets if a market participant later becomes insolvent. These risks will need to be carefully considered and mitigated as part of any rule change.

Delta considers this proposal to be simple and non-controversial because the AEMC has recently considered and resolved the issues associated with allowing cash as credit support in the NEM.²⁶

The AEMC agrees that lessons can be drawn from the equivalent NER change process and the risk management approaches it applied. The AEMC also notes that the gas and electricity markets have substantial differences, and as such the risks raised for the NER rule change should be reconsidered in the context of gas.

The primary concern raised in the NER rule change was the risk of cash clawback from AEMO if a market participant became insolvent. This is also anticipated to be a risk for the proposed change to the NGR. Given that gas market participants may have different characteristics to electricity market participants, and that the NGR and NGL have a different legal structure to the NER and National Electricity Law (NEL), we need to consider the gas market issues and solutions (in both policy design and legal reform) specifically in light of these differences. This is discussed in the sub-sections below.

We note that risks beyond those covered in the NER rule change or this consultation paper may arise from allowing cash to be accepted as credit support in the gas markets, and accordingly, seek your feedback on these.

2.3.1 Cash provided as credit support could be clawed back from AEMO if a participant were to be liquidated

If a participant went into administration or liquidation, an appointed liquidator may seek to 'claw back' any cash deposits paid by the participant or applied by AEMO within the 6 months prior to the commencement of the administration or liquidation as an unfair preference. An unfair preference arises if the payment and/or use of the cash deposit results in AEMO receiving more in the liquidation of a market participant in respect of an unsecured debt than it would have otherwise.²⁷

This risk would need to be mitigated if cash is allowed to be used as credit support in gas markets. Mitigations may involve:

- the careful structuring of the credit support arrangements to manage any potential priority concerns

²⁶ Delta Electricity, Rule change request - [Allowing AEMO to accept cash as credit support under the National Gas Rules](#), 28 July 2025.

²⁷ Corporations Act 2001 (Cth), sections 588FA, 588FC and 588FE(2).

- a requirement that any market participant who wishes to provide cash as credit support also enters into a security deposit deed.

As part of the NER rule change, the AEMC introduced multiple layers of protection that reduced and managed the claw back and insolvency-related risks, including:²⁸

- seeking to clarify that the whole default procedure, including the provision and use of cash as credit support, will fall within the Corporations Act displacement provisions in the NEL
- granting AEMO a first ranking charge, return rights, and set off rights over cash provided as credit support
- limiting the amount of cash each participant can provide as credit support to \$20 million, in turn limiting the maximum size of a clawback in respect of a single participant
- participants receiving payments from AEMO (typically generators) bearing any clawback costs, avoiding any exposure to AEMO and reducing risks of contagion.

2.3.2 Claw back risks could be managed by limiting cash allowed as credit support

As part of managing the risks of allowing cash as credit support, the AEMC's NER rule change allowed AEMO to accept cash as credit support up to a limit of \$20 million per participant. This limit was introduced to prevent participants from providing excessively large amounts of cash as credit support, which could increase AEMO's clawback risk exposure as discussed earlier.²⁹ The final determination noted that a \$20 million limit will achieve largely similar benefits as having no limit since it would allow most participants to provide full credit support in cash.³⁰ Moreover, participants that are required to provide more than \$20 million to AEMO in credit support can provide up to \$20 million in cash and utilise another form of credit support for the remaining amount. The final rule also indexed the \$20 million limit to the Australian Consumer Price Index published by the Australian Bureau of Statistics, requiring AEMO to calculate and publish an updated value of the cash limit each year.

Delta has proposed a similar limit to apply to cash as credit support in the NGR. We seek your feedback on this. The Commission determined the \$20 million limit in the NER based on stakeholder feedback, as well as confidential information provided by AEMO on credit support requirements of NEM participants to assess the magnitude of potential benefits. We note that this limit might need to be adjusted for the DWGM and STTM depending on the amount of credit support typically provided by participants in these markets, which could differ materially from the NEM, and seek your feedback on this.

Question 5: Risks of cash as credit support

Do you agree with the risks identified? If yes, how material do you believe them to be?

Do you perceive any other risks to AEMO, participants, or anyone else, from allowing cash as credit support?

Do you consider that the measures applied for the NEM can mitigate these risks in the gas markets?

28 AEMC, [Allowing AEMO to accept cash as credit support](#), Rule determination, 26 June 2025.

29 AEMC, [Allowing AEMO to accept cash as credit support](#), Rule determination, 26 June 2025, pp. 24-25.

30 Ibid.

Question 6: Limit on cash as credit support

Should there be a limit on cash provided as credit support in the gas markets? If yes, do you propose having the same limit as in the NEM (i.e. \$20 million) or a different value?

Does \$20 million (or your proposed limit) represent a reasonable balance between the benefits of cash as credit support and the level of risk the market is willing to accept?

2.4 There are implementation considerations and costs

Delta considers that this proposal is likely to be straightforward for AEMO to implement since AEMO is already implementing a similar change to the NER. Delta further considers that aligning AEMO's implementation timelines across this rule change proposal and the NER rule change would bring implementation benefits and efficiencies.³¹ However, the Commission notes that the NEM and the gas markets differ substantially in how they operate, including market settlement cycles and prudential management. Hence, there could be new or different implementation considerations for the gas markets. For example, the Commission notes that the NER rule change required AEMO to:

- manage cash provided as credit support as a Rule Fund³²
- pay interest on cash, less any liabilities or expenses incurred by AEMO for processing or managing the cash
- develop and publish cash security guidelines for participants at least three months prior to rule commencement.³³

Similar requirements and transitional provisions could be beneficial for gas market participants. However, these could make it more challenging to align implementation timelines with the NER rule change by adding implementation steps and complexity for AEMO, with limited time until the NER rule change commencement on 1 November 2026. We further consider that there could be potential costs to AEMO or participants from allowing cash as credit support in the NGR and seek your feedback on this. However, we note the operational precedent of AEMO already accepting cash as security deposit in the gas supply hubs. The considerations and learnings from these hubs could potentially help with AEMO's implementation of this rule change.

Question 7: Implementation considerations and costs

Are any additional considerations needed to implement the proposed solution in the gas markets?

Do you propose any additional measures to support the effective implementation of cash as credit support in the gas markets?

Do you consider any costs to arise from allowing cash as credit support in the gas markets?

31 Delta Electricity, Rule change request - [Allowing AEMO to accept cash as credit support under the National Gas Rules](#), 28 July 2025, p. 4.

32 A Rule Fund will collect and store all cash provided as credit support in a single fund. This will ensure individual accounting for each participant and allow interest and administrative costs to be effectively managed. This is similar to the management of cash security deposits provided in response to call notices as defined in rule 1.11 of the NER.

33 AEMO, <https://www.aemo.com.au/initiatives/major-programs/nem-reform-program/nem-reform-program-initiatives/cash-as-credit-support>

Question 8: Timeline and transitional provisions

How soon should this rule change commence, if made, and what should be included in the transitional provisions?

2.5 There could be alternative ways to resolve the issues raised

We seek your feedback on whether there are other ways to resolve the issues raised in this rule change request that might be more efficient or better promote the long term interests of consumers.

We note that as an alternative to allowing cash as credit support in the NEM, the AEMC had assessed other options such as allowing surety bonds or broadening the pool of acceptable credit support providers.³⁴ However, these options were not implemented in the NER as their benefits were deemed to not outweigh the associated implementation complexity, costs and risks based on the AEMC's analysis and stakeholder feedback. Hence, given that similar considerations could apply for the gas markets, and to maintain consistency with the NER, we do not propose to reassess either of these options in this rule change unless feedback and evidence shows that these options are less complex in the gas markets. We are interested in views on this, and stakeholder feedback on any other options that could address the issues identified in the rule change request.

Question 9: Alternative solutions

Do you propose any variations or alternative solutions to Delta's proposal that would better resolve the issues identified by Delta, and/or are better aligned with the long-term interests of consumers?

Are there any solutions that sit outside the energy rules, such as industry or jurisdictional initiatives, that would better address these issues?

³⁴ AEMC, [Allowing AEMO to accept cash as credit support](#), Rule determination, 26 June 2025, Chapter 5.

3 Making our decision

When considering a rule change proposal, the Commission considers a range of factors.

This chapter outlines:

- issues the Commission must take into account
- the proposed assessment framework
- decisions the Commission can make
- rule-making for Western Australia.

We would like your feedback on the proposed assessment framework.

3.1 The Commission must act in the long-term interests of consumers

The Commission is bound by the National Gas Law (NGL) to only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the national gas objective (NGO).³⁵

The NGO is:³⁶

to promote efficient investment in, and efficient operation and use of, covered gas services for the long term interests of consumers of covered gas with respect to—

- (a) price, quality, safety, reliability and security of supply of covered gas; and
- (b) the achievement of targets set by a participating jurisdiction—
 - (i) for reducing Australia’s greenhouse gas emissions; or
 - (ii) that are likely to contribute to reducing Australia’s greenhouse gas emissions.

The [targets statement](#), available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NGO.³⁷ We note that Delta’s proposal to allow cash as credit support is partly driven by ESG barriers, and the Commission will consider the emissions reduction targets in this context.

3.2 We propose to assess the rule change using three criteria

3.2.1 Our methods to analyse the proposed rule

Considering the NGO and the issues raised in this rule change request, the Commission proposes to assess this rule change request against the four criteria outlined below. These assessment criteria reflect the key potential impacts – costs and benefits – of the rule change request. We consider these impacts within the framework of the NGO.

The Commission’s analysis may use qualitative and/or quantitative methodologies. The depth of analysis will be commensurate with the potential impacts of the proposed rule change. We may refine these methodologies as this rule change progresses, including in response to stakeholders’ submissions.

³⁵ Section 291 of the NGL.

³⁶ Section 23 of the NGL.

³⁷ Section 72A(5) of the NGL.

Consistent with good regulatory practice, we also assess other viable policy options - including not making the proposed rule (a business-as-usual scenario) and making a more preferable rule - using the same set of assessment criteria where feasible.

3.2.2 Assessment criteria and rationale

Our proposed assessment criteria and the rationale for each of them are as follows:

1. **Market efficiency** – Will the proposed changes have efficiency benefits - e.g. lowering barriers to entry into the retail gas markets and increasing competition?

Rationale: The final determination of the NER rule change identified that smaller and prospective retailers typically face higher barriers and costs to obtain bank guarantees compared to larger and more established retailers and industrial users. We will assess if this is also true for the gas markets and whether allowing cash as credit support could:

- provide smaller and prospective retailers an alternative to bank guarantees, and thereby lower barriers to market entry and increase competition
- diversify retail offerings, lower prices and increase value for gas customers through increased competition.

In addition, Delta’s rule change request mentioned that bank guarantees incur fees for participants. We will assess whether:

- the opportunity cost of providing cash to AEMO (i.e. cost of capital) could be lower than the cost (i.e. fees) for obtaining bank guarantees, especially for smaller participants, provided they have access to sufficient cash
- cash could potentially lower operating costs for participants by letting them choose the least cost option available to them, and thereby increase efficiency and lower costs to consumers.

2. **Flexibility and innovation** – Will the proposed changes make the rules more flexible and resilient to future changes in market settings? Will they foster more innovation in the retail gas markets?

Rationale: Delta’s rule change request implies that if banks continue to reduce their exposure to fossil fuels, obtaining bank guarantees could become harder in future for all participants. We will assess whether allowing cash could:

- make the NGR credit support requirements more resilient and future-proof, and protect AEMO from undue risk of credit default
- ease market access for new entrants that are critical to driving innovation

3. **Principles of good regulatory practice** – Will the proposed changes make the credit support requirements in the NER and the NGR more consistent? Will they improve predictability for gas market participants and promote market stability?

Rationale: Given that the AEMC recently allowed cash as credit support in the NER, we will assess whether allowing the same in the NGR could:

- streamline the credit support requirements and make them more consistent
- reduce complexity in providing credit support for participants trading in both electricity and gas markets.

We believe that businesses generally have better visibility over their own cashflow and access to capital compared to the uncertainty of obtaining guarantees from a third party on time and

within reasonable costs, when needed. In this regard, we will assess whether allowing cash could:

- improve predictability for participants by reducing their reliance on banks and other third-party lenders.
- promote market stability by reducing the risk of participants failing to provide credit support to AEMO.

For each of the above criteria, we will also assess whether these benefits outweigh the costs to AEMO and other participants in the gas markets.

Question 10: Proposed assessment criteria

Do you agree with our proposed assessment criteria? Are there any additional criteria that the Commission should consider or criteria included here that are not relevant?

3.3 We have three options when making our decision

After using the assessment framework to consider the rule change request, the Commission may decide:

- to make the rule as proposed by the proponent
- to make a rule that is different to the proposed rule (a more preferable rule), as discussed below, or
- not to make a rule.

The Commission may make a more preferable rule (which may be materially different to the proposed rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule is likely to better contribute to the achievement of the NGO.³⁸

3.4 Making gas rules in Western Australia

The versions of the NGL and NGR that apply in Western Australia differ from the NGL and NGR as they apply in other participating jurisdictions.³⁹ As a result, the Commission's power to make rules for Western Australia differs from its rule-making power under the NGL in other participating jurisdictions.⁴⁰

In this case, the rule change request relates to changes to the DWGM and the STTM, which do not apply in Western Australia. As such, the Commission does not need to consider its rule making powers in that jurisdiction.

³⁸ Section 296 of the NGL.

³⁹ Under the *National Gas Access (WA) Act 2009* (WA Gas Act), a modified version of the NGL, known as the National Gas Access (Western Australia) Law (WA Gas Law), was adopted. Under the WA Gas Law, the National Gas Rules applying in Western Australia are version 1 of the uniform NGR as amended by the SA Minister under an adoption of amendments order made by the WA Minister for Energy and by the AEMC in accordance with its rule making power under section 74 of the WA Gas Law. See the AEMC website for further information, <https://www.aemc.gov.au/regulation/energy-rules/national-gas-rules/western-australia>

⁴⁰ See section 74 of the WA Gas Law for the subject matters for the AEMC's rule making power in Western Australia.

Abbreviations and defined terms

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
Commission	See AEMC
DWGM	Declared Wholesale Gas Market
ESG	Environmental, Social and Governance
GSH	Gas Supply Hubs
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
STTM	Short Term Trading Market
Proponent	The proponent of the rule change request, i.e. Delta Electricity