

Meeting minutes

Minutes of the Electricity Contract Co-Design Working Group Meeting 3

Wednesday, 24th June 2026

Working Group Members Present

Tom Arnold (ACEN Australia), Jialin Shen (Ampyr Energy), Paul Grzinic (Firmus), 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).

Apologies

Paul Curnow (Akaysha Energy).

Convening Group Members Present

Ryan Wilson (DCCEEW), Lucas Pender (DCCEEW), Thimo Mueller (ASL), Michael Riordan (ASL), Jack Kratzat (ASL), Ross Anderson (ASL), Fiona Hooymans (AER), Sarah Helms (AER), Alistair Newman (AER).

Facilitators Present

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

Overview

The Working Group (WG) convened for its second in-person workshop, with a focus on prioritising contract structures for each of three ESEM services: firming, shaping and bulk energy, for further analysis.

The WG revisited and prioritised the contract evaluation criteria, and held focussed sessions on the identified contract structures and approaches to risk allocation to inform shortlisting. The WG also discussed industry feedback received since the previous workshop.

The WG identified areas for further analysis to refine the prioritised contract structures and support further decision making in future workshops.

Recap of industry engagement and feedback

The Convening Group (CG) outlined the proposed approach to industry engagement, which seeks to utilise existing industry groups and forums, with the CG to provide coordination and administrative support to the WG. The WG confirmed that they are comfortable with the approach to industry engagement on the contract-co design process.

WG members shared their reflections following engagement with industry since the first Workshop. WG members noted industry's eagerness for further insights into the progress of the contract co-design process, as well as the implementation of the ESEM more broadly.

The CG and WG agreed to arrange an industry webinar before the next in-person Electricity Contract Co-Design Working Group Workshop to share the WG's progress. The CG will support the WG in arranging further meetings with industry groups.

Retailer hedging

The WG discussed how retailers construct a portfolio of positions to manage financial risks and the types of considerations that may influence approaches to hedging. The WG shared perspectives on how approaches to contracting and hedging may also differ depending on a retailer's strategy and generation and customer portfolio.

In this context, the WG agreed that the contract structures tendered under the ESEM are not intended to become the only contracts used in the market. The WG noted that price discovery through the ESEM should support, and not inhibit, secondary exchanges and OTC markets.

Prioritising contract evaluation criteria

The WG revisited the contract evaluation criteria:

- Bankability.
- Attractive for both sellers and buyers.
- Operationally achievable.
- Simple to value.
- Efficient at allocating risks.
- Adaptable to the future market.
- Complementary within a set of ESEM contracts.

Each WG member individually ranked the importance of each criterion, with the averaged ranks used to support a weighted scoring of each contract structure. The relative importance of the criteria is provided in Attachment 1 (Slide 23).

Assessment approach

For each of the three core services, the WG undertook the following process using a combination of individual reflection, small group and whole WG discussions:

1. Recap the defined service and identified contract options.
2. Consider the key risks and allocation between buyers and sellers.
3. Assess contract suitability against the contract evaluation criteria.
4. Identify priority contract structure/(s) for further consideration.
5. Identify areas for further analysis or review.

Bulk energy

The WG revisited the three bulk energy contract structures identified in Meeting 2:

1. Reference ex-post revenue swap
2. **Preferred: Reference ex-post, dispatch weighted average (DWA), price swap**
3. Time-of-day (ToD) swap

The WG agreed that a cap and/or floor mechanism may be required for all three contract structures to reduce seller exposure, particularly during high-priced events, and support bankability. The WG considered that the cap could improve bankability without materially reducing the value of the product from a buyer perspective, given:

- Buyers would likely enter into separate contracts (e.g. shaping / firming contracts) to manage ‘tail-risk’ events.
- An expected low-correlation between high periods of bulk energy supply and high spot prices.

The WG agreed to prioritise further analysis on the ex-post DWA swap. It was agreed that whilst the ex-post revenue swap may be a viable alternative, it had additional complexities and did not score as highly against the contract evaluation criteria. In assessing the contract structures against the contract evaluation criteria, the WG agreed that a ToD swap had significant bankability challenges that may be challenging to overcome.

The WG agreed on the following areas for further investigation for the ex-post DWA swap, noting that much of this analysis would also apply to the DWA revenue swap and could be used to further contrast the two models:

- Development of cash-flow analysis for the ex-post DWA swap, including options for a cap and/or a floor mechanism.
- More detailed assessment of bankability.
- Examination of risk allocations for MLF, curtailment and FM events and appropriate mitigants
- Quantify the level of risk across technologies (particularly wind) and across NEM regions (compared to run of plant PPA)
- Risk management / insurance products that could support seller risk management, including for Force Majeure events.

Depending on the outcome of these investigations, the ex-post revenue swap may also be considered further with a particular focus on accounting considerations, e.g., if it's considered a 'lease' under accounting standards that may limit its attractiveness to buyers.

Shaping

The WG revisited the contract structures for Shaping identified in Meeting 2:

1. ToD block swap
2. ToD block spread (fixed time blocks)
3. **Preferred: ToD block spread (nominated blocks)**
4. Evening Peak block
5. High-low contiguous spread
6. High-low perfect spread (ex-post)

The WG agreed that the ToD swap (1. above) was less preferable than other models, as it does not capture the charging behaviour of storage. It was also agreed that there were significant operational concerns with ToD block spread (fixed time blocks) and Evening Peak block structures, given the likelihood of changes to the demand / generation profile during the term of the contract which may impact the value of the product over time. The WG also broadly agreed that from the perspective of both sellers and buyers, an ex-post approach to defining nomination periods was likely sub-optimal and could pose bankability concerns.

Based on the above, and an assessment of each contract structure against the evaluation criteria, the WG agreed that further analysis into the ToD block spread, including different approaches to defining nominated blocks, should be prioritised over the other contract structures. The WG noted for CG's consideration that the ESEM Administrator may need to accommodate different block durations (e.g. 2hrs, 4 hrs etc.) within the entry trajectory.

The WG agreed on the following areas for further investigation:

- Development of a cash-flow model for the ToD block spread, including options for ex-ante nominations as relevant.
- More detailed assessment of bankability.
- Investigation into potential unintended consequences for different ex-ante approaches for setting nomination blocks.
- Interaction between the contract structures for shaping and firming.
- Risk management / insurance products that could support seller risk management, including for Force Majeure events.

Firming

DCCEEW representatives confirmed that the definition of firming as proposed in the NEM Review final report remains under active consideration.

The WG considered a range of possible cap strike prices ranging from \$200 to \$5,000. The WG noted that if the strike price is below the marginal cost of a technology, this would limit tender/auction competition and conversely if the cap price is set too high then its value to buyers would be materially reduced. In attempting to balance these factors (and to align with products that have already been proven across the NEM), the WG agreed to prioritise further analysis on caps with a \$300 or \$600 strike price.

The WG also discussed broader challenges with the delivery of the new gas-fired generation in the NEM. The WG identified additional structural challenges facing gas-fired generation, including the long-lead time of equipment and access to gas pipeline capacity and gas supply. The WG noted that whilst the proposed cap contract structure meets many of the contract evaluation criteria, it may not, by itself be sufficient to incentivise investment in gas firming capacity or long duration storage. The WG agreed to seek further feedback during up-coming engagement with industry on any alternative models that may more effectively meet all contract evaluation criteria. The WG agreed on the following areas for further investigation:

- Development of a cash-flow model for \$300 and \$600 cap products.
- Interaction with the market price cap and cumulative price threshold.
- Bankability assessment based on the cash-flow model.

Forward schedule

The WG will next meet in person in the week of 10-August 2026.

Attachments

- **Attachment 1:** Workshop 1 discussion materials¹.