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Electricity Authority
AON Centre
1 Willis Street
WELLINGTON 6011

Genesis Energy Limited
155 Fanshawe Street
Auckland 1010

PO Box 90477
Victoria St West
Auckland 1142

By email: monitoring@ea.govt.nz

Collecting Generator Energy Margin Information

1. Introduction

Genesis appreciates the opportunity to comment on the Electricity Authority's (**Authority**) consultation paper "Collecting energy margin information" dated 10 November 2025 and the draft clause 2.16 information notice.

We recognise the importance of maintaining confidence that the wholesale electricity market remains workably competitive and continues to deliver long-term benefits to consumers under the Electricity Industry Act 2010 (**Act**).

We engaged constructively with the Authority's request under section 46 of the Act for energy margin (**EM**) data over winter 2024 and provided the requested information on time. We do not oppose ongoing provision of EM information where it is properly justified, proportionate and technically robust. Genesis' concern lies with the proposal to convert a targeted, time-bound section 46 process into a permanent clause 2.16 regime without adequate justification.

Our submission is organised as follows:

Section 2 – Summary of Genesis' position.
Section 3 – Assessment of the Authority's evolving position and evidence.
Section 4 – Use of energy margin data and consistency with competition regulation.
Section 5 – Proportionality, clause 2.19 and alternatives.
Section 6 – Definitions and design of EM categories.
Section 7 – Timing, frequency and implementation practicality.
Section 8 – Publication, confidentiality and risk of misinterpretation.

Our responses to the specific consultation questions are set out in **Schedule A**. **Schedule B** and **Schedule C** set out suggested design changes and guidance under a section 46 request (or if justified, a clause 2.16 process).

2. Summary of Genesis Position

2.1 Use the appropriate tool, incorporating learnings from 2024 and feedback from this consultation

Genesis supports the Authority's objective of having access to timely information to monitor competition and market outcomes, particularly during periods of scarcity. We accept that EM metrics can play a useful diagnostic role when used alongside other evidence.

Genesis does not support the proposed clause 2.16 notice as currently justified.

The Authority has not established a clear problem definition supported by evidence, and the cost-benefit analysis falls short of clause 2.19 of the Electricity Industry Participation Code and Treasury Best Practice Regulation requirements.

We consider that the Authority should continue to use section 46 for EM data collection in defined circumstances (for example, when it identifies actual or likely scarcity or specific competition concerns), and use this consultation to standardise the templates, definitions and contextual guidance for EM reporting under a section 46 request, drawing on the experience of winter 2024.

If the Authority is able to demonstrate:

- (a) a clear and evidenced problem definition identifying specific competition concerns that warrant permanent surveillance; and
- (b) a robust cost-benefit analysis meeting clause 2.19 and Treasury Best Practice requirements,

then **Genesis would be prepared to support a clause 2.16 notice subject to the design requirements** set out in this submission, including:

- (i) explicit statements that EM is not profit and will not be used as a de facto profitability test or basis for margin-based regulation;
- (ii) improved EM definitions (particularly EM4 and EM5) that treat hydro and thermal fairly and avoid implicit regulation of internal transfer prices;
- (iii) realistic implementation settings allowing use of best-available general ledger data and restatement;
- (iv) robust confidentiality and publication safeguards; and
- (v) a formal review and sunset mechanism (for example, after two years).

Without the threshold requirements being met, Genesis cannot support the proposed clause 2.16 notice.

2.2 Inadequate problem definition and insufficient empirical evidence

The consultation paper frames the proposal as a response to high prices and "scarcity conditions" in winter 2024 and to forecast *La Niña* risks ahead of winter 2026. However, the Authority's own analysis and independent evidence do not support a conclusion that gentailer margins are systematically excessive or that permanent, firm-specific EM disclosure is required.

We observe that:

- (a) The Authority's "Review of Winter 2024" report finds that *"while high prices did greatly increase generation revenue, this did not translate through to higher energy margins"* (para 6.7).¹
- (b) The same review notes that each gentailer's energy margin *"tended to be higher in the weeks in which that generator's output was highest"*—Genesis's higher revenue *"was highest in the weeks it had all three Rankines and Huntly 5 generating"* (para 6.8).² This reflects higher generation volumes in response to system need, not higher unit margins.
- (c) The Authority explicitly concluded that *"Genesis' offers at Huntly 5 were rational given the tight fuel supply and that the high prices were due to market conditions and not an exercise of market power"* (para 5.75).³ More broadly, the Authority found that *"generation offers were consistent with the trading conduct rule and reflected underlying costs and supply"*⁴(para 5.3).
- (d) The Authority confirmed that *"most electricity consumers, including all residential households, were sheltered from these high prices through retailer hedging"* (para 1.12).⁵
- (e) Frontier Economics' Review of Electricity Market Performance (October 2025) finds no evidence of excessive gentailer margins and concludes that gentailers have, in some cases, *"been shielding consumers at the expense of their own margins"*, while smaller retailers often have higher margins and lower energy costs than the gentailers they criticise.

Taken together, this evidence describes a system under capacity and fuel constraints but still delivering outcomes consistent with workable competition, not a market characterised by sustained market power abuse. Winter 2024 was a stress-test of structural resilience rather than a case of anti-competitive conduct: those with flexible generation (including Huntly) generated more when needed and earned returns for doing so—returns the Authority's own analysis confirms were not "excessive" and did not translate into higher margins.

We therefore do not accept that the consultation provides an adequate problem definition or empirical foundation for permanent EM surveillance.

¹ Electricity Authority *Review of Winter 2024* published 8 April 2025, at para. 6.7.

² *Ibid.*, para. 6.8

³ *Ibid.*, para. 5.75.

⁴ *Ibid.*, para. 5.3.

⁵ *Ibid.*, para 1.12.

2.3 Key concerns

Our key concerns are:

- (a) **Proportionality and tool choice:** Section 46 already gives the Authority a powerful and flexible mechanism to request EM data when risk justifies it. Permanent collection under clause 2.16 reverses the presumption of proportionality: it imposes ongoing burden in all periods, including normal conditions where monitoring value is low, and is harder to scale back.
- (b) **Weak cost-benefit analysis:** The Authority asserts that benefits "significantly outweigh" costs but provides no quantitative analysis, limited qualitative reasoning and little examination of alternatives, contrary to clause 2.19 of the Code and Treasury's Best Practice Regulation guidance that burdens be "proportional to the benefits" and rest on an "empirical foundation".
- (c) **Drift toward margin-based regulation:** The consultation repeatedly links EM data to "assessing profitability" and inferring whether prices exceed workably competitive levels. That framing is inconsistent with orthodox competition policy and with the Sapere Report's⁶ reminder that competition rules should protect the competitive process, not individual competitors.
- (d) **Hydro vs thermal asymmetry and gentailer bias:** Excluding the opportunity cost of water from EM5 while including thermal fuel costs creates a structural bias against thermal portfolios like Genesis that provide essential reliability. At the same time, the combination of EM4 and EM6 reveals gentailers' hedge ratios and net spot positions to competitors.
- (e) **Potential for significant commercial prejudice:** The publication of granular weekly EM data can reveal Genesis' portfolio optimisation, hedge strategy and risk positions to counterparties, competitors and financial traders. The Authority itself recognised in its 2023 hedge disclosure consultation that overly granular data "might reduce confidence and competitiveness of the hedge market by increasing the likelihood of collusive and anti-competitive behaviour." Similar risks arise here. Specifically, the proposed disclosure would allow:
 - (i) counterparties - including large customers, gas suppliers and PPA offtakers - to infer Genesis's risk appetite and likely walk-away points, shifting bargaining power against Genesis in contract negotiations;

⁶ Murray, K., Hansen, E., Reeve, D., Stevenson, T, Sapere Research Group (2025) *Level Playing Field Measures – Testing the proposed non-discrimination obligations Code amendment (Sapere Report)* which accompanied Genesis' submission dated 2 December 2025 on the Authority's Level Playing Field Measures – Proposed Non-discrimination Obligations consultation (**Level Playing Field Submission**).

- (ii) competitor retailers to identify periods when Genesis is "short" or "long" relative to its customer book and cherry-pick high-value load at precisely those times; and
- (iii) wholesale traders to anticipate Genesis's hedging behaviour and position themselves accordingly in ASX futures and OTC markets.

These harms do not improve competition; they reward the exploitation of asymmetric disclosure obligations rather than more efficient service or genuine innovation, and they raise Genesis's long-run costs of managing fuel and price risk - costs that ultimately feed through to retail prices.

2.4 Requirements for Genesis to support a clause 2.16 notice

Genesis could support a clause 2.16 notice process if:

- (a) the following threshold requirements are satisfied:
 - (i) a clear problem definition identifying specific competition concerns, supported by evidence, that warrant permanent surveillance rather than targeted section 46 requests;
 - (ii) a robust cost-benefit analysis under clause 2.19 of the Code that quantifies benefits and costs (including strategic and commercial costs), examines realistic alternatives, and demonstrates that permanent collection is the most proportionate response; and
 - (iii) clear statements that EM data will be used for monitoring and diagnostic analysis only, and will not serve as a basis for margin-based regulation, price controls, or stand-alone enforcement action; and
- (b) the thresholds in 2.4(a) having been met, the following design requirements are incorporated in the notice:
 - (i) a purpose clause stating that EM data is not a measure of profit and will not be used for direct regulation of margins;
 - (ii) refined EM definitions that address hydro vs thermal asymmetry and clarify that EM4 does not require disclosure of internal transfer prices;
 - (iii) implementation settings allowing use of best-available general ledger data at business day 10, with restatement permitted;
 - (iv) strong confidentiality and publication safeguards, including aggregation of EM data for publication (for example, monthly rather than weekly, or market-wide rather than firm-specific), together with contextual information and guidance; and
 - (v) a formal review and sunset mechanism after two years, with a default that the notice expires if benefits are not demonstrated.

On the basis of the consultation paper and current evidence, Genesis does not consider the threshold requirements to be satisfied. Accordingly, Genesis asks that the Authority adopt refined section 46 EM reporting, with standard templates, definitions and guidance, and uses this when required.

3. The Authority's evolving position and evidence base

The consultation paper argues that high prices during scarcity may reflect market power and that EM data helps identify whether generators price above workably competitive levels. It then proposes to convert the winter 2024 section 46 exercise into a permanent clause 2.16 notice, partly on the basis that the Authority received "several queries" about future availability of EM data.

We see three problems with this evolution:

3.1 No evidence of market failure

As noted in the summary above, the Authority's own published analysis of winter 2024 EM data found that high spot prices did not translate into higher EMs and that most gentailers earned lower profits than in 2023, with Genesis' higher profit driven by increased generation volumes. Frontier Economics similarly found no evidence of excessive gentailer margins and evidence of gentailers shielding consumers.

This evidence is more consistent with a workably competitive market under supply and fuel stress than with persistent market power problems. Winter 2024 showed a system constrained by capacity and fuel, not a failure of competition: flexible plant ran harder and earned more when needed, while others bore the impact of low inflows or fuel constraints.

3.2 "Several queries" is not a regulatory justification

Section 3.7 of the consultation paper indicates that, after ceasing publication of EM data post-winter 2024, the Authority received "several queries" from parties asking whether it would continue to publish. No other details are provided. The paper then treats this interest as support for institutionalising permanent EM disclosure.

This reasoning is circular. Publishing data naturally creates appetite for ongoing access. Interest in information does not, however, establish:

- (a) what specific problem EM data solves;
- (b) which decisions would be impaired without it;
- (c) whether confidential provision to the Authority would suffice; or
- (d) whether permanent, firm-specific publication is necessary.

As we argued in our Level Playing Field Submission,⁷ and as the Sapere Report⁸ emphasised, competition regulation needs a clear theory of harm, not a general desire for more transparency or favouring one group of participants or business model versus others.

3.3 Tool choice: section 46 vs clause 2.16

The Authority's winter 2024 experience shows that section 46 can provide granular EM data when needed and cease when risk subsides. The targeted section 46 request demonstrated that the Authority can obtain the data it needs, at the desired frequency and granularity, in a risk-responsive way, with the burden limited to periods when monitoring value is highest.

By contrast, a clause 2.16 notice would:

- (a) continue regardless of market conditions;
- (b) impose ongoing compliance costs even in normal years;
- (c) be harder to modify or terminate; and
- (d) create a permanent expectation of detailed financial disclosure.

In our view, this shift is not justified on the evidence presented. Section 46 remains the more appropriate primary tool for EM data.

We acknowledge that in the urgency to satisfy the section 46 requests and, that the disclosure was new, there were issues of errors and timeliness as noted in the consultation paper. Accordingly, we propose that the authority use the feedback from this consultation and the learnings from 2024 to mitigate the risk that this re-occurs if a section 46 notice for EM data is issued.

4. Use of energy margin data and consistency with competition regulation

4.1 Energy margin is not profit

Genesis strongly agrees with the consultation's acknowledgement that EM is not a measure of profit. EM excludes major cost categories including interest, depreciation and amortisation, tax, corporate and operational overheads, and EA levies.

We see a real risk that, once published, EM figures will be treated in public debate and possibly in future regulatory processes as "profits" or "excess returns." That would be inconsistent with both:

- (a) the consultation's own description of EM as a diagnostic tool; and

⁷ Genesis' submission dated 2 December 2025 on the Authority's Level Playing Field Measures – Proposed Non-discrimination Obligations consultation.

⁸ Murray, K., Hansen, E., Reeve, D., Stevenson, T, Sapere Research Group (2025) *Level Playing Field Measures – Testing the proposed non-discrimination obligations Code amendment*.

- (b) orthodox competition analysis, which assesses the competitive process and entry/expansion conditions rather than targeting particular levels of return.

We therefore ask the Authority, in any EM regime (section 46 or clause 2.16), to:

- (i) embed explicit statements in the notice and guidance that EM is a partial gross-margin concept, not profit, and that differences in EM across firms or time cannot, by themselves, evidence market power; and
- (ii) design public dashboards and commentary to foreground these caveats in plain language.

4.2 Good competition regulation focuses on the competitive process – not favouring particular competitors

In our Level Playing Field Submission, Genesis endorsed Sapere's observation that a "central tenet" of competition policy is that rules should protect the competitive process, not individual competitors. Sapere also recommended that the Authority focus on overall market performance, not on monitoring individual firms' pricing relative to externally defined benchmarks.

Permanent EM disclosure cuts in the opposite direction:

- (a) It imposes obligations on a small number of market participants while leaving traders, smaller generators and others outside the regime.
- (b) It risks becoming a de facto margin test for those firms.
- (c) It results in the publication of granular margin information which materially prejudices gentailer commercial interests. These harms do not improve competition; they reward the exploitation of asymmetric disclosure obligations rather than more efficient service or genuine innovation, and they raise Genesis's long-run costs of managing fuel and price risk - costs that ultimately feed through to retail prices. We set out below examples of how granular disclosure would adversely affect Genesis legitimate commercial interests:

Contract negotiations with large customers: A major commercial or industrial customer seeking to renew or renegotiate its supply contract can monitor Genesis's published weekly energy margins in the lead-up to negotiations. If the data shows a period of elevated margins, the customer (or its energy broker) can argue that Genesis has "headroom" to offer more aggressive pricing. Conversely, a counterparty seeking to sell hedges or capacity to Genesis can time its approach to coincide with periods when Genesis's disclosed margins suggest a need for additional cover. In either scenario, commercially sensitive information that would ordinarily inform internal pricing decisions becomes a negotiating tool for the other party.

Gas supplier leverage on contract timing: Genesis's gas suppliers can correlate published weekly electricity margins with thermal dispatch patterns and gas offtake. Where margins are high relative to spot prices and fuel costs, suppliers may infer Genesis's appetite to pay more for fuel and adjust future contract pricing accordingly. This concern is not hypothetical: the Authority itself recognised in its 2018 and 2020 wholesale information disclosure consultations that a generator's fuel book is "highly commercially sensitive" and that publication risks "significant commercial prejudice" (Electricity Authority, *Guidelines for participants on wholesale market information disclosure obligations*, at 7.11–7.12).

Competitor and trader inference of hedging positions: Over time, the pattern of Genesis's weekly energy margins—particularly the volatility relative to spot price movements—reveals the degree to which Genesis is hedged or exposed to the spot market. Competitors and financial traders can use this intelligence to anticipate Genesis's likely behaviour in the ASX futures and OTC markets and position themselves accordingly. The Authority acknowledged precisely this risk in its 2023 hedge disclosure consultation, noting that publishing overly granular hedge-related information "might reduce confidence and competitiveness of the hedge market by increasing the likelihood of collusive and anti-competitive behaviour" (Electricity Authority, *Improving the Hedge Disclosure Obligations – Consultation Paper* (11 July 2023) at 4.15).

Competitor retailer cherry-picking: A competitor retailer could combine Genesis's weekly EM data with publicly available demand, hydro storage and futures pricing information to infer when Genesis is "short" or "long" relative to its customer book. If the data shows Genesis consistently earning lower margins in particular weeks (for example, during shoulder periods in spring), competitors can target Genesis's most profitable customer segments with slightly sharper offers at exactly those times. This allows rivals to cherry-pick high-value load while leaving Genesis holding more volatile or lower-margin customers—rewarding the exploitation of information asymmetry rather than more efficient service or genuine innovation.

Reverse-engineering fuel costs and hedge cover: Fuel suppliers and OTC hedge counterparties could use the specific EM components—particularly EM2 (generation revenue), EM5 (direct generation costs) and EM6 (spot electricity costs)—to reverse-engineer Genesis's unit fuel costs and hedge cover ratios. When Genesis next negotiates a gas contract or ASX/OTC hedge, those counterparties would know Genesis's likely walk-away point and risk appetite with far greater

precision, and can price accordingly. This does not improve competition: it simply shifts bargaining power away from Genesis and raises its long-run cost of managing fuel and price risk, costs that ultimately feed through to retail prices.

PPA and long-term offtake counterparties: Prospective PPA and long-term offtake counterparties could use the weekly EM series to identify the periods and conditions under which Genesis's portfolio earns the strongest margins—for example, dry winters when Huntly runs at high capacity, or windy shoulder periods when Genesis is "long" against fixed-price retail load. If EM data shows that a new renewable project would be particularly valuable in those conditions, the counterparty can hold out for higher PPA prices or stronger floor arrangements, armed with a much clearer picture of how much value Genesis stands to capture. In effect, the EM disclosure hands counterparties Genesis's internal value analysis and weakens Genesis's ability to negotiate efficient long-term contract terms.

Genesis asks therefore that the Authority:

- (i) state clearly that EM data will inform high-level monitoring and policy analysis (including capacity and fuel-security work), not serve as a stand-alone compliance benchmark; and
- (ii) avoid language suggesting that specific EM levels or patterns define acceptable or unacceptable profitability; and
- (iii) publish EM information at an aggregated level.

5. Proportionality, clause 2.19 and alternatives

Clause 2.19 of the Code requires the Authority to satisfy itself that the benefits of an information notice outweigh the costs. Treasury's Best Practice Regulation guidance requires proportionality and an empirical foundation.

In our view, the regulatory statement for this proposal falls short in four respects:

5.1 Benefits are asserted, not demonstrated

The consultation claims that regular EM collection will significantly outweigh costs but does not quantify benefits or costs and provides little concrete evidence of decisions that would change because of EM data relative to existing tools.

5.2 Costs are understated

The Authority appears to treat the regime as a marginal reporting obligation. Genesis' assessment is different:

- (a) **Direct operational and systems costs:** Ongoing monthly preparation, validation and reconciliation of EM data will consume finance and regulatory

resources. In the short term, we will rely on manual processes; in the longer term, we would need to invest in automating this into financial planning and reporting systems.

- (b) **Strategic and commercial prejudice:** As discussed above, EM data published at a weekly granular level reveals hedge ratios, net spot position, portfolio optimisation strategy and commercial posture, which would allow counterparties, competitors and financial traders to operate in a way that prejudices Genesis legitimate commercial interests.

The Authority has not incorporated these costs and impacts into its clause 2.19 assessment.

5.3 Alternatives not robustly assessed

The consultation briefly mentions section 46 but largely dismisses it as adding burden during tight conditions. In our view this misses the point:

- (a) Burden during tight conditions is when information has most value.
- (b) There is no case for permanent burden during normal conditions when the incremental value is limited.
- (c) Section 46 proved effective in winter 2024. The Authority has not explained why it is now inadequate for future scarcity events or for specific competition inquiries. We submit our proposal to use section 46 when required, with templates and guidance using the learnings from 2024 and the feedback from market participants on this consultation, is the better approach.

We also observe that the Authority has not assessed in any detail the alternative of confidential reporting with aggregated publication, which would preserve monitoring capability while significantly reducing commercial prejudice to the gentailers.

5.4 Cumulative regulatory burden

Gentailers face multiple overlapping reporting requirements, including Part 13 disclosure, NZX/ASX continuous disclosure, existing clause 2.16 notices, and section 46 requests. Assessing each notice in isolation understates the governance and resourcing implications.

Genesis recommendation: We ask that the Authority re-work its cost-benefit analysis to reflect these strategic and commercial costs and realistic alternatives. We consider that the Authority will be able to conclude that the more proportionate approach is targeted, refined section 46 use – not a standing clause 2.16 notice.

6. Definitions and design of EM categories

Genesis supports the broad EM1–EM7 structure but sees several definitional issues that risk bias, non-comparability and commercial sensitivity.

6.1 EM5 – direct generation costs and hydro vs thermal asymmetry

The draft notice defines EM5 as "cost of generating, including actual cost of fuel," but explicitly excludes the opportunity cost of water for hydro generators. Thermal portfolios, including Genesis, will report large, volatile fuel costs for gas and coal, while hydro portfolios report minimal or zero fuel costs.

This asymmetry will:

- (a) make thermal generation appear structurally less profitable, regardless of its reliability contribution; and
- (b) distort cross-technology comparisons.

Accordingly, we propose that the Authority limit EM5 to a narrow set of direct cash costs and explicitly caution against cross-technology comparisons without context.

6.2 EM4 – sales revenue and internal transfer pricing

EM4 captures revenue from all fixed-price contracts, including retail sales and financial contracts (for example CFDs and ASX futures). On the current drafting it is an aggregate revenue figure for the trader's fixed-price book; it does not, by itself, create or require a defined internal transfer price between generation and retail.

Our concern is how EM4 is likely to be interpreted and used in practice. The consultation frames the exercise as "energy margin for generation," not retail margin. To get from an aggregate fixed-price revenue number (EM4) to a "generation energy margin," the Authority or others would need to impose or infer an internal transfer price between generation and retail. If EM4 is later reinterpreted as "generation revenue from fixed-price contracts" for this purpose, that would effectively recreate a transfer-pricing construct of the kind the Authority has just removed under the Level Playing Field reforms, albeit via a different mechanism. Genesis would strongly oppose any such move.

In combination, EM4 (fixed-price revenue), EM5 (direct generation costs) and EM6 (spot electricity costs) may allow others to approximate a form of "group energy gross margin" that investors can already infer, at an aggregate level, from our published financial disclosures. The main incremental effect of EM4 in this context is the increased frequency, granularity and regulatory framing of that information—weekly rather than quarterly, explicitly excluding major cost categories (interest, depreciation, tax, corporate overheads and levies) - which heightens commercial sensitivity, without providing commensurate monitoring benefits.

We therefore ask the Authority to:

- (a) clarify in the notice and guidance that EM4 is not intended to require disclosure of internal transfer prices, and is not to be interpreted as a regulated benchmark for such prices;
- (b) explain how EM4 is intended to align with, and differ from, existing external reporting of electricity revenue, and minimise duplication or inconsistency; and

- (c) consider limiting EM4 to the minimum set of revenue categories genuinely necessary for competition monitoring, leaving more detailed segment-level analysis to established financial reporting channels;
- (d) as discussed above, publish aggregated EM information.

6.3 EM6 – spot electricity costs

EM6 reveals whether a gentailer is net long or short at spot and at what cost. For Genesis, with a large retail book, EM6 will show our exposure to spot volatility when we are net short and buying to cover load. While we accept disclosure to the Authority where required, we strongly oppose publication to the market under the current proposal / without additional safeguards.

In addition, we request clearer guidance on:

- (a) whether EM6 includes only physical spot purchases or also derivative settlements; and
- (b) how EM6 interacts with EM4 to avoid double-counting particular contract types.

Consistent with section 2.4 and section 8, Genesis would only accept any publication of EM6 data as part of firm-level aggregated EM publication if the Authority meets the threshold requirements and incorporates the safeguards outlined there.

6.4 Treatment of transmission, levies and other costs

We also highlight the potential inconsistency in classification of transmission charges, EA levies, market fees and ancillary services. Different internal accounting choices (for example, allocating transmission directly to generation vs treating it as overhead) can materially affect reported EMs.

We recommend that the Authority provide explicit guidance on these items, tested with industry, before finalising either section 46 templates or a clause 2.16 notice. Genesis is willing to work with the Authority's technical staff to do this.

7. Timing, frequency and implementation practicality

Genesis supports moving from weekly submission to monthly submission of weekly data; this would be a genuine improvement in workability.

We note that:

- (a) We can produce EM data by business day 10 using our general ledger (GL) as the primary source. GL data will include accruals, best-estimate allocations, prior-period wash-ups and financial adjustments, rather than fully reconciled clearing manager settlement data.
- (b) We cannot reliably break many cost items down by week. To produce weekly figures, we will need to allocate monthly costs based on daily volumes where available, or use pragmatic even-split rules.

These realities mean that:

- (i) weekly EM data will be estimates, not precise metrics;
- (ii) apparent precision in charts and dashboards may overstate underlying data quality; and
- (iii) in the short term Genesis will rely on manual processes.

We therefore recommend that the Authority, in any EM regime:

- (a) retain business day 10 as the deadline but explicitly permit submissions based on best-available GL data at that date;
- (b) allow restatement of prior months up to final annual reconciliation; and
- (c) acknowledge in the notice/guidance that weekly EMs involve material estimation and may not be directly comparable across participants.

8. Publication, confidentiality and risk of misinterpretation

Genesis understands the Authority's desire to publish EM data. We can accept publication of firm-level aggregated data only if the threshold requirements set out in section 2.4 are met and the notice includes robust safeguards.

We submit that key safeguards for any publication are:

8.1 Contextual information

Publish aggregate EM data only alongside:

- (a) generation volumes by fuel type;
- (b) relevant fuel price indices (gas, coal, carbon);
- (c) hydro storage and other system-state indicators; and
- (d) demand levels and commentary on major events.

8.2 Interpretative guidance

Provide clear, prominent statements that:

- (a) EM is not profit;
- (b) hydro and thermal EMs are not directly comparable under the EM5 methodology; and
- (c) high EMs during scarcity can reflect legitimate scarcity rents and investment signals in an energy-only market.

8.3 Protection against misuse

State explicitly that EM data will not be used to justify price caps or direct profit controls, and will not, by itself, form the basis for enforcement action against individual generators.

8.4 Commercial sensitivity safeguards

Reflecting the Authority's own hedge disclosure decisions, confirm that the notice does not require disclosure of proprietary pricing methodologies, internal risk models, customer-specific terms or similar sensitive information beyond specified fields.

In summary, Genesis asks for confidential EM reporting, with aggregated market-level publication under our preferred refined section 46 alternative, and only firm-level aggregated publication (with safeguards) if the Authority justifies a clause 2.16 notice in line with section 2.4 above.

9. Conclusion

Genesis supports the Authority's high-level objective of maintaining confidence that the wholesale electricity market remains workably competitive and continues to deliver long-term benefits to consumers. We engaged constructively with the winter 2024 section 46 EM request and stand ready to continue providing EM information when justified.

However, there is no justification for a permanent clause 2.16 EM regime.

The Authority's own analysis and independent evidence do not identify systematic excess margins; the cost-benefit analysis under clause 2.19 is incomplete; and section 46 remains a more proportionate, targeted tool.

We therefore ask that the Authority instead adopt refined section 46 EM aggregated reporting, with standard templates, definitions and guidance, to be used when required.

If the Authority is able in future to demonstrate a clear and evidenced problem definition, with a robust cost-benefit analysis, Genesis could support a clause 2.16 notice incorporating the threshold and design requirements set out in this submission.

Genesis remains committed to constructive engagement on these issues and welcomes the opportunity to discuss these matters further with the Authority.

Yours sincerely



Warwick Williams

Senior Regulatory Counsel | Group Insurance Manager

SCHEDULE A

Response to Consultation Questions

Question	Comment
Q1. Do you agree the Authority should require generators to provide energy margin data?	<p>Genesis agrees that the Authority should have access to EM data when conditions justify it. We support EM reporting under section 46, using a standardised template, in clearly defined circumstances (for example, during periods of scarcity or where the Authority has specific competition concerns).</p> <p>Genesis does not support a standing clause 2.16 notice as currently justified. The Authority has not established a clear problem definition or a robust cost-benefit analysis meeting clause 2.19 requirements.</p> <p>If the Authority were able in future to demonstrate (a) a clear and evidenced problem definition, and (b) a robust cost-benefit analysis, Genesis could support a clause 2.16 notice subject to:</p> <ul style="list-style-type: none"> • explicit statements that EM is not profit and will not be used as a de facto profitability test; • refined definitions that treat hydro and thermal fairly and avoid implicit regulation of internal transfer prices; • realistic implementation and restatement settings; • robust confidentiality and publication safeguards; and • a formal review and sunset mechanism. <p>On the current evidence, those pre-conditions are not met and Genesis therefore does not support the proposed clause 2.16 notice.</p>
Q2. Do you agree with the Authority's assessment of the costs and benefits?	<p>No. Genesis does not agree that the current assessment meets clause 2.19 or best-practice regulation expectations. In particular:</p> <ul style="list-style-type: none"> • the Authority provides no quantitative analysis of benefits or costs; • the assessment does not incorporate material commercial, strategic and political-economy costs; • the analysis does not robustly assess realistic alternatives (refined section 46; confidential reporting with aggregated publication); and • cumulative regulatory burden is ignored. <p>Genesis therefore considers that, on the evidence presented, clause 2.19 is not satisfied for a permanent clause 2.16 EM notice.</p>
Q3. Do you agree the proposed notice is preferable to the other options?	<p>No. Genesis prefers refined section 46 as the primary option: it is more targeted, more flexible and more consistent with proportionality and best-practice regulation.</p> <p>A clause 2.16 notice could only become acceptable if the Authority first demonstrates a clear problem definition and robust cost-benefit analysis, and the notice:</p> <ul style="list-style-type: none"> • includes a clear purpose statement limiting EM use to monitoring and diagnostic analysis; • refines EM definitions (particularly EM4 and EM5) and clarifies EM6;

Question	Comment
	<ul style="list-style-type: none"> • embeds strong confidentiality and publication safeguards; and • includes an explicit review and sunset clause. <p>On the current evidence, those pre-conditions are not met.</p>
Q4. Do you agree with the criteria for who must comply with the proposed notice?	<p>Genesis agrees that a 100 GWh per month threshold captures the most relevant generators. However, we request clarification on:</p> <ul style="list-style-type: none"> • whether the threshold is assessed on a rolling basis; • how the notice would apply to generators with highly variable annual output; and • how volumes under PPAs or joint-venture arrangements are treated. <p>If a clause 2.16 regime proceeds, we recommend that:</p> <ul style="list-style-type: none"> • once a generator meets the threshold, it remains in scope for at least 12 months to avoid frequent entry/exit; and • the Authority consider a materiality exemption for months when a generator's output is minimal.
Q5. Do you agree these are the right financial categories for calculating energy margins?	<p>We broadly support the EM1–EM7 structure but see several issues that must be resolved:</p> <ul style="list-style-type: none"> • EM5, as drafted, creates an asymmetry between hydro and thermal portfolios by excluding the opportunity cost of water while including cash thermal fuel costs. We recommend adjustments as discussed in section 6 of this submission. • EM4 should not require disclosure of internal transfer prices or operate as a regulated benchmark for such prices. • EM6 requires clearer guidance on the treatment of derivative settlements and interaction with EM4. • The notice and guidance should specify treatment of transmission charges, EA levies, market fees and ancillary services to ensure comparability. <p>Subject to these refinements, the category structure is workable.</p>
Q6. Do you agree that data should be reported by week but submitted monthly?	<p>Genesis supports monthly submission of weekly data. We can submit by business day 10 using general ledger data, but weekly allocations will involve material estimation and may not be directly comparable across participants.</p> <p>We recommend that the Authority:</p> <ul style="list-style-type: none"> • explicitly allow use of best-available data at business day 10; • allow restatements up to final annual reconciliation; and • acknowledge that weekly EMs are estimates and should be interpreted cautiously. <p>We also suggest that monthly aggregation may be more appropriate for most public reporting, with weekly data reserved for confidential analysis.</p>
Q7. Do you support publishing the	<p>Under our preferred position (refined section 46), Genesis supports confidential EM reporting to the Authority, with publication limited to</p>

Question	Comment
<p>information provided, excluding market-making costs?</p>	<p>aggregated, market-level data accompanied by appropriate commentary and context.</p> <p>If the Authority proceeds with a clause 2.16 notice and firm-level publication (having met the threshold requirements), we can support this subject to the safeguards outlined in section 8 of this submission:</p> <ul style="list-style-type: none"> • contextual data (volumes, fuel prices, system state, demand); • explicit statements that EM is not profit and that hydro vs thermal EMs are not directly comparable; and • commitments not to use EM data as a basis for price caps, profit controls or stand-alone enforcement. <p>If these safeguards cannot be met, we would not support firm-level publication.</p>

SCHEDULE B

Amendments required if the Authority is able to justify a clause 2.16 notice process

If the Authority satisfies the threshold requirements and proceeds with a clause 2.16 notice, Genesis recommends the following high-level drafting amendments:

1. Purpose clause

- Insert a clause stating that EM data is collected to assist monitoring and analysis and is not a measure of profit or a basis for direct regulation of margins.

2. Definitions

- Amend EM5 to address hydro vs thermal asymmetry.
- Clarify EM4 and EM6 and define the treatment of transmission, levies, fees and derivative settlements.
- Insert a definition of "commercially sensitive information."

3. Submission and restatement

- Specify BD10 based on best available data.
- Permit restatements where wash-ups materially change prior data.

4. Review and sunset

- Review the notice after two years and consult on whether to continue, amend or revoke it, with a default that the notice expires if benefits are not demonstrated.

SCHEDULE C

Guidance matters

If the Authority satisfies the threshold requirements and proceeds with a clause 2.16 notice, then in addition to the amendments to the notice discussed in Schedule B, Genesis recommends the Authority develop accompanying guidance addressing the following matters:

1. **Interpretation of EM data:** Clear statements that EM is a partial gross-margin concept, not profit, and that differences in EM across firms or time cannot, by themselves, evidence market power.
2. **Hydro vs thermal comparability:** Explicit cautions that hydro and thermal EMs are not directly comparable given the treatment of fuel costs under EM5.
3. **EM4 and internal transfer prices:** Clarification that EM4 does not require or imply a regulated internal transfer price between generation and retail.
4. **EM6 and derivative settlements:** Guidance on whether EM6 includes only physical spot purchases or also derivative settlements, and how to avoid double-counting with EM4.
5. **Cost classifications:** Explicit guidance on treatment of transmission charges, EA levies, market fees and ancillary services to ensure comparability across participants.
6. **Publication safeguards:** Commitments to publish EM data only alongside contextual information (generation volumes, fuel prices, system state, demand) and with prominent interpretive caveats.
7. **Non-use commitments:** Statements that EM data will not be used as a basis for price caps, profit controls, or stand-alone enforcement action.