

1. Overview

The Hybrid Generation Long-Term Energy Service Agreement (Hybrid Generation LTESA) is a variation to the Generation LTESA designed to incentivise investment into new large-scale generation infrastructure co-located with a storage component under the NSW Electricity Infrastructure Roadmap. ASL designed the Hybrid Generation LTESA in consultation with industry in early 2026.

The Hybrid Generation LTESA provides projects with a series of options to enter a 1-year cash-settled swap with price-risk sharing, reducing exposure to volatile wholesale electricity prices.

The Hybrid Generation LTESA is intended to support Projects comprising of both generation and storage components that meet the following criteria:

- The **export power capacity of the Generation Project must be at least the same size as the export power capacity of the Storage Project.**
- At COD, the Storage Project must be able to provide a **minimum of 4-hours** of continuous output at the Storage Project's export power capacity.
- LTES Operator **must install and maintain sub-meters for the Generation Project, consistent with a metering diagram provided to ASL prior to signing.**
- The Project must be configured with a **single point of connection** to the transmission/distribution network.
- The Project must **register in a configuration that enables the Generation Project and the Storage Project to conform to dispatch instructions at the connection point in an aggregate manner.**



2. Key features

- **Flexible Options to enter into Swap:** A series of options to enter one year swap periods over the contract term (up to 20 years), with no upfront premium. Options can be exercised annually, with each swap period lasting one year.
- **Greater revenue certainty:** Upon exercise, the operator receives 50% of the difference between the Strike Price and the Floating Price, reducing spot price risk.
- **Efficient risk sharing:** The price risk sharing mechanism promotes efficient risk sharing between projects and NSW electricity consumers. This efficient risk allocation promotes investors providing low-cost capital to fund projects while limiting risks to consumers.
- **Flexibility to maximise revenue:** Ability to retain upside due to the 50% price risk sharing mechanism and flexible option structure, which allows for full, partial or no exercise in a swap period.
- **Monthly settlement payments:** Cash-settled on a monthly basis, helping projects to manage volatile cash flows.
- **Operating strategy:** Set by operator, subject to limited restrictions. The Hybrid Generation LTESA is designed to integrate with both offtake contracts and merchant positions. The Hybrid Generation LTESA encourages projects to maximise the revenue of its generation by either exporting energy directly to the grid or charging the storage when prices are low.

3. Financing Considerations

The Hybrid Generation LTESA has been developed with several financing considerations, aimed at improving project bankability and financing costs (e.g. higher debt gearing ratios), and attracting a wider group of financiers and investors:

- **Long-term tenor:** up to 20-year contract terms exceeds market standard for off-take contracts.
- **Optionality:** ability to partially exercise options and enter swap periods as needed unlocks additional value and flexibility for project financing.
- **Tripartite Deed:** provides step in rights for financiers, protecting value and reducing termination risk.
- **Standardised Agreements:** facilitate efficient due diligence and transaction execution.
- **Creditworthy counterparty:** Moody's Aa3 rated counterparty with statutory right to recover costs.

4. Key Commercial Terms

The Hybrid Generation LTESA sits alongside, and does not replace, the existing Generation LTESA (which also includes optional drafting to accommodate hybrid projects).

Proponents can elect which LTESA to bid for when submitting a bid, with all Projects bidding for either the Generation LTESA or the Hybrid Generation LTESA being assessed altogether.

Key differences between the Hybrid Generation LTESA and the Generation LTESA include:

- Settlement based on Sent Out Net Exports.
- Negative pricing provisions that set the quantity of the swap to zero during negative price periods.
- Performance obligations (and equivalent rebates) on both generation and storage components.
- Requirements regarding eligible offtake contracts.



Table 1: Hybrid Generation LTESA key terms

Key term	Description
Bid terms	
Option periods	The LTESA provides for up to 20 years-worth of options to enter Swap Periods, commencing from the First Option Date.
Strike Price	The Strike Price (in \$/MWh) of the swap payment triggered on exercise of the option. This is to be bid in nominal dollars, not subject to escalation with CPI.
Repayment Threshold Price	A fixed price (in \$/MWh) that is used to calculate potential repayments. This is to be bid in nominal dollars, not subject to escalation with CPI.
COD Target Date	The target date for the LTES Operator to achieve commercial operations for the Project. The COD Sunset Date is 18 months after the COD Target Date, which is the last date by which LTES Operator must achieve commercial operations for the Project or agree a cure plan, following which SFV may be entitled to terminate this agreement.
Excluded periods	Option periods where the LTES Operator commits to not be able to exercise its option to enter a Swap Period.
Contracted Percentage	Allows the Operator to bid only a portion of the capacity of the Project to be covered by the LTESA, providing flexibility to LTES Operator.
Other key commercial terms	
Swap Percentage	The Swap Percentage is equal to the Contracted Percentage multiplied by Nominated Percentage, where the Contracted Percentage is a bid variable and the Nominated Percentage is specified by LTES Operator within each Exercise Notice.
Swap Period	The fixed duration of the cash settled swap is one financial year. Swap Periods begin on 1 July and end on the following 30 June.
Settlement mechanism	When an option is exercised it is settled monthly against net exports as follows: <ol style="list-style-type: none"> 1. Notional Quantity = Swap Percentage x Sent Out Net Exports for trading interval x transmission and distribution loss factors 2. Monthly settlement = (Strike Price – Floating Price) x Price Risk Share (%) x sum of the Notional Quantity for each trading interval within that month
Contractual shape	Net export following, with the energy quantity of the swap based on the Project's dispatched Sent Out Net Exports measured at a nominated export meter (after applying relevant marginal loss factors). Net exports consider the operation of both the Generation Project and Storage Project.
Negative price provision	For trading intervals where the Floating Price is less than zero, the Notional Quantity is set to zero.

Key term	Description
Annual Payment Cap	<p>A dollar cap will apply equally on annual payments from the SFV to the LTES Operator and from the LTES Operator to the SFV under a cash settled swap. The Annual Payment Cap is to be calculated as the Strike Price × Price Risk Share × forecast P50 annual generation as submitted by the LTES Operation with its Bid.</p> <p>Payments from the SFV to the LTES Operator (and vice versa) are reduced to the extent that the Annual Payment Cap has been breached, however, where future payments are made from the LTES Operator to SFV (or vice versa as applies) these are offset by unpaid 'excess' that would otherwise have applied above the cap.</p>
Repayment Mechanism	<p>The repayment mechanism applies in non-exercise periods and to the uncontracted volume in Swap Periods. If the LTES Operator's DWFP is above the Repayment Threshold Price. Fifty (50) percent of the revenue above the threshold is paid to the SFV, which is capped at the historical cumulative net payments (including any rebates) from the SFV to the LTES Operator and is reduced where the LTES Operator has entered into an eligible contract.</p>
Termination Amount	<p>SFV must pay the LTES Operator the Fixed Termination Amount for termination by LTES Operator due to SFV payment default, SFV insolvency or amendment or repeal of EII Act. The Fixed Termination Amount is calculated as net present value of remaining annual payments discounted at 7% p.a.</p> <p>LTES Operator must pay SFV the Early Termination Amount for SFV's valid termination under the LTESA. The Early Termination Amount:</p> <ul style="list-style-type: none"> • for a Major Casualty Event is calculated as \$40,000 per MW of Contracted Export Capacity (max \$12,000,000); or • otherwise, the above amount plus the lesser of 15% of the Fixed Termination Amount and 90% of Historical Net Payments
Green rights and other products (incl. capacity)	<p>In exercise periods, the SFV is entitled to products or revenues from existing or new markets, including, applicable green rights (such as Large-scale Generation Certificates (LGCs)) and other economic rights conferred on the Project by regulation for its capacity or generation.</p>
Minimum Generation, Availability and Storage Rebates	<p>In exercise periods, the LTES Operator must pay the SFV a rebate:</p> <ul style="list-style-type: none"> • if the Project's generation is below the Minimum Generation. It is set at an amount of energy (in MWh) equal to 75% × forecast P90 annual sent-out generation for the relevant Swap Period; • if the Project's Equivalent Availability Factor falls below the Equivalent Available Threshold; or • if the Project's tested storage capacity falls below the Contracted Storage Capacity <p>Each of the Minimum Generation, Availability and Storage rebates will be assessed annually, with the aggregate of any rebates being capped at the sum of net payments from the SFV to LTES Operator for that swap year.</p>

5. Illustrative examples

5.1 Annual Cash Flows

Strike Price and Repayment Threshold Price form part of the Bid Variables that must be supplied in each Proponent's Bid.

Figure 1: Illustrative Hybrid Generation LTESA settlement mechanics

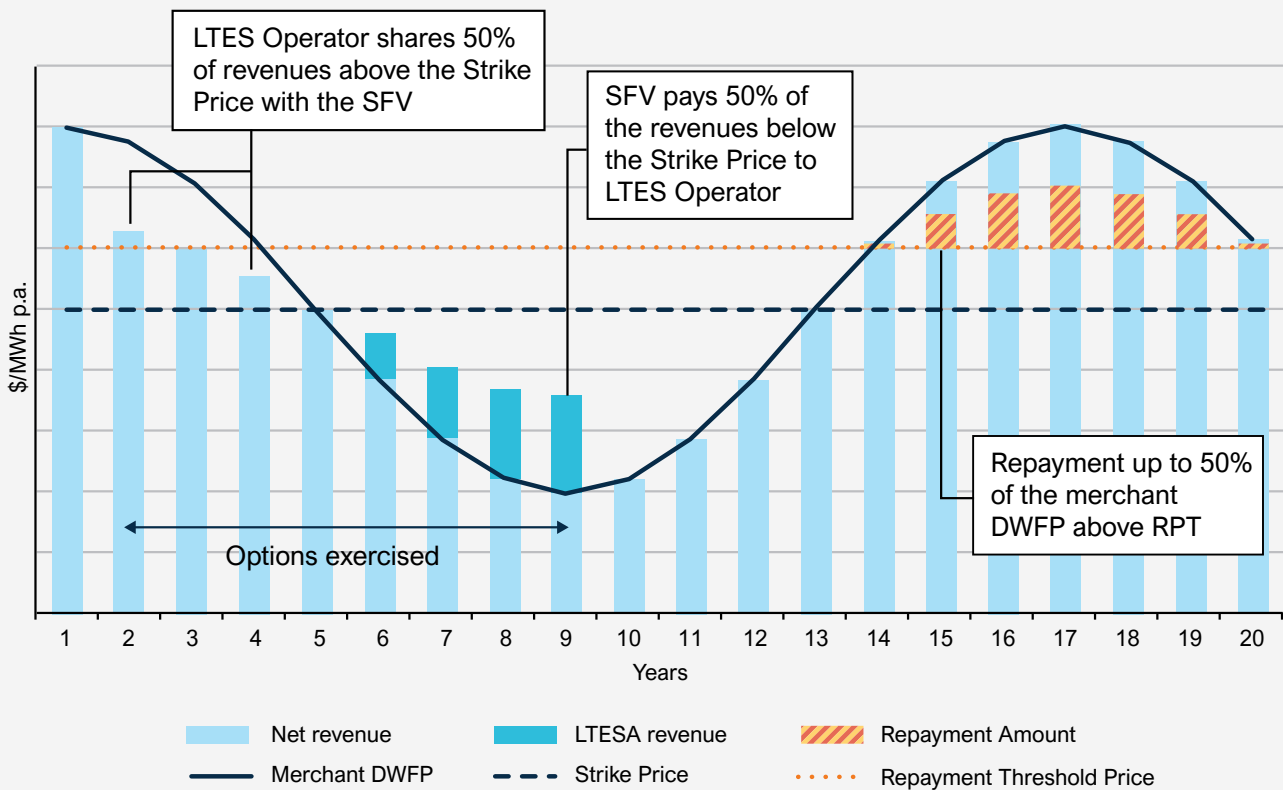


Figure 1 provides an **illustrative example** of how the Hybrid Generation LTESA would be settled. It shows:

Year 1 – does not exercise LTESA options

- Project is merchant exposed and receives the floating (spot) price for its generation.

Years 2 - 9 – exercises LTESA options

- In years 2 - 5, the sum of trading interval revenues is at or above the Strike Price, so the project shares the revenues above the Strike Price with the SFV.
- In years 6 – 9, the sum of the trading interval revenues are lower than the Strike Price and hence payments are made from the SFV to the project. This increases the Historical Net Payment from SFV to the project.

From year 10 – does not exercise LTESA options

- Project is merchant exposed and receives the floating (spot) price for its generation.
- Given the project has received payments during years 6 - 9 and the Dispatch Weighted Floating Price is above the Repayment Threshold Price, repayments apply for years 14 - 20.
- The applicable repayment is calculated by the lesser of the Historical Net Payment and the calculated repayment amount.

5.2 Trading Interval Cash Flows

The following worked illustrative examples demonstrate the net cash flow position of a hybrid project at different trading intervals, assuming a Strike Price of \$5. The LTESA settlement amount is calculated as $[(\text{Strike} - \text{FP}) \times \text{PRS} \%] \times \text{NQ}$.

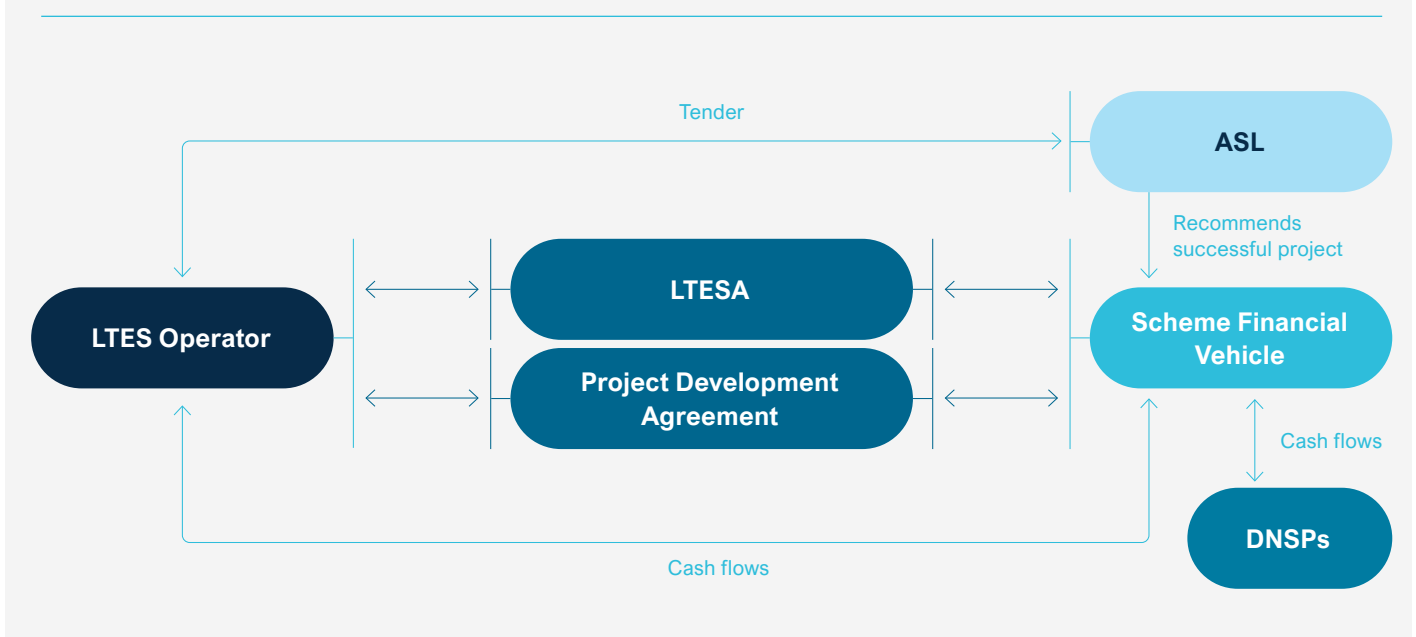
Table 2 – Trading Interval settlement worked example

Case	Low spot prices (less than strike price)		Spot price greater than strike price	
Hybrid Strike Price - Strike - (\$/MWh)			\$5	
Floating (Spot) price - FP - (\$/MWh)	\$3	\$3	\$8	\$8
Notional Quantity - NQ (MWh)	1MWh Importing	1MWh Exporting	1 MWh Importing	1 MWh Exporting
LTESA Settlement - A - (\$)	$[(5-3) \times 50\%] \times -1 = -1$	$[(5-3) \times 50\%] \times 1 = 1$	$[(5-8) \times 50\%] \times -1 = 1.5$	$[(5-8) \times 50\%] \times 1 = -1.5$
Spot market revenue - R - (\$)	$3 \times -1 = -3$	$3 \times 1 = 3$	$8 \times -1 = -8$	$8 \times 1 = 8$
Net Operator cash flow = A+R (\$)	-4	4	-6.5	6.5

6. Contract structure and cash flows

LTESA tenders are run by ASL, as the independent NSW Consumer Trustee, with the Scheme Financial Vehicle (SFV) as the contract counterparty. The SFV is rated Aa3 by Moody's, providing strong financial stability and payment certainty. The SFV has statutory rights to recover costs from NSW electricity customers via Distribution Network Service Providers (DNSPs).

Figure 2: Contract structure and cash flows



This document has been prepared to assist Proponents (and their Associates and Consortium Members) in making their own evaluation of the suitability of their Project to participate in a Tender Round for LTESAs. ASL has taken care in the preparation of the information contained or referred to in this document but cannot guarantee its accuracy or completeness. In the event of any discrepancy between the information contained or referred to in this document, and the information provided in Tender Guidelines or Project Documents for a specific tender, the Tender Guidelines or Project Documents will prevail. This document is not intended to provide any advice or imply any recommendation or opinion constituting advice. Proponents should seek their own independent legal advice on the operation of the Project Documents.