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Consultation Paper – Improving Hedge Disclosure Obligations

Thank you for the opportunity to provide feedback on the Electricity Authority's consultation paper "Improving Hedge Disclosure Obligations – Preferred Options" dated 12 December 2023 (**Paper**).

Genesis supports targeted, evidence-based improvements to disclosure requirements.

In the July 2023 consultation on this matter, we expressed concerns with options that proposed a significant expansion of the information collected by the Authority and public disclosures, without sufficient justification.

Genesis acknowledges the Authority's consideration of the matters raised by us and others in the market. We commend the effort made to limit collection and disclosure to specific categories of information that support market efficiency and integrity in the preferred option rather than the wholesale collection and disclosure.

While broadly supportive of the proposed changes set out in the Authority's preferred option, we remain concerned with the risk that commercially sensitive information becomes publicly available.

Specifically, the risk arising from:

- (a) the proposed publication of fuel type; and
- (b) any publication of novel risk management contracts and structures.

In relation to (a), the nature of the New Zealand market is such that even where location is disclosed by grid zone, market participants would be able to deduce the identity of the parties to these contracts. Hedging arrangements linked to gas, thermal or other fuel is, as with fuel supply arrangements, commercially sensitive and proprietary to the contracting counterparties.

While the Authority refers to publication as being helpful to market participants developing risk management strategies, disclosure prejudices the strategies of the contracting parties and their legitimate commercial interests.

In relation to (b), while publication is not proposed at this stage, we consider that any publication disincentivises innovation and allows parties to free ride on the knowhow of those that have invested the time and resources to develop them. The appropriate approach is to allow these structures to disseminate in the market over time as their developers contract with other market participants, including through RFI/RFP processes.

Finally, as discussed with the Authority, regulated market makers have consented to the ASX disclosing information on their futures trades directly to the Authority. They also disclose the same information through the hedge disclosure system, which requires a degree of data management manual intervention. This duplication gives rise to errors and imposes on the market makers administration and compliance costs.

We do not use this information and consider that the aggregate data published by the Authority on the EMI website provides sufficient insights.

If, however, the Authority wishes to retain the disclosure obligation for exchange traded contracts, market makers should be exempted from resubmitting this information through hedge disclosure system.

Please don't hesitate to contact me should you wish to discuss further.

Yours sincerely



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