



# Cash Security Guidelines

**Prepared by:** AEMO Operations

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**Approved for distribution and use by:**

**Approved by:** Michael Gatt

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**Title:** Executive General Manager Operations

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## Current version release details

Version	Effective date	Summary of changes
1.0	1 November 2026	Initial version

**Note: There is a full version history at the end of this document.**

# 1. Introduction

## 1.1. Purpose and scope

The Cash Security Guidelines (**Guidelines**) have been developed and published in accordance with National Electricity Rules (**NER**) 3.3.2A(c). The Guidelines set out the terms and conditions applicable to, and AEMO's procedural requirements for *cash security* provided as *credit support* in the National Electricity Market (**NEM**). These Guidelines describe:

- how AEMO accepts, maintains, applies and returns *cash security* in accordance with the NER and this Guideline,
- the conditions under which *cash security* may or may not be accepted, including the application and methodology relating to the Cash Security Limit (**CSL**),
- how interest is treated, and
- the process a *Market Participant* must follow to request the withdrawal and return of *cash security*.

*Cash security* is accepted and managed by AEMO as *credit support* under the NER. AEMO is exempt from the requirement to hold an Australian Financial Services License (AFSL) under the *Corporations Act 2001* (Cth) in respect to its management of *cash security* under the NER.

## 1.2. Definitions and interpretation

### 1.2.1. Glossary

Terms defined in the National Electricity Law (**NEL**) or the NER have the same meanings in this Guideline unless otherwise specified in the clause. Terms defined in the NER are intended to be identified in this Guideline by italicising them, but failure to italicise a defined term does not affect its meaning. In addition, the words, phrases and abbreviations in the table below have the meanings set out opposite them when used in this Guideline.

Term	Definition
<i>ABS</i>	Australian Bureau of Statistics
<i>AFSL</i>	Australian Financial Services License
<i>AUD</i>	Australian dollar
<i>cash security</i>	A cash deposit provided by a Market Participant to AEMO and accepted by AEMO under clause 3.3.2A(a).
<i>CLP</i>	Credit Limit Procedures
<i>CPI</i>	Consumer Price Index
<i>CSL</i>	Cash Security Limit
<i>MCL</i>	Maximum credit limit means the minimum amount of credit support a Market Participant must provide to AEMO for the relevant credit period, as determined by AEMO in accordance with clause 3.3.8.
<i>NEL</i>	National Electricity Law
<i>NEM</i>	National Electricity Market
<i>NER</i>	National Electricity Rules

## 1.2.2. Interpretation

This Guideline is subject to the principles of interpretation set out in Schedule 2 of the NEL.

## 2. Overview of cash security

*Cash security* is a form of *credit support* under the NER<sup>1</sup>. A *Market Participant* provides *cash security* when it provides a cash deposit to AEMO that is accepted by AEMO under NER 3.3.2A. *Cash security* provided as *credit support* enables AEMO to manage prudential and settlement default risk and may be used by AEMO in accordance with the NER and subject to the conditions set out in these Guidelines.

- (a) A *Market Participant* may provide *cash security* to AEMO at any time to contribute to its prudential position under the NER, subject to the acceptance limits and conditions set out in these Guidelines.
- (b) *Cash security* provided as *credit support* must be provided to AEMO in accordance with the procedural requirements set out in these Guidelines.
- (c) AEMO must not accept *cash security* to the extent that the balance of *cash security* held by AEMO in the *cash security fund* for a *Market Participant* would exceed the cash security limit (CSL)<sup>2</sup>.
- (d) *Cash security* provided to AEMO as *credit support* must be, and must remain, unencumbered in accordance with NER 3.3.2A(d).
- (e) *Cash security* contributes to a *Market Participant's* prudential position under the NER. *Cash security* may be provided by a *Market Participant* to meet, or reduce the need for, other forms of *credit support*, subject to the CSL.

### 2.1. Role within prudential framework

A *Market Participant* may provide multiple forms of *credit support* to meet their obligations. For example, a *Market Participant* could provide *cash security* as the sole form of *credit support*, or they may provide a combination of *cash security* and another form of *credit support* such as a bank guarantee<sup>3</sup>.

- (a) Under NER 3.3.5, a *Market Participant* that does not meet the *acceptable credit criteria* must provide (and maintain) current and valid *credit support* that is not less than their current *Maximum Credit Limit (MCL)*. A *Market Participant's* MCL is the minimum amount of *credit support* a *Market Participant* must provide to AEMO for the relevant credit period, as determined by AEMO in accordance with NER 3.3.8.
- (b) AEMO must maintain *cash security* in the *cash security fund*, consistent with procedural controls under NER 3.3.2A and in accordance with NER 1.11.
- (c) These Guidelines do not alter a *Market Participant's* obligations under the NER or other AEMO prudential procedures. Where *cash security* is provided, these Guidelines set out the terms and

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<sup>1</sup> NER 3.3.2

<sup>2</sup> NER 3.3.2A(a)

<sup>3</sup> A guarantee or bank letter of credit must be provided in the form prescribed by AEMO in accordance with NER 3.3.2(b).

conditions applicable to, and AEMO's procedural requirements for the provided *cash security*, including in relation to its acceptance, holding, application, and return.

## 3. Cash requirements and conditions

### 3.1. Acceptance and non-acceptance requirements

- (a) In accordance with NER 3.3.2A(a), AEMO must accept *cash security* where the provision of it complies with these Guidelines, except where doing so would cause the *Market Participant's* balance in the *cash security* fund to exceed the CSL. These monies are held and may only be used by AEMO in accordance with the NER and are subject to a first-ranking charge in favour of AEMO securing payment of any money actually or contingently owing by the *Market Participant* to AEMO pursuant to the NER.
- (b) In accordance with NER 3.3.2A(b), AEMO must not accept *cash security* to the extent that acceptance would cause the balance of *cash security* held for the *Market Participant* in the *cash security fund* to exceed the CSL, excluding any amount accruing for payment to the *Market Participant* under NER 3.3.13B(c).

### 3.2. Cash security provision requirements

- (a) *Cash security* provided to AEMO as *credit support* must not be, and must not become, subject to any security interest, trust, or other proprietary interest<sup>4</sup>, other than in favour of AEMO while it is held by AEMO<sup>5</sup>.
- (b) A *Market Participant* must inform AEMO of its intention to provide *cash security* through AEMO's Cash Dashboard through the provision of cash instructions<sup>6</sup>. AEMO will keep records of a *Market Participant's* cash instructions and *cash security* through AEMO's Cash Dashboard.<sup>7</sup>
- (c) An applicant who intends to provide *cash security* as a form of *credit support* during the NEM *Market Participant* registration process must do so by sending an email to [prudentials@aemo.com.au](mailto:prudentials@aemo.com.au) using the [Cash security registration provision template](#).
- (d) Subject to clause 3.2(g), Monies provided to AEMO for *cash security* purposes, must be provided in AUD and cleared through AEMO's nominated EFT facility, Austraclear, in accordance with instructions either submitted through the Cash Dashboard<sup>8</sup> or submitted to AEMO under clause 3.2(c).
- (e) Where a *cash security* provision instruction is misdirected or incorrectly referenced, AEMO may delay acceptance until the deposit is validated and matched to the *Market Participant* or applicant.

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<sup>4</sup> Whether legal, equitable or statutory

<sup>5</sup> NER 3.3.2A(d)

<sup>6</sup> Cash instructions are submitted on the Cash Dashboard to provide *cash security*, security deposits or prepayments to AEMO. Cash instructions are also used to provide instructions for maturing security deposits and prepayments prior to publication of final statements.

<sup>7</sup> The Cash Dashboard is the interface on the Markets Portal that allows *Market Participants* to submit cash instructions to AEMO.

<sup>8</sup> *Cash security* may only be received during Austraclear operating hours. *Market Participants* should ensure sufficient time is allowed for transaction processing.

- (f) Monies provided to AEMO by an applicant for *cash security* purposes in accordance with clause 3.2(c), will only be treated as *cash security* from the day the applicant is registered by AEMO as a *Market Participant*.
- (g) Subject to clause 3.1(b), a *Market Participant* may make a written request via the Cash Dashboard that a security deposit or part of a security deposit no longer be treated as a security deposit and be reassigned as *cash security* to be held in the *cash security fund*<sup>9</sup>. The nominated security deposit amount will only be reassigned as *cash security* on the settlement day of the maturing *billing period* of the security deposit.

### 3.3. Returning existing cash security

- (a) In accordance with NER 3.3.13B(a)(2), the return of *cash security* to a *Market Participant* is subject to deductions for any liabilities and expenses of the *cash security fund*, and where AEMO reasonably considers that the *Market Participant* will not owe any money to AEMO in the future.
- (b) Subject to clauses 3.3(a) and 3.3(e), AEMO must return any credit balance in the *cash security fund* if a *Market Participant* leaves or intends to leave the market.
- (c) A *Market Participant* may make a written request via the Cash Dashboard that its *cash security* (or part of its *cash security*) no longer be treated as *cash security* and be reassigned as a security deposit to be held in the security deposit fund<sup>10</sup>. When reassigned, the amount is treated as returned *cash security* and is removed from the *Market Participant's credit support* held by AEMO. *Cash security* can only be reassigned where the remaining *credit support* (post-reassignment) held by AEMO will not be less than the *Market Participant's MCL* as per NER 3.3.13B(b).
- (d) The security deposit must be assigned a maturity *billing period* and, thereafter, will be managed in accordance with AEMO security deposit arrangements.
- (e) AEMO may choose to return a *cash security* credit balance or part of a credit balance where a *default event* has occurred in relation to a *Market Participant* and AEMO considers the remaining credit balance sufficient to meet the *Market Participants' expected liabilities*.

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<sup>9</sup> Under NER 3.3.2A

<sup>10</sup> Under NER 3.3.8A

## 4. Management of cash security

### 4.1. Interest and reporting

AEMO manages interest earned on *cash security* in the *cash security fund* in accordance with the NER and these Guidelines.

- (a) AEMO will maintain and allocate interest balances at a *Market Participant* level.
- (b) Any interest earned on *cash security* is not compounding and is paid out weekly through the NEM Settlement. The interest amount is included in the *NEM final statement* for applicable *billing periods*.
- (c) Monies provided to AEMO by an applicant for *cash security* purposes, will not accrue interest until the applicant is registered as a *Market Participant*.

### 4.2. Cash security limit framework

The CSL is the maximum total balance of *cash security* AEMO may hold for a *Market Participant* for a financial year<sup>11</sup>:

- (a) The CSL for the 2026-2027 *financial year* is \$20 million<sup>12</sup>.
- (b) For each following *financial year*, the CSL is the dollar amount calculated by AEMO in accordance with NER 3.3.2A(h).
- (c) Commencing 2027, AEMO will calculate the CSL to apply from 1 July of that year and will publish the calculation on its website by 28 February each year<sup>13</sup>.

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<sup>11</sup> NER 3.1.1A

<sup>12</sup> NER 3.3.2A(f)

<sup>13</sup> NER 3.3.2A(g)

## 5. Annual CSL calculation

### 5.1. Formula

AEMO is required to calculate the CSL in accordance with the formula provided in the NER as set out below<sup>14</sup>. The CSL is indexed using Australian Bureau of Statistics (ABS) Consumer Price Index (CPI). If the CPI series is discontinued or substantially changed, AEMO may adopt an index it considers suitable<sup>15</sup>.

AEMO must (subject to the matters set out in section 5.2 of these Guidelines) calculate the CSL for each *financial year* using the formula<sup>16</sup>:

$$CSL^x = BV^{CSL} \times \frac{(Q_1^c + Q_2^c + Q_3^c + Q_4^c)}{(Q_1^b + Q_2^b + Q_3^b + Q_4^b)}$$

Where:

*CSL* is the CSL in dollars;

*x* is the *financial year*;

*BV<sup>CSL</sup>* is \$20 million (being the value of the CSL prior to 1 July 2027);

*Q*<sub>1</sub> to *Q*<sub>4</sub> are the values of the All groups, Australia CPI found at Index Numbers, All groups, Australia, in Tables 1 and 2 of the CPI, Australia published by the ABS for the relevant quarter, except where that index ceases to be published or is substantially changed, in which case the index will be such other index as is determined by AEMO as suitable;

*c* is the calendar year commencing 18 months before the start of year *x*; and

*b* is calendar year 2025.

### 5.2. Rounding and non-reduction

If the CSL calculated by AEMO is:

- (a) not in whole hundreds of dollars, the CSL for year *x* will be the value rounded to the nearest \$100; and
- (b) less than the CSL applied for the preceding *financial year* (year *x* – 1), the CSL for year *x* will be set at the prior year's value.

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<sup>14</sup> NER 3.3.2A(h)

<sup>15</sup> NER 3.3.2A(h)

<sup>16</sup> NER 3.3.2A(h)

## Appendix A. Cash security registration provision template

The following email template is for applicants going through AEMO’s registration process to become a registered *Market Participant* in the *NEM* and who wish to provide monies for the purpose of *cash security* as a form of credit support.

**To:** [Prudentials@aemo.com.au](mailto:Prudentials@aemo.com.au)

**Subject:** NEM Provision of Cash Security to AEMO for Registration

Dear AEMO Prudentials,

An amount of <\$N,NNN,NNN.NN> will be provided by <COMPANY NAME>, ABN <ABN> on <DD/MM/YYYY> with the monies to be treated as Cash Security as per NER 3.3.2A after <COMPANY NAME> is registered as a Market Participant under NER 2.1.

<COMPANY NAME> acknowledges that there will be no interest earned or paid on the monies prior to the effective date of registration of <COMPANY NAME> as a Market Participant in the NEM.

Your sincerely,

<PARTICIPANT STAFF MEMBER NAME>

<POSITION TITLE>

<CONTACT NUMBER>

# Version release history

Version	Effective Date	Summary of Changes
1.0	1 November 2026	Initial version