50 Camberwell Road Hawthorn East VIC 3123

16 February 2026

Ms Nevenka Codevella
Chief Executive Officer
ASL
Lodged online via email: engagement@asl.org.au

Dear Ms Codevella,

Response to Hybrid Generation LTESA consultation

The Clean Energy Investor Group (CEIG) welcomes the opportunity to comment on the ASL Hybrid Generation LTESA Consultation Paper published in January 2026.

CEIG represents domestic and global renewable energy developers and investors, with approximately 18GW of renewable energy capacity in the NEM across 139 power stations and a combined portfolio value of more than $41 billion. CEIG members' project pipeline is estimated to be more than 150GW across Australia. CEIG strongly advocates for an efficient transition to a clean energy future on behalf of the investors who will provide the low-cost capital required for this transition.

Key Points

Need for a Hybrid-specific Generation LTESA

- Support contracts remain critical to enabling financial close for renewable and hybrid projects. Early-stage revenue support reduces merchant risk, lowers the cost of capital, and acts as a catalyst for private offtake rather than a substitute for it.
- CEIG supports the introduction of a hybrid-specific Generation LTESA. Hybrid projects do not fit neatly within the existing Generation LTESA, and a purpose-built product will improve transparency, reduce transaction costs and better reflect hybrid operating characteristics.

Project Configuration, Registration and Operational Flexibility

- CEIG does not support mandating DC-coupled configurations or a single-DUID requirement. Eligibility should be based on outcomes rather than prescribed physical topology.
- Product eligibility should be technology-neutral and explicitly include wind-battery hybrid projects.
- Allowing multiple DUIDs behind a single connection point would increase operational and commercial flexibility. Settlement can be based on aggregated SCADA data across DUIDs, enabling participation by a wider range of hybrid configurations and supporting future separate offtake arrangements.

Technology Scope – Inclusion of Wind-Battery Hybrids

- Wind-battery hybrid projects can provide strong reliability benefits, particularly in evening and overnight periods, and should be clearly eligible under the Hybrid Generation LTESA.
- Excluding or implicitly deprioritising wind-battery hybrids risks missing lower-cost firmed generation opportunities and undermining least-cost outcomes.

Assessment of Options

- CEIG recognises that there is no single optimal commercial structure for all hybrid project business models. Both Option 1 and Option 2 could support investment, depending on proponent risk appetite, portfolio strategy and financing approach.
- Some members are comfortable with Option 1, particularly where proponents have strong internal trading capability or portfolio hedging strategies. Other members consider Option 2 may be better suited to their development and financing strategies, as settlement against net exports better reflects hybrid operations and preserves efficient dispatch incentives.
- The proposed 50:50 price risk share is unlikely to be bankable. Higher downside protection (e.g. at least 80% in intervals where Fixed Price > Spot and Net Exports > 0) would materially improve financeability and is likely to reduce bid prices.
- CEIG supports exploring an approach where 50% sharing applies to upside only, rather than symmetrically to both upside and downside, and recommends considering a consistent upside-sharing concept for the existing Generation LTESA to reduce prolonged mark-to-market exposure.
- A CIS-like Floor / Ceiling with an annual cap could also be workable under Option 2 and may further improve bankability given financier familiarity with this structure.
- Option 2 should not restrict the range of commercial contracting structures available to proponents. Consistent with existing LTESA principles, proponents should be able to adopt a range of offtake and revenue-sharing arrangements (e.g. capacity swap or revenue-share structures), with product design accommodating this flexibility rather than constraining it.

Financing and Cost of Capital Considerations

- All hybrid LTESA design choices should be assessed through a financier's lens.
- Improving bankability is the most effective way to lower the cost of capital and deliver least-cost outcomes for NSW electricity consumers.

Need for a Hybrid-specific Generation LTESA

Clean energy projects in Australia will increasingly developed in an environment characterised by declining average wholesale prices, increasing intraday volatility, and heightened congestion and curtailment risk. In this context, long-term support contracts play a critical role in enabling projects to reach financial close by providing a predictable revenue floor and reducing exposure to downside market outcomes.

This is particularly important for hybrid projects. While hybrid configurations materially improve project economics relative to standalone solar or wind, they remain capital-intensive and continue to face merchant risk across both the generation and storage components. In practice, many hybrid projects require a support contract before they can secure senior debt on acceptable terms.

CEIG members consistently observe that:

- Corporate and utility offtakers are often interested in contracting with hybrid projects, but
- Offtakers typically require confidence that a project will proceed to financial close before entering into long-term offtake arrangements.

Support contracts such as LTESAs therefore act as a catalyst for private offtake, rather than a substitute for it. Without this early-stage risk reduction, projects can stall despite strong underlying fundamentals.

CEIG supports in principle ASL's proposal to introduce a hybrid-specific Generation LTESA, noting that hybrid projects do not fit neatly within the existing Generation LTESA design, which was originally developed around standalone renewable generation. Attempting to accommodate hybrids solely through optional drafting within the existing product adds complexity and increases uncertainty for investors and financiers.

A dedicated hybrid product:

- Improves transparency around settlement and risk allocation;
- Reduces transaction costs during financing; and
- Sends a clear signal that NSW is actively seeking to enable firmed renewable generation at scale.

This approach is consistent with CEIG's long-standing position that product design should evolve alongside changes in project configuration and market conditions.

Project configuration, registration and operational flexibility

Mandatory DC-coupling and single-DUID requirement

CEIG does not support limiting eligibility for the Hybrid Generation LTESA to DC-coupled projects registered as a single scheduled bi-directional unit with a single Dispatchable Unit Identifier (DUID).

While DC-coupled solar-battery hybrids are increasingly common, they are not the only viable or financeable hybrid configuration. A mandatory DC-coupling requirement would:

- Exclude AC-coupled hybrid projects that are already well understood by financiers;
- Be incompatible with wind-battery hybrid projects; and
- Artificially constrain the pool of eligible projects, reducing competition in tenders and increasing costs to consumers.

From an investor perspective, eligibility criteria should focus on outcomes (firmed renewable generation, flexible dispatch capability and net export behaviour) rather than prescribing physical topology.

CEIG recommends that ASL remove the DC-coupling requirement and instead allow any hybrid configuration that can demonstrate robust metering and settlement of exports and imports.

Allowing multiple DUIDs behind a single connection point

CEIG recommends allowing projects to register with multiple DUIDs behind a single connection point, with LTESA settlement based on the aggregated SCADA data across those DUIDs.

This approach would:

- Provide greater operational flexibility;
- Allow proponents to optimise dispatch and bidding strategies; and
- Enable separate offtake arrangements for generation and storage in the future, which is increasingly common in the market.

While CEIG recognises that this approach may introduce additional settlement complexity, these challenges are manageable and outweighed by the benefits of increased participation and flexibility.

CEIG encourages ASL to work with AEMO and industry to develop clear and transparent settlement rules for multi-DUID hybrid projects.

Technology scope – explicitly include wind-battery hybrids

CEIG recommends that ASL explicitly state that wind-battery hybrid projects are eligible for the modified Hybrid Generation LTESA and remove wording that suggests the product is primarily or exclusively for solar-hybrid projects.

Wind-battery hybrids can deliver material system benefits, particularly in the evening and overnight periods when solar output is low. AEMO's 2024 ESOO indicates that, in NSW, wind generation requires a smaller associated battery than solar to achieve equivalent

reliability outcomes following the closure of Eraring. This reflects wind's stronger correlation with peak demand periods.

Excluding or implicitly deprioritising wind-battery hybrids risks:

- Missing lower-cost firmed generation opportunities; and
- Undermining the objective of delivering reliability at least cost.

A technology-neutral hybrid product will maximise competition and value for consumers.

Assessment of Options

CEIG recognises that there is not a single optimal commercial structure for all hybrid project business models. Member views indicate that both Option 1 (Fixed Shape–Fixed Volume) and Option 2 (Generation-following with price risk share) could support investment, depending on a proponent's risk appetite, portfolio strategy and financing approach.

Some members, particularly those with strong internal trading capability or portfolio hedging strategies, are comfortable with Option 1 and consider that a fixed-shape financial hedge could be attractive if well calibrated.

Other members consider that Option 2 may be better suited to their development and financing strategies, as it reflects how hybrid projects operate in practice by settling against net exports and retaining exposure to spot prices. This preserves incentives to respond to market dispatch signals while still providing a degree of revenue smoothing.

<u>Option 2 – Generation-following with price risk share</u>

CEIG considers that Option 2 would best support investment in new hybrid projects. Option 2 better reflects how hybrid projects operate in practice by settling against net exports and retaining exposure to spot prices. This preserves incentives to respond to market dispatch signals while still providing a degree of revenue smoothing.

However, CEIG has concerns that a symmetrical 50:50 price risk share will not provide sufficient downside protection to materially improve financeability if the LTESA strike is intended to operate as a price floor.

Member feedback indicates that a 50:50 price risk share could make sense where the fixed price is set closer to a project's LCOE and is not intended to function as a true price floor. However, where the LTESA is designed to provide a floor, a symmetrical 50:50 downside sharing would materially undermine bankability.

In current market conditions, lenders typically require a high level of contracted or quasi-contracted revenue to support senior debt. A residual exposure of 50% to price downside is likely to:

- Increase the cost of debt;

- Reduce achievable leverage; and
- Require higher fixed prices in bids.

CEIG therefore recommends materially higher downside protection in intervals where Fixed Price > Spot and Net Exports > 0. One option would be downside protection of at least 80%, which is more consistent with what financiers view as bankable and would be expected to translate into lower bid prices over time.

CEIG also supports an alternative approach where 50% sharing applies to upside only, rather than symmetrically to both upside and downside. This would preserve incentives to respond to market signals while ensuring the LTESA continues to perform its primary function of providing bankable downside protection.

CEIG notes that similar considerations apply to the existing Generation LTESA. Members have raised concerns that, where price forecasts are materially incorrect and prices turn out much higher than anticipated, projects may remain subject to a relatively low fixed price for up to two years before a re-bid opportunity, with no access to any upside during that period. This creates prolonged mark-to-market exposure and balance sheet risk. CEIG therefore recommends that ASL consider whether a consistent upside-sharing concept (e.g. 50%) could also be applied to the existing Generation LTESA.

CEIG supports retaining a symmetrical annual payment cap, which provides certainty to both projects and consumers and is consistent with other NSW Roadmap products.

<u>CIS-like floor / ceiling alternative</u>
CEIG also considers that a CIS-style structure incorporating a Floor, Ceiling and annual cap could be workable under Option 2. This type of structure is increasingly familiar to financiers and may further improve bankability.

<u>Contracting flexibility under Option 2</u>
CEIG emphasises the importance of ensuring that adoption of Option 2 does not inadvertently restrict the range of commercial offtake and contracting structures that proponents may enter into in relation to supported projects.

The hybrid contracting market remains relatively nascent, and commercial models are continuing to evolve. A key principle of the Hybrid Generation LTESA design should therefore be that, consistent with the broader LTESA framework, proponents are not excluded from contracting on commercial terms or from adopting innovative offtake structures.

CEIG notes that this principle has not always been maintained under other schemes, where product design has had the effect of narrowing the set of permissible contracting arrangements. Avoiding similar outcomes under the Hybrid Generation LTESA will be important to maintaining investor confidence and supporting market development.

By way of example, capacity swap or revenue-sharing style arrangements, where a counterparty receives a share of project revenues in return for a fixed fee or capacity payment, may represent a viable contracting option for some hybrid projects. These types of arrangements could support project bankability and risk allocation, particularly in the absence of deep and liquid long-term hybrid offtake markets.

CEIG acknowledges that accommodating such structures may require further consideration of settlement mechanics (for example, whether LTESA payments occur pre- or post-settlement of offtake agreements). However, CEIG considers it preferable that the product design enable a broad range of contracting structures, rather than constrain proponents to a narrow set of models.

Financing and cost of capital considerations

CEIG emphasises that product design choices directly influence the cost of capital faced by projects. Small changes in risk allocation can translate into large differences in weighted average cost of capital, which in turn materially affect total project costs and consumer outcomes.

From a CEIG perspective, the most effective hybrid LTESA design will:

- Provide strong and predictable downside protection;
- Retain operational incentives;
- Be simple and transparent; and
- Maximise participation and competition.

Getting these settings right is essential to unlocking low-cost private capital at scale and achieving NSW's generation development targets at least cost.

CEIG thanks the ASL for the opportunity to provide feedback on its Consultation paper and looks forward to continued engagement on those issues. We would be happy to discuss any elements of this submission.

Yours sincerely,

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w: www.ceig.org.au