

We welcome the opportunity comment on proposed Code Amendment to align the regulated market-making requirements with the commercial market making scheme. We will keep our comments brief on the basis we have already provided much of our feedback on the EA's specific questions as part of the CMM ROI.

At a high level, we are strongly in favour of ensuring that the regulatory backstop is changed to ensure that the Regulated Market Makers completely align with the terms as they apply to the Commercial Market Making scheme. This levels the playing field for both Regulated and Commercial Market Makers (RMM/CMM) and provides certainty to the market that it can rely on the hedge market to always supply adequate liquidity and depth to allow for risk management and hedging to occur.

It is imperative for CMMs to have confidence in the market's liquidity in order to fulfil their own obligations. Any difference in requirements that leaves a CMM exposed to quoting and risk disproportionately to RMM will likely result in an inability to fulfill terms of the CMM contracts. For the avoidance of doubt, if the backstop is not in place with adequate protections for CMM then our view is that it would be impossible for a CMM to accept the tender offer. The commercial risk would be unbounded and impossible to manage. This would represent a failure of the CMM process and be inconsistent with the principles which the EA is trying to achieve in creating a sustainable and enduring market.

Furthermore, without certainty themselves, the RMM will face increased costs market-making as they share the same commercial risks as CMM, albeit often with physical assets to provide cover. The CMM scheme presents an opportunity for RMM to access more risk management tools to assist in the warehousing of positions accumulated as part of market making which in turn should reduce the cost of market-making. This is only possible whereby the CMM is not unduly burdened with different requirements to the RMM.

In summary, the alignment of all requirements ensures that both RMM and CMM are treated fairly and equally and neither is left carrying the burden of the other. It is also paramount to ensuring market confidence, which is crucial to ensuring an enduring and sustainable approach to the NZ power market on an ongoing basis.

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