

Meeting Minutes

Minutes of the Electricity Contract Co-Design Working Group Meeting 4

Wednesday, 12th August 2026

Working Group Members Present

Tom Arnold (ACEN Australia), Paul Curnow (Akaysha Energy), Jialin Shen (Ampyr Energy), Nick Hawke (CEFC), Paul Grzinic (Firmus), 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), Markus Mannheim (DCCEEW), Mark Dawkins (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 fourth meeting, focussing on identifying preferred contract structures for each of three ESEM services. The WG agreed to proceed with the following preferred contract structures for further detailed consideration and industry feedback:

- **Bulk energy:** Regional Reference PPA
- **Shaping:** Ex-ante time-of-day block spread swap
- **Firming:** \$600/MWh cap

Product fact sheets for each of the three preferred contract structures are provided in Attachment 4 for consideration.

Recap of industry engagement and feedback

WG members shared their reflections following engagement with industry since the second Workshop. WG members noted industry's continued eagerness for further insights into the progress of the contract co-design process, as well as the implementation of the ESEM more broadly. WG members noted that industry have expressed desire to for transparency in the analysis being used as the basis for WG decision making.

The CG and WG agreed to arrange another industry webinar prior to the next meeting to outline the WG's preferred contract structures for each of the electricity services. The CG and WG also agreed to seek public feedback in a structured manner following Workshop 4 to ensure these views can be captured and considered in recommendations in the Stage 1 Report. Further details will be shared to industry in due course.

Bulk energy

In between Workshop 2 and Workshop 3, the WG (in consultation with industry) identified a third contract structure for active consideration, the 'Regional Reference PPA' which settles off a regional reference price and volume (see Attachment 4 for further detail). The WG's discussions focussed on three contract structures:

- Reference ex-post DWA price swap;
- Reference ex-post revenue swap; and
- Regional Reference PPA.

The WG were presented analysis prepared by DCCEE (see Attachment 2) that used six years of historical market outcomes to model cash-flows at 44 hypothetical project sites, using contemporary fixed costs to demonstrate the performance of the contract structures under consideration across different locations and spot price scenarios. The group also considered analysis prepared by Griffith University's Centre for Applied Energy Economics & Policy Research (see Attachment 1). The Griffith analysis considered the relative performance spreads of Run-of-Plant PPA, Reference Ex-Post Revenue Swap and Reference Ex-Post DWA swap contractual models, using a hypothetical future year and a large set of weather reference years. Due to the identification of the Regional Reference PPA in between workshops, this contract model was not included in the analysis, however, may be included in future.

ASL provided an overview of the risk allocation between the three contract structures under consideration, using an illustrative settlement scenario tool (see Attachment 5). The WG focussed discussion on whether plant volume risk (idiosyncratic risk) should be allocated to sellers (as per the DWA price swap, which settles of a fixed volume) or to buyers (as per the reference ex-post revenue swap). The exposure to both idiosyncratic and systemic volume risk under the DWA Price Swap was considered a potential bankability hurdle, while the ex-post revenue swap places substantial volume risk on the buyer, devaluing the product as a risk management tool.

The WG agreed that the Regional Reference PPA appears to achieve a compromise between buyer and seller risks, and therefore progressed this contract structure to drafting heads of terms.

The WG identified that in refining the contract structure, further work will be required to:

- Consider whether a spot price cap mechanism may be required to reduce seller exposure (in particular to high-priced events) as a threshold required for bankability;
- Consider whether a spot price floor threshold should be a feature of the product.
- Define the Reference Index(es) proposed to be used to determine the price and volume of the swap. The WG agreed to reconvene for a focussed session (Workshop 3b) to focus attention on further defining the Reference Index; and
- Further cash-flow modelling to demonstrate impact of the above and other design choices.

Shaping

The WG were presented cash-flow analysis undertaken by ASL which contrasted various approaches to defining the ex-ante 'nomination blocks' (charge/discharge periods) for the Time of Day block spread swap:

- Fixed contiguous spread (e.g. constant nomination blocks);
- Contiguous block-spread, defined as the charge/discharge contiguous blocks that are forecast to provide the highest spread based on AEMO pre-dispatch data within a 24-hour period;
- Non-contiguous block-spread, defined as the 1 hr charge/discharge blocks that are forecast the highest spread based on AEMO pre-dispatch data within a 24-hour period;
- Contiguous block-spread, defined as the charge/discharge contiguous blocks that are forecast to provide the highest spread based on forecast residual demand (forecast operational demand minus forecast variable renewable energy) within a 24-hour period; and
- Non-contiguous block-spread, defined as the 1 hr charge/discharge blocks that are forecast the highest spread based on AEMO residual demand data within a 24-hour period.

The WG agreed that whilst the fixed contiguous spread was preferential to the other spread options from a simplicity perspective, the analysis had demonstrated that it provides a materially less effective hedge for buyers than dynamically set nomination blocks. The WG discussed a range of options for defining nomination blocks and the varying impacts on data accuracy as well as risk allocation between buyers and sellers.

The WG agreed that in refining the contract structure (and in particular the nomination setting approach), further work will be required to:

- Understand the accuracy of pre-dispatch and residual demand data sources across various nomination lead times;
- Identify any gaming risks associated with an ex-ante nominated contract using pre-dispatch and consider;
- Further cash-flow modelling to demonstrate impact of the above and other design choices.

Firming

The WG were presented cash-flow analysis undertaken by ASL to contrast the impact of \$300 and \$600 strike prices on cap contract outcomes (see Attachment 3) and cap premium estimates for a new entry GPG.

The WG agreed that a \$600 cap may leave sellers with greater 'headroom' above short-run marginal costs to capture spot price revenues, as well as reduce the likelihood of sellers 'spinning-up' (ramping) equipment during un-profitable periods to defend forecast prices that do not eventuate.

The WG agreed the \$600 cap was preferable over a \$300 cap, subject to further analysis to consider wholesale market impacts of the \$600 cap and any gaps that may exist in the contract suite for prolonged high prices under the \$600 cap.

Common areas for further investigation

The WG agreed that further work was required to investigate the most efficient method of defining and allocating Force Majeure, Network Outage, or other 'Naked Exposure' risks between the buyer and seller of contracts for all three electricity services.

Forward schedule

The WG will next meet in person in the week of 31-August 2026.

Attachments¹

- **Attachment 1:** Workshop discussion materials
- **Attachment 2:** Bulk Energy Analysis Summary Presentation
- **Attachment 3:** Product Analysis Summary Presentation
- **Attachment 4:** Product fact sheets
- **Attachment 5:** Bulk Energy Contract Structures Settlement Comparison Tool

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. 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.