

Received by email 15/12/22

Hey team,

The team at Aotearoa Energy have been liaising with market participants regarding a short-term Day-Ahead CFD market in an attempt to find a market-based solution for the EAs concerns for the coming winter period.

While a plant commitment market integrated with the spot market isn't feasible in the short term, if we were able to get an active short term (Prompt) CFD market functioning it would infer a financial interest on participants that would theoretically improve expectations of short-term demand and supply being meet.

The problem/issues we foresee such a market solving would be.

- Increased transparency in short term pricing
- Financial incentive to run/not run from a plant commitment perspective
- Market participants demonstrating an active interest to develop a solution for winter 2023 tight capacity
- Demand side participation – i.e. large industrial for example selling short term and dialling back demand as a result
- Price certainty for fast response technology, batteries or whatever fits the bill

In a perfect world such a market would be centrally cleared via an entity such as the NZX or EMS to reduce documentation and credit friction, but we would assume that would be stage two solution and the initial market would function over the existing ISDA network.

The market could be run in a matching environment similar to our morning Futures match session where everyone submits interest by a certain time and then the market runs for a certain amount of time.

If the interest was there, AE has the existing technology in place which means we could effectively roll this out as a Web app in a couple of months.

Happy to discuss if you have any questions

Regards

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