Q&A Responses

Electricity Contract Co-Design Webinar

14 July 2026

Background information

This document provides written answers to questions received during the Electricity Contract Co-Design Update Webinar held on 14 July 2026.

Due to the volume of questions received, all questions were not able to be answered during the allocated time. The table below outlines all questions received in the webinar and associated responses. Duplicate questions have been consolidated.

Where questions fall within the remit of the Electricity Contract Co-design Working Group (CCWG), they have been answered by the CCWG. Questions outside of the CCWG remit have been answered by the NEM Review Implementation Taskforce within the Commonwealth Department of Climate Change, Energy, the Environment and Water (DCCEEW).

Where questions and answers relate to ESEM design, responses are subject to ongoing design work underway – noting that final design is subject to upcoming consultation; and Energy Ministers have not yet authorised or agreed the final design.

Q&A Responses

	Question	Response
1	Has the Working Group considered using different contract structures for wind and solar bulk energy?	There's a preference for the bulk energy contract to be technology agnostic. However, some contract types may need to have variations by technology. For example, the ex-post DWAP Swap may utilise a different reference index for wind/solar in each region.
2	Why were ex-post contracts seen as acceptable for bulk energy contracts but not for shaping?	The Working Group's preliminary view is that ex-post settlement against an index could work for bulk energy contracts given the characteristics of variable renewable generation and the reduced risk of variability between actual generation and the relevant index. For shaping contracts, it was considered that given the nature of shaping behaviour (charging and discharging to shift supply) ex-post contracts may present operational challenges, particularly for the seller (e.g. asset owner) to make projects bankable with an ongoing obligation to read and respond to unpredictable spot market conditions. Ex-post contracts have not been totally ruled out for the shaping service, they are just not the preferred design of the group at this stage.

	Question	Response
3	Where can I find the definitions of the contract types presented?	The contracts being considered have largely been described in materials prepared for the pilot co-design working group. They can be found in the NEM Review: Supplementary Materials – starting at page 113.
4	How is the Working Group ensuring diversity and staying clear of group think?	The Working Group comprises representatives from across the electricity industry, including standalone developers, large energy users, financiers, and integrated players. The Working Group is engaging with industry (largely through existing industry group forums) to ensure a diversity of industry views and perspectives are captured and considered by the Working Group. Industry engagement will continue to play a strong role as the process continues.
5	Who is the issuer of these contracts (seller) and how will demand (buyers) be incentivised/obligated?	As outlined by the NEM Review Panel, the ESEM Administrator will auction the contracts to incentivise new electricity services to enter the market. Sellers, being project developers, will submit financial bids in the auction.
6	What implications could the Victorian State Election have for the progression of the ESEM?	DCCEEW: The ESEM is being designed as a jurisdictional scheme in the National Electricity Law (NEL). On current trajectory, the NEL amendment will be subject to a final vote of energy ministers in December.
7	How will local content commitments that are currently within the Capacity Investment Scheme be covered by the ESEM?	DCCEEW: Local content commitments will fall under pre-qualification criteria for ESEM tenders.
8	Will the ESEM be applicable to other grids (i.e., WA or NT)? If not, is there any indication there will be a review into contracts for non-NEM systems?	DCCEEW: The ESEM will be legislated in the National Electricity Law, which applies only to NEM jurisdictions.

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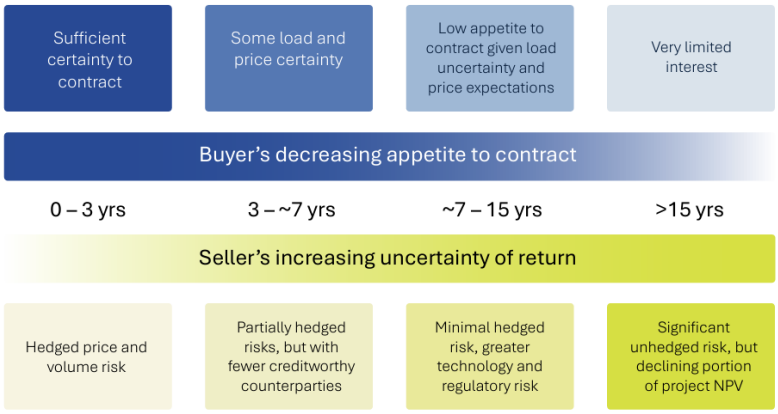
9	Will the tenor gap still be from 4 years to 15? Will it apply to all ESEM projects?	*Figure 31 – The tenor gap*  *Figure 31 from the NEM Review Final Report* DCCEEW: The tenor gap is the market failure identified by the panel that causes under-investment and results from buyers decreasing appetite to contract at tenors further away from the present date. The ESEM contract period will be set by the ESEM Administrator in large part to address the tenor gap.
10	How will the ESEM administrator fund any losses and what will their credit rating be in the period they hold before selling back to market?	DCCEEW: Any losses incurred upon recycling contracts back to market are intended to be recovered through consumers in the region for which generation is procured. The ESEM administrator is expected to have a strong credit rating, supported by the legislated ability to recover costs, however these are matters still under design, the detail of which will be settled over the next 12 months.
11	The minutes of meeting #3 say that a definition of firming has not been agreed. Given the working group comments that firming contracts might not be sufficient to support gas powered generation, what steps are being undertaken to resolve these two issues?	DCCEEW: The firming service definition is under development through the broader implementation process. To the extent that GPG requires certainty on elements beyond contract revenue (i.e. fuel price, fuel supply and infrastructure access, timely access to components), resolution of these issues is not within the Terms of Reference of the Contract Co-Design Working Group.
12	Will there be a trial/pilot tender using the preferred form of ESEM	DCCEEW: There is currently no plan for the ESEM Administrator to conduct a pilot tender ahead of the first ESEM tender targeting

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	contracts prior to the first tender in FY27?	FY27. NEM jurisdictions may decide to conduct such a pilot using existing policy frameworks upon the release of standardised ESEM contract confirmations at the conclusion of the industry-led contract co-design process.
13	How does the Working Group envisage the recycling of contracts to work? Is it done on an individual contract basis or at a portfolio level?	DCCEEW: The Panel envisaged the ESEM Administrator would use a hybrid approach of selling down contracts in a structured way, while also allowing proponents to buy offsetting over-the-counter (OTC) contracts prior to maturity. Additionally, the set of contracts ultimately adopted would influence how market participants engage with the ESEM.
14	Given these are financial contracts, has ASIC been consulted yet on the approval of these contracts? If recycling is meant to happen through the ASX, what is the anticipated timeline to get these contracts listed and supported?	DCCEEW: The platform(s) upon which ESEM contracts will trade has not yet been determined. Trading may ultimately occur in the OTC market, though consideration will be given to the suitability of all trading platforms.
15	How is firming being considered in the context of government strategic reserves?	DCCEEW: The model for ESEM procurement of strategic reserve services remains under development, including consideration of its interaction with ESEM firming service tenders.
16	Who will you commission to test the bankability of the proposed contracts? How will you ensure it's a 'real world' test (i.e., will you speak to banks as opposed to just using consultants).	The Working Group has two representatives from the banking industry – NAB and CEFC. The bankability of contracts will be initially assessed using their in-house teams and methodologies to determine whether the contract structures present material risks to bankability. The Working Group will be supported by analysis prepared/sourced by the Convening Group.
17	Can you define bankability? Is the assumption that the only risk mitigant the project has is the ESEM contract?	The Working Group is using 'bankability' to describe whether a contract structure poses material risks that may limit the ability of financiers to provide capital to the project. This does not mean that the ESEM contract would be the only risk mitigant contract available to a project. Projects would still be able to obtain commercial arrangements outside of the ESEM, however

	Question	Response
		the working group is assuming that, for the purpose of the contract design process, a project should be able to reach financial close using only ESEM contracts for years 4+ if it chooses to.
18	How do we ensure we don't end up with a basket of untradeable products?	Fungibility is a core requirement for the contracts developed by the Working Group. Contract structures are not only being assessed on their ability to support the entry of new projects, but also on whether buyers and sellers can confidently value, manage, and trade them over time.
19	How are the ESEM contract structures intended to support financing and bankability of greenfield LDS projects such as pumped hydro?	The Working Group is assessing contracts across a range of technologies and project types. Analysis undertaken on the potential contracts for the shaping and firming services will consider whether the contracts are able to support a range of technologies. The findings of the NEM Review also recommended that where jurisdictions have project specific policy objectives (such as for pumped hydro) the contracts (or variations of) could be made available in special tenders for that technology type.
20	ToD Block Spread for shaping: how can this be transacted and valued if structure is undefined until blocks are nominated at a 3rd party's discretion? Do you think this could be traded if nominations are shorter (e.g., day-ahead)?	The Working Group will consider options for nominating the blocks as they undertake further analysis on the contract structures. The initial view is that these types of contracts could provide value to both sides of the transaction by fixing the spread between high and low periods in the day. A key piece of work the group is looking to do is whether a rules based process can be used so the market has confidence that the charging and discharging periods would be correlated with the minimum and maximum prices during the market. The Working Group considers this worth exploring because the alternative of using ex-post nomination could create operational issues with respect to defending a contract.
21	Has the Working Group considered the impacts of banks requiring control over the nominations that would dilute the intended flexibility of such a product?	The interaction between financier requirements, operational requirements, and contract design is an important consideration in the Working Group's assessment moving forward. As part of the assessment, the Working Group expects to further explore how potential nomination frameworks may impact contract

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		bankability and operational flexibility. The group is not envisaging that financiers will have any active operational participation in nominating blocks or the function of contracts.
22	Can you provide more detail on comments around the challenges for gas generation?	The intent of this section of the meeting minutes and presentation was to flag with industry that there has been a discussion around whether the firming contracts in and of themselves would be sufficient for new gas entry, noting the intent of the ESEM to be an entry mechanism. The Working Group believes that cap contracts at $300 or $600 are viable contracts for gas generation to sell, however acknowledges that new gas generation faces greater barriers than just revenue certainty. The additional challenges discussed by the Working Group were on the supply chain of gas projects, including the lead time to procure turbines, certainty of gas supply – both price and transportation, and how these also impact the entry of new gas.
23	How is the Working Group considering contracts for hybrid plants which might be able to participate across both bulk + shaping or bulk + firming.	The Working Group recognises that hybrid projects may be capable of providing multiple electricity services, consistent with the findings of the NEM Review Pilot Working Group. The working group understands that the interaction between bulk energy and shaping is critical for both sellers and buyers, and that these need to be complementary contracts. As the contract structures are further developed, the Working Group will consider how different technologies and asset configurations interact with the contract suite and whether the proposed contracts provide the flexibility for projects to bid for multiple services.
24	If the firming contracts are focussed on a cap at the administered price cap, how does this incentivise the continued operation during an administered pricing period or a market suspension where the market suspension pricing schedule applies?	This is a key area of focus for the Working Group to consider as it moves into analysing the different contract structures. We note this isn't a new conversation or concept and was a challenge in 2022 and that there is a broader set of requirements to ensure that supply can continue to meet demand.

	Question	Response
	Could the prerequisite obligations for a firming contract supplier be that they continue to supply during any administered pricing or market suspension period?	In addition to considering this, the Working Group also notes the need to consider the ability of these contracts to work within a suite of contracts on a day-to-day basis as well.
25	How will the Working Group ensure the contracts do not over prescribe risk to NEM customers?	Efficient risk allocation remains one of the Working Group's core evaluation criteria. Contract structures will be assessed with the objective of allocating risks to the parties best placed to manage them. Detailed analysis of risk allocation will form an important part of the next phase of work.
26	Can you outline the additional complexity that a revenue swap would have to overcome vs a DWA swap?	The additional complexity referred to here includes more complicated settlement calculations and possible accounting implications for a revenue swap product.
27	Do you have any thoughts on how the reference index for the DWA swap is going to work?	To date, the group has discussed a few different options for how this could work and it will be a key area of detailed design that the group considers as it moves forward. In particular, to understand how the reference index could impact the basis risk for projects.
28	Would a battery project be expected to defend a cap at all times? Or would the cap duration depend on the storage duration?	For a technology bidding for a product within the firming service, the required duration is expected to be defined by that service.
29	Will ToD blocks stop batteries delivering their full value responding in real time to circumstances?	This is a key area currently under consideration. The Working Group is considering whether a rules-based approach to nominating blocks can provide sufficient certainty for contracting and financing, while maintaining flexibility for asset operators to respond to market signals. These contracts are expected to be financial in nature and so while will provide a financial incentive to generate and consume at certain time, won't create an operational obligation to do so.
30	Will the Working Group publish draft term sheets for testing with	The Working Group will continue to engage the industry on the proposed product designs as they evolve.

	Question	Response
	market participants prior to finalising recommendations?	The exact mode of this engagement is still being considered by the Working Group.

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