

Security Requirements for Large Customer Connections



Part of Energy Queensland

Version: 10 March 2026

Purpose

Ergon Energy Corporation Limited (Ergon Energy Network) and Energex Limited (Energex) are subsidiaries of Energy Queensland, a Queensland Government-owned corporation and, accordingly, have a responsibility to employ sound financial practices.

For the purposes of this document, Distribution Network Service Provider (DNSP) refers to either Ergon Energy Network or Energex.

The carrying out of works by a DNSP to enable Large Customers (as defined in our Connections Policy) to connect to its Distribution Network, and the supply of connection services through relevant infrastructure, may result in a financial risk to the DNSP if these costs are not managed appropriately.

To minimise such risk, the DNSP may request financial security (referred to as collateral) from Large Customers in respect of such transactions.

Which organisations may be required to provide collateral?

All organisations that are proposed to be counterparties to our large customer Negotiated Connection Establishment Contracts or Negotiated Ongoing Connection Contracts (each referred to in this document as a “contract”) are required to undergo a Credit Assessment. Organisations that are unrated and non-investment grade companies (as determined by Standard & Poor’s, Moody’s or Fitch rating agencies), may be required to provide collateral.

Acceptable forms of collateral

A DNSP will normally accept collateral to secure credit risk exposure in the form of cash deposits, bank guarantees, parent guarantees, surety bonds or letters of credit to the satisfaction of the DNSP.

Assessment of collateral

For a collateral to be acceptable, all of the following criteria must be met:

Payee Details: They must be made payable to the relevant DNSP contracting entity and include the corresponding Australian Business Number (ABN), for example:

- *Ergon Energy Corporation Limited — ABN 50 087 646 062*
- *Energex Limited — ABN 40 078 849 055*

Institution Requirements: The financial institution or insurance company must:

- Have offices or representation within Australia and be directly assessable by the DNSP.
- Hold a public rating of at least **BBB+** or equivalent, as rated by **Standard & Poor’s, Moody’s, or Fitch**.

Instrument Conditions:

- The bank guarantee or surety bond must state that it is **unconditional and payable on demand**.
- The expiry date or issue period must be sufficient to cover the relevant contract period and the term for which the credit risk will exist.
- The company names and ABNs on the instrument must be accurate.
- The original instrument, fully executed by the financial institution or insurance company, must be provided to the relevant DNSP.

Security types appropriate to Construction Contracts

| Security Type | When Required |
|---------------------------|--|
| Security for Defects | To cover estimated costs that may be incurred by us in rectifying any transferable asset defects identified during the defects rectification period. |
| Security for Unused Works | To cover the costs of removing any assets that we have installed and any costs under the contract if terminated before commissioning. |

Security types appropriate to Connection Contracts

| Security Type | When Required |
|------------------------------|--|
| Security for Future Revenue | To secure recovery of estimated future revenue for works linked to the distribution system if circumstances prevent recovery through network charges (e.g., connection does not occur or is too short to allow recovery). |
| Security for Damage | To cover potential costs, losses, or damage that may occur if assets on the customer's side of the connection point interfere with the effective performance of, or cause damage to, the distribution system; |
| Security for Network Charges | To cover unpaid network charges when the DNSP invoices the Large Customer directly, rather than through a retailer. |
| Security for Stranded assets | To cover the costs of removing any stranded assets and the costs of carrying out any necessary or desirable ancillary works (including, where relevant, restoring or making good the distribution system so that it can operate without those assets in place and (at our election) the disposal or recovery for re-use of these assets), where this contract is terminated. |

For further information

Large Customers may contact their Project Sponsor to obtain further specific information.