

1 October 2026

Electricity Contract Co-Design Working Group
c/- AEMO Services Limited

To the Working Group,

Re: Submission on the Electricity Contract Co-Design Consultation Paper

LD Energy welcomes the opportunity to provide feedback on the Electricity Contract Co-Design Consultation Paper.

We support the Working Group's efforts to develop the proposed Electricity Services Entry Mechanism (**ESEM**) for firming services.

LD Energy is an Australian developer of gas and battery firming projects across the National Electricity Market (**NEM**). As a developer, we have a direct interest in ensuring the proposed contract structures are practical, bankable and capable of supporting the timely delivery of new capacity.

While we support the overall direction of the ESEM, we ask the Working Group to consider the following:

1. RETAIN THE \$600/MWH CAP AND INCLUDE GAS FIRMING

AEMO's Integrated System Plan (**ISP**) highlights the need for new gas firming to support system reliability and to provide backup during periods of low renewable generation. Gas generation requires a mechanism such as the \$600/MWh cap to underwrite investment in new capacity.

Gas firming should be central to the contract design, and the contract structures must be bankable. Having reviewed the proposed \$600/MWh cap, we consider it will support new market entry.

The fixed premium payable under a \$600/MWh cap provides the contracted revenue needed to raise project finance debt, while the retained market exposure below the strike gives the flexibility needed to attract equity from a broad pool of investors with differing risk appetites.

This is critical to allowing independent power producers to participate in the scheme, which supports a more competitive energy market.

2. ACCELERATE THE ESEM TO MANAGE LONG EQUIPMENT LEAD TIMES

Gas fired power plants have long development, procurement and construction lead times. For ESEM contracts to influence investment decisions, they must be finalised and available as early as possible.

The indicative timeline means executable contracts are unlikely to be available until late 2027 or beyond. With equipment lead times exceeding three years, the market needs clarity now to deliver new capacity ahead of scheduled legacy generation retirements.

Many legacy assets rely on government support to keep operating. That support suppresses market prices and delays the orderly exit of those assets, which weakens the business case for new generation and increases reliance on further government backed instruments.

Timely delivery of new capacity across the full generation mix, including firming, is essential to enable the orderly exit of these legacy assets, sustain the economics of the ESEM and avoid further upward pressure on consumer power prices.

ESEM implementation should be accelerated so that new generation is online before legacy generators retire. Without this, the NEM risks higher costs and lower reliability.

3. LOCK IN THE ESEM TO KEEP INVESTMENT MOMENTUM

Developers and investors commit significant at-risk capital to connection studies, planning and environmental approvals, land and engineering well before any revenue contract can be signed.

Ongoing uncertainty about the timing and final form of the ESEM and Market Making Obligation (MMO) framework makes this expenditure difficult to justify for all but those participants that already hold significant market power.

The sooner the market has certainty on ESEM implementation, the sooner it will respond.

4. PRICE PREMIUMS ON TODAY'S COSTS, NOT YESTERDAY'S

All cost assumptions, pricing parameters and reference values in the contract structures and supporting analysis should reflect current capital and operating costs.

Equipment, construction, financing and operating costs have risen materially in recent years, and parameters calibrated to historical costs risk understating the cost of new entry.

The Working Group should engage with engineering and construction contractors, equipment suppliers and developers to obtain current pricing, so that contract premiums reflect the actual cost of delivering projects.

5. PRICE IN THE DELIVERED COST OF CALLABLE GAS

Gas firming plants run at low capacity factors but must be available at short notice when the system needs them. As a result, delivered gas for a peaking application costs materially more than just the commodity price.

The delivered cost of callable gas can range between \$16.50 and \$23.00/GJ, excluding GST. This includes the commodity cost, transport/haulage and storage costs.

Below about 5% utilisation, storage and firm haulage costs dominate the delivered gas price. If ESEM reference pricing is based on spot or historical gas prices, it will understate the cost of firming and weaken the business case for new gas entry.

The Working Group should base gas cost assumptions on current new entrant pricing, including commodity, haulage, storage and new infrastructure costs.

6. MAKE FORCE MAJEURE BANKABLE

The force majeure provisions in ESEM contracts will materially affect bankability. The framework should clearly allocate risk for events outside a party's reasonable control, provide appropriate relief from performance obligations and penalties during such events, and align with the treatment lenders expect for comparable long-dated energy contracts.

The Working Group should ensure the force majeure regime meets lender requirements and does not expose developers to uninsurable or uncontrollable risk.

We welcome the opportunity to discuss this submission with the Working Group and to contribute to the development of the contract structures ahead of the Final Report. Please do not hesitate to contact me using the details below.

Kind regards



Daniel Krosch | Development Manager

E: [**daniel@ldenergy.com.au**](mailto:daniel@ldenergy.com.au)

M: 0447 693 016