9 Aug 2023

Submissions
Electricity Authority

Via WholesaleConsultation@ea.govt.nz

To whom it may concern,

Consultation paper—Improving Hedge Disclosure Obligations

We appreciate the opportunity to provide feedback on Improving Hedge Disclosure Obligations.

We are supportive of the proposed changes to improve the risk management information collected along with a number of further elements such as whether the trade is a related party as well as aspects regarding security. Inclusion of ASX (and ASX related products) alongside that of OTC contracts would also make sense. A number of parties already do so this would make things more consistent. Recording of pre-negotiation bids and offers could increase data handling but this requirement would appear to add a high level of transparency and hopefully encourage operators to function with integrity.

We look forward to the Electricity Authority taking the necessary steps to ensure retail competition and transparency in contracts markets.

Regards,

Alex Macmillan
Energy Manager

Appendix B
Consultation Paper—Improving Hedge Disclosure Obligations

Submitter	Octopus Energy

Questions	Comment
Q1. Identified issues	
a. Do you agree with the identified issues? If not, why?	Yes
b. Are there other issues with the HDO requirements that we have not identified? Can you please provide specific and quantifiable examples.	Not directly related but it would appear that it was never really that clear as to whether ASX contracts should be disclosed. Some parties did disclose whereas I believe many didn't.
c. What types of risk management contracts are not being captured under the current HDO requirements as set out in the Code?	ASX, PPAs, Exchange for Physicals (EFP).
d. Do you use the published information to elicit a forward price curve and to assess the competitiveness of the contracts market? If not, what do you use it for?	The ASX is our primary reference for a forward curve. The Hedge Disclosure data due to trade dates, effective dates and terms can be more difficult to manipulate into a usable curve. The Hedge Disclosure data would be a valuable source of information for reference and comparison. The contracts market tends to use the ASX as its basis so comparing contracts against Hedge Disclosure traded on one day to the next can provide a general guide to competitiveness. Assessment against the ASX forward curve, offered contracts against themselves would tend to provide a more useful comparison however. It can also be utilised as a second form of record keeping and a relatively simple way of providing contract data to such third parties as auditors.
Q2: Problem definition	
e. Do you agree with the Authority's proposed areas of improvement? If not, why?	Yes

Questions	Comment
f. Are there other areas of improvement in the HDO requirements that we have not identified?	
Q3: Improving risk management information collected	
g. What are your views on the relative merits or priority of these five options for improving the risk management information collected? What are the compliance costs?	This data would be valuable and improve risk management information and scrutiny of conduct. It will represent a significant increase in data handling so it is important that effort is invested in streamlining the reporting requirements. RFPs involve many prices and parties so requiring input of pre-negotiation bids and offers could be time consuming. This requirement would add an extremely high degree of transparency into the market and shed light (as well as record) the levels of prices shown to parties i.e. the level of discount or premium. The other requirements would add no additional workload but provide further granularity to the disclosure.
h. Are there any other options to improve risk management information collected that we haven't identified?	What would also be useful in further adding transparency into the markets would be a flag that indicates whether it is an internal transfer trade. As well, an indicator as to whether there is security/ margin held against trade, the form of security and dollar amounts.

i. If the Authority were to expand the types of risk management contracts collected:
  a. What types of contracts should be collected (ie, swaptions, PPA)?
  b. Should the Authority specify the type of contracts that are required to be disclosed (similar to status quo), or simply amend the Code to capture all existing and any future types of hedge products? Why?
	Why not make it mandatory for all trades and contracts? Also, include ASX on the list as some parties already disclose their ASX trading. By including ASX this would also capture such trading as exchange for physicals.

j. What risk management information on each type of contracts should be collected, in addition to what is already required under the current Code to support risk management strategies?	That which is already being captured and the additional risk management information that is being suggested in Section 4 and in h. above.

Questions	Comment
Q4: Improving risk management information published	
k. What are your views on the proposed options? Which one do you think the Authority should adopt when considering what risk management information should be published?	Publish all information collected about OTC contracts. This information should all be available through the Hedge Disclosure system.
l. Based on the risk management information suggested above (paragraph 4.8 (a-e)) and any additional suggestions, what risk management information do you think should be published on each type of contracts, and why (or why not)?	These should all be shown plus further details such as whether it is an internal trade and also information about security. Greater transparency of hedge products and contracts will encourage operators to function with integrity and fairness.
Q5: Improving the hedge disclosure system	
m. What improvements do you want to see in the current System, and why? Could you provide specific examples where possible?	With further information being collected it will represent a significant increase in data handling so it is important that effort is invested in streamlining the reporting requirements. Tools such as the CSV upload are valuable here. Based on the data loaded could the system itself have a graphical element that would allow a curve to be created?