Wednesday, 4 November 2026

AusEnergy Services Limited

Submitted online

https://asl.org.au/

Reference: Firming LTESA Consultation Paper

Clean Energy Council response to matters raised in the consultation paper

Summary

The CEC is the peak industry body representing around 1,000 organisations across Australia's clean energy sector. Its membership includes renewable energy, storage and firming developers and generators, network businesses, energy retailers, equipment manufacturers, investors and financiers, professional services firms, constructors and installers. In short, CEC members are responsible for developing, financing, building and operating the renewable energy, storage, network and firming projects that underpin Australia's energy transition and future electricity system. We are committed to accelerating Australia's transition to a clean energy future as rapidly as possible while maintaining secure, reliable and cost-effective electricity supply for customers.

The CEC welcomes the opportunity to provide feedback to ASL in response to its Firming LTESA Consultation Paper. We recognise the need for timely action to manage emerging reliability risks associated with the expected retirement of Bayswater and Vales Point Power Stations, and support ASL taking early steps to ensure sufficient firm capacity can be delivered by 2033, enabling the on-time closure of these ageing coal-fired power stations.

The CEC broadly supports the development of a competitive firming tender but considers that its design should remain as technologically neutral as practicable and be grounded in a clear definition of the system requirement being procured.

Given the potential long-term commitments entered into through this process, the CEC also considers that greater transparency around the modelling underpinning the

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procurement would support better investment decisions, enable more competitive bids and ultimately better serve the long-term financial interests of NSW consumers.

In summary, the CEC recommends that ASL:

- Clearly define the firming service and duration requirement being procured;
- Maintain genuine scope for alternative and hybrid technologies capable of demonstrating equivalent reliability outcomes;
- Publish greater information on the modelling underpinning the 1,500 MW requirement, particularly modelled generation, wholesale price and reliability outcomes;
- Assess gas availability and transport infrastructure alongside electricity-system requirements to ensure fuel-based technologies would not be limited by availability of supporting infrastructure and/or fuel;
- Ensure the treatment of fuel costs and development/equipment cost indexation retains appropriate incentives for efficient procurement, contracting and dispatch;
- Carefully assess whether a 20-year support period to make sure it balances investment signals with consumer value

The remainder of this submission will provide feedback on specific matters raised in the consultation paper.

Eligibility criteria

The CEC considers that the firming tender should target the underlying reliability need identified through ASL's modelling, rather than specific technologies.

ASL specifically identifies three required characteristics: net energy contribution, dispatchable capacity and sustained energy delivery for at least eight hours and ideally longer. Eligible projects must also reach COD by 31 May 2033 and support reliability outcomes in the Sydney-Newcastle-Wollongong sub-region.

The IIO modelling also indicates that the nature of the risk changes materially between scenarios. Under the on-time delivery scenario the issue is principally a short-duration capacity problem, whereas more adverse scenarios, including the VRE-lulls sensitivity, produce extended energy deficits in which unserved-energy events may persist for several consecutive days.[1]

This distinction is important. The CEC recommends ASL provide a clearer energy-first definition of firming, including the duration and availability requirement the tender is intended to procure. This would also help reconcile terminology with the developing ESEM framework and provide investors with greater clarity about the service required.

The CEC welcomes ASL’s clarification that alternative technologies are not formally excluded, noting they would need to demonstrate a strong comparable contribution across the three specified characteristics. This includes gas-battery hybrids, which

[1] ASL, 2026 Firming IIO Report

would appear a logical configuration to address the challenges identified in the 2026 Firming IIO Report.

Merit criteria

The CEC understands the details of how these are to be assessed and weighted are intended to be published in the Tender Guidelines. We are eager to see these details when they become available and will be particularly interested to ensure the weightings place adequate importance on the 'deliverability' aspects of the merit criteria.

The CEC broadly supports ASL's proposed consideration of wholesale market benefits, reliability contribution, net LTESA cost, system strength contribution and system security services in its assessment of financial value and system benefits.[2]

Given the potentially significant and long-lived consumer underwriting involved, ASL should also publish further information about the modelling used to determine wholesale market benefits and LTESA costs to allow bidders to understand the circumstances in which the assets are expected to operate.

This is particularly important because ASL acknowledged in discussion that there is a plausible future in which contracted projects have relatively low capacity factors. If adequate information is not provided on expected operating conditions, bidders could end up being selected on the basis of how aggressive their capacity factor assumptions are rather than how competitive their underlying projects are. Greater transparency should support proponents in developing credible bids and help stakeholders assess the value provided to consumers.

The inclusion of fuel transport and storage alongside fuel procurement in assessing the 'Secure and reliable fuel supply' criterion provides a holistic perspective of the different fuel-related risks that projects may face.[3] The CEC supports this approach.

Merit criteria 3.3 and 3.4 will be the primary places in which the deliverability of projects is to be assessed. While the details of these criteria provided in the consultation paper appear to cover the key points, as noted above, the relative weighting of these criteria in the overall assessment will be of great importance.

The proposed approaches to Merit criteria 3.5 and 3.6 are noted and supported.

LTESA product options

The CEC recognises that either an updated Annuity Product or a Cap Product could potentially support investment. ASL identifies a different allocation of operational and financial risks under each product and proposes a $600/MWh strike price for the Cap Product.[4]

The CEC considers that simplicity, fungibility and retention of efficient market incentives should be central to final product selection. If ASL proceeds with the Cap

[2] ASL, Firming LTESA Consultation Paper
[3] ASL, Firming LTESA Consultation Paper
[4] ASL, Firming LTESA Consultation Paper

Product, the CEC recommends it minimise unnecessary bespoke features that could reduce its ability to interact efficiently with the broader contracts market.

CEC members specifically questioned why the proposed cap retained relatively complicated opt-in optionality rather than more closely resembling the simpler fungible commercial instrument envisaged for the ESEM[5]. ASL explained that the EII Act requires the LTESA to operate as an option contract, but that once the option is exercised the underlying cap is intended to be fungible over the exercised period, which we judge to be a workable compromise in the event the cap contract is chosen as the preferred underlying instrument.

The CEC therefore recommends that, within those legislative constraints, ASL prioritise a product capable of being readily valued and traded and minimise features that unnecessarily reduce liquidity or increase transaction complexity.

Contract term

The Consultation Paper contemplates extending the default support term from 10 to 20 years, reflecting the expected economic life of fuel-based generation assets and the objective of improving bankability.[6, 7]

A longer term may reduce financing risk, but it can also increase the period over which consumers remain exposed to an underwriting arrangement while technology costs, coal retirement dates, demand and the generation mix continue to evolve.

Further analysis should be provided to demonstrate why 20 years is the 'right' number, considering consumer exposure as well as project bankability for firming assets. Absent this kind of supporting analysis, it is not clear why this number was selected or whether it should be lower or higher.

Cost adjustment regime

The CEC supports in-principle an efficient allocation of genuinely exogenous development risks that proponents cannot reasonably manage, particularly where doing so materially improves project deliverability or reduces financing costs.

ASL proposes benchmark-based component indexation rather than reimbursement of actual development expenditure, with proponents retaining basis risk between their actual costs and the nominated index. This is preferable in principle to an open-ended cost pass-through as it retains an incentive to 'beat the index' through efficient procurement decisions.

However, the mechanism should be tightly targeted. Consumer exposure should only extend to risks that are:

- Material to achieving financial close or COD;
- Substantially outside a proponent's control;

[5] ASL, Industry-led Electricity Contract Co-Design Consultation Paper
[6] ASL, Firming Infrastructure website
[7] ASL, Firming LTESA Consultation Paper

- Capable of being measured against a transparent and robust benchmark;
- More efficiently borne or shared by consumers than priced into competitive bids.

The CEC supports maintaining symmetrical exposure to increases and decreases in benchmark costs and appropriate floors, ceilings and materiality thresholds. ASL should also ensure proponents retain meaningful incentives to undertake competitive procurement and manage development risks.

Fuel treatment

The CEC recognises the difficulty of requiring proponents to forecast fuel costs across a potentially 20-year contractual horizon. Some form of benchmark-based treatment may therefore reduce unnecessary risk premiums.

However, this should not become an effective reimbursement of fuel expenditure or weaken normal wholesale-market dispatch incentives. As noted above, this kind of approach maintains the incentive to procure fuel in a cost-effective manner, while also providing protection against underlying trends that may be difficult to forecast or hedge.

The above being said, an index protecting asset owners from unforeseeable movements in fuel prices will not protect them against an outright lack of fuel. ASL itself identifies availability of gas as a critical challenge and proposes requiring credible long-term fuel procurement, transport, logistics and backup arrangements.[8] It is worth considering whether the indexing approach goes far enough or whether some degree of additional relief is needed in case of unforeseeable disruptions to supply that impact volumes as much as prices.

CEC members have also called for integrated modelling of the gas and electricity systems to be undertaken to ensure local gas production and transportation infrastructure will be sufficient to meet expected levels of demand. While fuel availability is being considered within Merit criteria 3.2, this kind of holistic assessment would ensure that bids prepared in isolation by different bidders are based on assumptions that make sense in aggregate.

Underlying forecasts driving the procurement

The CEC recognises the prudence of planning ahead for a potential reliability shortfall. However, the modelling also demonstrates the importance of the assumptions underpinning the procurement.

The 2026 Firming IIO Report finds an indicative reliability gap of 435 MW in 2033-34 under the on-time delivery scenario, rising to 1,705 MW under the VRE-lulls sensitivity. The 1,500 MW tender volume is therefore not a direct translation of a single modelled reliability gap but represents ASL's judgement about the appropriate balance between reliability, consumer cost and deliverability.[9] Elaborating how and why this number has

[8] ASL, Firming LTESA Consultation Paper
[9] ASL, Firming LTESA Consultation Paper

been chosen among the various estimates would improve clarity and confidence for all parties.

ASL's analysis makes clear that firming is only one part of the solution. Renewable generation, long-duration storage, networks, existing and committed dispatchable resources, demand-side flexibility and electricity demand all affect the ultimate requirement. The on-time scenario assumes delivery of approximately 25 GW of renewable generation and more than 42 GWh of long-duration storage by 2033-34/2034.[10]

ASL also notes that AEMO's 2026 ESOO uses NSW demand assumptions approximately 7 per cent higher in 2033-34 than those underpinning the Firming IIO modelling, predominantly due to increased projections of data centre demand.[11] This is a material increase in future forecast demand in a relatively short period of time.

The CEC therefore supports retaining the proposed staged approach, including reassessing conditions before any contingent tender around 2030 rather than treating additional procurement as automatic.

The CEC would also support additional sensitivity analysis, including:

- Renewable generation and long-duration-storage delivery capacities and timelines;
- Major transmission and interconnector delivery timelines;
- Demand growth, particularly large new loads;
- Coal retirement timing (and outage rates as coal assets age);
- Prolonged renewable-generation lulls;
- The availability of fuel required by new thermal firming assets.

[10] ASL, Firming LTESA Consultation Paper
[11] ASL, Firming LTESA Consultation Paper

Conclusion

The CEC supports ASL taking timely action to manage the reliability risks and ensure the ageing NSW coal fleet is able to retire as expected. However opportunities exist for a clearer service-based definition, genuine technology neutrality, greater modelling transparency, careful consideration of gas availability and development and fuel risks. The final arrangements should preserve competition and market signals, underwrite the investment needed and ensure efficient outcomes for NSW consumers.

The CEC welcomes further engagement with ASL as it finalises the tender assessment framework and Firming LTESA product ahead of the planned 2027 tender. Should ASL have any further queries or require additional context, please contact Martin Kennedy at mkennedy@cleanenergycouncil.org.au.

Best regards,

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