Meeting Minutes

Minutes of the Electricity Contract Co-Design Working Group Meeting 7

Wednesday, 4th November 2026

Working Group Members Present

Tom Arnold (ACEN Australia), Paul Curnow (Akaysha Energy), Jialin Shen (Ampyr Energy), Nick Hawke (CEFC), Stephanie Easton (Iberdrola Australia), Ally Bonakdar (NAB), Daniel Teng (Origin Energy), Andrew Mulder (RWE), Andrew Wilkins (SA Water), Paul Grzinic (Firmus).

Working Group Members Absent

Declan Kelly (Flow Power)

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 seventh meeting, focussed on finalising outstanding contract design choices and recommendations for the Final Report:

- **Bulk energy (Regional Reference PPA):** Reviewed further cash-flow modelling and agreed to retain current design features.
- **Shaping (Dynamic Time of Day Spread Swap):** Reviewed further analysis into impacts of the daily shaping period decision and agreed to retain current design features.
- **Firming:** No further discussion and updates to contract structures.

Industry engagement and feedback

The WG discussed feedback received from stakeholders following the previous meeting and reflected on the key themes emerging from these discussions.

The WG noted a recent roundtable discussion with several financiers and the generally positive feedback received regarding the proposed contract suite and the work of the WG to identify and (where possible) mitigate threshold risks.

The WG noted support for the proposed $0/MWh price floor within the RRPPA structure, however noted that support from some developers was subject to index volumes being preserved during negative pricing intervals. The WG also noted that customer representatives had expressed strong support for maintaining the current ‘as generated’ basis of the Reference Production Index.

The WG discussed feedback received from some market customers, who indicated some uncertainty regarding how the proposed contract suite would be implemented in practice and incorporated into portfolio hedging strategies, as well as broader concerns with some elements of the ESEM design (outside of the scope of the WG). Members agreed that contract recycling and therefore usefulness of the products for buyers is critical to the broader success of the ESEM. The WG agreed that supporting material and worked examples would be valuable in assisting stakeholder understanding of the interaction between

the various contract products and to communicate the considerations made to support the attractiveness of the products for buyers.

Bulk energy

Cash Flow Modelling Review

ASL presented the results of additional cash flow modelling undertaken for the RRPPA using independent third-party market forecast curves. The analysis sought to further test contract performance under a range of future market scenarios and project operating characteristics.

The WG noted that a range of alternative settlement mechanisms had been tested and that, from a buyer perspective, most mechanisms modelled delivered outcomes broadly comparable (and in some cases better) than a conventional run-of-plant PPA. The WG considered that these findings provided additional confidence in the overall design approach and supported retention of the current contract structure.

The modelling demonstrated an approximately linear relationship between the ratio of the project's capacity factor relative to the Reference Fleet and its optimal contracted volume. The WG noted that this relationship may differ from historical contracting dynamics observed under traditional PPAs and reflected the specific characteristics of the proposed indexed contract structure.

The WG noted the intent for the independent modelling analysis and outcomes of ASL's cashflow modelling to be published (subject to removal of any confidential and proprietary information owned by the independent third-party market forecast provider) alongside the Final Report.

Review of key design features

The WG reviewed the remaining key design features of the RRPPA and considered whether any further amendments were required prior to finalisation of recommendations.

Following discussion, the WG agreed to retain the proposed $600/MWh price cap. Members noted that modelling undertaken indicated that the $600 price cap was expected to deliver a net positive benefit for buyers, through maximising the contracted revenue, reducing the effective hedge price and providing more coverage for high spot prices (than a lower priced cap), while maintaining appropriate market signals. In comparison, a $300 price cap was found to provide a net increase to buyer costs due to a loss of protection against prices between $300/MWh and $600/MWh and increased hedge cost.

The WG also agreed to retain the proposed $0/MWh floor, on the basis of the consistent feedback from industry that a negative price provision was required and that the available analysis indicated that a floor produced more favourable outcomes for buyers than a volume knock-out arrangement, which was found to increase required fixed prices and overall costs to buyers. The modelled floor mechanism reflected an index for which generation volume would be preserved during negative price periods, akin to generator behaviour for an asset linked run-of-plant PPA.

The WG engaged in a detailed discussion regarding the operation of the Reference Production Index during negative pricing periods and in particular the likelihood of bidding incentives for individual generators driving an 'index collapse' of an as-generated reference index under negative spot price scenarios. Members acknowledged stakeholder concerns that, in the event of severe and sustained index degradation, the practical impact of the $0/MWh floor could begin to resemble aspects of a volume knock-out. The WG also acknowledged that the severity of the risk could be directly influenced by the procurement volumes of the ESEM process, where over procurement could lead to a higher occurrence of negative prices.

The WG considered that the risk allocation of the proposed floor mechanism would likely operate somewhere between the current market standard $0 price floor mechanisms and a volume knock-out arrangement. However, the WG considered that there are several key uncertainties in assessing the risk of 'index collapse' a long time in the future. The WG noted that during high variable renewable periods, there is still customer demand to be met and that the resulting dispatch merit order is impacted by the contracting arrangements across the Reference Fleet at that time. As a result, the WG identified that the

volume of renewable energy available relative to demand could have a large impact on Reference Production Index (dispatched) volumes. DCCEEW noted that an important design feature of the design of the ESEM was a 'feedback loop' between procurement and prevailing prices to inform entry trajectory.

While recognising the inherent uncertainty associated with forecasting future market dynamics, the WG concluded that on balance that for a price floor with an as-generated index, the residual risks associated with negative price intervals were practically best left with project developers.

Members agreed that the current design appropriately preserved efficient investment and operational signals and therefore supported retention of the existing index design, however, agreed that the identified risk of potential "index collapse" should be flagged in the Final Report for further consideration during the next phase of contract development (including consideration of the potential likelihood and extent of a collapse).

Shaping

Review of key design features

The WG discussed the proposed Daily Shaping Period and further analysis undertaken since the previous workshop. ASL presented key findings from both historical market analysis conducted by ASL and forward-looking modelling undertaken by Griffith University. The analysis explored a range of design options and examined the potential risk of 'back-to-back' discharge events occurring across Daily Shaping Period boundaries in a future system with high levels of variable renewable energy.

The WG noted that historical analysis demonstrated varying outcomes across jurisdictions, reflecting differences in local wind, solar and operational demand profiles. However, the WG also noted that the forward-looking analysis indicated increasing alignment in residual demand trends with higher renewable penetration across the NEM.

The WG considered whether additional block-setting logic should be introduced to mitigate this risk for sellers. The WG concluded that introducing additional constraints would reduce the value of the product for buyers and diminish some of the flexibility benefits delivered by the proposed design. The WG also considered that sellers would have sufficient advance visibility of nominated positions to manage associated financial exposures.

On balance, the WG agreed to retain the preferred (trading interval ending) 16:05-16:00 Daily Shaping Period. The WG noted that the forward-looking analysis supported the hypothesis that this approach is expected to reduce the frequency of back-to-back discharge events. Having the expected highest-value peak period early in the Daily Shaping Period, whilst also shortening the window between nomination and the start of the Daily Shaping Period, is intended by design to maximise the forecast accuracy at the time of block nomination. The WG considered that these features enhanced the overall value proposition of the product for buyers while maintaining an acceptable risk profile for sellers.

The WG identified a potentially un-managed risk due to daily shaping periods with a large forecasting error (i.e. discharge blocks set during negative price periods or charge periods set during higher price periods than discharge periods) that could result in a negative Realised Spread and large cost to buyers. The WG noted that sellers would likely have some ability to manage their position during these periods, however, buyers were exposed to the forecast error. The WG noted that during long form drafting, further consideration could be given to additional features in the settlement mechanism (e.g. a $0 floor on the Realised Spread term) to reduce the exposure for buyers during these events.

Using the contracts as a hedging tool

Hedging using the contract suite

The WG acknowledged feedback from the buyer segment of the market regarding uncertainty over how the contracts could be used to hedge market exposure. The WG affirmed their view that the products could be used by a range of market participants (by themselves or as a set) for this intended purpose and agreed to utilise a high-level tool developed by DCCEEW to illustrate this use. The WG agreed that the tool should be refined and referenced within the Final Report as supporting material to assist stakeholder understanding of the proposed design framework.

Force majeure (FM)

The WG discussed its previously considered position on force majeure and agreed the broad parameters of their recommendations for inclusion in the Final Report.

Stage 1 Wrap-Up

Final Report review/feedback

The WG reviewed the draft Final Report and discussed the proposed approach for incorporating comments and finalising the next version. The WG agreed on the key areas requiring refinement and confirmed arrangements for completing the drafting process.

Reflections on Stage 1 of the Co-Design Process

WG and CG members reflected on the Stage 1 co-design process and shared observations regarding the development of the proposed contract suite.

The WG highlighted the value of bringing together participants with diverse perspectives and expertise, noting that the process had encouraged robust debate, challenged existing assumptions and supported the development of practical compromise positions.

The WG also reflected on the importance of iterative engagement with industry participants, observing that frequent stakeholder feedback loops had assisted in testing concepts, identifying potential issues and improving contract design outcomes.

The WG acknowledged the challenges associated with the compressed project timeline and the need to conduct detailed product design work within the scope established by the Terms of Reference. The WG also noted the complexity of developing contract structures while broader policy settings continued to evolve.

Finally, the WG emphasised the importance of maintaining engagement with industry during future implementation phases to ensure that the rationale for key design decisions, trade-offs and intended policy outcomes is clearly understood by market participants.

Forward schedule

The WG agreed to meeting week commencement 9 November 2026, to finalise their recommendations and discuss working arrangements for Stage 2 (long form drafting).

The WG noted the intention to complete and publish the Final Report during the week commencing 16 November 2026.

Attachments[1,2]

- **Attachment 1:** Workshop discussion materials
- **Attachment 2:** ASL Shaping Product Analysis

[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.

[2] Further details of the supporting analysis undertaken to support decision making on the RRPPA is intended to be included as an attachment to the Final Report.