

# Summary of agreement between the State and Origin on its plans for Eraring power station

This document summarises the key terms of the Agreement dated 22 May 2024 between Origin Energy Limited (**Origin**) and The Crown in right of the State of New South Wales, acting through the Minister for Energy (**the State**). This paper is a summary provided for transparency to assist stakeholders with understanding the agreement. It does not cover all the terms of the agreement.

#	Key term	Summary
1.	Parties	Origin and the State. The Eraring Power Station (Eraring) is owned by Origin Energy Eraring Pty Ltd which is a subsidiary business of Origin. Where applicable, Origin must procure its subsidiary business to carry out relevant obligations in the agreement.
2.	Term	The term of the agreement is broken into three periods: <ul style="list-style-type: none"> <li>• an initial period from the signing date to 30 June 2025</li> <li>• the first opt-in year from 1 July 2025 to 30 June 2026</li> <li>• the second opt-in year from 1 July 2026 to 30 June 2027.</li> </ul>
3.	Closure notices	On signing, Origin will lodge a notice with the Australian Energy Market Operator advising the expected closure date for all four units of Eraring is now 19 August 2027. Origin will not bring forward Eraring's closure to before 30 June 2027, unless agreed by the State or where an unrectified unit failure occurs and, in either case, approved by the Australian Energy Regulator.
4.	Deregistration	Origin must permanently deregister Eraring's generator units from participating in the National Electricity Market no later than 30 April 2029.
5.	Workforce obligation	Origin will during the initial period and each opt-in year: <ul style="list-style-type: none"> <li>• maintain the workforce employed by Origin to operate Eraring at substantially the same level as at the signing date,</li> <li>• provide the State with details of its plans for the transition of Eraring employees and to support the local community including in respect of the Eraring Community Investment Fund,</li> <li>• collaborate with the State to give Eraring employees access to local government, State and Commonwealth training, re-skilling and reemployment programs.</li> </ul>
6.	Maintenance obligations	Origin will during the initial period and each opt-in year: <ul style="list-style-type: none"> <li>• maintain Eraring in accordance with an agreed maintenance plan,</li> <li>• not, in an opt-in year, schedule major unit maintenance referred to in the maintenance plan during summer or winter, with exceptions for emergency maintenance.</li> </ul>

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7.	Origin may opt-in	Origin may opt-in to the government underwrite in each of the two opt-in years. Origin can do this by giving notice on or before 31 March before the start of the opt-in year. If Origin opts-in, this will be made public.
8.	Operation during each of the opt-in years	<p>Origin will operate Eraring in accordance with good electricity industry practice, comply with applicable laws and use reasonable endeavours to minimise non-fixed costs.</p> <p>Origin will operate Eraring so it sends out at least 6 terawatt hours of electricity a year. Origin may operate Eraring to send out more than 6 terawatt hours of electricity a year, but the government underwrite adjusts so that it does not cover this additional generation (see item 9 below).</p> <p>Origin is solely responsible for buying coal and any other fuel for Eraring. Origin will buy sufficient amounts of coal required for Eraring to send out 6 terawatt hours of electricity a year, with a target to do so by December in the preceding financial year.</p>
9.	Eraring costs	<p>If Origin opts in, the agreement underwrites up to 80% of Eraring’s costs associated with generating 6 terawatt hours of electricity a year. If Eraring generation volumes are higher, then this share reduces. For example, in a year where Origin has opted-in and Eraring sends out 12 terawatt hours, the State would effectively only underwrite 50% of Eraring costs.</p> <p>The agreement sets out a budget for each of the two opt-in years to cover the following two cost categories:</p> <ul style="list-style-type: none"> <li>• Fixed costs including capital costs, the costs of undertaking maintenance set out in the maintenance plan and corporate overheads. These costs are fixed over the term of the agreement except in specified circumstances.</li> <li>• Non-fixed costs including coal, fuel oil, and ash costs (after taking into account any ash sales). This category also includes net wholesale electricity ancillary services costs (after taking into account ancillary services revenue). These are forecasts only, with the calculation of Eraring’s loss or profit based on Origin’s actual non-fixed costs.</li> </ul>
10.	Eraring revenue	<p>The agreement underwrites a share of Eraring’s revenue based on generating 6 terawatt hours. This revenue is based on the value of Eraring’s output to Origin’s retail customers.</p> <p>Revenue per unit of generation is calculated by multiplying an assumed premium of 1.15 for Eraring’s output and the average price of Quarterly NSW Baseload Swap Contracts for the relevant year.</p> <p>The 1.15 represents an assumed value that Eraring captures from being able to increase generation volume in high spot price periods and reduce generation volume in low spot price periods.</p> <p>The contract price is based on the average value of all the trades for these contracts on the Australian Stock Exchange over the three years prior to the start of the opt-in year. These contracts are for each quarter of each financial year. The revenue calculation takes the average across all four quarters.</p>

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11.	State payments	<p>The State will pay Origin if Origin has opted-in, generated 6 terawatt hours and Eraring has a loss in that year, up to a payment cap of \$225 million in each opt-in year subject to some exclusions to that cap (see items 14, 15 and 18 below).</p> <p>If Origin does not opt-in, it keeps all of Eraring’s profit and loss (subject to item 12 below) and the State makes no payments.</p> <p>Payments are made on a quarterly basis (based on forecasts) and then “trued up” at the end of the year.</p>
12.	Origin payments	<p>If Origin opts-in and Eraring makes a profit in that year, it must share 20% of this profit with the State capped at \$40 million.</p> <p>If Origin opts in for one year and makes a loss but does not opt-in for the other year and makes a profit in that other year, it must share 20% of that profit up to \$40 million, except that the sharing amount will not exceed the amount of the underwrite in the loss making opt-in year.</p> <p>Origin must publish a profit or loss statement for Eraring in its Annual Report in any year it has opted in. If the State has made a payment to Origin (on the basis that Eraring has made a loss in that year) and Origin subsequently reports an Eraring profit for the same year, Origin is required to repay the payment received.</p>
13.	Ash management	<p>The State and Origin will work together to minimise the cost of managing ash from Eraring in each opt-in year.</p> <p>Origin will use reasonable endeavours to maintain its ash reuse rate at the same (or better) level than its ash reuse rate as at the signing date.</p> <p>Origin will pay the costs for capital works relating to the stability of the ash dam. Nothing in the agreement alters the obligations on Origin and the State in the 2013 Eraring Sale and Purchase Agreement and associated documents.</p> <p>EPA and the Department of Planning, Housing and Infrastructure will expedite assessment of any application by Origin for consent or exemptions required for ash management. This does not mean the State will approve the application.</p> <p>The State will introduce potential new customers interested in acquiring ash to Origin and explore reforms to standards that could enable more coal ash to be used in road and pavement projects.</p>
14.	Joint studies	<p>The State and Origin have agreed to jointly fund two studies relating to potential ash management solutions and conversion of Eraring’s coal-fired power generating units to synchronous condensers up to a total aggregate cost of \$550,000.</p>
15.	Unplanned unit failures	<p>If Origin has opted-in and there is an unplanned unit failure requiring major repairs, then Origin must reinstate the unit if repair costs are less than \$50 million and it is commercially reasonable to do so. Origin bears the first \$10 million and the remainder are included in the calculation of Eraring’s costs (see item 9 above).</p> <p>If the repair costs are more than \$50 million, the State can, acting reasonably, choose whether to reinstate the unit. If it chooses to reinstate the unit, the State will be liable to pay the amount in excess of \$10 million and this will be outside of the payment cap (see item 11 above).</p>

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16.	Force majeure	If Origin has opted in and is then prevented from making the equivalent of one of Eraring’s units available for dispatch or to generate electricity because of a force majeure event, Origin may count electricity it would have sent out but for the force majeure event towards Origin’s obligation to generate at least 6 terawatt hours in an opt-in year.
17.	Information and audit	The State may audit, or commission an auditor to audit, the books and records of Origin relating to Eraring to verify any of Origin’s reports or verify Origin’s compliance with the maintenance plan.
18.	Change in law	<p>Origin has the right to pass through changes in its Eraring costs that come about due to certain changes in law, to the extent the change increases or decreases Origin’s costs by more than \$10 million.</p> <p>In such circumstances where costs increase by more than \$10 million due to a change in law, the payment cap would be increased to reflect the State’s share of the increase in Origin’s costs (including the first \$10 million). However, increases to the cap are limited to \$100 million in aggregate in each opt-in year, and must apply only to costs associated with the change in law.</p> <p>Origin is required to notify the State if a change in law decreases Origin’s costs by more than \$10 million.</p> <p>Certain future reforms required by NSW Clean Air regulation and the Government’s announced changes to coal royalties are not changes in law.</p>