

**WLG**

Level 1, NZX Centre
11 Cable Street
Wellington 6011
PO Box 2959
New Zealand

P +64 4 472 7599

AKL

Level 15
45 Queen Street
Auckland 1010
PO Box 106 555
New Zealand

P +64 9 368 1375

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Electricity Authority
Te Mana Hiko
PO Box 10041
Wellington 6143
Email: OperationsConsult@ea.govt.nz

Submission: *Enabling Market Evolution: Market Operation Service Provider 10-year Roadmap*

NZX welcomes the opportunity to submit a response to the Electricity Authority's consultation on the Market Operation Service Provider 10-year roadmap. As the current provider of the WITS, Clearing, and Reconciliation Manager roles, and with extensive experience operating regulated financial and energy market infrastructure, NZX is uniquely placed to comment on the commercial and operational implications of the Authority's proposals. We support the review and the objective of ensuring MOSP services remain fit for purpose as the electricity market evolves and becomes more data-driven.

We agree with the Authority's assessment that the existing MOSP structure, which has remained substantively unchanged since the 1990s, does not reflect the scale, complexity, or pace of change now facing the sector. The growth in smart metering, distributed energy resources, and consumer participation is driving significant increases in data volume, velocity, and the number of parties requiring access. At the same time, the separation of MOSP roles across five contracts introduces administrative complexity that slows the implementation of change and limits the ability to deliver coordinated system development.

NZX supports the Authority's proposal to consolidate the four core MOSP roles into a single, higher-value, service-based contract. Bringing the Clearing, Reconciliation, Registry, and WITS functions together under a Wholesale Settlement Manager role represents a logical evolution of the current model. A single contract would simplify governance, align investment incentives, and enable the development of a common digital architecture across services that currently operate in isolation. NZX considers that consolidation will provide the commercial certainty required to invest in scalable, future-proofed infrastructure and to deliver the integrated data and system outcomes the Authority is seeking.

Consolidation also creates opportunities to rationalise common technology capabilities such as authentication, monitoring, audit logging, reporting, workflow management, data quality services, and participant administration. Delivering these capabilities once across multiple market services should reduce total cost of ownership and enable investment to be focused on value-adding market functionality rather than maintenance of duplicated infrastructure.

Longer contract terms are critical to achieving these outcomes. The proposed three-year extendable structure constrains the ability of providers to commit to multi-year technology roadmaps and to align system enhancements with the Authority's long-term market development objectives. Shorter contract horizons also create commercial uncertainty for service providers, reducing confidence that significant upfront investments in people, capability, innovation, and modernisation can be recovered over the life of the contract. If the Authority wishes to attract and retain high-quality providers capable of delivering strategic transformation, greater consideration should be given to contract structures that provide longer-term certainty and appropriate incentives for sustained investment, innovation, and continuous improvement.

Section 9.12 appears to suggest that functions currently delivered through WITS could, in future, be separated and delivered through different arrangements. However, the consultation paper provides insufficient detail on the scope, rationale, target operating model, and expected benefits of such an approach. Without greater clarity, stakeholders are unable to assess how the responsibilities and interfaces would be allocated from WITS and

what the commercial and operational risk / benefits are. We recommend the Authority provide further detail on the intended future-state architecture, including illustrative operating models and an assessment of costs, benefits, and risks, before seeking feedback on this aspect of the proposal.

The proposal to establish a Data Hub Manager is also strongly supported. The present environment requires market participants to maintain multiple bespoke interfaces across 29 electricity distribution businesses and numerous metering equipment providers. This imposes avoidable cost and complexity, particularly for new entrants, and increases cyber-security risk as the number of external connections grows. A centralised authentication and standards function, enabling standardised peer-to-peer data transfers, would materially reduce these barriers.

In designing that role, it is important that the architecture anticipates future market requirements. For example, should the Authority consider shorter trading or settlement intervals in the future, such as a move to five-minute settlement, the volume and frequency of data exchanged between MOSPs and participants would increase substantially. While five-minute settlement is not currently a feature of the New Zealand market, the market is increasingly characterised by fast-response technologies, including battery energy storage systems and demand response resources. These technologies can respond to system conditions within minutes, yet under a 30-minute settlement framework are compensated based on averaged prices rather than the real-time price signals that reflect the value they provide. A future transition to more granular settlement intervals would improve the efficiency of price signals, better reward flexibility, and strengthen investment incentives for technologies that support system reliability and resilience. The MOSP framework should therefore be settlement-period agnostic and capable of scaling to support higher data volumes and more granular processing requirements without requiring fundamental re-engineering.

Equally, the significant advances in data collection, processing, and distribution over recent years create opportunities to reconsider the settlement cycle itself. More timely settlement arrangements, such as weekly settlement, could materially reduce prudential and working capital requirements for market participants by shortening the period over which exposures accumulate. Lower prudential barriers would improve market accessibility, support competition, and make it easier for new entrants and smaller retailers to participate effectively. The proposed Data Hub architecture should therefore be designed not only to accommodate more granular settlement periods, but also to support more frequent settlement cycles should these become desirable in the future.

Better market data ultimately enables more accurate allocation, improved risk management, and the development of smarter, more targeted pricing options. Over time, these efficiencies flow through to lower costs and tangible savings for New Zealand electricity consumers.

NZX has been a consistent supporter of the concept of a centralised data store, as noted in our response to the Authority's consultation on mandatory disaggregated ICP reconciliation submissions. Registry is likely to remain the authoritative source of participant and ICP state, but a future centralised market data capability probably derives more natural operational and economic synergy from the Reconciliation Manager, because the Reconciliation Manager already sits at the centre of very large and valuable operational data flows. Centralisation of metering and ICP data, with appropriate governance and access controls, promotes consistency, improves data quality, and avoids the duplication of storage and validation processes across multiple providers. As the market transitions toward greater use of ICP-level half-hour data, and potentially more granular data in the future, a single authoritative source becomes increasingly important to maintain integrity across settlement, reporting, and market monitoring functions. The Data Hub Manager and a centralised data store are therefore complementary: the former defines how data is accessed and shared; the latter ensures there is a common, validated dataset underpinning all downstream processes.

NZX also considers that greater attention should be given to improving the quality, consistency, and timeliness of data provided by Metering Equipment Providers (MEPs). Through our direct engagement with market participants, including reconciliation participants, we have observed ongoing concerns regarding the quality and reliability of metering data, which represents the foundational input to all downstream market processes and systems. These concerns have been highlighted further through recent discussions associated with the mandatory HHR submission consultation. As the Authority progresses initiatives aimed at greater market



digitalisation and potential future datahub models, improving the quality of upstream metering data will be critical to achieving the intended efficiency, transparency, and accuracy benefits. Addressing data quality issues at the source is likely to deliver greater overall market value than introducing additional downstream validation and correction mechanisms.

In this context, as the Authority progresses its proposal to combine the core MOSP roles into a Wholesale Settlement Manager and to establish a Data Hub Manager, NZX considers it important that the future operating model clearly recognises the significant interdependencies between these functions. Registry, reconciliation, settlement, market information, and data exchange services all depend on the timely availability of accurate and consistent market data. The Authority should therefore ensure that the future architecture provides clear accountability, common standards, and efficient information flows between the Wholesale Settlement Manager and Data Hub Manager to avoid unnecessary duplication of processing, validation, and integration activities.

NZX supports an approach in which data is collected, validated, and managed as efficiently as possible while maintaining clear functional responsibilities between service providers. The future design should enable both the Wholesale Settlement Manager and Data Hub Manager to evolve as market requirements change, while ensuring participants continue to interact with a coherent and consistent market data framework. This would support the Authority's objectives of reducing complexity, improving efficiency, and enabling future market development without predetermining how individual functions may evolve over time.

Cyber security must be a core design principle of the future MOSP model. Consolidating interfaces under a Data Hub Manager should reduce the overall attack surface, but it also places greater reliance on the security posture of central services. As cyber threats continue to evolve, maintaining an appropriate level of resilience requires ongoing investment in technology, monitoring, testing, capability development and third-party assurance. The Authority should ensure that future MOSP structures and contractual arrangements provide sufficient flexibility and incentives for providers to respond to emerging threats and changing security requirements over time.

NZX encourages a more integrated relationship between the Authority and its service providers in executing the roadmap. While proper governance and separation are essential, the current arm's-length model can lead to reactive, project-by-project delivery. A collaborative model would improve alignment between policy intent and system implementation and support more efficient delivery of change.

NZX appreciates the Authority's engagement on this issue and would welcome the opportunity to discuss our submission further.

Yours sincerely

Tim Chadwick

Head of Energy Services