

Long-term Energy Service Agreement design update

The Long-term Energy Service Agreement Design consultation paper (the Consultation Paper) was released in August 2021 by the NSW Department of Planning, Industry and Environment (the department), on behalf of AEMO Services as the NSW Consumer Trustee. The Consultation Paper outlined the proposed design concepts and structural elements of long-term energy service agreements (LTESAs) for eligible generation and long duration storage infrastructure.

Valuable feedback from various forums as well as insights from written submissions informed AEMO Services in refining the proposed LTESA design concepts. The [draft LTESA term sheets](#) now published on the AEMO Services website outline the LTESA design in detail and incorporate insights from the consultation period.

The term sheets incorporate the refinements following the consultation period, some key changes compared to the design concepts published in the paper include:

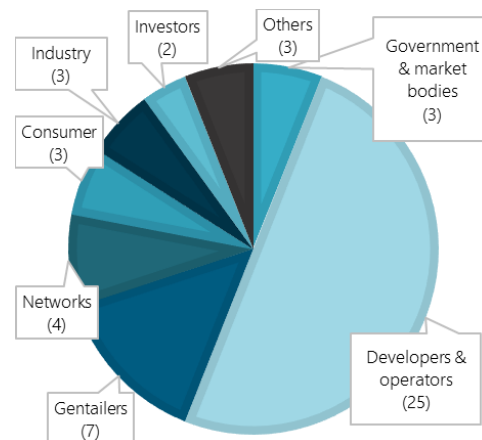
- **Removal of financial close price adjustment and upside sharing on disposal** - the financial close price adjustment mechanism and term 'upside sharing on disposal' was removed to simplify contracting as the market begins to learn about LTESAs and their value.
- **Option period retained but exercise may be provided annually** - AEMO Services is considering providing LTES operators with the ability to exercise their option annually, but once exercised, the exercised option period is still 2 years. Option period start dates are in line with financial years to better align with the wholesale contracts market.
- **Escalation for long-duration storage** - the draft long-duration storage LTESA has been updated to include escalation, noting the length of contract term.
- **Allowing contracting between vertically integrated entities** - eligible contracts that offset potential repayments in the generation LTESA will include those used across related parties, subject to an anti-avoidance mechanism.
- **Contractual shape** – evaluation of a default contractual shape is continuing and is subject to consideration and decision by the AEMO Services Board. AEMO Services may permit proponents to bid against one or more of the three structures outlined in the draft term sheets, or some variation on these three structures. Where AEMO Services allows bidders to bid against multiple structure, the Tender Guidelines will outline how these will be compared and evaluated.

Approximately 1,500 stakeholders sent an email releasing the Consultation Paper.

50 written submissions were received, representing a broad range of developers, project operators and investors in the NSW electricity market as well as consumer representatives, and government and market institutions.

Outside of the formal submissions process, the Department of Planning, Industry and Environment undertook extensive targeted consultation.

Figure 1 represents the number of submissions by stakeholder group



Next Steps

AEMO Services is committed to maintaining an open and ongoing dialogue with our stakeholders. We welcome your feedback and comments on the draft term sheets, which can be provided to stakeholderengagement@aemoservices.com.au with 'Your Name – LTESA terms sheets' in the subject line. The term sheets are subject to final approval by the AEMO Services Board.