



9 May 2025



1. Welcome

We acknowledge the Traditional Custodians of the land, seas and waters across Australia. We honour the wisdom of Aboriginal and Torres Strait Islander Elders past and present and embrace future generations.

We acknowledge that, wherever we work, we do so on Aboriginal and Torres Strait Islander lands. We pay respect to the world's oldest continuing culture and First Nations peoples' deep and continuing connection to Country; and hope that our work can benefit both people and Country.




'Journey of unity: AEMO's Reconciliation Path' by Lani Balzan

AEMO Group is proud to have delivered its first Reconciliation Action Plan in May 2024. 'Journey of unity: AEMO's Reconciliation Path' was created by Wiradjuri artist Lani Balzan to visually narrate our ongoing journey towards reconciliation - a collaborative endeavour that honours First Nations cultures, fosters mutual understanding, and paves the way for a brighter, more inclusive future.

Read our
RAP

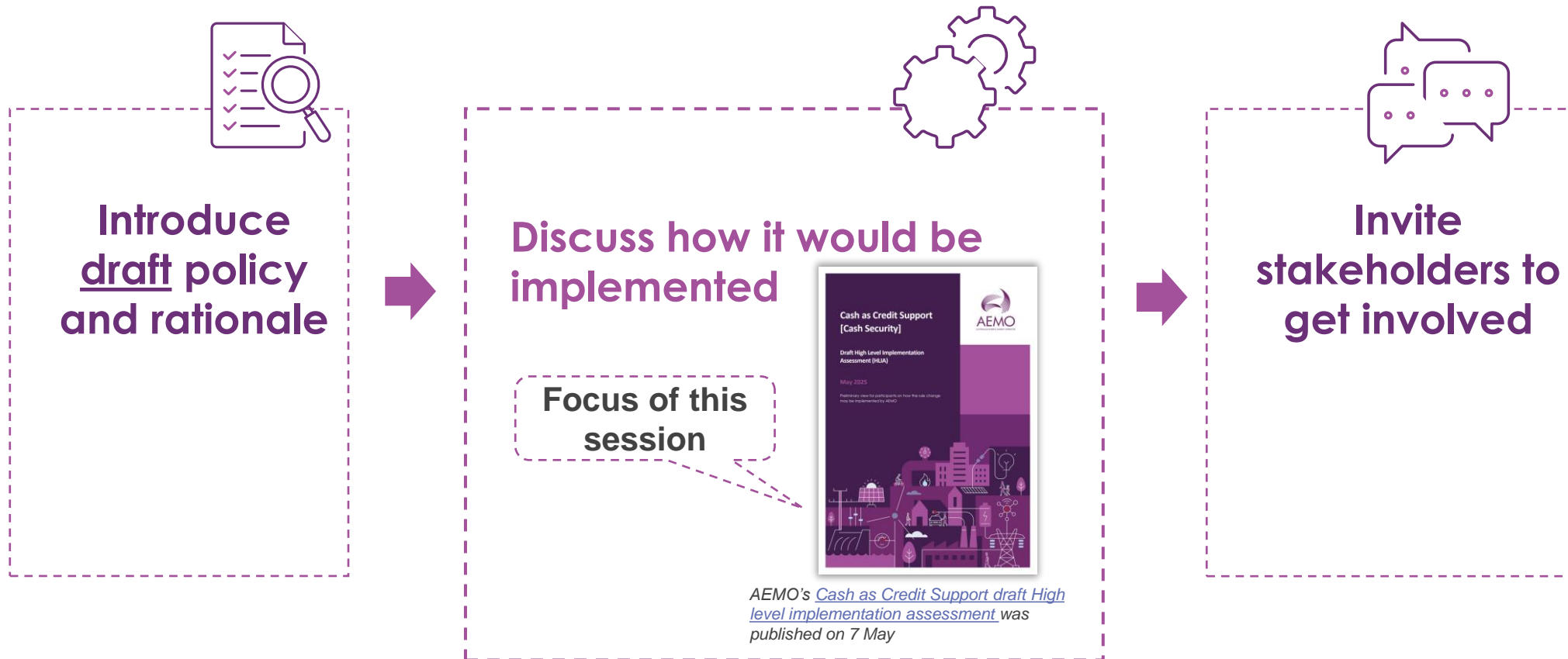


General Housekeeping

1. Please mute your microphone. 
2. We look forward to your feedback and questions. Use the 'Chat' function to ask any questions or comments throughout the session.
 - AEMO SMEs are on the call, who will attempt to respond in the chat. 
3. Key questions or comments will be addressed verbally in dedicated Q&A sections.
4. In attending this meeting, you are expected to:
 - Contribute constructively.
 - Be respectful, both on the call and in the chat. 

Participants are asked to familiarise themselves with AEMO's [Competition Law Meeting Protocol](#) as outlined in Appendix A and at AEMO's website.

Objectives of today's session



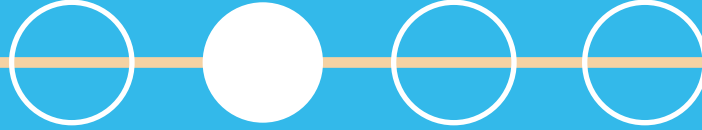
Agenda

#	Time (AEST)	Topic	Presenters
1	10:00 – 10:05AM	Welcome	Marcello Massi (AEMO)
2	10:05 – 10:20AM	Overview of the draft rule <ul style="list-style-type: none"> • Policy rationale and design • Q&A 	Philip Munro-Laylim (AEMC)
3	10:20 – 10:35AM	AEMO's proposed implementation approach	Ulrika Lindholm (AEMO)
4	10:35 – 11:10AM	High level implementation assessment: <ul style="list-style-type: none"> • Impacts to AEMO's processes & procedures • Impacts to AEMO's systems • Participant impact 	Cara Teoh (AEMO) Paul Carpenter (AEMO) Ulrika Lindholm (AEMO)
5	11:10 – 11:15AM	Next steps & how to get involved	Ulrika Lindholm (AEMO)
6	11:15 – 11:30AM	Q&A	Marcello Massi (AEMO)
7	11:30AM	Meeting close	Marcello Massi (AEMO)
		Reference information: <ul style="list-style-type: none"> • AEMC draft rule • AEMO draft high level implementation assessment 	
	Appendix A	AEMO Competition Law - meeting protocol	



"Please note that this meeting will be recorded by AEMO and may be accessed and used by AEMO for the purpose of compiling minutes. By attending the meeting, you consent to AEMO recording the meeting and using the record for this purpose. No other recording of the meeting is permitted"

2. Overview of draft rule

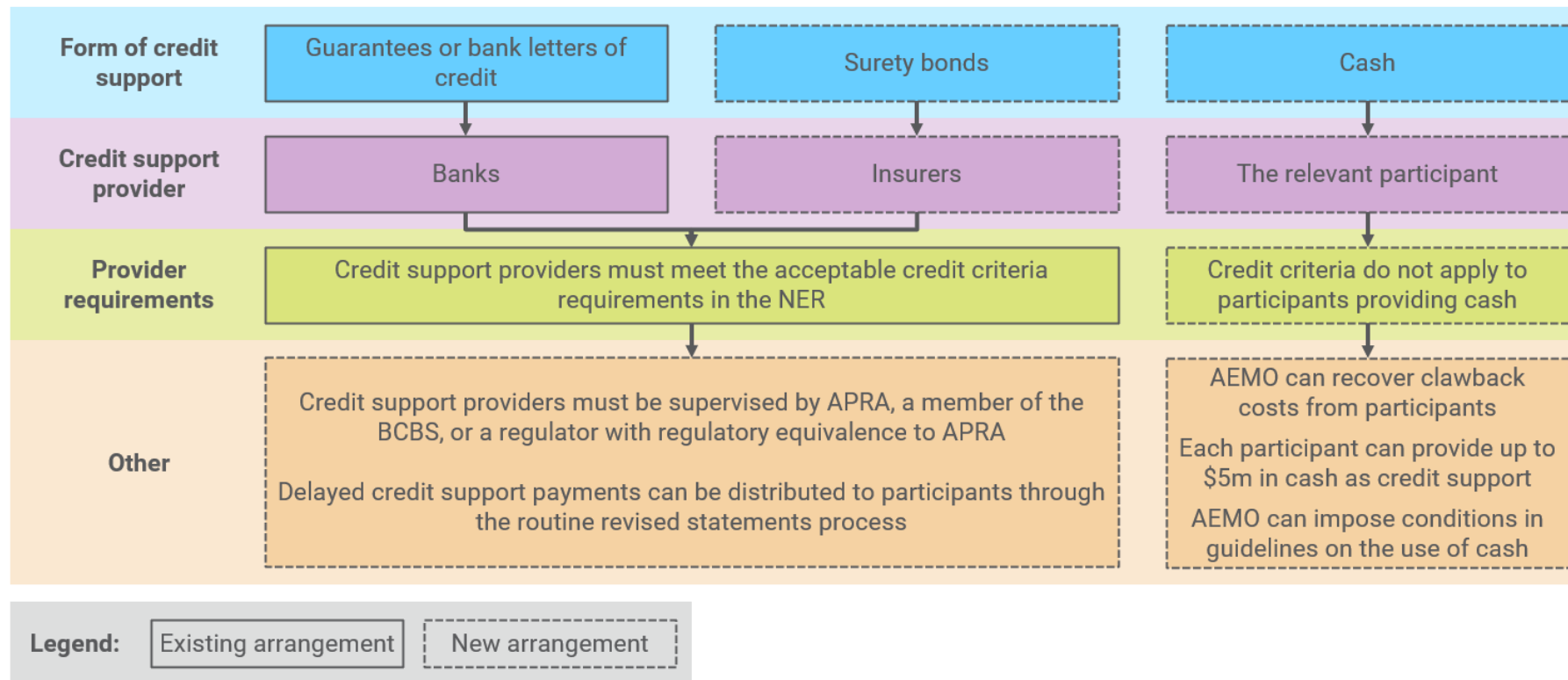


Overview of the draft determination

Our draft rule sought to increase optionality and flexibility

We have made a draft determination that would increase the available credit support options for participants in the NEM, which we consider would:

- allow participants to provide credit support at least cost for their individual circumstances
- reduce risks of triggering default events for participants
- not materially affect the strength of the credit support arrangements in the NEM.



We are seeking feedback on our draft determination

APRIL 2025						
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MAY 2025						
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JUNE 2025						
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Key dates

- 3 April:** Publication of draft determination
- 7 May 2025:** AEMO publication of draft HLIA
- 15 May 2025:** Submissions on draft determination due
- 26 June 2025:** Publication of final determination (subject to any extension)

Please contact the AEMC team if you are going to provide a late submission (i.e. after 15 May) to the draft determination.

3. AEMO's proposed implementation approach

Cash security – policy timeline

The AEMC made a Draft Determination on the '[Allowing AEMO to accept cash as credit support](#)' rule change on 3 April 2025. AEMO has published a draft HLIA to enable stakeholder input into policy design & implementation considerations. AEMO welcomes any stakeholder feedback on this draft HLIA by Wednesday 21 May 2025 to NEMReform@aemo.com.au.

STAGE	DATES	RESPONSIBLE
AEMC draft rule & determination published	Thu 3 April	AEMC
AEMO draft v0.1 HLIA published	Wed 7 May	AEMO
AEMO industry briefing on draft HLIA	Fri 9 May	AEMO
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AEMO to publish final HLIA	August 2025 (TBC)	AEMO

For more information visit:



nemreform@aemo.com.au



[AEMO | NEM Reform | Cash security](#)



[AEMC | Cash as credit support rule development](#)

Purpose of the High-level implementation assessment

WHAT IS THE PURPOSE OF AEMO'S HLIA PROCESS?

- Provides an indicative and preliminary view to participants on how the draft rule may be implemented by AEMO and its high-level impacts to:
 - AEMO's processes and market procedures
 - AEMO systems
 - Participant activities
- Intended to inform participants as they develop their own implementation impact assessments, as well as enable stakeholders in providing input into the AEMC's rule process.

WHAT ISN'T AEMO'S HLIA PROCESS?

- The HLIA does not seek to pre-empt the outcomes of the AEMC's rule change process.
- **The AEMC is the final decision maker on this rule.**

Refresher: Energy market body roles

Market body roles



Australian Energy Market Commission

Rule maker, market developer and expert adviser to governments

Protects consumers and achieves the right trade-off between cost, reliability and security.



Australian Energy Regulator

Economic regulation and rules compliance

Polices the system and monitors the market.



Australian Energy Market Operator

Electricity and gas systems and market operator

Works with industry to keep the lights on.

Cash as credit support HLIA

The HLIA assesses the implementation of Cash as Credit Support as three key implementation components:

- 1) **Cash as credit support** up to a limit of \$5 million per participant.
- 2) **Surety bonds**, including bringing forward settlement adjustments for repayment when surety bonds are unable to draw down in time for settlement.
- 3) **Expanding the APRA supervision requirement** to allow credit support providers who are regulated under BCSC or those who have regulatory equivalence at AEMO's discretion.



Primary focus of draft HLIA

- AEMO sees material uncertainty associated with the inclusion of these changes.
- Requires independent advice on risks and obligations.
- Additional engagement and information from credit support providers would likely be required.

Key concepts and terminology

Prudential framework is designed to ensure that participants that are owed money on settlement days have the confidence of receiving payment without delay, thus incentivising participation in the NEM.

Credit support: collateral to cover participants' operational exposure in the NEM e.g. bank guarantee.

Cash security: provision of cash as credit support (new draft NER 3.3.2A).

Participant Current Outstandings (PCO): total amount a participant is owing but not yet paid or settled.

Maximum Credit Limit (MCL): sum of the participant's outstandings limit and prudential margin. Participants are required to hold credit support at least up to their MCL.

This is a simplified view provided for context of this implementation discussion. Refer to applicable rules and procedures for more accurate information.

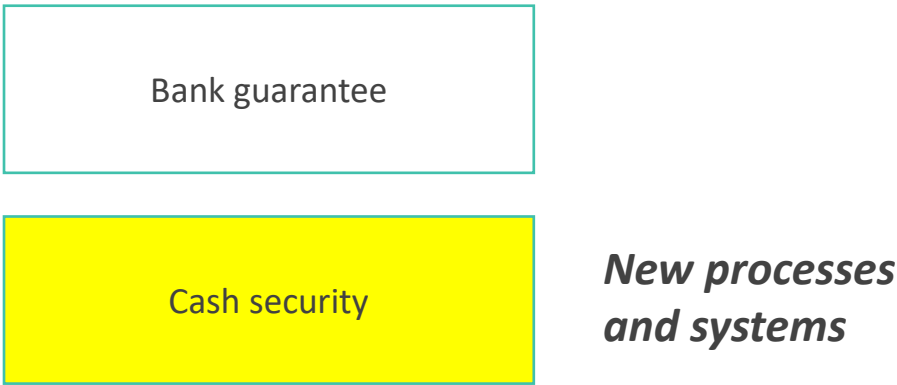
Shortfall mechanism: where there are insufficient funds to settle the market, AEMO decreases payments to creditors to enable settlement to proceed.

Liquidator clawback: In the event of participant default, a third party organisation recovers funds from AEMO that have already been used/ disbursed by AEMO to settle the market.

Cash security

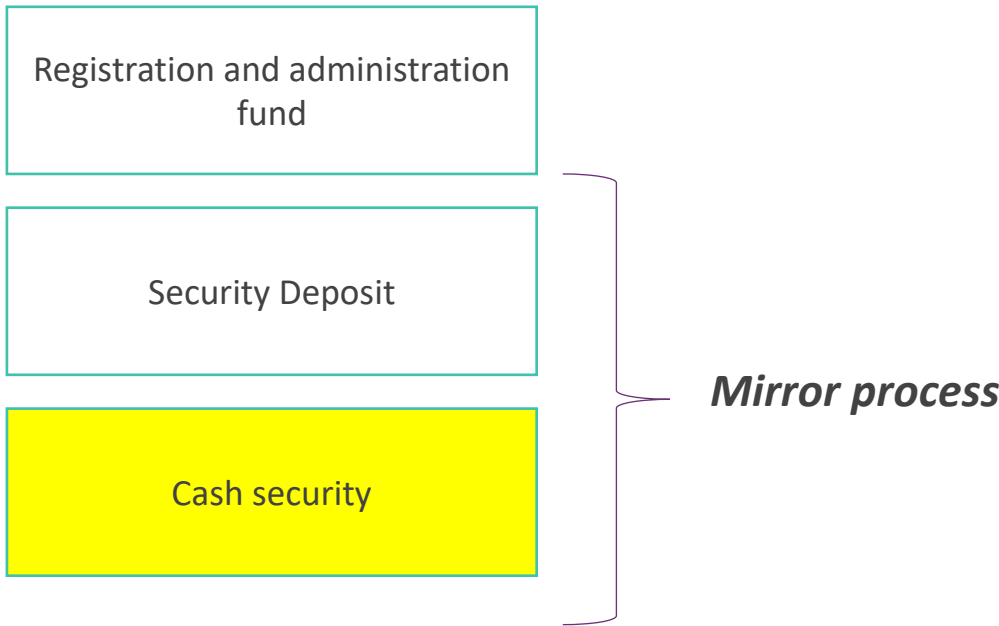
Cash security will be treated as a **new stream** of credit support.

Credit support held (NER 3.3.2)



Cash security will be held as an **additional** Rule Fund.

AEMO Rule Funds (NER 1.11)



Cash security

High level steps in managing cash security which informs AEMO's implementation assessment. Would be set out in the new cash security guidelines, see Section 4.

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

High level assessment

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 guidelines 	<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

Key call-outs:

- Cash security would operate as a separate stream to credit support held by AEMO
- Would be voluntary and on an opt-in basis for participants
- Consultation not required for new guidelines, but AEMO likely to do so
- Design depends on the way participants are likely to utilise this option - AEMO has assumed medium uptake.

Key impact summary

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 security process and procedure • Increased transactions between AEMO and participants 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 in the event of liquidator clawback from the market • Update data tables to include cash security
Billing	MEDIUM	<ul style="list-style-type: none"> • Payment of participants interest on cash security • System change 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

Implementation pathway

AEMO notes the value for participants in allowing cash security in a practical timeframe. AEMO is working through a recommendation for a delivery pathway, including engagement with stakeholders, and will update the HLIA when complete (estimated late May).

Key considerations:

- Draft rule sets out a 9 August 2026 commencement date (~13 months from final determination)
- Typical NEM Reform project ~18 months
- Heightened activity in Settlement and Prudentials over the next 2 years
- Low procedural overlap with Shortening the Settlements Cycle, and an SSC industry transition period until October 2026
- Assessment of level of automation required to manage operational efficiency and risk in prudentials area
- Low impact expected to participants' systems from the introduction of cash security.

Are there additional considerations that participants proposes that AEMO takes into account in its assessment of the delivery pathway?

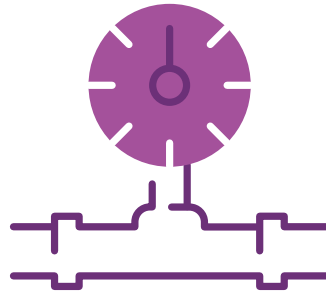
SEEKING FEEDBACK

Are there any additional assumptions or considerations that participants proposes that AEMO takes into account in its:

- implementation design, and/or
- assessment of the delivery pathway?

4. High level implementation assessment

Impacts to AEMO's procedures



Impacts to market procedures (1/2)

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
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

Minimal overlap anticipated in procedural updates with the Shortening the Settlements Cycle rule implementation as consultation for this project is scheduled to commence before the final Cash as Credit Support rule will be made.

Impacts to market procedures (2/2)

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, including:

- Participant process for providing cash security
- Process for the return of cash security
- 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.



MEDIUM
IMPACT

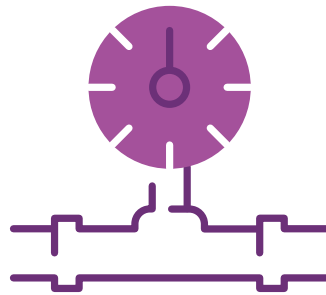
The cash security guidelines is on the critical path to be consulted on and published in advance of the requirements definition to support AEMO's and industry's implementation.

SEEKING FEEDBACK

Noting that the Electricity Wholesale Forum (EWCF) will be engaged to consider ongoing approach to document updates and creation:

- To what extent do you agree with the impact and impact ratings AEMO has identified for the identified procedures, guidelines and guides?
- What changes do you propose and why?

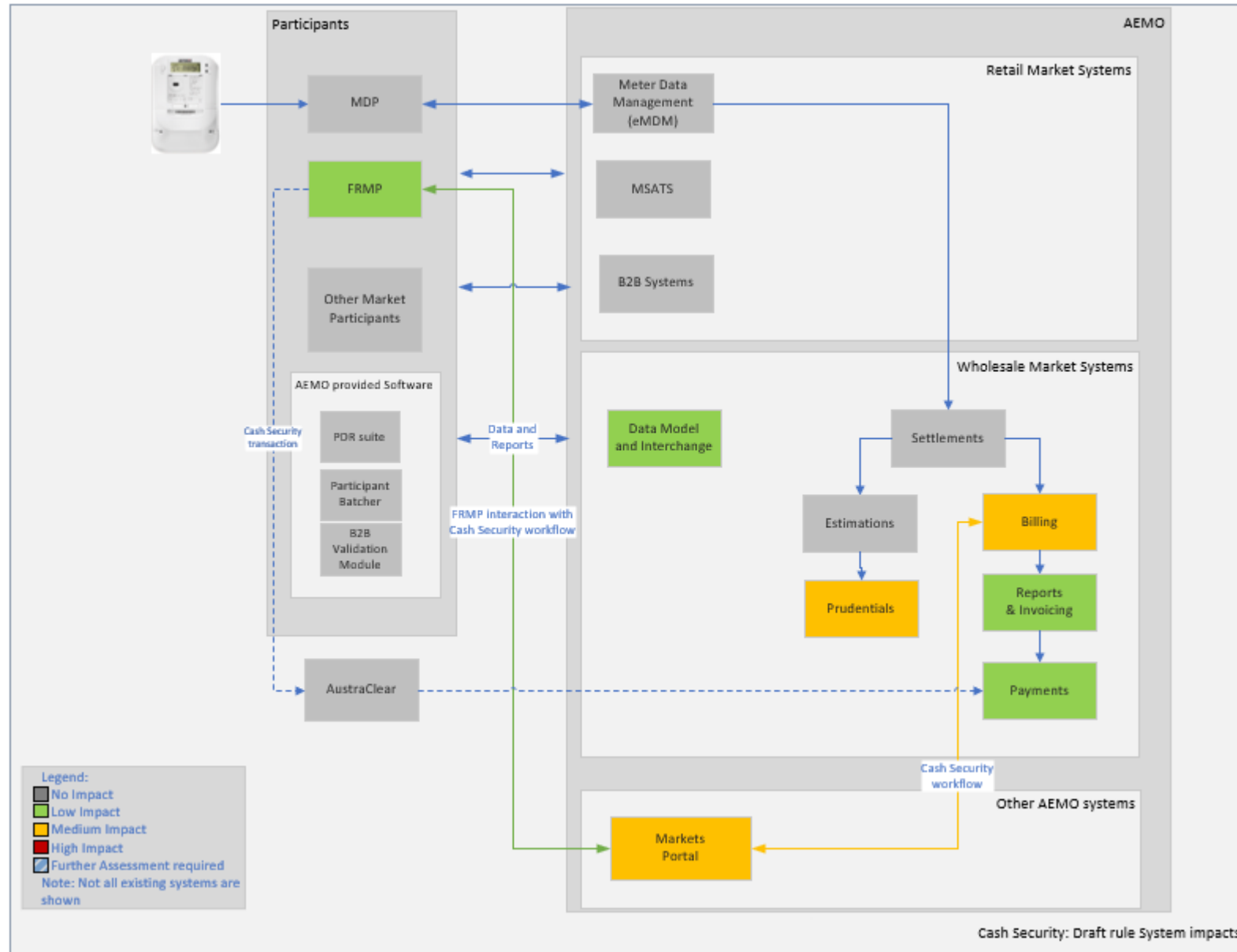
Impacts to AEMO's systems



System Impacts: Cash Security

AEMO System	Summary of impact	Systems Impact Rating
Settlements	<ul style="list-style-type: none"> PCO (Participant Current Outstandings) table(s) updated to include cash security Netting 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 security New screens for Prudential team to verify/approve cash security Transfer 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 settlements Interest 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 to identify the provision of cash security and to request returns and provide instructions Credit support dashboard updated to include Cash Security Note: Markets portal changes are not mandatory however will increase operational effectiveness and reduce operational risks. 	Medium

Cash Security: System Overview



SEEKING FEEDBACK

- To what extent have the potential impacts to AEMO systems from the draft rule been appropriately described?
- What changes do you propose and why?

Impacts to participants



Disclaimer

This presentation includes material outlining AEMO's interpretation of indicative impacts of national energy market (NEM) reforms to energy market systems and processes for energy industry participants, as at 9 May 2025.

The interpretations expressed in this presentation are not binding on AEMO. The interpretation of the impact of NEM reforms may change at any time.

Anyone participating or intending to participate in the NEM should obtain detailed advice about the application of the National Electricity Rules and applicable laws, procedures and policies to their specific circumstances.

To the maximum extent permitted by law, AEMO and its employees or consultants are not liable for any statements in, or omissions from, these materials, or for any use of or reliance on them.

Indicative participant impacts

STAKEHOLDER TYPE	INDICATIVE 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

Cash Security: Indicative industry readiness approach

NEM REFORM READINESS STRATEGY (ALL INITIATIVES)

INDICATIVE CASH SECURITY READINESS APPROACH

This readiness approach adopts the standard NEM Reform program framework

Initiative Readiness Criteria

Individual participant (or participant category) readiness is **NOT** a dependency for go-live.

Individual participant readiness approach ❌

AEMO readiness criteria ✅

- AEMO solution needs to be updated and tested
- AEMO business needs to be ready to operate
- AEMO IT support needs to be in place

Initiative Testing & Market Trial

Industry test strategy ✅

Test plans and coordination ✅

Participant Development Support

Tech Specification & Procedures ✅

Environment Availability ✅

Transition & Go-Live

Transition plan/s ❌

Deployment Go-live Plan/s ✅

Registration / Accreditation Plan ❌

Engagement Support

Support through forums & focus groups ✅

Educational material ✅

Mailbox & newsletter ✅

RISK & CONTINGENCY MANAGEMENT ✅

INITIATIVE READINESS REPORTING ✅ & GO-LIVE CRITERIA MANAGEMENT ✅

SEEKING FEEDBACK

- To what extent do you agree with the impact and impact ratings AEMO has identified? What changes do you propose and why?
- What additional participant impacts and challenges do you anticipate?
- What are your views on each of the elements of the indicative readiness approach?
- What are your current views on need for a separate participant development support environment?

5. Next steps & how to get involved

Next steps

AEMO is seeking feedback on its draft HLIA

- Please provide your feedback on the draft HLIA via nemreform@aemo.com.au by **Wednesday 21 May 2025**. Feedback on the draft HLIA will inform the final version.

STAGE	DATES	RESPONSIBLE
AEMC draft rule & determination published	Thu 3 April	AEMC
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AEMO intends to publish an update to its HLIA Implementation Pathway following further assessment of delivery options in the settlements and prudentials area

For more information visit:



nemreform@aemo.com.au




[AEMO | NEM Reform | Cash security](#)



[AEMC | Allowing AEMO to accept cash as credit support rule development](#)

NEM Reform Program Engagement

Forums	Forum focus 	Cadence	Approach
Executive Forum	Program overview and status update	3 per Year	Nomination
Reform Delivery Committee (RDC)	Long term implementation planning perspective	Quarterly	Nomination
Program Consultative Forum (PCF)	Inflight initiatives status & co-ordination	Monthly	Open
Implementation Forum	Implementation of reforms	Monthly	Open
Electricity Wholesale (EWCF) & Electricity Retail (ERCF) Consultative Forums	Procedures working groups	Monthly	Open
Industry Testing Working Group	Testing	Monthly	Open
Working Groups	Inflight	As appropriate	As appropriate



To learn more, please visit:

- [AEMO | NEM Reform Program Forums](#)
- [AEMO | NEM Reform Program Initiatives](#)
- [AEMO | Industry Meetings Calendar](#)
- or contact the program at NEMReform@aemo.com.au.

Subscribe to the NEM Reform Newsletter [here](#)

Focus / working groups for inflight initiatives include:

Initiative working groups
Market Integration Technology Enhancement WG (IDX/IDAM/PC)
Industry Testing Working Group (ITWG) – IT technical implementations

6. Q&A

7. Meeting close



For more information visit



NEMReform@aemo.com.au



[AEMO | NEM Reform initiatives | Cash Security](#)

Appendix A – AEMO Competition Law Meeting Protocol

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AEMO Competition Law - Meeting Protocol

AEMO is committed to complying with all applicable laws, including the Competition and Consumer Act 2010 (CCA). In any dealings with AEMO, all participants agree to adhere to the CCA at all times and to comply with appropriate protocols where required to do so.

AEMO has developed meeting protocols to support compliance with the CCA in working groups and other forums with energy stakeholders. Before attending, participants should confirm the application of the appropriate meeting protocol.

Please visit: <https://aemo.com.au/en/consultations/industry-forums-and-working-groups>