



Guide to AEMO credit support management

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Important notice

Purpose

AEMO has prepared this document to provide information about credit support management under the National Electricity Rules and the National Gas Rules, and is generally based on information available to AEMO as at April 2014 unless otherwise indicated.

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Abbreviations and special terms

Abbreviation	Explanation
AEMO	Australian Energy Market Operator
AEST	Australian Eastern Standard Time
DWGM	Declared Wholesale Gas Market in Victoria
EA	Exchange Agreement
GSH	Gas Supply Hub
MCL	Maximum Credit Limit
MIBB	Market Information Bulletin Board
MIS	Market Information System
NEM	National Electricity Market
NER	National Electricity Rules
NGR	National Gas Rules
STTM	Short Term Trading Marke

Term	Definition
Participant ID	Registered participant identifier
Rules	National Electricity Rules or National Gas Rules

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1. Introduction

1.1. Purpose and scope

Credit support is a critical component of the prudential framework in the wholesale electricity and gas markets operated by AEMO. This guide provides information about the obligations and processes relating to the management of credit support, and is provided to participants for the following purposes:

- Identify the market rules relating to credit support
- Summarise the obligations pertaining to credit support
- Provide information about the process for managing credit support
- Provide additional information and references

1.2. Summary

Credit support is an obligation in writing that Market Participants who do not meet the acceptable credit criteria must procure with a value not less than the current maximum credit limit amount determined by AEMO. The credit support must be provided by an acceptable credit support provider that meets the acceptable credit criteria, typically a bank. Credit support must be duly executed by the credit support provider, delivered unconditionally to AEMO and permit drawings or claims by AEMO to the stated amount.

Market Participants are responsible for ensuring prudential requirements are met as described in Chapter 3.3 of the NER and Part 19 Division 2, Part 20 Division 10, Part 22 of the NGR and in the Capacity Transfer And Auction Procedures.

1.3. How to use this guide

Use this guide to assist your understanding of the credit support management.

2. Market rules

2.1. Acceptable credit criteria

The NER and NGR define what AEMO considers the acceptable credit criteria and credit rating of a credit support provider. As at May 2022, AEMO was holding credit support provided by 23 different financial institutions. For further information on acceptable credit support providers please contact prudentials@aemo.com.au.

Table 1 Acceptable credit criteria and credit ratings

Market	Rules reference
NEM	NER 3.3.3, NER 3.3.4
DWGM	NGR Part 19, Division 2, Subdivision 7, 255
STTM	NGR Part 20, Division 10, Subdivision 3, 479
GSH	NGR Part 22, Exchange Agreement, Division 9, Subdivision 2

2.2. Form of credit support

The market rules stipulate that Market Participants must provide a guarantee in a form as prescribed by AEMO. The prescribed format is posted on the AEMO website:

<https://www.aemo.com.au/energy-systems/electricity/national-electricity-market-nem/market-operations/settlements-and-payments/prudentials-and-payments/procedures-and-guides>

The prescribed guarantee format has been designed for use in any of the NEM, DWGM, STTM and GSH markets and Capacity Auction. The relevant market is identified by selecting the appropriate Market and Rules checkbox in the Defined Terms and Details table of the guarantee. A guarantee must be assigned to one market only e.g. a NEM guarantee may only be used for the NEM.

If a participant is an auction participant in the Capacity Auction and also an exchange member in the Gas Supply Hub, amounts are jointly settled and the guarantee applies to payments under or in relation to the Exchange Agreement and the Capacity Auction Agreement.

It is important to note that the financial guarantee pro forma may be updated from time to time so always check for the latest version when preparing guarantees. Guarantees submitted to AEMO in the incorrect format may not be accepted. To avoid guarantee rejection and unnecessary delays, AEMO encourages all participants to submit a draft copy of all bank guarantees to prudentials@aemo.com.au prior to execution. AEMO will check the guarantee format and confirm whether the guarantee is acceptable and if not, detailed information of amendments required will be provided.

Table 2 Acceptable credit support format

Market	Rules reference
NEM	NER 3.3.2
DWGM	NGR Part 19, Division 2, Subdivision 7, 255
STTM	NGR Part 20, Division 10, Subdivision 3, 479
GSH	NGR Part 22, Exchange Agreement, Division 9, Subdivision 2

2.3. Amount of credit support

2.3.1. National Electricity Market (NEM)

NEM Market Participants must procure credit support with a value not less than the current Maximum Credit Limit (MCL). The MCL for all NEM Market Participants is reviewed approximately every three months and the results of the review are published in an official MCL letter that is sent to a participant nominated recipient. The credit limits methodology, review schedule and current average price information is published on the AEMO website:

<https://www.aemo.com.au/energy-systems/electricity/national-electricity-market-nem/market-operations/settlements-and-payments/prudentials-and-payments/maximum-credit-limit>

NEM Market Participants may view their current MCL on the AEMO Prudential Dashboard via the MMS web browser. Participants who do not have access to the Prudential Dashboard can contact the AEMO Help Desk to arrange access.

2.3.2. Declared Wholesale Gas Market (DWGM) & Short Term Trading Market (STTM)

Prior to the end of each financial year AEMO determines and provides written confirmation to each DWGM and STTM Market Participant of their minimum exposure. The minimum exposure is calculated as AEMO's reasonable estimate of the participant fees payable by the Market Participant to AEMO in respect of a billing period in the following financial year.

Unless exempted, Market Participants must procure credit support not less than the value of the current minimum exposure. DWGM and STTM Market Participants must ensure that the amount of credit support lodged with AEMO never falls below their minimum exposure amount. Market Participants may monitor their current minimum exposure by reviewing daily MIS and MIBB Reports. For MIS and MIBB Report access, contact the AEMO Help Desk.

Table 3 Amount of credit support in NEM, DWGM and STTM

Market	Rules reference
NEM	NER 3.3.5
DWGM	NGR Part 19, Division 2, Subdivision 7, 256
STTM	NGR Part 20, Division 10, Subdivision 3, 480

2.3.3. Gas Supply Hub (GSH) and Capacity Auction

Market Participants and Auction Participants must provide and at all times maintain Credit Support for the amount and forward period required to ensure that its Trading Margin does not fall below zero.

Unlike other markets, AEMO does not set a minimum credit support level for Market Participants in GSH or Auction Participants in the Capacity Auction. Market Participants and Auction Participants will have the discretion to manage and provide credit support to levels appropriate based on their trading volume and reallocations.

Table 4 Amount of credit support in GSH

Market	Rules reference
GSH	NGR Part 22, Exchange Agreement, Division 9, Subdivision 9,4,2
Capacity Auction	Capacity Transfer and Auction Procedures, Auction Agreement standard terms A.6.2

2.4. Prudential dashboard

The Prudential Dashboard is a useful tool that features participant outstandings, security deposit and reallocation information that will assist with the daily monitoring and management of Prudentials.

Information regarding the Prudential Dashboard is published on the AEMO website: <https://aemo.com.au/energy-systems/electricity/national-electricity-market-nem/market-operations/settlements-and-payments/prudentials-and-payments/prudential-dashboard>

2.5. Replacing credit support

All Market Participants are responsible for the monitoring of credit support and replacement of expiring credit support. Any queries relating to the status of your current credit support may be sent to prudentials@aemo.com.au.

Expiring credit support must be replaced at least 10 business days prior to the date of expiry, excluding GSH and capacity auction. It is the full responsibility of all Market Participants to monitor and replace expiring credit support.

The GSH exchange agreement and auction agreement terms require the Participant to replace Credit Support within 24 hours of becoming aware that its existing Credit Support ceases to meet all the requirements of the exchange agreement or auction agreement terms (as applicable).

Table 5 Monitoring of expiring credit support

Market	Rules reference
NEM	NER 3.3.6
DWGM	NGR Part 19, Division 2, Subdivision 7, 257
STTM	NGR Part 20, Division 10, Subdivision 3, 481
GSH	NGR Part 22, Exchange Agreement, Clause 9
Capacity Auction	Capacity Transfer and Auction Procedures, Auction Agreement standard terms A.6

2.5.1. National Electricity Market (NEM)

To assist with monitoring of credit support, NEM participants are strongly encouraged to use the Credit Support Webpage, see 3.6. Credit support must be replaced at least 10 business days prior to expiry. The term 'business days' is defined in the NER.

2.5.2. Declared Wholesale Gas Market (DWGM) & Short Term Trading Market (STTM)

Credit Support must be replaced at least 10 business days prior to expiry. The term 'business days' is defined in the National Gas Law.

2.5.3. Gas Supply Hub (GSH) and Capacity Auction

Credit Support having an expiry date of less than 10 business days from the current date will be disregarded in calculating the Trading Limit of a Participant. The term business days is defined in the National Gas Law.

3. Credit support procedure

Co-ordination of guarantees can be a difficult task that may be simplified with careful planning and open communication with your chosen financial institution and AEMO. This procedure is for Market Participants who are providing a new guarantee, replacing an existing guarantee, terminating an active guarantee or some or all of these options.

3.1. Providing new credit support

Market Participants are encouraged to use the Credit Support Checklist in Appendix 1 when arranging new guarantees and to allow sufficient preparation time. Most financial institutions have a required minimum set amount of time to prepare, execute and deliver a guarantee.

3.2. Guarantee exchange

To exchange a guarantee, Market Participants must organise a replacement guarantee with a financial institution and, if required, make a request to AEMO for the existing guarantee to be sent to the nominated AEMO office location. AEMO will arrange for a staff member to facilitate the exchange at the AEMO office on a date and time suitable to both parties. AEMO will only release the existing guarantee once the new guarantee has been checked and accepted. Please remember to allow some waiting time for checking of the new guarantee.

Please note: Due to staff coordination and guarantee transportation time, reasonable notice is required to organise an exchange.

3.3. Termination of active credit support

If a participant requests the return of credit support that is not yet expired, providing that after return of the guarantee AEMO would be holding the acceptable amount of credit support, AEMO will return the guarantee to the financial institution to the contact and address as advised by the participant or the guarantee may be collected from AEMO by the bank.

Upon request from the financial institution, AEMO will provide the financial institution a written termination notice of the guarantee. The guarantee termination notice and the guarantee will be sent directly to the financial institution or the financial institution may collect the documents from AEMO. To avoid unnecessary delays in the return of an active guarantee with a termination notice, Market Participants should provide AEMO with as much notice as possible.

3.4. Expired credit support

All expired credit support will be returned by AEMO directly to the financial institution. When a guarantee has expired, AEMO will make a request to the participant to provide a contact name and address for delivery.

3.5. Delivery of credit support

Credit support may be delivered in person, by courier or post to any of the AEMO offices. If delivering by post it is strongly recommended that a tracked postal service be used and additional time allowed for any delays that may occur. There is no allowance or consideration for a late guarantee even if it is outside the control of the participant. It is the full responsibility of a participant to ensure that a guarantee is delivered on the specified due date and time and failure to do so is considered a default event.

Where credit support is required to satisfy a Rules obligation such as participant minimum exposure or MCL, the guarantee must be delivered according to the following times:

Table 6 Credit support delivery timeline

Expiring credit support		New credit support
NEM	No later than 10.30am, 10 business days prior to expiry date	No later than 10.30am on effective date of MCL
DWGM	By close of business, 10 business days prior to expiry date	By close of business on the business day prior to effective date of minimum exposure
STTM	By close of business 10 business days prior to expiry date	By close of business on the business day prior to effective date of minimum exposure
GSH	Credit Support having an expiry date of less than 10 business days from the date of calculation of the Market Participants Trading Limit will be disregarded in calculating the Trading Limit. The term business days is defined in the National Gas Law.	
Capacity Auction	Credit Support having an expiry date less than 10 business days from the date of calculation of the Auction Participants Trading Limit will be disregarded in calculating the Trading Limit. The term business days is defined in the National Gas Law.	

Notes:

1. All times listed in this table are based on Sydney local time.
2. Business days is as defined in the relevant rules for the market.

3.6. Credit support webpage (NEM only)

The Credit Support Webpage is a web-based interface in the MMS web browser (via Prudential Dashboard) that allows NEM Market Participants to view their credit support status. There is a useful scenario builder tool for participants intended to be used to safely test plans to replace, reduce or increase guarantee levels and if those plans will comply with the NEM Rules. If an MCL is increased as a result of an MCL review, the scenario builder features upcoming events, including if the current credit support amount will satisfy the new MCL. The Credit Support Webpage Manual is on the AEMO website:

<https://aemo.com.au/energy-systems/electricity/national-electricity-market-nem/market-operations/settlements-and-payments/prudentials-and-payments/procedures-and-guides>

4. Contacts

The following contacts should be used for issues relating to credit support:

Table 7 AEMO contacts

Issue	Who can help	Contact details
Credit support enquiry	Clearing and Prudentials	prudentials@aemo.com.au
IT enquiry or problem	AEMO Support Hub	1300 236 600 support.hub@aemo.com.au

5. References

The resources listed in this section contain additional related information that may assist you.

- AEMO Information and Support Hub: phone: 1300 236 600, and follow the prompts; email: supporthub@aemo.com.au.
- National Gas Rules (NGR) and National Electricity Rules (NER): see the Australian Energy Market Commission (AEMC) website <http://www.aemc.gov.au>.

5.1. AEMO's website

You can find the following documents on AEMO's website:

- "Exchange Agreement", <https://aemo.com.au/energy-systems/gas/gas-supply-hub-gsh/exchange-agreement-and-guides>
- "Capacity Transfer and Auction Procedures", <https://www.aemo.com.au/-/media/files/gas/pipeline-capacity/capacity-transfer-and-auction-procedures.pdf?la=en>

It is important to ensure that you are reading the current version of any document.

Appendix A. Credit support checklist

- Is the Credit Support Provider acceptable? If unsure, contact AEMO prudentials@aemo.com.au
- Download the most recent version of the AEMO Financial Guarantee Pro Forma from the AEMO website: <https://aemo.com.au/energy-systems/electricity/national-electricity-market-nem/market-operations/settlements-and-payments/prudentials-and-payments/procedures-and-guides>
- If replacing an expiring guarantee, make sure the effective date of the new guarantee is in alignment with the expiration date of the existing guarantee
- If exchanging a guarantee, make sure the effective date of the new guarantee is the date the exchange is taking place
- Does the guarantee amount comply with your MCL or Minimum Exposure?
- Have your financial institution prepare a draft of the guarantee and email to prudentials@aemo.com.au for review and approval.

Version release history

Version	Effective date	Summary of changes
3.0	28 September 2022	Updated to new format, removed maximum period references as no longer referenced in the bank guarantee
2.0	16 April 2014	First Issue