Q&A Responses

Electricity Contract Co-Design Webinar

22 October 2026

Background information

This document provides written answers to questions received during the Electricity Contract Co-Design Update Webinar held on 22 October 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 (Working Group), they have been answered by the Working Group. Questions outside of the Working Group 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 Energy Ministers have not yet authorised or agreed the final design.

Q&A Responses

Question		Response
Customer value & hedging		
1	Customers pay for ESEM. What was the summary of customer/buyers views on the contracts? It seems that most submissions and most support is from sellers. Do customers want this? (Answered live)	The volume of buyer responses to the consultation was lower than seller participation; however, feedback was received from consumer and large energy user representatives, including the Energy Users Association of Australia and BlueScope Steel. The Working Group was established with members that include perspectives from buyers (Firmus, SA Water) as well as integrated retailers (Origin, Iberdrola, Flow Power) alongside other investment and seller side perspectives. Further detail is available in the published consultation submissions and feedback summary on ASL's website.
2	What does "testing" mean when we have seen no evidence that the working group has considered whether these contracts can be utilised to hedge consumer load? Why was the working group established without balanced participation between buyers and sellers?	The Working Group was established with members that include perspectives from buyers (Firmus, SA Water) as well as integrated retailers (Origin, Iberdrola, Flow Power) alongside other investment and seller side perspectives. Published workshop materials and minutes detail the trade-offs considered in developing the contracts to date. Consultation feedback and Working Group discussions continue to inform refinement of the products ahead of the Final Report. Analysis is underway to show use of the products from a buyer perspective, however, the Working Group notes that the products are not intended to operate as standalone solutions for managing customer load risk, but rather as components of a broader portfolio of hedging arrangements which may be sought from secondary markets.

Question		Response
5	What does the Regional Reference PPA give buyers that they do not already get from being unhedged in the NEM? (Answered live)	A Regional Reference PPA provides buyers with exposure to a defined regional generation profile, which is different from remaining unhedged in the NEM. Together with the shaping and firming products, it can provide a foundation for managing wholesale electricity price risk while supporting continued market participation and product innovation.
Bulk energy		
7	Adding a cap to the Bulk PPA means it provides zero protection to buyers during high-price events. How is this justifiable when consumers pay under ESEM? Why should renewables be paid a fixed price and allowed to make windfall gains? (Answered live)	The Working Group considered the trade-offs between buyer hedging value, product fungibility and project bankability. The Working Group's view is that high-price event protection may be more appropriately addressed through complementary products within a broader portfolio, including the proposed firming product and existing market hedging instruments. Given the indexed nature of the Regional Reference PPA, it is considered that an uncapped product would provide less reliable protection against high prices for buyers compared to the firming product. Conversely, adding a price cap to the Regional Reference PPA would materially improve bankability.
8	Is it anticipated under bulk energy contracts that there would be a requirement for seller credit support?	The current draft product sheets envisage that participants would enter into a standard Master Agreement framework, such as an ISDA Master Agreement, which would contain common provisions relating to security, payment terms, termination and other credit-related matters. Detailed prudential and credit support requirements remain subject to further design and consultation during development of long-form agreements.
Shaping		
9	Do you anticipate any changes to the shaping product based on the feedback?	Stakeholder feedback has informed several refinements currently being considered by the Working Group. Following consultation, the Working Group agreed to retain the dynamic block-setting approach but revised its preferred Daily Shaping Period from 09:05-09:00 to 16:05-16:00 or 04:05 – 04:00, subject to further review of historical analysis. The Working Group is also continuing to consider stakeholder feedback regarding operational implementation, forecast accuracy and block-setting methodologies before finalising recommendations.
10	Are the proposed nomination periods for the Shaped product expected to be applied uniformly to the fleet? Will the entire fleet receive the same nomination periods day by day?	Under the current design, Charge and Discharge Periods are determined using a common residual-demand methodology for each Daily Shaping Period. The nominated periods are intended to define the settlement mechanism for the contract and are not project specific. The objective is to create a standardised and fungible product that can be applied consistently across participants within the relevant NEM region and product class. The WG has noted that individual projects are not obligated to physically follow the nominations.

Question		Response
Firming		
11	Can you expand on how the shaping and firming would interact during a multi-day wind drought in winter? The physical incentives and the financials for both types of asset and overall market.	The shaping and firming products are intended to address different risks and may be used together within a broader portfolio. The shaping product is designed to hedge intra-day price spreads through nominated charge and discharge periods, while the firming product provides protection against high-price events above the strike price. During periods of sustained low renewable output, including extended wind drought conditions, the relative value of each product would depend on prevailing market outcomes. The Working Group has deliberately designed the products as complementary instruments that can be combined with each other and with existing market products to manage different dimensions of wholesale market risk. The WG also notes that the NEM Review recommendations also included the possibility of procurement of other technologies through out of market reserves and special tenders as required.
12	Does the analysis really support one contract per novel service? Or would a firmed bulk energy product focused on hybrid projects/diverse portfolios better work for customers and sellers long term?	The Working Group's Terms of Reference outline that it is responsible for developing standardised electricity derivative contract structures covering the three core ESEM services as defined in the NEM Review Final Report (bulk energy, shaping and firming). The three products have designed to be complimentary to support (with other secondary market products as required) a position that may be similar to a 'firmed' bulk-energy product.
13	If the $300 cap contract is expected to continue to be a readily traded product, how much demand do you see for buyers seeking to procure $600 cap contracts? Why not simply procure the $300, where is the value to the buyer for these $600 contracts? (Answered live)	The consultation considered the role of the proposed $600 cap contract alongside existing market products, including the widely traded $300 cap, and the current $100 cap which trades across shorter horizons. The $600 cap is intended to complement, rather than replace, other cap products by providing an additional risk management option for buyers and sellers. Compared with lower-strike cap products, the higher strike price may offer greater certainty for project proponents participating in long-term ESEM arrangements, while still allowing the product to be used alongside other cap products as part of a broader hedging strategy. The intent is for the $600 cap to sit within a wider suite of market products and support longer-term contracting outcomes.

Question		Response
Force Majeure & Risk Allocation		
14	Can you give any additional information as to what the FM protections might look like?	The Working Group has emphasised that force majeure treatment is an important consideration for project bankability, particularly for long-term financial derivative contracts. While the treatment of force majeure and design of an approach to manage it sits outside the Working Group's Terms of Reference, discussions have referenced approaches used in established market mechanisms, including Capacity Investment Scheme contracts. The Working Group's current view is that an efficient mechanism to provide relief during limited force majeure events would sit outside the financial derivative contract itself, with the intention of addressing exceptional events beyond the reasonable control of project proponents.
15	Why are you considering FM clauses for these products, this is a clear example of privatising gains and socialising losses. This market is inherently risky, and the sellers should accept that risk. (Answered live)	The treatment of force majeure and development of an approach to address it sits outside of the Working Group's Terms of Reference. However, the Working Group is discussing force majeure provisions because they address events that are beyond the reasonable control of the contracting parties and are a common feature of existing market contracting arrangements. Feedback from project proponents highlighted force majeure treatment as a significant issue, particularly given the long-term nature of the proposed ESEM products and the potential financial exposure that may arise under fungible financial derivative contract structures.
Hybrid Projects, Reference Fleet & Index Design		
16	On the hybrid project inclusion in the Reference Fleet, the variable renewable component may not respond to price like normal projects would and hence distort the index as the storage could absorb the output that the project doesn't want to send out. Has this been considered? (Answered live)	Yes. The potential for hybrid projects to influence the Reference Production Index through the interaction of generation and storage has been identified and remains an active area of consideration for the Working Group. Stakeholders have raised questions about how hybrid project behaviour may affect generation profiles and whether output can be appropriately identified for index calculation purposes. The Working Group is continuing to assess these issues, including the treatment of hybrid projects within the Reference Fleet and the implications for index design, before reaching a final position.
17	Building on the Hybrid piece, does my hybrid project have to form part index? What's the metric/trigger for its inclusion to the index calculation?	Hybrid projects are intended to be included in the Reference Fleet where the dispatched output from the variable renewable generation component can be separately identified in AEMO dispatch data, which may require separate DUIDs for generation and storage components. The Working Group is continuing to consider detailed Reference Fleet design and hybrid project treatment as part of the remaining contract development process.

Question		Response
Pricing, Settlement & Market Incentives		
18	Can you expand on the explanation of the difference between zero dollar floor and knock out on volume? And translation to contract price and value.	The two approaches allocate negative-price risk differently. Under a $0 price floor, floating prices below $0/MWh are deemed to be $0/MWh, meaning buyers continue to make payments based on the agreed fixed price while their downside exposure remains capped. Under a volume knockout approach, volumes associated with negative-price periods are excluded from settlement altogether. The Working Group's preference is for the $0 floor because it provides greater certainty regarding contracted volumes and is therefore expected to result in lower bid prices. With a volume knockout, bidders need to factor in an assumption around the prevalence of future negative prices when determining their bid price as costs would need to be recovered from lower settled volumes, which may lead to inefficient bid prices.
19	The statement that the $0 price floor is required to signal projects to curtail doesn't quite make sense. It holds for an OtC PPA, but contracting via a fungible ESEM means that projects should always be incentivised to curtail at $0 to maximise merchant revenues independent of contract settlement? (Answered live)	The Working Group recognises that incentives under a fungible contract structure differ from those under a traditional physical or over-the-counter PPA. However, because project output contributes to the underlying index, curtailment behaviour may also affect the index and associated hedge outcomes. The challenge is therefore to preserve appropriate incentives to respond to negative prices while ensuring that index design does not create unintended consequences for contract performance or project bankability. The Working Group is continuing to assess these trade-offs and the implications of different approaches to index construction and negative price treatment.
20	Have you considered how curtailing ESEM projects at ≤$0/MWh affects the LGC/REGO market? As certificate value forms part of renewable generators' SRMC, could this policy disadvantage ESEM projects while benefiting non-ESEM generators that continue operating and capture more certificates? (Answered live)	The Working Group has considered the potential interaction between negative price settings, generation incentives and certificate markets. Stakeholders have noted that LGC and REGO revenues form part of renewable generators' economics and may influence behaviour during low or negative price periods. The Working Group is continuing to assess how different approaches to negative price treatment, including price floors and volume-based mechanisms, affect incentives, project value and overall market outcomes. The objective is to balance efficient operational signals while supporting the long-term viability and value of participating projects.

Question		Response
Bankability & Financial Close		
21	Are there any plans to test the contracts with real-world bankability testing with major financiers experienced in the Australian market?	The Working Group has commissioned independent bankability analysis and has also engaged with financial institutions and market participants throughout the consultation process. This includes a recent financier roundtable that brought together key representatives from Australian and international banks to discuss the preferred contract structures. Preliminary findings indicate that several variants of the Regional Reference PPA perform similarly to traditional PPAs from a cash-flow certainty perspective, subject to further validation and sensitivity testing. The results of this independent work are expected to inform the Working Group's final recommendations and provide additional insight into bankability considerations.
22	Can you please share more on the independent bankability analysis? (Answered live)	The Working Group are undertaking detailed analysis of the proposed ESEM contract designs, supported by independent modelling. This work is assessing a range of settlement mechanisms and market scenarios, including issues such as negative price treatment, cap structures and force majeure provisions. The Working Group has also engaged with financial institutions and other stakeholders to better understand bankability considerations, and this feedback is informing the ongoing contract design process.
23	What evidence has the working group seen that contract tenor, rather than price, planning and connection delays or other factors, is what stops projects reaching financial close? Any developments on this since the review findings were first published?	The Working Group's Terms of Reference outline that they are responsible for developing standardised electricity derivative contract structures covering the three core ESEM services as defined in the NEM Review Final Report (bulk energy, shaping and firming), broader policy issues sit outside of their Terms of Reference.
Trading, Market Infrastructure & Legal		
24	Do you expect these contracts will be struck via ISDAs and will sellers require an AFSL?	The draft product sheets envisage the use of a common Master Agreement framework, such as an ISDA Master Agreement, combined with standard market electricity provisions where appropriate. However, the final legal and regulatory framework remains subject to ongoing design and consultation. Requirements relating to Australian Financial Services Licensing and participant obligations will be considered as part of the detailed implementation and legal design process.

Question		Response
25	How are these contracts intended to be traded given they will be subject to the MMO in the current design?	The Working Group has consistently emphasised the importance of fungibility and the ability for contracts to be recycled into secondary markets. Discussions to date have noted that, over time, market making obligations may extend to these products, although the Working Group has also noted the importance of exchange-based trading and market infrastructure to support liquidity. Detailed implementation arrangements remain subject to further consultation and policy development.
26	Has the ASX, or any other platform been consulted on the appetite for the products from the market based on what it's heard from the industry over time?	The Working Group's consultation process has been open to a broad range of market participants and stakeholders across the energy sector. Ongoing feedback regarding market liquidity, trading arrangements and contract standardisation is helping to inform product development. Consideration of specific trading platforms, market infrastructure and secondary market arrangements will continue as implementation design progresses.
Governance, Working Group & Implementation		
27	How is the phase 2 implementation work going to be done, and what will the working group's role be in it?	The current Working Group's role for Phase 1 is to provide recommendations on contract design through its Final Report. Legislative development and market design activities sit within broader government-led implementation processes and future consultation. As set out in the Guidelines, the Working Group is expected to continue to play an important role in providing final long-form contract templates at the end of Phase 2. Relevant legal subject matter experts will be engaged for drafting purposes.
Eligibility & Participation		
30	Last week David Leitch piece in RenewEconomy suggested that projects that have achieved FID will not be eligible for an ESEM PPA and that this would exclude projects that had proceeded to construction on a merchant basis. Is that correct? If so, what is policy rationale? (Answered live)	There is currently no provision in the draft legislative package that explicitly excludes projects that have reached Final Investment Decision (FID) from participating in ESEM. However, the underlying policy intent is that ESEM should support investment that may not otherwise proceed, rather than displacing or supplementing investment that is already occurring through existing market mechanisms.

Question		Response
31	It's only part of your hedge book if you are a portfolio owner or a utility. This whole system seems against individual projects, which have actually been the source of majority of renewables development. Is this intentional?	The proposed contract structures are intended to support both individual projects and portfolio participants. The use of reference fleets and standardised settlement mechanisms is designed to improve fungibility and support secondary market trading, while still allowing individual projects to participate and retain incentives to outperform the reference index or defend their contracted position. The Working Group has been conscious of maintaining pathways for standalone projects while balancing objectives relating to liquidity, bankability and market efficiency.