

5 August 2026

Electricity Authority
By email: monitoring@ea.govt.nz



Submission on updates to the clause 2.16 OTC bids and offers notice

Dear Monitoring team,

Haast Energy Trading supports broader monitoring of requests and responses in the OTC contract market. Participant-level information should help the Authority identify persistent non-engagement and gaps in the supply of useful products. Aggregated, non-identifying publication can create practical competitive discipline. The proposed amendments should proceed, but the boundary between brokerage and principal trading needs to be clear.

Define brokerage by function

The proposed notice would apply to "energy brokers (who are traders in electricity)" without defining an energy broker. "Trader in electricity" is a broad participant category. It should not cause every principal financial intermediary to be treated as a broker.

A broker should be a participant acting as agent to transmit or arrange a request between other counterparties, without becoming a counterparty itself. A firm that contracts in its own name and bears market and credit risk is acting as principal. That remains true if it intermediates risk, enters an offsetting trade, warehouses risk temporarily or repackages it for another participant. If the Authority intends to capture requests made by principal financial traders, it should define and assess that category separately rather than extend the meaning of broker.

Use one reporting owner

For a direct request, the requesting applicable participant should report the request and responses. The responding counterparty should not make a duplicate return. For a genuine agency request, the broker should report because it holds the complete request and response record. Executed contracts will remain visible through the hedge disclosure obligations.

The Authority should confirm before commencement which entities it considers energy brokers and make clear that the relevant role is assessed transaction by transaction. It should also avoid perpetual nil returns where a participant has no in-scope requests during a defined recent period.

Do not classify activity by presumed motive

The consultation's suggestion that requests be identified as intended for "market speculation" is misguided. A request's market value does not depend on whether the requestor is labelled a natural hedger, intermediary or speculator. Motive is subjective, difficult to verify and a poor proxy for harmful conduct.

Financial participants match buyers and sellers with different timing, shape, volume and credit needs, warehouse and repackage risk, and connect transactions that might not occur directly. Directional traders also put capital behind views that forward prices are wrong, improving price discovery, allocative efficiency and competitive pressure. The Authority should collect objective request, response and outcome data, not classify activity by presumed motive.

Requested changes

1. Define an energy broker by its agency function and exclude principal counterparties from that definition.
2. Assign one reporting owner to each request: the direct requestor for direct dealings and the broker for genuine agency dealings.
3. Provide an authoritative classification process and a reasonable sunset for nil-return obligations.
4. Collect objective request, response and outcome data without classifying presumed motive.
5. Consult expressly before requiring principal financial traders to report as brokers.

These changes would preserve the proposal's competition benefits while avoiding uncertain classification, duplicate reporting and unnecessary cost. Monitoring should assess participation and outcomes, not presumed motives.

Yours sincerely,

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