

1 September 2020

Submissions  
Electricity Authority  
P O Box 10041  
Wellington 6143

By email: [WMID@ea.govt.nz](mailto:WMID@ea.govt.nz)

Dear Tim and team,

**Re: Review of Thermal Fuel Information Disclosure-Consultation paper**

Pioneer Energy (Pioneer) welcomes the opportunity to submit on the Electricity Authority's (Authority's) proposals to require major participants to declare compliance with the Code information disclosure rules and improve guidance on and availability of thermal fuel disclosures.

Pioneer supports the Authority's proposals and the draft Code amendments.

Pioneer's interest in improving wholesale market disclosure is to ensure that there is confidence that prices on the wholesale market are efficient – from both the perspective of buying and selling electricity on the day and also to inform future generation capacity investments (refurbishment of existing, or construction of new, capacity).

Information about current and future thermal fuel availability and price is an important component. However, information about the prices that participants are prepared to contract future electricity transactions at is equally important. The ASX is obviously a transparent market for futures contracts but this is only part of the picture.

About 85%<sup>1</sup> of total electricity volumes are transacted between the generation business and the retail business of vertically integrated gentailers with minimal or no transparency of the pricing arrangement (price, hedge profile, term etc). Pioneer strongly supports disclosure of the internal hedge transactions between gentailers' generation and retail businesses (including price, volume and the hedge profile / type for this volume, term).

Meridian should also be informing the market as soon as it decides to call the swaption it has with Genesis. Calling the swaption values hydro storage at the cost of running

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<sup>1</sup> Based on the ICP market share of non-vertically integrated retailers. However, Meridian, in its submission on the Authority's UTS Preliminary Decision, estimates generator-retailers are 91% physically hedged. pg 5 <https://www.ea.govt.nz/dmsdocument/27238-meridian-energy-2019-uts-preliminary-decision-submission>

Genesis' thermal plant – which has a significant impact on wholesale prices.<sup>2</sup> Other transactions that arise because of these regulated SOE contracts may also be material.

Pioneer also supports enhancement of the Hedge Market Disclosure website. The information available about OTC trades via this website complements the ASX and is important to ensure a robust future price curve. For example, we expect the contract between Genesis and Tilt for the output of the Waipipi wind farm to be disclosed on this website. This would be consistent with the Electricity Price Review decision that the Authority should 'monitor contract prices and new generation costs more closely' (EPR recommendation D4). We suggest the Authority should be reviewing compliance with the requirement to post information on this website as well as regularly undertaking analysis / comparison of CfD / OTC contracts with ASX contracts

Pioneer suggests prioritising improving disclosure of the above information will enhance competition in the dispatch of electricity and investment in generation capacity for the long-term benefit of consumers.

We would welcome the opportunity to discuss this submission with you in more detail.

Yours truly



Fraser Jonker  
**Chief Executive**

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<sup>2</sup> Genesis Energy's submission on the Authority's UTS Preliminary Decision also discusses this point.  
<https://www.ea.govt.nz/dmsdocument/27221-genesis-energy-2019-uts-preliminary-decision-submission>