

Attachment A – Draft Product Sheets

September 2026

Bulk Energy: Regional Reference PPA

All terms and contract positions are subject to change and further refinement.

Overview

The Bulk Energy Service Agreement provides:

- the **Buyer** exposure to the index performance of a Reference Fleet of renewable projects;
- the **Seller** with long-term, contracted revenue at a Fixed Price for volumes calculated based on output of the Reference Fleet.

Concept

The Bulk Energy Service Agreement aims to facilitate the entry of technologies that are capable of generating zero emissions electricity, including wind and solar. The agreement is based on a swap structure. It works by fixing the price received by the Seller per MWh of output, where the volume is derived based on the Reference Production Index. Compared to a run of plant PPA, the Reference Production Index improves fungibility and also reduces the volume risk that Buyers are exposed to from individual projects, while retaining incentives for the Sellers to outperform the Reference Fleet.

Core commercial terms

Key Term	Description
Overview	
Seller	XX <i>Note: The Seller is intended to be the owner of the project used to physically defend the agreement, however, the swap may be later offered to the market by the ESEM Administrator.</i>
Buyer	XX <i>Note: the Buyer is intended to be the ESEM Administrator at first instance, however, the swap may be offered to the market by the ESEM Administrator.</i>
First Calculation Period Start Date	XX/XX/XX <i>Note: the First Calculation Period Start Date is a fixed date and is intended to be a period of XX years, following COD. It is anticipated that the Seller obtains contracts from the market as required, during the period between COD and the First Calculation Period.</i>
Contract Term	The term of the ' Bulk Energy Service Agreement ' is XX years, commencing from the First Calculation Period Start Date. Notes: - Tender design parameters will confirm whether the Seller must offer for a fixed number of years or whether this is a bid parameter. - The Contract is <u>not</u> designed as a series of options. If the Seller wishes to 'opt-out' for a series of Calculation Periods, it can 'buy back' its position from the ESEM Administrator or secondary markets.
NEM Region	[SA/NSW/VIC/QLD/TAS]
Technology	[Wind/Solar] <i>Note: The WG is considering how the proposed contract structures could also apply to hybrid projects.</i>
Fixed Price (\$/MWh)	\$XX/MWh Notes: The Fixed Price (\$/MWh) is the agreed amount that the Seller will receive for the Notional Quantity.

Key Term	Description
	Tender design parameters will confirm whether the Fixed Price will be entered as a fixed value or a schedule of prices e.g. a single price per year during the agreement.
Floating Price (\$/MWh)	The Spot Price (in \$/MWh) set by AEMO for a Trading Interval at the Regional Reference Node.
Contract Capacity (MW)	XX MW of capacity of the specified Technology within the NEM Region. Note: Tender design will confirm whether the Contract Capacity be entered as a fixed MW or an annual schedule of Contract Capacity.
Settlement	
Calculation Period (CP)	The Calculation Period shall be aligned to the AEMO NEM settlement calendar and occur weekly. Note: the WG's preferred position is for settlement to occur weekly to minimise prudential requirements on both, Buyers and Sellers.
Reference Fleet	The Reference Fleet contains all Operational projects of the specified Technology within the specified NEM Region with a Nameplate Capacity of 30MW or greater. Notes: - The Reference Fleet will be published annually by the ESEM Administrator. - Nameplate Capacity is envisaged to be determined using the most recent version of AEMO's NEM Generation Information Spreadsheet published at the time of determining the Reference Fleet. - The WG is considering how to refine 'Operational', including considerations related to projects that are in commissioning and outages.
Reference Fleet Capacity (MW)	Reference Fleet Capacity is the total nameplate capacity (MW) of the Reference Fleet. $Reference\ Fleet\ Capacity = \sum_1^n Nameplate\ Capacity_n$, where - n is the number of projects within the Reference Fleet. - Nameplate Capacity_n is the nameplate capacity (MW) registered with AEMO for each project.
Scaling Factor_n	$Scaling\ Factor_n = \min(1, \frac{RF \times Reference\ Fleet\ Capacity}{Nameplate\ Capacity_n})$, where: - n represents an individual project. - Regional Factor, RF is a percentage determined by the ESEM Administrator for the specified Region. Note: Each project within the Reference Fleet is scaled so that its contribution to the Reference Index is capped. This seeks to limit index inter-year variability and skewing of the index by one particular project, particularly in regions with smaller Reference Fleets at ESEM commencement. The WG had considered 10% as a reasonable starting position for RF, however, noted that this could vary for different states and technologies.
Reference Production Index_{TI}	The Reference Production Index represents the capacity factor of the Reference Fleet for a Trading Interval, accounting for scaling. $Reference\ Production\ Index_{TI} = \frac{\sum_1^n Scaling\ Factor_n \times Dispatched\ Output_{n,TI}}{\sum_1^n Scaling\ Factor_n \times Nameplate\ Capacity_n}$, where - n is the number of projects within the Reference Fleet. - Dispatched Output_{n,TI} (MW) is the generation output (MW) of project n within the Reference Fleet in a Trading Interval as per AEMO 5-minute dispatch data.
Notional Quantity_{TI} (MWh)	The quantity of electricity (MWh) that applies for a Trading Interval. $Notional\ Quantity_{TI} = Contract\ Capacity \times \frac{TI\ Duration}{60} \times Reference\ Production\ Index_{TI}$, where TI Duration is the number of minutes in a Trading Interval (5 minutes).
Settlement Amount_{CP} (\$)	$Settlement\ Amount_{CP} = \sum_1^n Notional\ Quantity_{TI} \times (Floating\ Price_{TI} - Fixed\ Price)$, where n is the number of Trading Intervals in the Calculation Period. For Trading Intervals where:

Key Term	Description
	- the Floating Price is greater than \$600/MWh, the Floating Price shall be taken to be \$600/MWh. - the Floating Price is less than \$0/MWh, [tbc]. Notes: - Where the Settlement Amount is negative (reflecting a low-price scenario), the Buyer must pay the absolute value of the Settlement Amount to the Seller. - Where the Settlement Amount is positive (reflecting a high-price scenario), the Seller must pay the value of the Settlement Amount to the Buyer. - The WG is considering its position on the treatment of negative Trading Intervals where the Floating Price is < \$0/MWh (e.g. whether a price floor or volume knock-out is required)
Treatment of green certificates	Green certificates shall be retained by the Seller. Note: The WG note that green certificates by their nature are tied to the physical plant and hence should be held by the Seller to maintain fungibility.

Other terms

Key Term	Description
Physical Performance Obligations	No physical performance obligations will apply. Note: As this is a financial instrument, physical performance obligations do not apply. See comments below on Force Majeure.
Contract Term Preconditions	No contractual preconditions to the start of the Contract Term. Note: Whilst pre-conditions are not intended to be within the scope of the agreement, it is envisaged that there may be the need for a separate Project Development Agreement between the ESEM Administrator and Seller prior to Commercial Operations Date, subject to further consideration by the NEM Review Implementation Taskforce.
Force Majeure	Note: The WG and the NEM Review Implementation Review Taskforce are considering how the ESEM can most efficiently manage Force Majeure risk (for limited events) for Sellers. The agreement is not envisaged to include specific carve outs for physical Force Majeure events, aligning with the contract attributes outlined in the WG's Terms of Reference. The Seller will be responsible for managing all other risks associated with the project underlying the agreement.
Security	Note: It is envisaged that the Buyer will enter into a template Master Agreement (e.g. ISDA Master Agreement) with each Seller on identical terms. This Master Agreement is anticipated to set out key terms including security, termination, change in law events, market suspension and payment terms that will be consistent for all ESEM Agreements and, where relevant, drawing on the Australian Electricity Addendum published in the AFMA Guide to Australian OTC Transactions as is frequently used in Australia for OTC agreements agreed under an ISDA Master Agreement
Termination	
Change in law	
Market suspension	
Payment Terms	

Risk allocation and incentives summary

The below table provides a summary of how the agreement shares risks between the Buyer and Seller.

Risk	Buyer	Seller
Price risk	The Buyer is exposed to the difference between the Fixed Price and the Floating Price.	The Seller receives the Fixed Price based on the Notional Quantity derived from the Reference Production Index.
Volume risk	The Buyer receives a hedge from the Reference Production Index of the fleet, but is still exposed to systemic volume risk.	The Seller does not have a fixed volume obligation, but is exposed to mismatches between its output and the Notional Quantity derived from the Reference Production Index. Seller retains the idiosyncratic risk.
MLF/Constraint Risk	The Buyer is exposed to systemic MLF/constraint risks where these impact the Reference Production Index.	The Seller is exposed to mismatches between its output and the Notional Quantity derived from the Reference Production Index., including MLF and constraint risks. Seller retains the idiosyncratic risk.
Shape	The Buyer holds the systemic shape risk of the Reference Fleet.	The Seller is exposed to differences between the Reference Fleet and the project's individual shape. Seller retains the idiosyncratic risk.
Long term contract value risk	The ESEMA holds the risk of long-term value of the agreement.	The Seller receives a known Fixed Price for the period of the agreement.
Force Majeure	Note: The WG and the NEM Review Implementation Review Taskforce are considering how the ESEM can most efficiently manage Force Majeure risk (for limited events) for Sellers. The agreement is not envisaged to include specific carve outs for physical Force Majeure events, aligning with the required contract attributes outlined in the WG's Terms of Reference. The Seller will be responsible for managing all other risks associated with the project underlying the agreement.	
Negative prices	Note: The WG is considering its position on the treatment of Trading Intervals where the Floating Price is less than \$0/MWh (e.g. whether a price floor or volume knock-out is required).	
Market intervention / suspension	Note: It is envisaged that the Master Agreement will contain provisions to appropriately manage scenarios for Trading Intervals where the underlying index(es) are unavailable (as is typical for ISDA/AFMA standard electricity provisions for PPAs in the NEM).	
Regulator/market rule change risk	Note: It is envisaged that the Master Agreement will contain provisions to appropriately manage regulatory / market rule changes over the duration of the agreement (as is typical for ISDA/AFMA standard electricity provisions for PPAs in the NEM).	

Settlement Examples

The below tables provide illustrative examples of settlement calculations for a single Trading Interval. In Examples 2 and 4, the Reference Production Index is reduced, demonstrating the impact of variable reference output on settlement. In Examples 3 and 4 the Floating Spot price is increased, demonstrating the impact of high spot prices on settlement.

Technology	Solar farm	Plant Capacity (B)	120MW
Calculation Period	5 minutes (e.g. 1 Trading Interval)	Contract Capacity (C)	120MW (e.g. 100% contracted)
Fixed Price (A)	\$100/MWh		

Example	Floating (spot) Price (\$/MWh) (D)	Spot Revenues		Reference Fleet	Agreement Settlement		Net Seller Position
		Seller Generation Volume (MWh) (E)	Spot Revenue (\$) (F) = (D) x (E)	Reference Production Index (G)	Notional Quantity (H) = (G) x (A) / 12	Settlement Amount (I) = (H) x ((D) - (A))	Net Seller Position (J) = (F) - (I)
1	\$20	5.0	\$100	0.75	7.5	-\$600	\$700
2	\$20	5.0	\$100	0.25	2.5	-\$200	\$300
3	\$200	5.0	\$1,000	0.75	7.5	\$750	\$250
4	\$200	5.0	\$1,000	0.25	2.5	\$250	\$750

Example	Floating (spot) Price (\$/MWh) (D)	Spot Charges		Reference Fleet	Agreement Settlement		Net Buyer Position
		Buyer Consumption (MWh) (E)	Spot Charges (\$) (F) = - (D) x (E)	Reference Production Index (G)	Notional Quantity (H) = (G) x (C) / 12	Settlement Amount (I) = (H) x ((D) - (A))	Net Buyer Position (J) = (F) + (I)
1	\$20	5.0	-\$100	0.75	7.5	-\$600	-\$700
2	\$20	5.0	-\$100	0.25	2.5	-\$200	-\$300
3	\$200	5.0	-\$1,000	0.75	7.5	\$750	-\$250
4	\$200	5.0	-\$1,000	0.25	2.5	\$250	-\$750

Dynamic Time of Day Block Spread Swap

All terms and contract positions are subject to change and further refinement.

Overview

The Shaping Service Agreement swap provides:

- **A Buyer** with reduced exposure to daily wholesale price volatility in exchange for a fixed premium. The Buyer receives a hedge against the high/low in wholesale market.
- **A Seller** with long-term, stable cash-flows from premiums.

Concept

The Shaping Service Agreement aims to facilitate the entry of technologies that are capable of matching the intraday profiles of supply and demand. This could involve technologies that can provide a range of durations (e.g. 2,4,6,8 hrs). The dynamic, time of day block spread swap uses an ex-ante, dynamic approach to defining the forecast optimal periods for discharge and charge a day ahead of time, with the actual block spread for a day calculated ex-post (based on the ex-ante nomination blocks). This approach promotes existing market signals and a method of nominating blocks that is flexible and retains market signals. Sellers retain the incentive to dispatch and outperform the daily spread in real time, based on their own risk appetite and debt financing terms.

Core commercial terms

Key Term	Description
Overview	
Seller	XX <i>Note: The Seller is intended to be the owner of the project used to physically defend the agreement, however, the position may be later offered back to the market by the ESEM Administrator.</i>
Buyer	XX <i>Note: the Buyer is intended to be the ESEM Administrator at first instance, however, the swap may be offered back to the market by the ESEM Administrator.</i>
First Calculation Period Start Date	XX/XX/XX <i>Note: the First Calculation Period is a fixed date and is intended to be a period of XX years, following COD. During the period between COD and the First Calculation Period, it is anticipated that the Seller obtains contracts from the OTC market as required.</i>
Contract Term	The term of the ' Shaping Service Agreement ' is XX years, commencing from the First Calculation Period Start Date. <i>Notes:</i> • Tender design parameters will confirm whether the Seller must offer for a fixed number of years or whether this is a bid parameter. • The Contract is <u>not</u> designed as a series of options. If the Seller wishes to 'opt-out' for a series of Calculation Periods, it can 'buy back' its position from the ESEM Administrator or secondary markets.
NEM Region	[SA/NSW/VIC/QLD/TAS]
Shaping Duration	XX hours <i>Note: The duration of the charge/discharge periods. e.g. 2 hrs means both Charge and Discharge Periods are 2 hrs.</i>

Key Term	Description
Fixed Spread (\$/MWh)	\$XX/MWh Notes: - The Fixed Spread represents the agreed difference (\$/MWh) between the average Floating Price in the nominated Charge Period(s) and Discharge Period(s). - Tender design parameters will confirm whether the Fixed Spread will be entered as a fixed value or a schedule of prices e.g. a single price per year during the agreement.
Contract Capacity (MW)	XX MW Note: Tender design will confirm whether the Contract Capacity be entered as a fixed MW or an annual schedule of Contract Capacity.
Floating Price (\$/MWh)	The Spot Price (in \$/MWh) set by AEMO for a Trading Interval at the Regional Reference Node.
Settlement	
Calculation Period (CP, days)	The Calculation Period (days) shall be aligned to the AEMO NEM settlement calendar and occur weekly. Note: the WG's preferred position is for settlement to occur weekly to minimise prudential requirements on both Buyers and Sellers.
Daily Shaping Period	A Daily Shaping Period commences at the Trading Interval ending at 09:05 and finishes at the Trading Interval ending at 09:00 the following day.
Determining Charge and Discharge Periods	The ESEM Administrator will determine Charge and Discharge Periods based on forecast Residual Demand, where: $Residual\ Demand_{TI} = Operational\ Demand_{TI} - (Forecast\ Solar\ PV\ Output_{TI} + Forecast\ Wind\ Output_{TI})$ - Charge Periods are the forecast periods of lowest residual demand in the Daily Shaping Period. - Discharge Periods are the forecast periods of highest residual demand in the Daily Shaping Period. In determining the Charge and Discharge Periods, the ESEM Administrator must: - Nominate two or less Charge Periods and two or less Discharge Periods per day. - Nominate Charge Periods and Discharge Periods such that the total of each is equal to the Shaping Duration. - Nominate a Charge Period or Discharge Period that is 6 or more Trading Intervals (30 minutes) in duration. Note: the WG has selected Residual Demand as the preferred method for determining Charge and Discharge periods, due to its high correlation with price in an energy system with a high penetration of renewables. Limits on the Charge and Discharge periods are applied to manage some Seller exposure risk, whilst ensuring the product is still valuable in hedging Buyer exposures over morning and evening peak periods. The WG has not elected to include any terms related to Round Trip Efficiency and hence the Seller would consider this in its bid.
Publishing Nominations	The ESEM Administrator will publish nominated Charge and Discharge Periods at 16:00 each day for the following Daily Shaping Period. Note: the WG considered that over 12 hrs notice was preferable to provide sufficient notice for Sellers to manage exposures
Realised Spread (\$/MWh)	$Realised\ Spread_n = Discharge\ Price_n - Charge\ Price_n$, where: n is a Daily Shaping Period.

Key Term	Description
	- Discharge Price (\$/MWh) is the average Floating Price during the defined Discharge Period(s) for a Daily Shaping Period. - Charge Price (\$/MWh) is the average Floating Price during the defined Charge Period(s) for a Daily Shaping Period.
Notional Quantity (MWh)	The quantity of electricity (MWh) that applies for a Calculation Period. $\text{Notional Quantity} = \text{Contract Capacity} \times \text{Shaping Duration} \times \text{Calculation Period}$
Settlement Amount (\$)	$\text{Settlement Amount} = \text{Notional Quantity} \times \sum_1^n (\text{Realised Spread}_n - \text{Fixed Spread})$, where: n is the number of Daily Shaping Periods in the Calculation Period. Notes: - Where the Settlement Amount is negative (reflecting a low realised spread scenario), the Buyer must pay the absolute Settlement Amount to the Seller; - Where the Settlement Amount is positive (reflecting a high realised spread scenario), the Seller must pay the Settlement Amount to the Buyer.

Other key terms

Key Term	Description
Physical Performance Obligations	No physical performance obligations will apply. Note: As this is a financial instrument, physical performance obligations do not apply. See below on Force Majeure.
Contract Term Preconditions	No contractual preconditions apply to the start of the Contract Term. Note: Whilst pre-conditions are not intended to be within the scope of the agreement, it is envisaged that there may be the need for a separate Project Development Agreement between the ESEM Administrator and Seller prior to Commercial Operations Date, subject to further consideration by the NEM Review Implementation Taskforce.
Force Majeure	Note: The WG and the NEM Review Implementation Review Taskforce are considering how the ESEM can most efficiently manage Force Majeure risk (for limited events) for Sellers. The agreement is not envisaged to include specific carve outs for physical Force Majeure events, aligning with the contract attributes outlined in the WG's Terms of Reference. The Seller will be responsible for managing all other risks associated with the project underlying the agreement.
Security	Note: It is envisaged that the Buyer will enter into a template Master Agreement (e.g. ISDA Master Agreement) with each Seller on identical terms. This Master Agreement is anticipated to set out key terms including security, termination, change in law events, market suspension and payment terms that will be consistent for all ESEM Agreements and, where relevant, drawing on the Australian Electricity Addendum published in the AFMA Guide to Australian OTC Transactions as is frequently used in Australia for OTC agreements agreed under an ISDA Master Agreement.
Termination	
Change in law	
Market suspension	
Payment Terms	

Risk allocation and incentives

Risk	Buyer	Seller
Price risk	The Buyer is exposed to the difference between the Realised Spread and the Fixed Spread.	The Seller receives the Fixed Spread.
Volume risk	The Notional Quantity is fixed and hence the Buyer is not exposed to volume risk.	The Seller holds the risk of defending the agreed Notional Quantity, including curtailment, MLF, round trip efficiency and degradation risks.
Shape	The Buyer is exposed to the alignment between the nominated Charge Period(s) and Discharge Period(s) and the actual realised high/low periods for each Daily Shaping Period.	The Seller holds the risk of defending the Charge Period(s) and Discharge Period(s).
MLF/Constraint Risk	The Notional Quantity is fixed and hence the Buyer is not exposed to volume risk.	The Seller holds the risk of defending the agreed Notional Quantity, including MLF and constraint risks.
Long term contract value risk	The ESEMA holds the risk of long-term value of the agreement.	The Seller receives a known Fixed Price for the period of the agreement.
Force Majeure	<i>Note: As noted above, the WG and the NEM Review Implementation Review Taskforce are considering how the ESEM can most efficiently manage Force Majeure risk (for limited events) for the Seller. The Seller is responsible for managing other risks associated with the project underlying the agreement.</i>	
Market intervention / suspension	<i>Note: It is envisaged that the Master Agreement will contain provisions to appropriately manage scenarios for Trading Intervals where the underlying index(es) are unavailable (as is typical for ISDA/AFMA standard electricity provisions for PPAs in the NEM).</i>	
Regulator/market rule change risk	<i>Note: It is envisaged that the Master Agreement will contain provisions to appropriately manage regulatory / market rule changes over the duration of the agreement (as is typical for ISDA/AFMA standard electricity provisions for PPAs in the NEM).</i>	

Settlement Examples

The below tables provide illustrative examples of settlement calculations for a Daily Shaping Period. In Examples 2 and 4, the Discharge Price is increased, demonstrating the impact of a large daily spread on settlement. In Examples 3 and 4 the Seller Daily Volume is less than Notional Quantity, demonstrating the impact of a Seller not defending its spread on settlement (noting revenues earned outside of the charge/discharge periods are not considered).

Plant type and location	BESS	Fixed Spread (C)	\$120/MWh
Calculation Period	1 Day (1 Daily Shaping Period)	Plant Capacity (D)	100MW
Shaping Duration (hours) (A)	4	Plant Storage (E)	4 hrs
Contract Capacity (B)	100MW (e.g. 100% contracted)		

Example	Spot Market			Spot Revenues		Agreement Settlement		Net Seller Position
	Charge Price (F)	Discharge Price (G)	Realised Spread (H) = (G) - (F)	Seller Daily Cycle Volume (MWh) (I)	Spot Revenue (\$) (J) = (I) x (H)	Notional Quantity (K) = (A) x (B)	Settlement Amount (L) = (K) x ((H) - (C))	Net Seller Position (M) = (J) - (L)
1	\$50	\$100	\$50	400	\$20,000	400	-\$28,000	\$48,000
2	\$50	\$200	\$150	400	\$60,000	400	\$12,000	\$48,000
3	\$50	\$100	\$50	100	\$5,000	400	-\$28,000	\$33,000
4	\$50	\$200	\$150	100	\$15,000	400	\$12,000	\$3,000

Example	Spot Market			Spot Charges		Agreement Settlement		Net Buyer Position
	Charge Price (F)	Discharge Price (G)	Realised Spread (H) = (G) - (F)	Buyer Daily Volume (MWh) (I)	Average Spot Charges (\$) (J) = - (I) x (H)	Notional Quantity (K) = (A) x (B)	Settlement Amount (L) = (K) x ((H) - (C))	Net Buyer Position (M) = (J) + (L)
1	\$50	\$100	\$50	400	-\$20,000	400	-\$28,000	-\$48,000
2	\$50	\$200	\$150	400	-\$60,000	400	\$12,000	-\$48,000
3	\$50	\$100	\$50	400	-\$20,000	400	-\$28,000	-\$48,000
4	\$50	\$200	\$150	400	-\$60,000	400	\$12,000	-\$48,000

Firming: \$600 Cap Contract

All terms and contract positions are subject to change and further refinement.

Overview

The Firming Service Agreement provides:

- A **Buyer** with reduced exposure to volatility in exchange for a fixed premium.
- A **Seller** with long-term, stable cash-flows from premiums, in return for capping wholesale costs for the Buyer during volatile events.

Concept

The Firming Service Agreement aims to facilitate the entry of dispatchable technologies that are capable of being dispatched continuously for the time it takes to reach the cumulative price threshold. At the market price cap, this would require technologies that can be dispatched continuously at their contracted output for approximately 8 hours¹. To achieve this, the Firming Service Agreement converts uncertain but significant wholesale price exposure from volatile events into a consistent cash-flow, providing increased certainty for Buyer and Seller. Setting of the strike price facilitates the amount of wholesale exposure that Buyer and Seller remain exposed to.

Core commercial terms

Key Term	Description
Overview	
Seller	XX <i>Note: The Seller is intended to be the owner of the project used to physically defend the agreement, however, the position may be later offered back to the market by the ESEM Administrator.</i>
Buyer	XX <i>Note: the Buyer is intended to be the ESEM Administrator at first instance, however, the swap may be offered back to the market by the ESEM Administrator.</i>
First Calculation Period Start Date	XX/XX/XX <i>Note: the First Calculation Period is a fixed date and is intended to be a period of XX years, following COD. It is anticipated that the Seller obtains contracts from the OTC market as required, during the period between COD and the First Calculation Period.</i>
Contract Term	The term of the ' Firming Service Agreement ' is XX years, commencing from the First Calculation Period Start Date. Notes: • Tender design parameters will confirm whether the Seller must offer for a fixed number of years or whether this is a bid parameter. • The Contract is not designed as a series of options. If the Seller wishes to 'opt-out' for a series of Calculation Periods, it can 'buy back' its position from the ESEM Administrator or secondary markets.

¹ The NEM Review Final Report also contemplated a possible need for 'special tenders', particularly for technologies facing barriers beyond the tenor gap. These special tenders are not within the Terms of Reference of the Working Group.

Key Term	Description
NEM Region	[SA/NSW/VIC/QLD/TAS]
Floating Price (\$/MWh)	The Spot Price (in \$/MWh) set by AEMO for a Trading Interval at the Regional Reference Node.
Strike Price (\$/MWh)	\$600/MWh <i>Note: The Strike Price is the Floating Price (\$/MWh) above which Cap Repayments occur.</i>
Contract Capacity (MW)	XX MW <i>Note: Tender design will confirm whether the Contract Capacity be entered as a fixed MW or an annual schedule of Contract Capacity.</i>
Contract Price (\$/MW)	\$XX/MW <i>Notes:</i> - The Contract Price (\$/MW) is the agreed amount that the Seller will receive for the Notional Quantity. - Tender design parameters will confirm whether the Contract Price will be entered as a fixed value or a schedule of prices e.g. a single price per year during the agreement.
Settlement	
Calculation Period (hrs)	The Calculation Period (hrs) shall be aligned to the AEMO NEM settlement calendar and occur weekly. <i>Note: the WG's preferred position is for settlement to occur weekly to minimise prudential requirements on both Buyers and Sellers.</i>
Notional Quantity (MWh)	The quantity of electricity (MWh) that applies for the Calculation Period. <i>Notional Quantity = Contract Capacity × Calculation Period</i>
Contract Premium (\$)	<i>Contract Premium = Notional Quantity × Contract Price</i> The Buyer must pay the Seller the Contract Premium for each Calculation Period.
Cap Repayment Amount (\$)	<i>Cap Repayment Amount = Notional Quantity × (Σ₁ⁿ Max (0, Floating Price_{TI} – Strike Price))</i> , where n is the number of Trading Intervals in the Calculation Period. The Seller must pay the Buyer the Cap Repayment Amount for each Calculation Period.
Settlement Amount (\$)	<i>Settlement Amount = Contract Premium – Cap Repayment Amount</i> <i>Notes:</i> - Where the Settlement Amount is negative, the Buyer must pay the absolute value of the Settlement Amount to the Seller. - Where the Settlement Amount is positive, the Seller must pay the value of the Settlement Amount to the Buyer.

Other key terms

Key Term	Description
Physical Performance Obligations	No physical performance obligations will apply. See below on Force Majeure. <i>Note: As this is a financial instrument, physical performance obligations do not apply.</i>
Contract Term Preconditions	No contractual preconditions to the start of the Contract Term.

Key Term	Description
	<i>Note: Whilst pre-conditions are not intended to be within the scope of the agreement, it is envisaged that there may be the need for a separate Project Development Agreement between the ESEM Administrator and Seller prior to Commercial Operations Date, subject to further consideration by the NEM Review Implementation Taskforce.</i>
Force Majeure	<i>Note: The WG and the NEM Review Implementation Review Taskforce are considering how the ESEM can most efficiently manage Force Majeure risk (for limited events) for the Seller given that the agreement will not have specific carve outs for physical Force Majeure.</i>
Security	<i>Note: It is envisaged that the Buyer will enter into a template Master Agreement (e.g. ISDA Master Agreement) with each Seller on identical terms. This Master Agreement is anticipated to set out key terms including security, termination, change in law events, market suspension and payment terms that will be consistent for all ESEM Agreements and, where relevant, drawing on the Australian Electricity Addendum published in the AFMA Guide to Australian OTC Transactions as is frequently used in Australia for OTC agreements agreed under an ISDA Master Agreement.</i>
Termination	
Change in law	
Market suspension	
Payment Terms	

Risk allocation

Risk	Buyer	Seller
Price risk	The Buyer pays a fixed Contract Premium and hence is not exposed to price risk (above the Strike Price) for the agreed volume.	The Seller receives a fixed Contract Premium, regardless of wholesale prices. The Seller is exposed to prices below the Strike Price.
Volume risk	The contract volume is fixed and hence the Buyer is not exposed to volume risk.	The Seller holds the risk of defending the agreed volume of the cap.
Shape	The Buyer is protected from all high price events above the strike price.	The Seller must be able to defend the cap for all high price events above the strike price.
MLF/Constraint Risk	The Notional Quantity is fixed and hence the Buyer is not exposed to volume risk.	The Seller holds the risk of defending the agreed Notional Quantity, including MLF and constraint risks.
Long term contract value risk	The ESEMA holds the risk of long-term value of the agreement.	The Seller receives a known Contract Premium for the period of the agreement.
Fuel Supply	The contract volume is fixed and hence the Buyer is not exposed to fuel supply risks.	The Seller holds the risk of obtaining to fuel supply to defend the cap.
Force Majeure	<i>Note: As noted above, the WG and the NEM Review Implementation Review Taskforce are considering how the ESEM can most efficiently manage Force Majeure risk (for limited events) for Sellers. The Seller is responsible for managing other risks associated with the project underlying the agreement.</i>	
Market intervention / suspension	<i>Note: It is envisaged that the Master Agreement will contain provisions to appropriately manage scenarios for Trading Intervals where the underlying index(es) are unavailable (as is typical for ISDA/AFMA standard electricity provisions for PPAs in the NEM).</i>	

Risk	Buyer	Seller
Regulator/market rule change risk	<i>Note: It is envisaged that the Master Agreement will contain provisions to appropriately manage regulatory / market rule changes over the duration of the agreement (as is typical for ISDA/AFMA standard electricity provisions for PPAs in the NEM).</i>	

Settlement Examples

The below tables provide illustrative examples of settlement calculations for a single Trading Interval, demonstrating how the product caps Seller and Buyer exposure to Floating Prices above the Strike price.

Plant type	Gas turbine	Plant Capacity (C)	120MW
Calculation Period (A)	5 minutes (e.g. 1 Trading Interval)	Contract Capacity (D)	120MW (e.g. 100% contracted)
Strike Price (B)	\$600/MWh	Contract Premium (E)	\$20/MWh

Floating (spot) Price (\$/MWh) (F)	Spot Revenues		Contract Settlement				Net Seller Position
	Seller Generation Volume (MWh) (G)	Spot Revenue (\$) (H) = (F)x(G)	Notional Quantity (MWh) (I) = (A) x (C)	Contract Premium (\$/MWh) (J) = (E) x (I)	Cap Repayment (K) = (I) x MAX(0, (F) - (B))	Settlement Amount (L) = (J) - (K)	Net Seller Position (M) = (H) + (L)
\$300	10MWh	\$3,000	10MWh	\$200	\$0	\$200	\$3,200
\$500	10MWh	\$5,000	10MWh	\$200	\$0	\$200	\$5,200
\$600	10MWh	\$6,000	10MWh	\$200	\$0	\$200	\$6,200
\$1000	10MWh	\$10,000	10MWh	\$200	\$4000	-\$3800	\$6,200

Floating (spot) Price (\$/MWh) (F)	Spot Charges		Contract Settlement				Net Buyer Position
	Buyer Consumption (MWh) (G)	Spot Charges (\$) (H) = - (F)x(G)	Notional Quantity (MWh) (I) = (A) x (C)	Contract Premium (\$/MWh) (J) = (E) x (I)	Cap Repayment (K) = (I) x MAX(0, (F) - (B))	Settlement Amount (L) = (J) - (K)	Net Buyer Position (M) = (H) - (L)
\$300	10MWh	-\$3,000	10MWh	\$200	\$0	\$200	-\$3,200
\$500	10MWh	-\$5,000	10MWh	\$200	\$0	\$200	-\$5,200
\$600	10MWh	-\$6,000	10MWh	\$200	\$0	\$200	-\$6,200
\$1000	10MWh	-\$10,000	10MWh	\$200	\$4000	-\$3800	-\$6,200

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