Meeting Minutes

Minutes of the Electricity Contract Co-Design Working Group Meeting 2

Tuesday, 26th May 2026

Working Group Members Present

Tom Arnold (ACEN Australia), Paul Curnow (Akaysha Energy), Jialin Shen (Ampyr Energy), Paul Grzinic (Aurora Energy), Nick Hawke (CEFC), Declan Kelly (Flow Power), Stephanie Easton (Iberdrola Australia), Ally Bonakdar (NAB), Daniel Teng (Origin Energy), Andrew Mulder (RWE), Andrew Wilkins (SA Water).

Convening Group Members Present

Ryan Wilson (DCCEEW), Dennis Venning (DCCEEW), Thimo Mueller (ASL), Michael Riordan (ASL), Jack Kratzat (ASL), Ross Anderson (ASL), Alistair Newman (AER), Sarah Helms (AER).

Facilitators Present

Jeff Forrest (L.E.K Consulting), Lucy Carter (L.E.K Consulting).

Overview

The Working Group (WG) convened for its first in-person full day workshop, reviewing the key recommendations from the National Electricity Market wholesale market settings review ('NEM Review') and the outcomes of the Pilot Contract Co-Design process.

The session focused on establishing a baseline understanding across the group, refining contract evaluation criteria, and advancing initial thinking on the initial contract structures across the three ESEM services: firming, shaping and bulk energy. The WG also considered the forward program of work and approaches to industry engagement and communication.

Introduction and Review of Objectives, Norms and Protocols

The WG reaffirmed its scope of work and the Terms of Reference as set out in the Electricity Contract Co-Design Interim Guidelines and Procedures. The WG also discussed its interface with the broader implementation of the NEM Review recommendations.

The importance of maintaining agreed protocols was reinforced, including adherence to Chatham House rules and compliance with competition and consumer law requirements.

Overview of the NEM Review process

The WG received a briefing from Phil Hirschhorn and Tim Nelson from the NEM Review Panel on the key recommendations of the NEM Review relevant to the Contract Co-Design process. The WG clarified the policy intent, context and interrelationships between the recommendations.

Key principles reinforced by the NEM Review Panel members included:

- The importance of risk management and the allocation of risk to the party best placed to manage it as a foundation for efficient contract design.
- The importance of standardised contracts within each tender to the greatest extent possible (E.g., tenor, Ts & Cs)
- The ability for potential proponents to be able to 'buy back' their contracts from the ESEM Administrator, enabling flexibility in their contracting approach.
- The importance that the overall contract set provides retailers and large energy users with the necessary tools to manage electricity market risk.

- The ESEM is not designed to replace over-the-counter markets and participants are still encouraged to enter into over-the-counter contracts that allow them to manage their risks as required.

The WG further examined the concept of fungibility, including its implications on contract design, risk allocation between different parties and suitability of the contracts for different market participants. Fungibility was reaffirmed as a core requirement underpinning the co-design process by both the Convening Group (CG) and the NEM Review Panel.

Communications and stakeholder engagement

The WG emphasised the importance of transparency and industry engagement, including providing industry with information and materials from the Contract Co-Design process.

It was agreed that:

- Minutes and relevant materials will be published as soon as practical after each workshop.
- The WG will identify priority questions and areas for targeted industry feedback following each sessions.

The WG agreed to leverage established industry associations and forums as helpful channels for engagement.

Contract attributes and evaluation criteria

The WG revisiting the contract design criteria utilised during the Pilot Contract Co-Design process and agreed several positions:

- Bankability should be a core evaluation criterion, reflecting the role of the ESEM as an entry mechanism.
- While technology agnostic contracts would be preferred, it may be difficult to achieve this for the bulk-energy service and contract designs may need to be tied to specific technologies e.g. wind, solar.
- Risks should be allocated to those best placed to manage the risk.
- The set of contracts should support the hedging needs of retailers, large industrial loads, traders or other customers, noting residual risks may still remain in some form (and likely in a different form to those that exist today)

The CG emphasised that Fungibility is a fundamental design requirement, and as such the WG considered it to be less useful as an evaluation criterion.

Initial thinking on contract options

To further establish a shared understanding of the pilot co-design process the WG undertook an initial discussion of the contract structure across each ESEM service, building on pilot outcomes and identifying areas for further investigation.

In this context, the WG considered that these contracts are essential to bring new supply into the market. The WG also considered that the fungibility requirement is critical to enable the continual development of liquid secondary contracts markets (outside of the ESEM), given that these secondary markets are well placed to adapt over time to support the risk management needs of a range of retailers, customers and traders.

<u>Firming service</u>

The WG considered the definition of firming as proposed in the NEM Review Final Report (hours at market price cap until the cumulative price threshold is reached) and sought clarification from the CG as to:

- Whether its definition was aligned with the policy intent; and
- Where it created sufficient differentiation from the shaping service, particularly with respect to the required duration of the service.

The CG agreed to consider the WG's comments and provide policy guidance as appropriate.

Cap contracts were recognised as an effective volatility product. However, the WG identified open questions regarding their ability to solve the 'missing money' problem faced by technologies such as gas and pumped hydro at an efficient price for

consumers. The WG also discussed bankability concerns created by the annual movement in the market price cap and cumulative price cap.

Key parameters requiring further consideration include strike price (currently $300/MWh is industry standard) and contract tenor, given their implications on risk allocation, underlying asset duration, bankability and the interface with other contract structures.

Shaping service

The WG noted the bankability challenges associated with the 'heads and tails' contract structure identified in the pilot process, particularly given the limitations of real-world operations in capturing optimal daily price spreads, i.e., lack of perfect foresight.

Alternative approaches, such as time-block models, were flagged for further bankability assessment along-side the heads and tails structure.. It was however noted that the requirement to set time blocks over the tenor the contract was a key flexibility constraint that could make the contract less attractive to buyers.

Options for further investigation included whether the ESEMA could adjust the time blocks throughout the tenor of a contract, or whether intra-day spreads could be determined ahead of the day..

Bulk energy service

The WG discussed the identified bankability concerns with the 'ex-post DWA swap' contract structure proposed in the pilot process.

Areas for further investigation (if the ex-post DWA swap is to be a preferred contract type), including the use of sub-regional reference indexes, technology specific indexes (e.g. a solar and wind profile), and the allocation of basis risk between buyers and sellers.

Next Steps

- WG (supported by CG and Independent Facilitator) to refine the scope(s) of any required modelling and analysis required to support contract shortlisting in Workshop 3.
- WG and CG to finalise an industry engagement plan and establish pathways for structured input through industry forums.
- WG to identify targeted areas for industry feedback to support subsequent stages of the co-design process, including contract shortlisting.

Forward Schedule

The WG will next meet in person in the week of 22 June 2026.

Attachments

- **Attachment 1:** Workshop 1 discussion materials[1].

[1] Please note that some of the workshop discussion materials were considered not relevant for industry (e.g. housekeeping, group activities) and have therefore not been included in Attachment 1.

The workshop discussion materials may include some contemporaneous notes. In the event of any inconsistencies between the workshop discussion materials and meeting minutes, industry should refer to the meeting minutes as the endorsed record of discussion and outcomes.