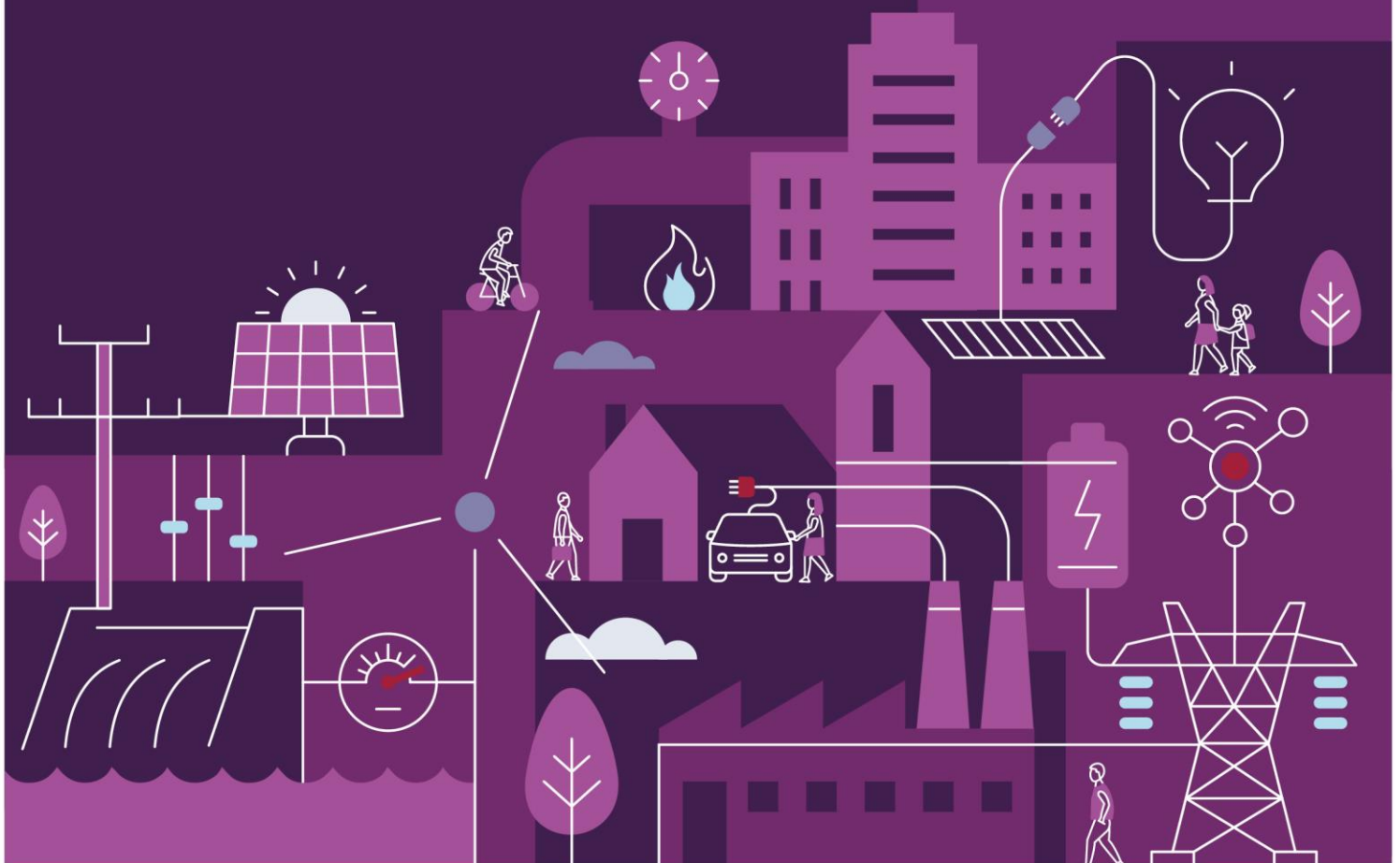


Cash as Credit Support [Cash Security]

Draft High Level Implementation Assessment (HLIA)

June 2025

Preliminary view for participants on how the rule change
may be implemented by AEMO



Important notice

Purpose

AEMO has prepared this document to provide preliminary information about the implementation design of the AEMC's *Allowing AEMO to accept cash as credit support* draft rule published on 3 April 2025, before a final rule is made.

Disclaimer

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Version control

Version	Release date	Changes
0.1	Wednesday 7 May 2025	Draft for industry comment
0.2	Tuesday 3 June 2025	Update to Implementation Pathway following further assessment of delivery options



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1 Introduction

1.1 Rule change process

Background

In October 2024, Delta Electricity submitted a rule change request to the Australian Energy Market Commission (AEMC) to allow AEMO to accept cash as credit support under the National Electricity Rules (NER). Market participants who are expected to be net debtors in the NEM must currently provide credit support in the form of a guarantee or bank letter of credit from an entity under the supervision of the Australian Prudential Regulation Authority (APRA) or the statutory central borrowing authority of an Australian state or territory. Credit support providers must meet other 'acceptable credit criteria' prescribed in the NER, including an acceptable credit rating¹.

Market participants must provide credit support equal to or exceeding the level of their maximum credit limit (MCL) at all times. The MCL calculation methodology is set out in AEMO's Credit Limit Procedures² and is the sum of the participant's outstandings limit and prudential margin. Routine MCL updates may be applied through the summer, winter and shoulder review processes, and MCLs may be reviewed at other times following material changes in a participant's trading position. Participants are required to update credit support to respond to MCL changes after notification from AEMO. In the event of participant default, credit support may be drawn down and applied by AEMO to settle participant outstandings, facilitating full payment of all creditors in the NEM by the settlement time.

Issues

Delta Electricity proposed a NER amendment that would allow credit support to be provided in the form of cash, as an alternative to bank guarantees. The rule change proposal sets out the challenges that Delta Electricity is facing in accessing bank guarantees due to lenders' environmental, sustainability and governance (ESG) policies.

The AEMC's draft determination, published on 3 April 2025³, also recognised that:

- Allowing cash as credit support would help to reduce the risk of participant defaults resulting from delays in obtaining additional credit support to cover MCL increases or to replace expiring credit support within the times allowed under the NER (bank guarantees typically have a minimum lead time to prepare, execute and deliver them)
- Providing a cash option may reduce costs or lower working capital requirements for participants, particularly small and prospective retailers.

¹ NER 3.3.3 and 3.3.4

² AEMO, Credit Limit Procedures - https://aemo.com.au/-/media/files/electricity/nem/settlements_and_payments/prudentials/credit-limit-procedures.pdf?la=en

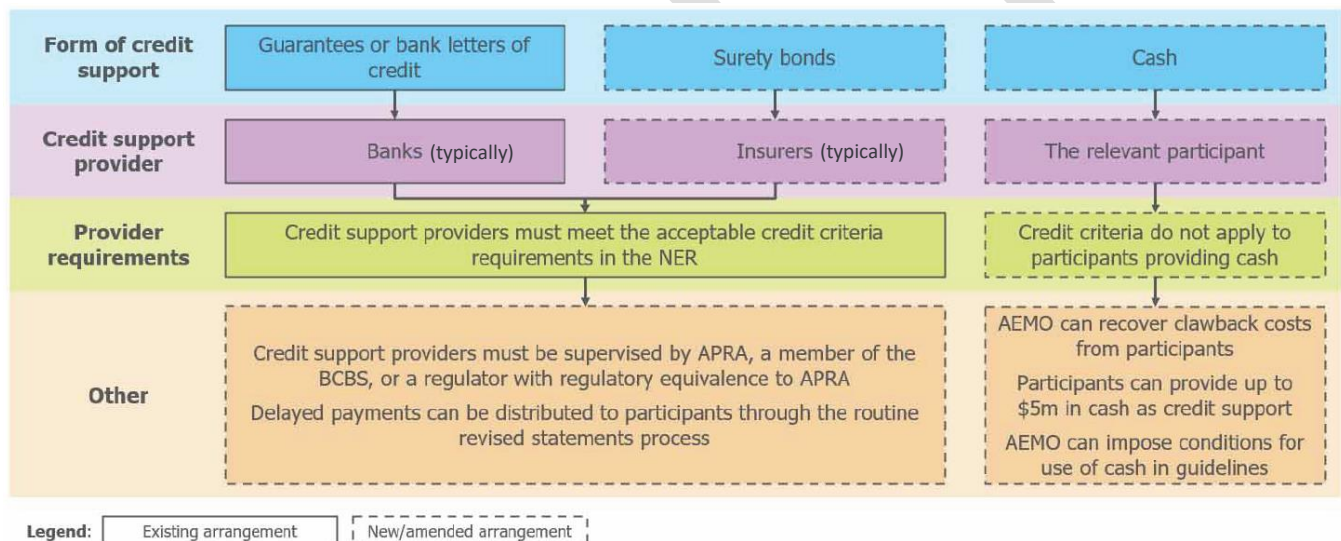
³ AEMC, Allowing AEMO to accept cash as credit support, Draft rule determination, 3 April 2025, at: <https://www.aemc.gov.au/sites/default/files/2025-04/Draft%20determination.pdf>

Draft Rule

The draft Rule and determination set out three key changes to credit support arrangements in the NEM:

- Cash may be provided as credit support up to a limit of \$5 million per participant. The NER drafting includes provisions designed to strengthen protections against liquidator clawback, and an expanded shortfall mechanism for AEMO to recover any costs incurred in the event of liquidator clawback by reducing settlement payments to NEM creditors
- Surety bonds may also be provided as credit support, including an amendment to bring forward settlement adjustments for repayment of funds recovered from issuers after the settlement date, given the expectation that payment claims under surety bonds are unlikely to be met in the window between settlement receipts and payments
- Expanding the acceptable credit criteria to allow credit support providers who are regulated under the Basel Committee of Bank Supervision (BCSC) or an authority with regulatory equivalence at AEMO's discretion, in addition to providers under APRA supervision.

Figure 1 Draft determination - overview of the draft rule⁴



Benefits

The draft determination notes that the draft changes will enhance the optionality and flexibility of credit support arrangements in the NEM. The key benefits of increased optionality are stated as:

- Participants can choose the credit support option that is lowest cost and most suitable to them
- Reduced risks of participants triggering a default event by allowing them to provide cash as credit support to AEMO on short notice without reliance on a third-party

The draft determination also notes that the changes are likely to be most beneficial for small and prospective retailers, whose credit support costs are typically higher due to higher financing costs and lower access to capital.

⁴ AEMC, Allowing AEMO to accept cash as credit support, Draft rule determination, Figure 1.1 page 1, 3 April 2025, at: <https://www.aemc.gov.au/sites/default/files/2025-04/Draft%20determination.pdf>

1.2 HLIA document overview

This draft High Level Implementation Assessment (HLIA) has been produced as a first step in AEMO's implementation of a Cash as Credit Support rule under the NEM Reform Program.

Based on the draft rule, this draft HLIA outlines high-level preliminary views of AEMO's system, process and operational changes and the indicative timeline that would likely be required. It also provides a general indication of what these changes may mean for NEM participants.

By publishing at an early stage in tandem with the AEMC's draft determination and inviting participant feedback, the draft HLIA is intended to:

- Inform affected participants in developing their own implementation timelines and impact assessments
- Assist AEMO and participants to plan for this initiative in the context of the broader implementation roadmap (NEM Reform Implementation Roadmap), specifically considering bundling opportunities, efficient sequencing and to reduce delivery congestion
- Facilitate stakeholder feedback on the early implementation design and timeframes, including consistency with the draft rule
- Provide supporting information for stakeholders and AEMO to input into the AEMC's rule change process, including in relation to implementation timeframes.

This draft HLIA does not pre-empt the outcomes of the AEMC's ongoing rule change process. AEMO acknowledges that the final rule may differ materially from the draft, in which case the implementation assessment and approach will also need to change. AEMO has provided its views on the draft determination and rule in its own submission to the AEMC process.⁵ A final HLIA will be published to reflect a final determination and rule and will incorporate industry feedback as appropriate.

⁵ AEMO submission to AEMC draft determination - <https://aemo.com.au/-/media/files/initiatives/cash-security/aemo-submission-to-draft-determination-cash-as-credit-support.pdf?la=en>

1.3 Key dates

Table 1: Cash as Credit Support rule and HLIA timeline

Activity	Timeline
AEMC Draft Rule and Determination published	Thu 3 April 2025
AEMO Draft HLIA v0.1 published	Wed 7 May 2025
AEMO stakeholder forum on Draft HLIA	Fri 9 May 2025
Stakeholder submissions on AEMC's Draft Determination due	Thu 15 May 2025
Stakeholder feedback on Draft HLIA due	Wed 21 May 2025
AEMO Draft HLIA v0.2 published (TBC)	Tue 3 June 2025
AEMC Final Rule and Determination published	Thu 26 June 2025
AEMO Final HLIA v1.0 published	August 2025 (TBC)

1.4 Stakeholder feedback invited

AEMO welcomes any stakeholder feedback on this draft HLIA by Wednesday 21 May 2025. Comments should be sent via email to NEMReform@aemo.com.au.

AEMO intends to publish updates to this HLIA to:

- Align with the AEMC's final rule.
- Accommodate industry feedback where appropriate
- Provide further, more detailed information on implementation impacts and pathway.

Feedback on this draft HLIA is distinct from submissions to the AEMC's formal rule change consultation process. AEMO is seeking feedback specifically on implementation matters given the content of the draft rule. Any feedback or submissions related to the rule change or draft determination should be provided directly to the AEMC. AEMO has been advised by the AEMC that, while receiving feedback by the due date for submissions to the draft determination (15 May 2025) is preferred, all feedback is welcome and any stakeholders seeking to provide additional draft determination feedback (including on implementation) after 15 May should contact the AEMC project team.

2 Market design

The following section provides an indicative and preliminary overview of how the Cash as Credit Support draft rule may be implemented by AEMO. The primary focus of this assessment is the implementation of 'cash security' (as described in the draft rule), given that AEMO has identified material uncertainties associated with the proposed introduction of surety bonds and expansion of regulatory supervision criteria for credit support providers. An initial view of the likely additional impact and implementation considerations for these elements is set out in **Section 8** but, if they are retained in the final rule, this would need significant further development after details are confirmed.

2.1 Cash security

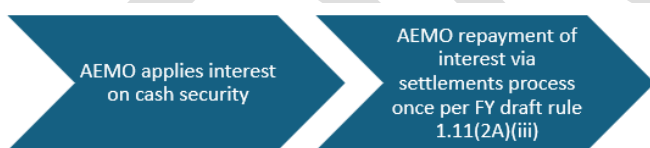
The draft rule defines the term 'cash security' for the provision of cash as credit support under NER 3.3.2. The cash security held by AEMO would be held in the books of corporation as an AEMO Rule Fund under NER 1.11 with applicable interest and rights to return of cash security amounts defined in the draft rule.

AEMO would implement cash security as an additional stream of money to be held on behalf of market participants to meet their credit support obligations. Under current arrangements, AEMO systems only assess bank guarantees against a participant's credit support obligation. High-level steps for managing cash security are set out below.

Receipt of cash security



Treatment of interest



Application of monies in cash security fund



*return of monies is only allowed if the return does not trigger a default event.

3 AEMO key impacts

This section depicts the indicative key AEMO impacts from the draft rule, focusing on cash security.

3.1 Cash security

In developing this draft HLIA, AEMO has assumed medium uptake of the cash security by market participants. Based on current participant credit support requirements, approximately 100 market participants typically have MCLs below the draft rule cash limit of \$5 million per participant. It is assumed that around 40-60 of this group (typically those with lower MCLs) may opt to use cash security exclusively, and additional larger participants who may choose to use cash to temporarily bridge their other credit support provided. Although initial implementation activities may be similar regardless of uptake, the ongoing impact of managing cash as credit support is dependent on the way participants utilise this option. The potential ways in which participants use of cash security may impact the ongoing operational intensity of managing this function include:

- A high number of participants using cash security – increased operational management of cash security for AEMO
- Frequent provision and return of monies in cash security fund – Increased processing of receipt, transfer and/ or return of cash security, increases the number of transactions between the participant and AEMO and associated costs and risks.

Given the variability and uncertainty on the uptake of cash security, AEMO would likely need to undertake an assessment of the level of automation required of aspects of operating cash security as part of its preparation for implementation.

Table 2 below shows an indicative assessment of the implementation impacts of cash security.

Table 2: Indicative assessment of implementation impacts – cash security only

People	Process and procedures	System
Low	Low	Medium
<ul style="list-style-type: none">• Increased volume of interactions between participant and AEMO	<ul style="list-style-type: none">• New process for receipt and repayment of cash securities• Cash security procedure	<ul style="list-style-type: none">• Updates to systems to include cash security in trading positions• Changes to manage interest payments• Changes to billing systems for the repayment of cash• May require new functionality and new workflows, leveraging existing market system

Table 3 lists the focus areas alongside descriptions of each impact from the rule change.

Table 3: Tabular view of focus area impacts from the draft rule

Focus area	Impact description	Impact change
Prudentials	Medium	<ul style="list-style-type: none"> • Incorporate additional stream of credit support into prudential systems and processes • Implementation of cash as credit support process and procedure • Increased transactions between AEMO and participant in the receipt and return of cash security • Incorporate process for the application of multiple different forms of credit support for participants
Accounting functions	Low	<ul style="list-style-type: none"> • Addition to existing arrangements for management of bank account • Cash interest rate policy • Monitoring restricted cash balances
Settlements	Low	<ul style="list-style-type: none"> • Process to recover costs of liquidator clawback from sellers in the market • Updates to data tables to include cash security
Billing	Medium	<ul style="list-style-type: none"> • Payment of participant interest on cash security • System changes to process the return of cash security through settlements
Markets Portal	Medium	<ul style="list-style-type: none"> • Updated system for participant automation of cash security

4 AEMO procedure impacts

This section indicates the high-level impact of cash security on AEMO's procedures and guidelines, based on the changes that AEMO anticipates would be required to implement cash security only. Table 4 lists new and existing NEM wholesale procedures and other external documentation that would likely need creating and updating.

Table 4 Relevant AEMO Wholesale market procedures and other documentation – cash security only

Type of Document	Document Name	Effort required	Consultation Required	Content to be changed
Procedure (NEW)	<ul style="list-style-type: none"> • Cash security guidelines 	Medium	No (AEMO would likely consult)	<ul style="list-style-type: none"> • New procedure to detail the process, terms and conditions for provision and acceptance of cash as credit support
Procedure (existing)	<ul style="list-style-type: none"> • Credit Limit Procedure 	Low	Yes	<ul style="list-style-type: none"> • Minor update to reflect inclusion of cash as credit support
Guide (existing)	<ul style="list-style-type: none"> • Guide to AEMO credit support management 	Low	No	<ul style="list-style-type: none"> • Updates to include new NER rights and obligations • Provide information on the processes relating to the management of cash security and the provision of alternative forms of credit support
Guide (existing)	<ul style="list-style-type: none"> • Guide to NEM credit support 	Low	No	<ul style="list-style-type: none"> • Incorporate changes to NEM Participants view of credit support and use of any interface

Type of Document	Document Name	Effort required	Consultation Required	Content to be changed
Guide (existing)	<ul style="list-style-type: none"> Guide to NEM prudential dashboard 	Low	No	<ul style="list-style-type: none"> Updates to calculate and display alternative form of credit support
Guide (existing)	<ul style="list-style-type: none"> NEM Settlement Prudential Supervision Process 	Low	No	<ul style="list-style-type: none"> Updates to incorporate new NER rights and obligations and definition of cash security

4.1 Development of new cash security guidelines

The draft rule (NER 3.3.2) requires AEMO to develop and maintain new cash security guidelines setting out the terms and conditions, and procedural requirements for the provision of cash security. The development of the cash security guidelines is the most significant procedure impact for the implementation of the Cash as Credit Support rule change. The cash security guidelines would include detail on the following elements:

- Obligations under NER 3.3.2A for AEMO to accept cash security
- Participant process for providing cash security including use of the credit support portal, notifications, use of Austraclear and matching transactions, timings to reflect against participant MCL requirements
- Process for the return of cash security, including:
 - Rights and limits under NER 3.3.13B for the return of monies in the cash security fund
 - Participants' process for requesting a return
 - AEMO processing of return of cash security. For the purpose of this draft HLIA, AEMO has assumed that the return of cash security will be delivered to participants through settlements, attached to the next available settlement statement
 - AEMO process in the event of the return of cash causing a trading limit breach
- Process and payment of interest including the timing and application of interest, representation of interest accrued and payment of interest through the settlement cycle
- Possible process for shifting security deposit to cash security
- Prioritisation between cash security and any other credit support held
- Any other detail and items that AEMO considers necessary to the implementation of cash security.

AEMO anticipates that the development of the cash security guidelines is on the critical path to be consulted on and published in advance of the requirements definition to support AEMO's and industry's implementation.

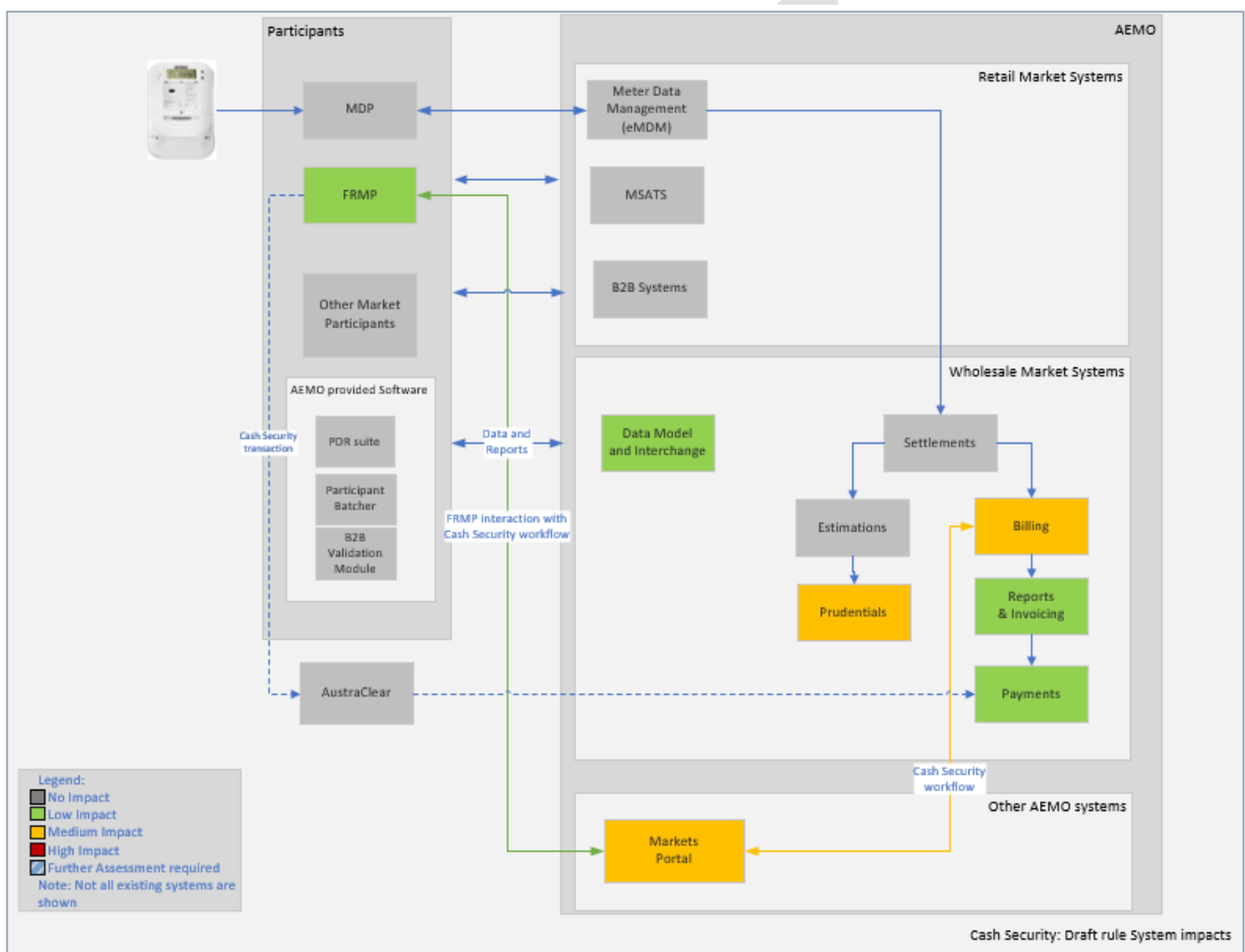
AEMO will look for opportunities to prioritise and/or bundle procedure consultations, including discussion of critical path consultations that may have dependencies with AEMO's and industry's development and testing. AEMO's preliminary view is that there is minimal overlap in procedural updates with the Shortening the Settlements Cycle rule implementation as consultation for this project is scheduled to commence well before the final Cash as Credit Support rule will be made.

5 AEMO system impacts

5.1 System and data exchange overview

Figure 2 illustrates an indicative assessment of the AEMO system impacts associated with implementation of cash security only.

Figure 2 Participant Interaction Impacts – cash security only



5.1.1 System Impacts

Table 4 provides a summary of indicative system impacts for cash security only.

Table 4: AEMO System Impacts – cash security only

AEMO System	Summary of impact	Impact Rating
Settlements	<ul style="list-style-type: none">PCO (Participant Current Outstandings) table(s) updated to include cash securityNetting in settlements (incl partial returns) to be determined	Negligible
Estimations	<ul style="list-style-type: none">None	None
Prudentials	<ul style="list-style-type: none">Prudential engine updated to include cash securityNew screens for Prudential team to verify/approve cash securityTransfer of security deposit to cash security (to be determined)	Medium
Billing	<ul style="list-style-type: none">Interest calculations on cash to be incorporated into settlementsInterest will be paid when a participant requests the return of a cash security and interest paid will be on returned amounts (to be determined)	Medium
Reports and Invoicing	<ul style="list-style-type: none">Reports include calculated interest	Low
Payments	<ul style="list-style-type: none">A cash security will be returned to participants via existing payments function	Low
Data Model and Interchange	<ul style="list-style-type: none">Data model updated to show cash security in credit support	Low
Markets Portal	<ul style="list-style-type: none">New screens and workflows for cash security may be used by participants to identify the provision of cash security and to request returns and provide instructionsCredit support dashboard updated to include Cash SecurityNote: Markets portal changes are not mandatory however will increase operational effectiveness and reduce operational risks	Medium

6 Implementation pathway

6.1 Key delivery considerations

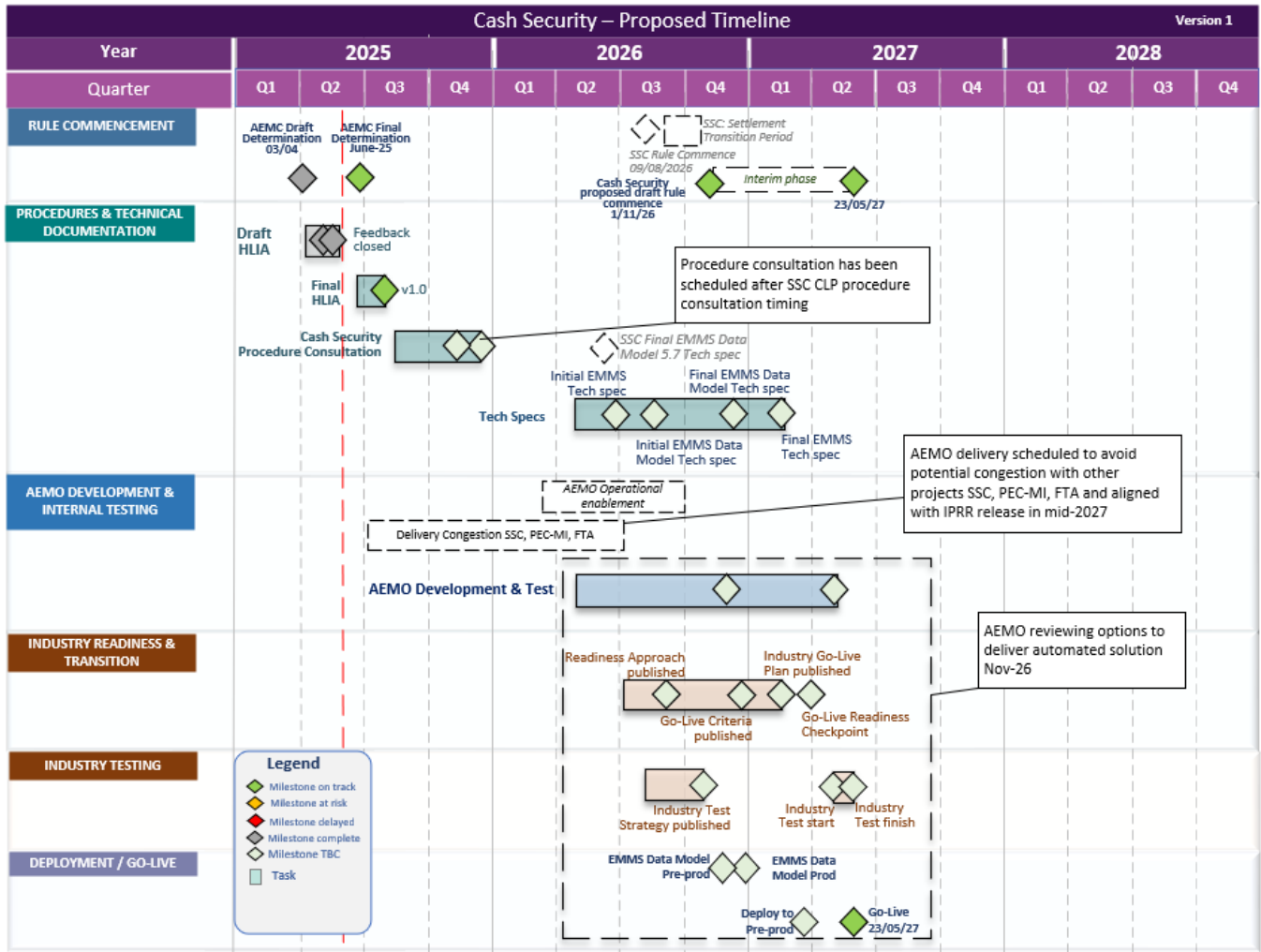
This section sets out key delivery considerations for the implementation of the Cash as Credit Support draft rule for discussion with industry and the AEMC. The pathway considers implementation impacts described in earlier sections of this draft HLIA.

The implementation pathway focuses on cash security only, given the significant noted uncertainty associated with the proposed introduction of surety bonds and expansion of regulatory supervision criteria for credit support providers. Refer to Section 8 for additional considerations for those aspects of the draft rule.

Figure 3 proposes a change to the implementation timeframe outlined in the Cash as Credit Support draft rule: A recommended rule commencement date of Sunday 1 November 2026, aligning with the final effective date of the “Unlocking CER benefits through Flexible Trading” (FTA) project, instead of Sunday 9 August 2026. The reasoning for this recommendation is:

- AEMO and industry have a significant amount of delivery congestion in the Settlements and Prudentials area over the next two years, specifically with the “Project Energy Connect”, “Improving Security Frameworks for the Energy Transition”, “Shortening the Settlement Cycle”, and “Integrating Price Responsive Resources into the NEM” projects. This delivery congestion is putting significant pressure on specific AEMO resources over 2025 and 2026
- The commencement date for the Shortening the Settlements Cycle reform is Sunday 9 August 2026, however the implementation also includes an industry transition period that indicatively completes in October 2026. Shortening of the settlement cycle will alter market participants' credit support requirements, as the time period between billing week and settlement is reduced. Moreover, as part of the transition, AEMO will need to facilitate any consequential prudential collateral return which would lead to congestion for key functional resources in that period
- AEMO anticipates limited overlap in procedural updates between Shortening the Settlements Cycle and Cash Security, as outlined in Section 4
- Typically, reform implementation projects which require industry consultation take a minimum of 18 months from final determination to rule commencement. This allows for industry consultation, AEMO and industry development, and industry testing / change management
- To manage operational intensity and risk associated with cash security, AEMO would look to automate these processes. The required system changes would be deployed via AEMO’s established twice-yearly release approach to minimise environment management, testing and deployment costs. Given the amount of Settlements and Prudentials system changes currently underway, AEMO would manage its delivery capacity closely during the congested timeframe.
- To summarise, AEMO is facing significant delivery congestion in the areas of Settlements and Prudentials over 2025 and 2026. Recognising the value for participants in allowing cash security as soon as practicable, AEMO proposes the following approach to enable rule commencement on Sunday 1 November 2026:
- Reduce consultation timeframe to four months to complete the new cash security guidelines. Consultation is not a rule requirement and four months proposes a balance between industry collaboration and an earlier commencement date
- Aim to automate processes to manage operational risk by the recommended rule commencement date of Sunday 1 November 2026: if this is not achievable, then further consideration may be needed around managing cash security until full automation is achieved. Full automation would be delivered by no later than Sunday 23 May 2027, bundled with the rule commencement for Integrating Price Responsive Resources into the NEM. AEMO will seek to engage AEMC further on the implementation timeframes.
- AEMO also notes minimal anticipated impact to participants’ systems from the introduction of cash security, as outlined in Section 7.

Figure 3 Indicative Cash Security implementation timeline



6.2 Risks

Table 6 considers the risks associated with the proposed implementation approach discussed above.

Table 6: Initial assessment of implementation risks – Cash security only

IDENTIFIED RISK	CURRENT RATING	MITIGATION STRATEGIES	RESIDUAL RATING (AFTER MITIGATION)
Scope, complexity and timing of final rule could affect AEMO's ability to meet the rule commencement date	High	<ul style="list-style-type: none"> Continued engagement between AEMC, AEMO and industry 	Medium
Cash transactions compliance with anti-money laundering and counter terrorism financing legislation	High	<ul style="list-style-type: none"> Undertake risk assessment with appropriate advice on implications for compliance Engage with AUSTRAC as required to maintain requirements 	Low

IDENTIFIED RISK	CURRENT RATING	MITIGATION STRATEGIES	RESIDUAL RATING (AFTER MITIGATION)
		<ul style="list-style-type: none"> Implement recommended controls on cash management Utilise settlement payments process for participant cash returns 	
NEM Reform environment and release landscape congestion	High	<ul style="list-style-type: none"> Bundle delivery of in-progress NEM Reform initiatives to unblock congestion in environments and release landscape Further assessment of the NEM Reform 2026/2027 release plan 	Medium

7 Participant impact assessment

7.1 High-level participant impact assessment

Table 7 considers the likely direct impacts of the Cash as Credit Support draft rule on participants generally, as well as the likely flow-on impacts associated with its changes that AEMO would be required to make to its processes, procedures, and systems. As with previous sections, this only considers impacts of cash security.

Table 7: Indicative high-level participant impact of cash as credit support – cash security only

STAKEHOLDER TYPE	INDICATIVE HIGH-LEVEL IMPACT	COMMENT
Financially Responsible Market Participants	Low: Opting to utilise cash as credit support	<ul style="list-style-type: none"> It is optional for participants to change their credit support arrangements and would occur on an opt-in basis Adoption of modified process, similar to that of security deposit provision, for cash security. This should include processes for provision and application instructions to AEMO. May include use of a new interface in existing market system Low impact expected from Data Model change May have impact to participants' downstream processes/systems involving management of cash, interest accrued and reconciliation changes
Participants who are receiving net payments in settlements	Low: In the event of successful clawback of cash security only	<ul style="list-style-type: none"> This would only apply in the event of participant default <u>and</u> successful clawback of cash security The cost of any associated liability is spread across net recipients on a pro-rata basis – this is consistent with existing arrangements for settlement shortfall (NER 3.15.22) Market participants who are net creditors receive reduced payments in the subsequent billing cycle No additional AEMO system or process related implementation impacts for market participants, but participants may need to consider any reconciliation needed downstream

7.2 Indicative industry readiness approach

Figure 4 Indicative readiness approach – cash security only

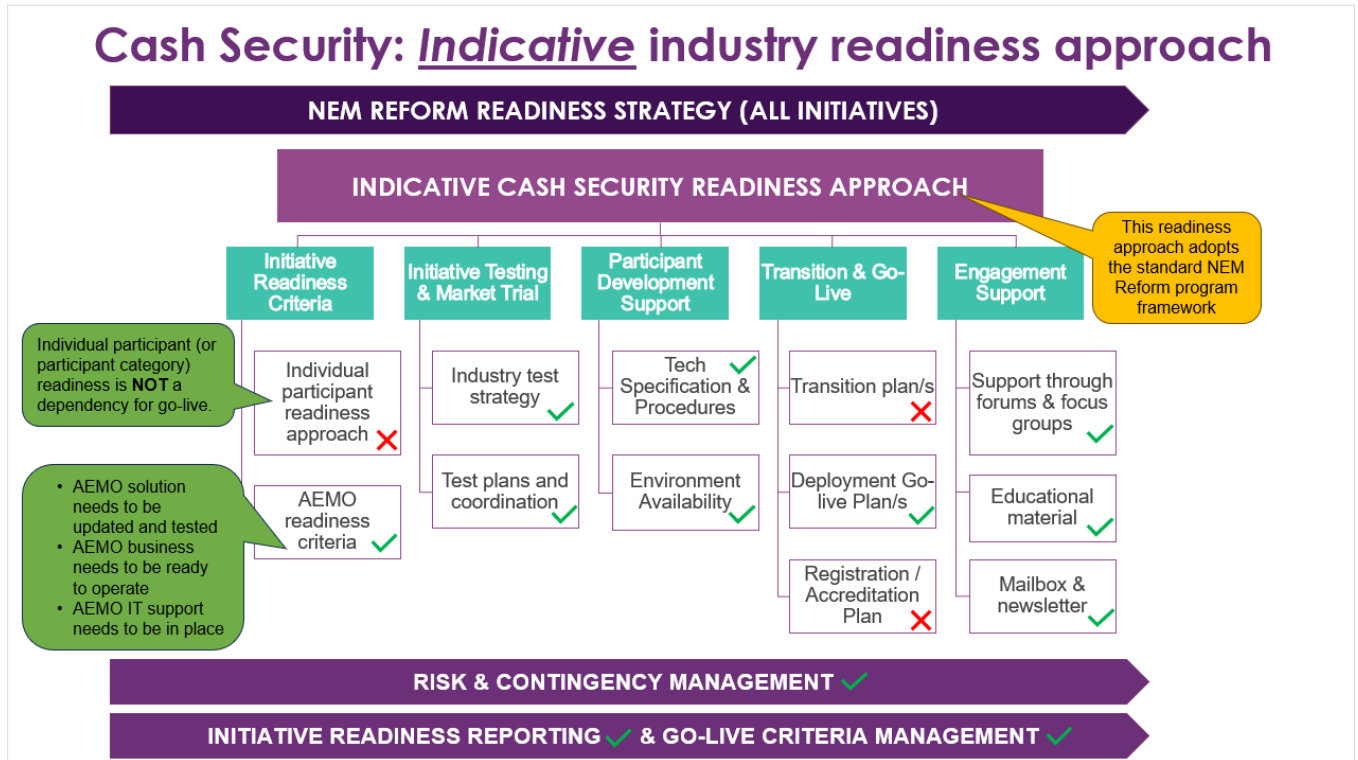


Table 8: Indicative Cash as Credit Support industry readiness approach – cash security only

READINESS AREA		INITIAL VIEW OF INDUSTRY READINESS APPROACH
Initiative readiness criteria	Individual participant readiness approach	Individual participant (or participant category) readiness is not a dependency for go-live
	AEMO readiness criteria	By the Cash as Credit Support rule commencement date, AEMO's: <ul style="list-style-type: none"> • solution needs to be updated and tested • business needs to be ready to operate • IT support needs to be in place
Initiative testing and Industry Test	Industry Test strategy	<ul style="list-style-type: none"> • Would be developed in collaboration with Industry • At this early stage, AEMO expects testing to focus on interaction associated with a change in credit support arrangements, including access of any market interfaces • AEMO considers cash security changes may need up to 2-3 months of coordinated industry test prior to the rules commencement date, with length and scope to be further determined in the final HLIA
	Test plans and coordination	<ul style="list-style-type: none"> • Would be developed in consultation with industry and in alignment with the industry test strategy • AEMO may develop test plans that support: <ul style="list-style-type: none"> ○ Test scenarios ○ Identification of required test data e.g. pre-production refreshes etc

READINESS AREA		INITIAL VIEW OF INDUSTRY READINESS APPROACH
Participant development support	Procedures	<ul style="list-style-type: none"> Draft rule indicates that AEMO would need to develop and publish new guidelines on the provision of cash as credit support by 9 May 2026. The draft rule does not set out consultation requirements for these new guidelines but AEMO would likely choose to consult industry on its development. The new guidelines are anticipated to have dependencies with AEMO's development and testing For all new and existing procedures, AEMO would look for opportunities to prioritise and/or bundle procedure consultations. Bundling opportunities would be discussed with stakeholders via the NEM Reform Electricity Wholesale Consultative Forum
	Technical specifications	<ul style="list-style-type: none"> AEMO would plan to publish draft technical specifications and the EMMS Data Model, with sufficient time before the commencement of Industry testing to support participant development
	Environment availability	<ul style="list-style-type: none"> AEMO's pre-production would be available to support industry testing for during industry test period Initial assessment is that a Participant development support environment would not be needed as changes to participant interfaces (if any) are not expected to be significant
Transition and go-live	Transition plans	<ul style="list-style-type: none"> An industry transition is not indicated in the draft rule Draft rule transitional requirements relate to AEMO developing the cash security guidelines by no later than 3 months prior to the rule commencement date (9 May 2026)
	Go-live plan	<ul style="list-style-type: none"> Will be developed in consultation with industry to confirm detailed deployment and capability availability timeframes in the lead up to rule commencement
	Registration or accreditation plans	<ul style="list-style-type: none"> Draft rule does not indicate changes to registration or accreditation frameworks
Engagement support	Forums and Focus groups	<ul style="list-style-type: none"> The NEM Reform Program will support affected market participants in each reform phase from implementation design, procedures development, solution delivery and through to industry testing Support will be provided as required via NEM Reform forums⁶, information sessions, focus groups, 1:1s and daily stand-ups
	Educational material	<ul style="list-style-type: none"> AEMO will make available educational material to support awareness, assessment and preparation for affected participants. Made available through the project's dedicated webpage, this may include, but is not limited to, guides and factsheets, FAQs and industry presentations
	Mailbox and newsletter	<ul style="list-style-type: none"> Participants support provided via monitored mailbox Regular communications around project milestones
Risk & contingency management		Indicative risks have been identified in section 6.2 and would be further developed in consultation with industry
Initiative readiness reporting & go-live criteria management		<ul style="list-style-type: none"> Would be developed in consultation with industry Readiness reporting would be consistent with the go-live criteria Readiness checkpoints would be scheduled for 3 and 1-month prior to rule commencement Progress reporting against established milestones would be provided on a regular basis though NEM Reform forums

⁶ NEM Reform Program forums: <https://aemo.com.au/initiatives/major-programs/nem-reform-program/nem-reform-program-forums>

8 Surety bonds and expansion of regulatory supervision criteria

The following section provides a high-level view of likely additional impact and implementation considerations of surety bonds and expansion of the regulatory supervision criteria. These elements were included in the draft rule, but had not been part of the rule change proposal nor raised in the AEMC's consultation paper or submissions to it. AEMO has identified material uncertainty associated with these elements. If they are retained in the final rule, the preliminary considerations would need significant further development after details are confirmed. This would require substantive engagement and information from potential new credit support providers, and receipt of independent advice and information on potential risks and obligations, particularly in relation to overseas issuers. The considerations in this section are intended to assist stakeholders to develop their own impact assessments and input into the AEMC's rule change process on these elements of the draft rule.

The draft rule includes surety bonds under NER 3.3.2 as an alternative form of credit support. All acceptable credit criteria set out in NER 3.3.3 and 3.3.4 would apply (including the expanded regulatory supervision criteria discussed below). AEMO understands surety bonds are typically provided by insurers, but in other respects operate in a similar way to bank guarantees. For implementation of surety bonds as credit support within the NEM prudential framework, AEMO has identified the following additional implementation considerations:

- AEMO would likely seek to mirror the process and relationship management for bank guarantees across to surety bonds. However, acknowledging that different providers will have different positions, structures and levels of understanding of NEM requirements, further investigation including engagement with a representative group of potential providers will be required to inform implementation requirements, terms, and procedures for establishing and drawing down on surety bonds
- AEMO understands that surety bond issuers cannot typically meet the required payment time in the NEM, being a minimum of 1 hour from notification currently applied in the AEMO pro forma guarantee. Additional implementation activity including engagement with market participants is required to assess and manage the impacts (including flow-on contract implications) of market shortfall, repayment and adjustment to NEM settlement.

For implementation of expanded regulatory supervision criteria for credit support providers beyond APRA supervision, AEMO has identified the following additional implementation considerations:

- A comprehensive review of regulatory risk would be required, to ensure compliance with both Australian and relevant overseas regulation of financial transactions
- Amendment to process for both bank guarantees and surety bonds (if progressed)
- New processes to manage dealings with offshore issuers and ensure all necessary interactions are managed by appropriately authorised officers within Australia
- If AEMO is required to exercise discretion in accepting credit support providers with 'regulatory equivalence' to APRA, this is not consistent with AEMO's functions or expertise. AEMO would require appropriately qualified resources to form take a view of international financial markets and regulation, outside its current remit of managing financial transactions in the NEM.

Given the material uncertainty associated with these elements of the draft rule, this draft HLIA does not estimate the timing of these additional changes. If retained in the final rule, AEMO considers that additional implementation time may be required and the significant amount of delivery congestion in the Settlements and Prudentials area over the next two years may indicate for this to be sequenced after the implementation of cash security.

9 Related reforms

Table 9 sets out the interrelationship between the Cash as Credit Support rule and key, select NEM reform initiatives with settlement content.⁷

Table 9: The draft rule’s relationship with other key initiatives

NEM REFORMS	RELATIONSHIP TO Cash as Credit Support
Shortening the Settlement Cycle (SSC)	<ul style="list-style-type: none"> AEMC has made a final rule to shorten the national electricity market settlement cycle to nine business days following the end of a billing period, from the current 20 business days Shortening the Settlement Cycle is making significant changes to Settlements, Prudentials and Retail metering operational processes and systems. Implementation will require a settlement transition period that will be co-ordinated with Industry participants⁸ AEMO is working through a delivery pathway, including engagement with participants, to manage overlaps for SSC and the Cash as Credit Support rule
Other reforms – no material impact on Cash Security implementation	<ul style="list-style-type: none"> Interregional settlement residue (IRSR) arrangements for transmission loops is an AEMO proposal to reallocate negative IRSR to regions receiving positive IRSR in a transmission loop. In inter-regional transmission loops, IRSR is expected to arise more frequently than it does across ‘radial’ interconnectors due to the way that power flows in a transmission loop, and how this interacts with the NEM’s regional pricing model Project EnergyConnect Stage 2 (PEC) will be a new interconnector linking South Australia and NSW and will be fully operational in early 2027. PEC will create the first inter-regional transmission loop in the NEM, along with the existing Heywood (VIC-SA) and VNI (NSWVIC) interconnectors

⁷ The [NEM reform implementation roadmap](#) provides stakeholders with a comprehensive view of NEM as Gas reform initiatives.

⁸ AEMO, Shortening the Settlement Cycle, High level implementation assessment, February 2025, at: <https://aemo.com.au/-/media/files/initiatives/shortening-the-settlement-cycle/shortening-the-settlement-cycle-ssc-hlia-v1-final11-feb-2025.pdf?la=en>

A1. Impact ratings

Description of AEMO's reform impact ratings for industry systems, processes and documentation

Impact rating	Description	Comments
No impact	<ul style="list-style-type: none"> No change's to AEMO or industry systems, processes, guidelines, or procedures Stakeholder consultation not required 	<ul style="list-style-type: none"> No changes.
Immaterial	<ul style="list-style-type: none"> Immaterial impact to AEMO or industry systems, process, guidelines, or procedures Stakeholder feedback sought 	<ul style="list-style-type: none"> Immaterial administrative changes to AEMO procedures and/or guidelines, purposes of consistency Immaterial changes or additions to existing business processes and/or technology systems. Stakeholder consultation not required
Low	<ul style="list-style-type: none"> Low impact to AEMO or industry systems, processes, guidelines, or procedures Stakeholder consultation may be required or feedback sought 	<ul style="list-style-type: none"> Minor changes, additions, or updates to AEMO procedures and/or guidelines, purposes of consistency Minor changes, additions, or updates to existing business processes and/or technology systems Stakeholder consultation not anticipated but may be required
Medium	<ul style="list-style-type: none"> Medium impact to AEMO or industry systems, processes, guidelines, or procedures Stakeholder consultation required 	<ul style="list-style-type: none"> Material changes or additions to AEMO procedures and/or guidelines Significant changes or additions to existing business processes and/or technology systems Stakeholder consultation required
High	<ul style="list-style-type: none"> High impact to AEMO or industry systems, processes, guidelines, or procedures Stakeholder consultation required 	<ul style="list-style-type: none"> Significant changes, additions, or creation of new AEMO procedures, and/or guidelines Significant changes, additions, or the creation of new business processes and/or technology systems Stakeholder consultation required
Very High	<ul style="list-style-type: none"> Large impacts to AEMO or industry systems, processes, guidelines or procedures Stakeholder consultation required 	<ul style="list-style-type: none"> Large changes, additions or creation of new AEMO procedures and/pr guidelines Major changes, additions or creation of new business processes and/or technology systems Stakeholder consultation required

A2. Glossary

This document uses many terms that have meanings defined in the National Electricity Rules (NER). The NER meanings are adopted unless otherwise specified.

Please also see AEMO's [industry terminology web page](#) to complement the table below.

TERM	DEFINITION
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
APRA	Australian Prudential Regulation Authority
API	Application programming interface
aseXML	A Standard for Energy Transactions in Extensible Markup Language
BCSC	Basel Committee of Bank Supervision
CLP	Credit Limit Procedures
eMDM	Enterprise Meter Data Management
EMMS	Electricity Market Management System
FRMP	Financially Responsible Market Participant
HLIA	High-level Implementation Assessment
MCL	Maximum Credit Limit
NEM	National Electricity Market
NER	National Electricity Rules
PCO	Participant current outstandings
PEC-MI	Project EnergyConnect – Market Integration
SSC	Shortening the Settlement Cycle
TBC	To be confirmed
TBD	To be determined