

Meeting Minutes

Minutes of the Electricity Contract Co-Design Working Group Meeting 6

Wednesday, 7th October 2026

Working Group Members Present

Tom Arnold (ACEN Australia), Paul Curnow (Akaysha Energy), Jialin Shen (Ampyr 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).

Working Group Members Absent

Paul Grzanic (Firmus).

Convening Group Members Present

Dennis Venning (DCCEEW), Ryan Wilson (DCCEEW), Mark Dawkins (DCCEEW), Thimo Mueller (ASL), Michael Riordan (ASL), Ross Anderson (ASL), Fiona Hooymans (AER).

Facilitators Present

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

Overview

The Working Group (WG) convened for its sixth meeting, focussing on reviewing key elements of the draft contract structures following industry consultation in September:

- **Bulk energy (Regional Reference PPA):** The WG agreed to retain a price cap (at \$600 per MWh to align with the firming product) and to proceed with a \$0 price floor, subject to consideration of an independent bankability analysis being prepared by a Tier 1 market modelling provider.
- **Shaping (Dynamic Time of Day Spread Swap):** The WG agreed to retain the dynamic block setting approach and considered alternative daily shaping periods.
- **Firming:** The WG agreed to retain the \$600 cap.

Industry engagement and feedback

The WG noted key findings from the stakeholder consultation undertaken in September 2026:

- Generally, stakeholder feedback indicated that the structures could achieve good alignment to the Terms of Reference, subject to resolution of some concerns, including: bankability (force majeure being the largest concern); operationalisation of the shaping product; and further demonstration of the how the products could be used by customers to manage financial risks.
- Stakeholders generally supported the proposed **RRPPA** for wind and solar, however, requested further detail on index design and clarity on whether the product was intended for hybrid projects and offshore wind. Stakeholders strongly supported the inclusion of a negative pricing regime, however, were divided on whether a price floor (generally the preference of sellers) or volume knock-out (generally the preference of buyers) was the most suitable mechanism. Sellers strongly supported that a price cap was required for bankability, whilst buyers were concerned about the reduction in the value of the product.
- Stakeholders generally supported the proposed spread-swap structure for **shaping** services; however, views differed regarding the dynamic block setting methodology. Some stakeholders were concerned that the dynamic block setting

approach did not provide sufficient coverage for buyers who may value certainty of when the hedge applied more highly than optimising for capturing daily (price) spreads. Some stakeholders noted the complimentary nature of the shaping product and the RRPPA, given block setting using residual demand provides buyers with a hedge during periods of higher residual demand (typically when renewable generation is lower). Stakeholders noted that the value of the product was dependent on residual demand remaining an effective way to forecast price in a system with high penetration of renewables.

- Stakeholders were supportive of the cap contract structure for the **firming service**. However, buyer and seller views diverged on the strike price. Buyers shared some concerns about the value of the proposed \$600 cap, given the exposures beyond the common \$300 cap traded today. Sellers generally supported the \$600 cap, noting alignment with the Administrative Pricing Cap (APC) and rising marginal running costs that could result in limited or no operating margin at \$300/MWh over the long tenor of the contract. Some sellers noted that the \$600 cap may not appropriately value technologies that can deliver energy continuously for over 8 hours.

Bulk energy

Independent Bankability Assessment

The independent modelling advisor engaged by the CG provided a progress update on the independent RRPPA bankability assessment scope. Key findings of the initial work indicate that:

- There appears to be strong resource correlation between solar projects within all NEM regions, with wind resource correlation in each state more variable.
- Under central, low and high price energy market modelling scenarios, it appears that the variants of the RRPPA (with/without a price cap, with/without a negative pricing provision) under consideration perform similarly to a traditional PPA from a cash-flow certainty perspective, with the exception of the inclusion of a volume knock-out which generally performs worse and particularly for solar. However, higher strike prices for the volume knock-out could produce comparable results and is to be investigated.
- Although lower correlation shows that the basis risk is present, differences against the RPI may only have a limited effect on final cashflow outputs.

The independent modelling advisor emphasised that these findings are preliminary and subject to further refinement, sensitivity testing and validation. The independent modelling advisor noted that outputs will be provided to the WG by the end of October to support their consideration of the RRPPA and recommendations in their final report. The independent modelling advisor and CG noted the intent for key findings of this work to be shared with industry, where possible (subject to confidentiality and intellectual property constraints).

Negative Price Provision

The WG discussed the two negative pricing provisions under consideration in the \$0 price floor and \$0 volume knock-out. The WG agreed that in principle, a negative pricing provision should preserve existing spot market signals and allocate negative price risk to the party best placed to manage it. The WG noted that there is no clear precedent in market between the two mechanisms and hence the behaviour of projects in the Reference Fleet in response to negative prices may be varied. The WG also noted that forecasting the frequency of negative price intervals into the future is challenging and to the extent that sellers would need to form a view on this, it could result in substantial risk premiums being factored into bids.

The WG's preferred approach is to proceed with a \$0 price floor on the basis that:

- The price floor protects buyers by ensuring exposure is capped at the agreed Fixed Price.
- Under each mechanism, rational bidding behaviour for a project holding a RRPPA is to curtail volume beyond shallow negative prices to minimise exposure.

- Whilst the volume knock-out eliminates buyer payments during negative price periods, this would drive higher bid prices in comparison to the price floor, as the same total costs must be recovered from less volume.

The WG's preferred approach was subject to further discussions regarding the potential for the Reference Fleet to curtail their output during negative pricing intervals, which could reduce the Reference Fleet volume to the extent that the \$0 price floor has a similar effect to the \$0 volume knockout. The WG's preference was to retain the current basis of the Reference Production Index which is based on dispatched volumes, but agreed to consider other approaches such as basing the Index on UIGF during negative price periods to consider which approach best balances the risks to sellers and value to buyers. This was flagged for future discussion and analysis.

Price Cap

The WG reviewed the proposed \$600 price cap and affirmed their preferred position was for a price cap to remain in the contract structure, noting that the value to the seller as a requirement for bankability (to reduce basis risk to tolerable levels) is considered to outweigh the reduction to the value for the buyer. The WG agreed to confirm the setting of the price cap following review of the independent bankability analysis, but considered that it should be the same as the strike price of the cap for the firming service.

Treatment of Hybrid Projects in the Reference Fleet

The WG discussed the treatment of hybrid projects within the Reference Fleet and agreed that:

- Hybrid projects represent a significant portion of the renewable energy pipeline and the contract structure is not intended to restrict participation by hybrid projects, however, there needed to be further consideration of how these project would influence the Reference Index, noting that these projects could exacerbate basis risk for solar and wind projects if they were included in the Reference Index.
- A hybrid project could be included in the Reference Fleet, where the dispatched output of the variable renewable energy (VRE) component can be identified separately in AEMO 5-minute dispatch data. This will likely require a separate dispatchable unit identifier (DUID) for VRE and storage components. A hybrid project that is not included in the Reference Fleet could still bid for a RPPA contract.
- Further work should be undertaken during long form drafting to document a detailed approach to defining the Reference Fleet for each region and technology.

Managing Change to the Reference Fleet

The WG acknowledged issues raised during consultation with respect to managing changes to the Reference Fleet due to market entry, exits and generator outages. The WG elected to consider the issues in further detail before agreeing a conceptual approach, however, noted that:

- For wind assets, 'exits' are often progressive, i.e., not all turbines are decommissioned at the same time (and hence ad-hoc updates may not be required).
- Further consideration should be given to whether the Reference Production Index should be calculated using project nameplate capacity or available capacity.

The WG agreed that principles to address new entrants, asset retirements, prolonged outages, and changes in asset availability, should be considered in detail long form drafting, with a view to maintaining index stability and avoiding unintended transfers of basis risk.

Shaping

Block Setting Approach

The WG re-visited the approach to the charge/discharge block setting, considering stakeholder feedback received. The WG agreed to retain the proposed dynamic block setting approach on the basis that:

- The product design (based on residual demand) is complimentary to and adds value to the RRPPA design.
- The dynamic block setting approach has been shown to capture additional value to fixed blocks, and subsequently the contract is more likely to offer value when being recycled and result in a lower cost to consumers.
- The product design provides flexibility to both buyers and sellers. Sellers have the option to buy-back their position (at the prevailing market price) and offer a different product to market (e.g. a virtual toll). Buyers can reduce their exposure to daily spreads or choose to purchase a variety of products through intermediaries who may purchase and re-package the product.

The CG agreed to provide further historical analysis to the WG to support conclusions in the Final Report with respect to the historical forecast accuracy, spread capture and block placement variability of the proposed approach, in comparison to perfect foresight and a fixed block approach.

Daily shaping period

The WG noted concerns identified with respect to the preferred 09:05-09:00 Daily Shaping Period, which results in the need to aggregate Pre-Dispatch and MT-PASA data to place the charge/discharge blocks a day-ahead. The WG agreed to change the preferred position for the Daily Shaping Period to 16:05-16:00 (with nominations at 13:00 on the same calendar day) on the basis that:

- This approach requires only Pre-Dispatch data.
- The evening peak is at the start of the period and the forecast accuracy should be greater.

Prior to confirming this decision, the WG have agreed to undertake a review of CG historical analysis and further block setting logic that may be required to mitigate seller concerns regarding discharge periods immediately preceding and at the commencement of a new Daily Shaping Period.

Firming

The WG discussed feedback received on the preferred \$600 cap. The WG agreed to retain the \$600 strike price, noting the concerns raised by industry regarding increasing costs (both entry and operational costs for fuel-based assets) and the potential for short run marginal costs to reach or exceed the \$300 cap strike price during the contract tenor. The WG considered an alternative approach proposed by stakeholders to index the strike price to APC, however, considered this would create significant uncertainty for both buyers and sellers outside of administered pricing periods over the life of the contract.

The WG noted that should buyer demand for \$300 caps far outweigh \$600 in the near-term, projects with an ESEM contract could choose to buy-back their positions and offer alternative contracts or projects outside of the ESEM may choose to offer these products.

Broader Implementation Issues

The WG discussed a range of broader implementation issues:

Force majeure (FM):

The WG discussed stakeholder feedback received on FM and reiterated that a mechanism (sitting outside of the financial derivative contract) with the ability to provide relief from contractual obligations during FM is considered essential for bankability. The WG noted that the insurance market currently only covers a small number of FM events (e.g. natural

catastrophe) and does not adequately manage spot market risk. The WG noted FM provisions in precedent documents such as the Capacity Investment Scheme contracts are well understood in the market and have been banked.

Contract recycling and Market Making Obligations

DCCEEW provided an overview of the contract recycling and MMO overview provisions in the draft NEL/NER package for consultation. The WG agreed that over time, the MMO could transition to cover the proposed contract structures proposed however, noted that it will be important for products to be able to be traded via an exchange to enable this.

Forward schedule

The WG will host a webinar on 22 October 2026 to provide a summary of stakeholder feedback received.

The WG will next meet in person on 4 November 2026 for their final in person workshop before delivery of the Final Report.

Attachments¹

- **Attachment 1:** Workshop discussion materials

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.