



**EnergyAustralia**

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Prudentials Department  
Australian Energy Market Operator

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**AEMO 2017, Credit Limit Procedures – Modelling Parameter and MNSP Prudential Requirement Changes, First Stage of Consultation, 29 November 2017**

EnergyAustralia is one of Australia's largest energy companies with over 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion dollar energy generation portfolio across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market (NEM).

We welcome the opportunity to provide further comment on the proposed changes to the Credit Limit Procedures. EnergyAustralia understand that AEMO are seeking to change the modelling parameters, in response to recent price increases, to ensure that the prudential standard is met in future years. EnergyAustralia support efforts to reduce credit risk in the market but consider that this approach may not be the most cost-effective solution for managing default risk during extreme high prices.

The proposed approach is likely increase credit limits, in the near term, to reflect the recent increase in average prices and higher price peaks that occurred in the previous year. Purchasing higher levels of credit support increases the cost base for retailers, which ultimately increases the cost of providing customers with energy. If credit support limits are set to cover extreme price peaks, the procurement of credit at this level throughout the year represents an over procurement of support requirements. This is inefficient and unnecessary and does not represent value for customers or the market.

EnergyAustralia suggest that AEMO consider reviewing the current approach taken to credit support requirements to identify the most economic and efficient ways of managing peak pricing risk incidences.

If you would like to discuss this submission, please contact Georgina Snelling on (03) 8628 1126.

Regards

Melinda Green  
Industry Regulation Leader