

30 June 2020

Phil Gibson

By email: Phil.Gibson@mercury.co.nz

Dear Phil

**Mercury's market making in June 2020**

I am writing in relation to Mercury's recent market making performance.

Mercury currently provides market making services to the Australian Securities Exchange (ASX) NZ electricity futures market under the terms of an agreement it has with ASX. That agreement allows Mercury (and each other market maker) to use up to five exemptions per month from providing services (in full or in part) at its sole discretion.

These arrangements are underpinned by a provision in the Electricity Industry Participation Code 2010 that imposes market making obligations on existing market makers if they:

- have not entered into a market making agreement with ASX;
- do not perform market making services in accordance with their agreement with ASX on three or more separate occasions in a 90-day period; or
- have not provided the ASX consent to share their data with the Authority.

The Authority actively monitors market maker performance on the ASX and had noted that at 19 June 2020 Mercury used all its exemptions for the month under its agreement with the ASX.

Thank you for informing us ahead of time that Mercury would also likely incur its first strike against the Code provisions by not meeting its obligations under its ASX agreement for a sixth day in June. Your proactive approach to informing the Authority is appreciated.

I would like to take the time to reiterate that under the provisions of the Code Mercury will be subject to the mandatory market making scheme if it does not perform market making services (and is not otherwise excused) three or more times in any rolling 90-day period. 29 June counts as Mercury's first strike under this regime, and accordingly it will be subject to the mandatory market making obligation if it has two or more strikes within 90 days of 29 June 2020.

Thank you again for informing us ahead of time and your ongoing engagement to ensure that market making services are provided for the long-term benefit of consumers.

We will publish this letter on our website.

Yours sincerely



Andrew Doube