

31 October 2022

[COMPANY PERSONNEL]

[COMPANY]

Voluntary request to provide off-market hedge information

The Authority released an open letter requesting feedback on a proposal to gather off-market hedge information on 18 October 2022.¹

The feedback received by the Authority covered the considerable resourcing required to provide the requested information, how a targeted approach can reduce the resourcing required from market participants, and suggestions of areas the Authority should focus on.

After considering this feedback the Authority is now targeting its initial request at market participants likely to have limited or no access to the ASX futures exchange. These participants will be asked to voluntarily provide information on recent requests for proposals (RFPs) they have initiated.

The Authority is now requesting [COMPANY] to voluntarily provide information on requests for proposals (RFPs) it has initiated.

This request does not include direct requests (not captured under a formal RFP) for off-market hedge contracts and exchange for physical (EFP) contracts.

We would appreciate your response to this voluntary request no later than **5pm 7 November 2022**.

Reasons for request

In recent months some market participants have faced restrictions on their ability to access exchange traded New Zealand electricity futures. As those market participants seek alternative risk management arrangements, some parties have suggested to the Authority that counterparties are either refusing to deal, or refusing to deal on reasonable terms, with affected parties. The Authority also wishes to better understand the nature of requests and the degree that the requests are legitimate, complete, and sensible. The Authority is now requesting the voluntary provision of the information specified in Annex One from market participants to better understand the legitimacy of these claims.

¹ Reference: <https://www.ea.govt.nz/assets/dms-assets/30/Open-Letter-for-RFPs-October-2022.pdf>

This will assist the Authority in gathering and comparing relevant information from all counterparties involved.

Information required to be provided

Please provide the Authority with the information requested in Annex One.

The Authority understands that the information contained in the request is likely to be commercially sensitive. However, please indicate as part of your response any information that you consider to be sensitive, and why. The Authority will treat sensitive information as confidential and will not disclose it except to the extent that disclosure is required to enable the Authority to carry out its obligations and duties under the Electricity Industry Act 2010 (Act), the regulations or Electricity Industry Participation Code 2010 (Code), or is otherwise compelled by law.

To ensure information is transferred securely the Authority is requesting that the information is provided using the Authority's information provision platform

<https://info.ea.govt.nz/>.

Response to request to provide information

The Authority may need to share some or all information [COMPANY] provides with the Minister of Energy and Resources and other government agencies, including for example the Treasury, the Commerce Commission and the Ministry of Business, Innovation and Employment. If the Authority proposes to [COMPANY] information as described above, the Authority will notify you beforehand. The same approach will be taken if the Authority needs to share information with external consultants for the purposes of analysing the information gathered.

The Authority may be requested to release the information under the Official Information Act. The Authority needs to consider any such request(s) on a case-by-case basis. If the Authority receives a request and does not consider it is able to withhold the information, staff will consult with you before the Authority makes a final decision as to whether to release any of the information.

Further information

For questions about this letter, please contact Tom Georg, Manager – Wholesale Market Policy (tom.georg@ea.govt.nz).

Yours sincerely

Andrew Doube
General Manager, Market Policy

Annex One: Scope of voluntary request

1. Market participants are requested to provide information and documents related to requests for proposals (RFPs) sent from 1 August 2022 to 31 October 2022, that the participant has initiated. Responses where applicable are to be included.
2. An extraction of the following key details is to be provided separately:
 - date sent
 - sent to (organisation name – participant code Home - Electricity Authority Participant Register (ea.govt.nz))
 - response required by (date)
 - response received (include date if yes)
 - proposal provided (yes/no)
 - proposal valid for (if applicable – days)
 - proposal accepted and contract executed (yes/no)
 - hedge type (baseload, non-baseload (include relevant time periods i.e. peak, weekend etc))
 - contract start date
 - contract end date
 - contract price (NZD \$/MWh)
 - quantity (MW)
 - grid zone area (eg HAY2201)
 - considerations for acceptance/rejection
 - disclosed on hedge disclosure site (yes/no).
3. Market participants are required to provide previous and existing International Swaps and Derivatives Association (ISDA) master agreements.

An extraction of the following key details is to be provided separately:

- date signed
- counterparty
- time taken to negotiate (weeks)
- number of contracts executed to date
- active (yes/no).