

ESEM Contract Co-Design Consultation feedback

Submission details	
Organisation	Tesla
Date submitted	2 October 2026

Question	Response
Q1. Is the proposed contract structure suitable for a range of bulk energy technologies?	Yes; although question on applicability of these contracts for hybrids, particularly for those with a single DUID configuration. What would the regional reference be for hybrid assets?
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?	Yes, and will allow for integration of a bulk energy - firming hybrid project. Less complementary for bulk energy - shaping, given there is a risk of "double dipping".
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?	N/A
Q4. Does the proposed design of the Reference Production Index appropriately balance risks for sellers (primarily basis risk) and buyers (long-term value of the product)?	No comment
Q5. Does the proposed approach to determining charge/discharge periods on a day ahead basis, using residual	Yes; supportive of pre-dispatch residual demand over pre-dispatch prices as it reduces the likelihood of gaming. Nonetheless, still see benefits in ex-post block

demand calculation, appropriately balance operational risks/simplicity with long-term value?	nominations as this reduces the risk much more significantly, as different market participants will form different views on the best times to charge/discharge, thus operating independently. Further clarification needed on how hybrid projects with a single DUID will be incorporated into residual demand forecasts, i.e., would pre-dispatch outputs from a single DUID BESS-solar plant be subtracted in the calculation of residual demand?
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?	Concern around the growing number of occurrences in which pre-dispatch demand does not correlate with actual prices, particularly in South Australia (impacted by network constraints).
Q7. Does the proposed approach of determining nominations at 4pm on a day ahead basis pose any material operational risks?	None at this stage.
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?	None at this stage.
Q9. Is a \$600 cap, in comparison to a \$300 cap, appropriate to support the entry of new firming assets? If not, why?	Yes; supportive of \$600 cap.
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?	Yes; Tesla supports the development of additional mechanisms outside the contracts to manage FM risk. Tesla does not see the recommendation that proponents 'buy back their sold positions' as a sufficient level of protection. Other approaches could include allowing for capped risks, with a daily cap for liabilities; or where assets are able to choose to 'opt out' of a contract within a defined window. Tesla also encourages the development of a standard methodology for how risk exposure will be managed when assets face increasing Directions to manage and support system security and reliability. This includes Minimum System Load (MSL) directions for BESS, which would direct the asset to discharge, hold state of charge, and then charge at a specific time period that may not align with their ESEM contract. There should be a standardised methodology for what compensation may look like here, and incorporation of ESEM contracts in 'Opportunity Cost'.						
Q12. Do the proposed contract structures achieve the Working Group's Terms of Reference and perform well against the identified evaluation criteria?	No comment						
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?	<table border="1"> <tr> <td>Bulk energy: Regional Reference PPA</td><td>Neutral</td></tr> <tr> <td>Shaping: Dynamic Time of Day Block Spread Swap</td><td>Neutral</td></tr> <tr> <td>Firming: \$600 cap</td><td>Expects contract to perform very well</td></tr> </table>	Bulk energy: Regional Reference PPA	Neutral	Shaping: Dynamic Time of Day Block Spread Swap	Neutral	Firming: \$600 cap	Expects contract to perform very well
Bulk energy: Regional Reference PPA	Neutral						
Shaping: Dynamic Time of Day Block Spread Swap	Neutral						
Firming: \$600 cap	Expects contract to perform very well						
Q14. Will the proposed contract structures, in conjunction with other risk management contracts, such as flat swaps, evening peak swaps or caps, be effective for buyers (e.g. retailers, large loads, etc.) to manage financial risks?	Tesla notes the broader conversation around obligations for large loads to procure additional bulk energy through the use of REGO certificates, and questions how this will align through any obligations to purchase bulk energy ESEM contracts as well. For instance, a data centre may cover their demand through certificates, but this will not support in managing financial risks and being hedged on actual energy consumption.						