

ESEM Contract Co-Design Consultation feedback

Submission details	
Organisation	Potentia Energy
Date submitted	2 October 2026

Question	Response
Q1. Is the proposed contract structure suitable for a range of bulk energy technologies?	Australia is competing with other jurisdictions globally for investment in renewable energy. An increase in investment risk profile may reduce the attractiveness of Australia as investment destination. The proposed contract structure does not adequately address 1) the difference between individual plant generation profile and regional fleet, and 2) FM risks including curtailment. We support the proposal to introduce measures to manage these risks for sellers, including pooled insurance products. Without additional risk management measures, the proposed contract will reduce the bankability of projects.
Q2. Does a cap on spot price exposure aligned to the strike price of the firming product (e.g. \$600/MWh) appropriately balance risks for sellers and buyers?	We support this proposal. This helps manage extreme basis risk exposure.
Q3. Is a negative price provision required for the proposed contract, noting it is settled against the Reference Fleet's performance and LGCs/REGOs are not included in the swap? If so, is a volume knock-out (no settlement during negative price periods) or a \$0 price floor more preferable?	Our reference is \$0 price floor. It is a symmetric structure with \$600 cap. It provides revenue certainty to sellers without comprising spot market signal for dispatch.
Q4. Does the proposed design of the Reference Production Index	Somewhat favours buyers

appropriately balance risks for sellers (primarily basis risk) and buyers (long-term value of the product)?	<i>Additional comment:</i> Sub-regional indexes should be considered to reduce basis risks for sellers.
Q5. Does the proposed approach to determining charge/discharge periods on a day ahead basis, using residual demand calculation, appropriately balance operational risks/simplicity with long-term value?	We consider the proposed approach achieves right balance between operational risks and with long-term value. We propose to add a cap of \$600 to the shaping product to align with bulk energy and firming products. This will provide the following benefits: Overlap with the firming Cap. Buyers who add Caps to cover spikes outside the blocks pay twice for spikes inside them. A battery selling both products is exposed twice on the same energy. Exposure to the variability of volatility itself. The split shifts with the volatility regime, and the buyer's hedge is weakest on the most volatile days. The part of seller revenue that relies on retained volatility is merchant.
Q6. Does the use of AEMO's forecast data to determine shaping periods result in any material risks to the useability of this contract over the long-term?	No comment
Q7. Does the proposed approach of determining nominations at 4pm on a day ahead basis pose any material operational risks?	No comment
Q8. Does the proposed Daily Shaping Period that commences at the Trading Interval ending at 09:05 and finishes at the Trading Interval ending at 09:00 the following day pose any material operational risks?	No comment

Q9. Is a \$600 cap, in comparison to a \$300 cap, appropriate to support the entry of new firming assets? If not, why?	Yes.						
Q10. Are there any concerns with the proposed weekly settlement approach, aligned to the AEMO settlement calendar?	No comment.						
Q11. Are alternate approaches to manage Force Majeure risk exposure (outside of the contracts) required to support the entry of new assets?	FM risks should be managed either inside or outside of the contracts. Certain FM events hit one plant or one part of the network while the rest of the regional fleet keeps generating. Examples include: - Transmission tower collapse - Extreme weather events, such as hail - Network islanding - Fire While certain FM risks can be managed by each project individually, others can be more effectively managed centrally.						
Q12. Do the proposed contract structures achieve the Working Group's Terms of Reference and perform well against the identified evaluation criteria?	<table> <tr> <td>Bulk energy: Regional Reference PPA</td><td>Medium</td></tr> <tr> <td>Shaping: Dynamic Time of Day Block Spread Swap</td><td>Well</td></tr> <tr> <td>Firming: \$600 cap</td><td>Very well</td></tr> </table> <i>Additional comments:</i> Overall the proposed contract structure achieve the WG's Terms of Reference. Bankability criteria should be more carefully examined.	Bulk energy: Regional Reference PPA	Medium	Shaping: Dynamic Time of Day Block Spread Swap	Well	Firming: \$600 cap	Very well
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Shaping: Dynamic Time of Day Block Spread Swap	Well						
Firming: \$600 cap	Very well						
Q13. Are there any concerns with the ability of the contract structures proposed to be subject to a Market Making Obligation (MMO) in the future?	No comment						

Q14. Will the proposed contract structures, in conjunction with other risk management contracts, such as flatswaps, evening peak swaps or caps, be effective for buyers (e.g. retailers, large loads, etc.) to manage financial risks?	No comment
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