

11 May 2026

Ms Anna Collyer  
Chair  
Australian Energy Market Commission  
Level 15, 60 Castlereagh Street  
Sydney NSW 2000

By online submission

Dear Ms Collyer,

### **Allowing AEMO to accept cash as credit support under the National Gas Rules (GRC0089)**

AEMO welcomes the opportunity to respond to the AEMC's consultation paper on the *National Gas Amendment (Allowing AEMO to accept cash as credit support under the National Gas Rules)* Rule 2026.

AEMO supports evolving Victorian Declared Wholesale Gas Market (DWGM) and Short Term Trading Market (STTM) credit support arrangements, so they remain fit for purpose. Allowing cash in addition to bank guarantees may reduce administration and costs for participants, and AEMO welcomes further work on an appropriate implementation pathway.

#### *Clawback risk for cash as credit support*

AEMO supports the AEMC's approach to managing clawback risk for cash security in a manner consistent with the NEM. The framework should include a clear mechanism for AEMO to fully recover any related liabilities when incurred. Material unfunded liability exposure would pose a serious risk to AEMO's solvency and the orderly operation of gas markets.

AEMO considers a cap on cash credit support appropriate for each Market Participant, consistent with the NEM rule change. While the AEMC has proposed a \$20 million cap consistent with the NEM, AEMO notes existing DWGM and STTM bank guarantee amounts suggest a lower cap of \$5 or \$10 million may be more appropriate to cover the majority of Market Participants.

#### *Implementation timeline*

AEMO's forward work plan indicates the IT system changes required to DWGM and STTM market systems could be designed and developed between July 2027 and June 2028. Gas IT system releases are typically made twice per year (either prior to or after the winter period, e.g. May to September). Subject to the draft Rules confirming scope and complexity of the Rule change, AEMO considers a post-winter release in November 2028 to be the preferred implementation window.

#### *DWGM and STTM prudential framework*

AEMO notes the DWGM and STTM prudential framework differ from the NEM due to their historical development. A key difference is how AEMO sets the NEM's Maximum Credit Limit (MCL) compared with the DWGM and STTM Trading Limit.



The MCL, determined using AEMO's [Credit Limit Procedures](#), sets bank guarantee requirements based on a participant's potential liability. In the DWGM and STTM, the Trading Limit (as described by AEMO's [STTM Trading Limit Methodology](#)), leverages the Prudential processes, outlined below, to have the Market Participant maintain their bank guarantee to be greater than their market exposure.

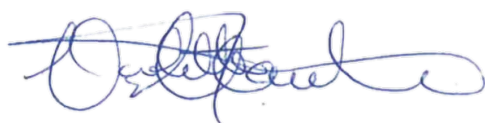
Each day, AEMO monitors Market Participants' market exposure, issues a Warning Notice at 68% of the bank guarantee (i.e. 80% of the Trading Limit), and allows trading up to the Trading Limit (85% of the bank guarantee). The remaining 15% of the bank guarantee is required to provide for settlement of the Market Participant's current settlement period and historic settlement periods subject to revision.

After a Warning Notice is issued, AEMO engages with the participant to maintain market exposure within the Trading Limit. If the Trading Limit is exceeded, AEMO must make a Margin Call on the participant within the timelines outlined in the Rules, which is a default event. If a default event occurs (for any of the reasons outlined in Rule 251 (DWGM) or Rule 486 (STTM)) AEMO applies the default and suspension processes for the DWGM, as outlined in Rules 259 and 260, or the STTM, as outlined in Rules 487 and 488. Default and suspension may be resolved by the Market Participant increasing their bank guarantee or paying (or prepaying) their settlement amount.

Our submission provides background on the DWGM and STTM prudential processes that support the continued operation of the gas markets if a Market Participant were to default due to non-provision of credit support. AEMO provides this information to inform the AEMC and participants consideration of this rule change.

AEMO looks forward to continuing work with the AEMC on the gas cash as credit support rule change. Should you wish to discuss any aspects of this submission please contact Paddy Costigan, Group Manager, Gas Reform at [Paddy.Costigan@aemo.com.au](mailto:Paddy.Costigan@aemo.com.au).

Yours sincerely,



Violette Mouchaileh  
**Executive General Manager, Policy and Corporate Affairs**