

18 January 2021

Nova Energy Limited
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Submissions
Electricity Authority
PO Box 10041
Wellington 6143

By email: HME.feedback@ea.govt.nz

Re: Consultation Paper – Hedge Market Enhancements – Permanent Market Making Backstop

Nova Energy supports the Authority's decision to progress market making on the ASX electricity futures market to a fully commercial model. Nova understands the need to transition to the commercial model in an orderly manner and agrees with the approach being taken to require the existing four market makers to underwrite market making services in the interim.

Nova accepts Sapere's conclusion that despite the inability to clearly demonstrate a quantitative benefit from the proposal, that on balance it is likely that consumers will benefit in the long term from the proposed changes to the voluntary arrangements. That said, as Sapere points out: 'the costs of market making services are not trivial...'. As such, Nova stresses the importance of aligning the incentives between existing market makers and the commercial providers. The Authority should ensure it maintains momentum on replacing the mandatory requirement with a fully commercial model.

Please feel free to contact me if you wish to discuss our views further.

Yours sincerely



Paul Baker

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