



21 July 2020

Submissions
Electricity Authority

By email: HME.feedback@ea.govt.nz

Hedge Market Enhancements: Securing access to exchange data

Meridian appreciates the opportunity to comment on the Electricity Authority's consultation paper *Hedge Market Enhancements: Securing access to exchange data*.

Meridian supports the Authority being able to access granular exchange data and considers this critical to enable the Authority's understanding of the hedge market as well as evidence-based policy decisions in respect of market making in the ASX New Zealand Electricity Futures Market.

The Authority currently has access to de-anonymised tick data for Meridian and other market makers via the ASX under clause 13.236M of the Code. Meridian understands that the Authority:

- will lose access to that data on 3 November 2020 when clause 13.236M of the Code expires (as it was made by an urgent amendment on 3 February 2020 and urgent Code amendments only remain in effect for nine months); and
- only has access to other participants' de-anonymised tick data (non-market makers) through ad hoc means like voluntary arrangements or use of the Authority's information gathering powers under section 46 of the Electricity Industry Act.

Meridian agrees that access to de-anonymised tick data provides many advantages to the Authority in performing its statutory functions, for example an automated data feed would enable the Authority to:

- understand how industry participants behave in the market;
- understand the extent of speculation in the market;
- develop an evidence base from which to assess whether reforms (if any) will benefit consumers;
- easily and independently monitor market maker performance; and
- through reporting and potential compliance activity assure other participants that market making is meeting expectations (the nature of this activity will depend on the Hedge Market Enhancement policy decisions eventually made by the Authority).

Meridian therefore supports the Authority's proposal to amend the Code as set out in Appendix C of the consultation paper.

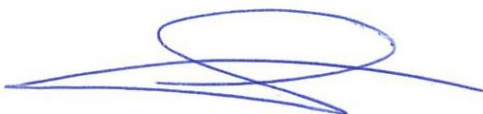
That support is conditional on assurance from the Electricity Authority that the commercially sensitive, de-anonymised data that is obtained will be stored securely and access to it limited. The text box on page 12 of the Authority's consultation paper provides some assurance and we trust that those measures will be maintained over time.

Although not discussed in the consultation paper we note the draft Code amendment at proposed clause 13.236AA(3) would appear to require market participants to ensure that when they give consent to the Authority for access to ASX tick data, arrangements are also put in place with any agent, service provider, or other person acting on behalf of, or on the instructions of, the participant so that those third parties also facilitate the provision of tick data to the Authority. It is unclear if the intent is to require that arrangements with brokers be amended to ensure that participants are identified when trading ASX products through a broker. It would be good to clarify if that is the intention as arrangements with brokers may take some time to put in place.

Meridian looks forward to working with the Authority on the next stages of the Hedge Market Enhancement project.

Please contact me if you have any queries regarding this submission.

Yours sincerely



Sam Fleming
Regulatory Counsel

Appendix A: Responses to consultation questions

	Question	Response
1(a)	Has the Authority correctly identified an issue with its access to participants' de-anonymised tick data?	Yes.
1(b)	Are there other issues that the Authority has not identified?	None that Meridian is aware of in respect of access to data.
1(c)	Have the benefits of addressing the issue been correctly articulated? Has the Authority missed any benefits, or are the benefits identified mis-specified?	Yes, the benefits are well articulated. We are not aware of any others
1(d)	How else could the Authority use de-anonymised tick data to better perform its functions for the long-term benefit of consumers?	The uses described seem appropriate.
2(a)	Are there other options to address this issue that the Authority has not identified? If so, please provide a brief description of the alternative and its merits.	None that are suitable.
2(b)	Has the Authority correctly analysed the options that it has identified? If not, please explain why.	Yes.
3(a)	Are there any other opportunities the Authority should consider as part of its proposal? If so, please provide a brief description of the opportunity and its merits.	None that Meridian is aware of.
3(b)	Has the Authority correctly analysed the opportunities that it has identified? If not, please explain why.	Yes.
3(c)	Are there any other opportunities the Authority should consider addressing with the proposed code change? If so, please provide a brief description of the opportunity.	None that Meridian is aware of.
3(d)	Has the Authority correctly analysed the options that it has identified? If not, please explain why.	Yes.