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Submissions
Electricity Authority

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Nova Energy's submission to the Electricity Authority's Code omnibus #6 consultation: Tie-breaker enhancement, materially large contracts, and hedge disclosure obligations

Nova Energy (Nova) welcomes the opportunity to provide feedback on the Electricity Authority's (the Authority) consultation paper above-mentioned.

We support the Authority's use of the omnibus process for discrete, targeted Code amendments, and consider that, taken together, the proposals in this package are largely consistent with the Authority's statutory objectives of promoting competition, reliable supply, and the efficient operation of the electricity industry for the long-term benefit of consumers.

Nova's feedback below focuses on the three substantive proposals in the consultation.

Minimum offer price exclusions for tie-breaker situations

Nova supports the proposal to exclude intermittent generators from offering at \$0/MWh in tie-breaker situations.

The proposal appropriately recognises that not all generation technologies face the same operational constraints. Less flexible plant, including cogeneration, geothermal, and some thermal units, typically operate with minimum output levels driven by physical plant limitations or non-electricity obligations. In the case of cogeneration, minimum output levels may be required to maintain steam supply to industrial customers. If such plant is constrained down during low-load or low-price periods, it may be forced to shut down, with implications for both system security and the ability to meet subsequent demand peaks.

By contrast, intermittent generation such as wind and solar is generally able to flex output quickly and with minimal operational risk. Preventing intermittent generators from offering at \$0/MWh provides a transparent and automated way for the dispatch process to prioritise less flexible plant in oversupply situations, reducing reliance on System Operator discretion and improving predictability for participants.

We also note that some degree of renewable curtailment during periods of network constraint is an unavoidable feature of a system experiencing rapid growth in intermittent generation ahead of transmission investment. In that context, the proposed amendment represents a proportionate and pragmatic response that improves operational outcomes without materially distorting market incentives.

Overall, we consider the proposal to be preferable to the alternative options canvassed and broadly agree with the Authority's assessment that the benefits outweigh the costs.

Improving clarity of the materially large contracts provisions

The current materially large contracts (MLC) provisions assess whether a contract is materially large based on a single "worst-case" point in time. For intermittent generation, this can result in little or no recognition of new wind or solar generation, even where that generation materially increases supply over the life of the contract.

This creates a risk that long-term contracts which support investment in new renewable generation are captured by the MLC regime purely due to momentary low output, rather than any genuine risk of inefficient price discrimination.

We support the Authority's proposal to recognise new generation using median or other evidence-based output measures, consistent with the Authority's proposed framework. This approach better reflects the economic

contribution of intermittent generation, reduces unnecessary barriers to investment, and preserves the core intent of the MLC provisions.

Refining hedge disclosure obligations to increase transparency

Nova supports the Authority's objective of improving transparency and confidence in the over-the-counter (OTC) hedge market, and agrees that several of the proposed refinements are sensible and proportionate.

We are broadly supportive of measures to improve identification of power purchase agreements (PPAs) and to clarify disclosure requirements for novel contracts and demand response arrangements. Aligning disclosure timeframes and processes for novel contracts with those applying to other risk management contracts will improve consistency and reduce uncertainty, while the inclusion of demand response contracts within the disclosure framework appropriately reflects the growing importance of demand-side flexibility.

However, we have some reservations regarding the proposal to require disclosure of the specific generating station associated with contracts where price is linked to generation. While we acknowledge that this information may assist the Authority in differentiating PPAs from firming contracts, it is highly commercially sensitive. In practice, large PPAs are often already identifiable based on volume and location, and formalising this disclosure risks facilitating strategic behaviour by other market participants.

If this proposal proceeds, it is important that strong safeguards around non-publication and confidentiality are maintained. As an alternative, the Authority could consider requiring disclosure of the type of generation (for example, wind, solar, thermal, or cogeneration) rather than the specific generating station. This would improve transparency while better preserving commercial sensitivity.

We support the proposal to provide the Authority with discretion not to publish information where publication would distort hedge price data or undermine the purpose of the disclosure regime. This discretion should improve confidence in published price information and better align publication with the stated objectives of the hedge disclosure framework.

Overall, we consider the proposed hedge disclosure amendments to be incremental and largely appropriate, subject to careful management of commercial sensitivity.

Yours sincerely

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