

Improving Hedge Disclosure Obligations

Decision paper

6 June 2024

Executive summary

The rapid uptake of intermittent generation, like wind and solar generation, is contributing to greater volatility in electricity spot prices and therefore greater challenges in effectively managing spot price risk in the New Zealand electricity market. Industry participants use risk management contracts to mitigate their spot price risks, and the specifications of these contracts are changing to meet the changing needs of participants.

The Electricity Authority Te Mana Hiko (Authority) aims to provide the market with more information on risk management contracts to enhance transparency and also facilitate ongoing monitoring of the evolving market. Helping participants better manage risk will lead to more efficient prices for consumers – this is increasingly important with greater reliance on intermittent forms of generation in the future. This work will also support price signals which are essential for driving investment in electricity generation and storage to support electrification of New Zealand.

The Electricity Commission (the Authority's predecessor) originally introduced hedge disclosure obligations in 2009 to regulate over-the-counter (OTC) risk management contracts. Our review of the hedge disclosure obligations has identified that the existing obligations fall short in supporting effective risk management and market performance during the transition to highly renewable, electrified economy. In particular, existing obligations offer limited transparency on new contract types and shapes, which in turn impedes participants' ability to assess prices and negotiate contracts.

Following the consultation on proposed amendments to the Electricity Industry Participation Code 2010 (Code) published in December 2023, the Authority has decided to proceed with Code amendments to enhance the disclosure requirements and publication of information on the contracts market (except for commercially sensitive information).

The Code amendments will:

- **broaden the scope of information collected** from participants, to capture more risk management contracts (including power purchase agreements (PPAs)), and require disclosure to the Authority of a more detailed subset of information about these contracts, as well as requiring the disclosure of the key terms of any novel contracts entered into to manage spot price risk which are not captured by the prescribed categories of risk management contract in the Code
- **broaden the scope of information published** on risk management contracts, to increase transparency and confidence in the market (except for commercially sensitive information)
- **future-proof the Code**, anticipating and providing for the emergence of new types of risk management contracts and providing a more efficient process to increase the collection of contract information, and
- **update the Code** to ensure it remains fit for purpose, including updating the audit provisions to clarify participants' obligations, and confidentiality provisions outlining the treatment of information collected.

The Authority has made some adjustments to the Code amendments as consulted on, to address industry feedback and to make minor improvements to the Code drafting as follows:

- **The Authority, rather than the WITS manager, will be responsible for publishing information about risk management contracts.** This will ensure information on the contracts market will be available in one place to facilitate price comparison.
- **More information will be published on some data points**, including publishing both volume-weighted and time-weighted average price, as well as price premium by dollar per MWh.
- **Some data points will not be published at an individual contract level**, such as fuel type, to protect commercially sensitive information. Details that could identify parties in PPAs, like contract price, location, and effective and end dates, will also remain unpublished. However, the Authority will publish such information in aggregated form from time to time to increase market transparency while protecting the confidentiality of commercially sensitive information.

The Code amendments align with the Market Development Advisory Group's final report, *Price discovery in a renewables-based electricity system*, which recommends improving transparency of hedge information covering offers, bids and agreed prices. The Code amendments will address this recommendation in relation to hedge information that covers agreed price. Disclosure of bids and offers are subject to the industry-led voluntary Code of Conduct established by the OTC Electricity Market Working Group. We may revisit this decision in the future, depending on the uptake and effectiveness of the voluntary Code of Conduct.

We consider that the Code amendments will promote reliability, competition, and efficiency in the electricity industry for the long-term benefit of consumers by providing participants with a broader range of information to design effective risk management strategies. The amendments will also enhance the Authority's ability to perform its market monitoring, facilitation, and enforcement functions under the Electricity Industry Act 2010 (Act).

To ensure industry stakeholders are well-informed about the upcoming changes in hedge disclosure obligations we are publishing this decision paper in advance of when the Code amendments coming into effect. This advance publication will give participants the necessary time to understand how the changes will apply to them and any future risk management contracts they might enter into (such as PPAs, other long-term contracts and any relevant demand response contracts), and make the necessary adjustments to their operational processes. The Authority in collaboration with NZX will use this time to hold workshops on changes to the electricity hedge disclosure system to give effect to the Code amendments, and to collect user input on its functionalities. We intend that the Code amendments will come into effect in October 2024.

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1. Purpose

- 1.1. The purpose of this paper is to inform industry and stakeholders about the Authority's decisions on the Code amendments to improve the hedge disclosure obligations in subpart 5 of Part 13 of the Code.
- 1.2. This paper:
 - (a) summarises feedback received on the *Improving Hedge Disclosure Obligations – Preferred Options* consultation paper (preferred options paper)
 - (b) highlights where the Code amendments diverge from the proposed amendments as consulted on in the preferred options paper
 - (c) sets out the final Code amendments to the hedge disclosure obligations
 - (d) outlines next steps in the implementation timeline.

2. Context for the Authority's decisions

- 2.1. Participants will require better access to risk management tools, including the contracts market, as the sector transitions to highly renewable, electrified economy.
- 2.2. Renewable energy sources are inherently variable, with their output largely depending on weather conditions. The preferred contract types used to manage resulting price and volume volatility are continuing to develop.
- 2.3. A well-functioning contracts market is an essential component in the portfolio of risk management tools, and to maintaining confidence in the electricity market. It leads to efficient cost to consumers by enabling participants to more effectively manage their exposure to price volatility and providing price signals about investment needed for electricity generation and storage capacity.
- 2.4. It will also improve the Authority's ability to undertake its market facilitation and monitoring functions under the Act.
- 2.5. To this end, the Authority decided to review and amend subpart 5 of Part 13 of the Code to broaden the scope of hedge disclosure obligations for risk management contracts.
- 2.6. Under the current Code, participants are required to disclose information about certain risk management contracts: options contracts, contracts for difference (CfDs), and fixed-price physical supply contracts (FPPS) (including fixed price fixed volume and fixed price variable volume).
- 2.7. Information is disclosed and published through an approved system; the Electricity Hedge Disclosure System (hedge disclosure system), a web portal operated by NZX as the Wholesale Information and Trading System (WITS) manager.
- 2.8. In addition, in December 2023 the Market Development Advisory Group also identified the importance of improved transparency of hedge information in its final recommendations paper, *Price discovery in a renewables-based electricity system*¹. The paper recommended that the Authority improve the transparency of contract information, especially for non-baseload products, covering offers, bids and agreed

¹ [Price discovery in a renewables-based electricity system: Final Recommendations PAPER 2023 \(ea.govt.nz\)](#)

prices (recommendation 2). The Code amendments will address this recommendation in relation to hedge information that covers agreed prices. Disclosure of bids and offers is subject to the industry-led voluntary Code of Conduct established by the OTC Electricity Market Working Group (OTC Working Group). As we explain below, we may revisit this decision in the future, depending on the uptake and effectiveness of the voluntary Code of Conduct.

The Authority released two consultation papers seeking industry views to improve hedge disclosure obligations

- 2.9. The Authority's final decisions on the Code amendments have been informed by industry submissions on two consultation papers, meetings with stakeholders, and the work of the OTC Working Group, as well as further research and analysis including investigation of international developments in this area.
- 2.10. In July 2023, the Authority commenced a consultation process with the aim of improving hedge disclosure obligations to ensure they remain fit for purpose during energy transition. It released *Improving Hedge Disclosure Obligations – Collection and Publication of Risk Management Information* (consultation paper),² which sought feedback on identified issues with the existing hedge disclosure obligations and suggested high-level options for improving disclosure obligations and the hedge disclosure system.
- 2.11. Following this first round of consultation, the Authority released the preferred options paper in December 2023. This paper requested industry feedback on the proposed Code amendments to improve hedge disclosure obligations.
- 2.12. The preferred options paper proposed changes to improve hedge disclosure obligations by:
- (a) **ensuring OTC contract definitions remain fit for purpose**, including clarifying that PPAs (defined in the Code as contracts that are linked to generation at particular plants or stations) are captured alongside CfDs, FPPS contracts and options contracts, and reducing the MW threshold for qualifying CfDs
 - (b) **requiring disclosure of more contract information**, to better facilitate price comparison by industry participants and contract type identification by the Authority
 - (c) **increasing information published**, to include all disclosed information on individual contracts, except for commercially sensitive information
 - (d) **future proofing the hedge disclosure obligations**, anticipating and providing for the emergence of new types of risk management contracts and providing a more efficient process to collect contract information.
- 2.13. Further detail on the proposed changes and how they were translated to Code amendments can be found in the preferred options paper.³

² [Improving the Hedge Disclosure Obligations - Collection and Publication of Risk Management Information](#)

³ [Improving Hedge Disclosure Obligations – Preferred Options](#)

Submissions on the preferred options paper

2.14. The Authority received 13 submissions on the preferred options paper, from parties listed in Table 1. Submissions are available on the Authority’s website.⁴

Table 1: List of submitters

Submitters	
<ul style="list-style-type: none"> Contact Energy Limited (Contact) Energy Link EVA Marketplace Flick Electric Co. Gensis Energy Limited (Genesis) Independent Retailers (comprising 2degree, Electric Kiwi, Flick Electric, and Pulse Energy) 	<ul style="list-style-type: none"> Lodestone Energy Major Electricity Users’ Group (MEUG) Manawa Energy Limited (Manawa) Mercury Energy Limited (Mercury) Meridian Energy Limited (Meridian) Nova Energy Limited (Nova) Vector Limited

2.15. Most submitters expressed clear support for the proposed amendments. The Authority has endeavoured to accurately summarise views expressed in the submissions in section 3 of this paper. However, the summaries are not exhaustive and necessarily compress the information provided in submissions. The individual submissions should be read to obtain a full account of submitters’ views.

3. The Authority has decided to make the proposed Code amendments, with some changes

Summary of decisions

3.1. We have decided to make the Code amendments as consulted on, with some changes to the publication status of some data points to incorporate submitter feedback. A summary of the final Code amendments, and how they compare to the proposals consulted on, is provided in Table 2 and discussed below, with detailed Code amendments in Appendix A.

Table 2 – Summary of the proposed changes and final decision

Data point	Disclosure requirement	Publication status	
	Proposed/Final decision	Proposed	Final decision
Parties’ details	All risk management contracts	Not published	Not published
Trade date	All risk management contracts	Publish	Publish
Effective and end dates	All risk management contracts	Publish	Publish for all risk management contracts except PPAs
Contract type	All risk management contracts	Publish	Publish
Quantity	Total volume and volume for each trading period, for all risk management contracts	Publish total volume	Publish total volume

⁴ <https://www.ea.govt.nz/projects/all/otc/consultation/options-to-improve-hedge-disclosure-obligations/>

Data point	Disclosure requirement		Publication status	
	Proposed/Final decision	Proposed	Final decision	
Price	Price for each trading period, for all risk management contracts	Publish time-weighted contract price	Publish time-weighted and load-weighted contract price for all risk management contracts except PPAs	
Location	Node for all risk management contracts	Publish grid zone location	Publish grid zone location for all risk management contracts except PPAs	
Trading periods	The trading periods during which the contract applies, for all risk management contracts	Publish whether the contract applies to all trading periods	Publish whether the contract applies to all trading periods	
If specified in the contract				
Premium	All risk management contracts	Publish in \$	Publish in \$ and in \$/MWh for all risk management contracts except PPAs	
Contract profile	Load type for all risk management contracts	Publish	Publish	
Contract characteristics (PPAs)	Whether price is linked to load or generation, for all risk management contracts	Publish	Publish	
Contract characteristics (Options)	For options contracts: option type, option style, whether it is a cap or floor option, whether buyer has the right to buy less than the contract quantity	Publish	Publish	
Fuel type	All risk management contracts	Publish	Not published	
Whether there is an adjustment, suspension, force majeure, pass-through clause	All risk management contracts	Publish	Publish	
Whether there is a special credit clause	All risk management contracts	Publish	Publish	
Whether the contract has been traded on EnergyHedge⁵	Not collected	Not published	Not published	
Whether the contract has been prepared based on the ISDA	All risk management contracts	Publish	Publish	

⁵ A trading platform established and used by the five major generators late in 2004. It was disestablished in 2010 after the Electricity Commission established electricity hedge contract disclosure system and New Zealand electricity futures trade started on the ASX.

Broadening the scope of information collected

- 3.3. The Authority has decided to broaden the range of information it collects on risk management contracts. The Authority will collaborate with industry and NZX to update the hedge disclosure system to facilitate the disclosure of information by participants.
- 3.4. Participants will now be required to submit more information about risk management contracts, including PPAs and contracts with a term longer than 10 years. These changes aim to provide a more detailed subset of information publicly available, thereby increasing transparency in the OTC contracts market and ensuring timely price signals.

Broadening the scope of information published

- 3.5. The Authority will publish more information and insights on the contracts market to increase transparency and confidence in the electricity market. This includes publishing information on more types of contracts, such as contracts with a term longer than 10 years, and publishing a wider range of contract information such as contract shape and option types.

Future-proofing the Code

- 3.6. The Authority has decided to include a process (new clauses 13.219A and 13.219B) in the Code to enable the Authority to publish a notice to require disclosure of additional data points and prescribe additional risk management contract types to the hedge disclosure obligations. This process is intended to fulfil objectives aligned with the purposes of the hedge disclosure obligations. It involves publishing a proposed notice, stating the purpose of requiring additional information, outlining likely costs and benefits, providing a reasonable opportunity for participants to submit feedback, and publishing the notice after considering submissions.
- 3.7. All published notices affecting participants hedge disclosure obligations will be published on the Authority's website.

Other changes

- 3.8. In addition to improving risk management information collection and publication, the Authority also decided to make several minor, editorial, and consequential changes to the Code. These adjustments aim to ensure that hedge disclosure obligations remain fit for purpose in the evolving electricity sector. Notable changes include updates to audit provisions to clarify participants' obligations, and confidentiality provisions outlining the treatment of information submitted to the hedge disclosure system.

Code amendments apply to future disclosures

- 3.9. These changes will affect any disclosures made or modified after the Code amendments take effect. We intend that the Code amendments come into effect in October 2024.

Changes to the Code proposals as a result of consultation

- 3.10. The Authority decided to make some changes to the amendments as consulted on, to address industry feedback and to make minor improvements to the Code drafting. The key changes are as follows:

The Authority will be responsible for publishing information about risk management contracts

- 3.11. The Authority has decided to publish risk management information on its own platform, rather than the hedge disclosure system, so that it can be accessed alongside other data about the wholesale and contracts markets (including data on ASX-traded contracts).
- 3.12. The Authority has therefore made changes to the proposed Code amendments to refocus WITS manager responsibilities to receipt and verification of information received, and making information available to the Authority so that it can publish the information on its own platform.

More information will be published on some data points

- 3.13. The Authority has decided to publish contract price as both a volume-weighted average contract price and a time-weighted average contract price. The Authority has also decided to publish premium by both dollar amount and dollar per MWh.

Some data points will not be published, to provide appropriate protection for commercially sensitive information

- 3.14. The Authority has decided not to publish fuel type for individual risk management contracts, and has decided to reduce the information published on individual PPAs (referred to in the Code amendment as contracts linked to generation at particular plants or stations).
- 3.15. These changes aim to safeguard commercially sensitive data. The Authority will monitor this information and publish high level insights from time to time, but only in an anonymised format at an aggregated level. We intend to revisit the publication arrangements for individual contracts as the trade volumes of these contracts increase and the risk of revealing sensitive data diminishes.

Collecting information on more contracts

What the Authority proposed

- 3.16. In the preferred options paper, the Authority proposed extending hedge disclosure obligations to encompass all contracts (above a certain threshold) falling under three broad categories: CfDs, options contracts, and FPPS contracts. Certain specialised contracts like swaptions, PPAs, shaped and caps are considered subsets of these primary categories.
- 3.17. The Authority proposed a small adjustment to the definition of FPPS contract to ensure the definition remains fit for purpose and captures PPAs. This proposed amendment aimed to capture contracts where the buyer purchases variable amounts of electricity linked to actual consumption or generation.
- 3.18. Additionally, the Authority proposed amending the definition of CfD, reducing the threshold from 0.25 MW to 0.1 MW, aligning it with the standard unit for New

Zealand electricity futures traded on the ASX. This adjustment aimed to maintain consistency across CfDs traded on both the ASX and OTC markets, balancing disclosure requirements and minimising compliance costs.

- 3.19. The Authority also proposed broadening the scope of information collected on options contracts consistent with other risk management contracts under the Code. Consequently, we proposed to amend the definition of options contracts to impose a minimum threshold, limiting the application of the hedge disclosure obligations to contracts related to at least 0.1 MW of electricity, aligning with the proposed CfD amendments.
- 3.20. The Authority proposed a new category, novel contracts, for contracts managing spot price risk but not covered by prescribed categories of risk management contract in the Code. The Authority proposed that participants entering into such contracts would need to notify the Authority and provide a description of the key terms of the contract instead of adhering to the more comprehensive information disclosure requirements for existing types of risk management contracts.
- 3.21. Finally, the Authority proposed removing the obligation for participants to manually disclose on the hedge disclosure system each ASX-traded contract, contingent upon parties consenting to share their ASX-traded data with the Authority.

Submitters' feedback

- 3.22. The majority of submitters supported retaining the existing primary categories of risk management contracts with minor changes to the definitions to capture subsets of contracts including PPAs, swaptions and shaped contracts. They anticipated increased liquidity and transparency from these changes.
- 3.23. Regarding disclosure of Commercial and Industrial FPPS contracts, there was cautious agreement. However, one submitter suggested excluding these contracts from disclosure. They argued that price discovery for the Commercial & Industrial segment is enabled through their purchasing process. Additionally, the Authority could periodically survey such contracts to reduce compliance costs for participants.
- 3.24. While most submitters supported limited disclosure requirements for novel contracts in the Code, opinions diverged on the extent of information that should be publicly disclosed by the Authority. Some submitters expressed concerns about the potential exposure of counterparties' identities due to the rarity and uniqueness of novel contracts. They emphasised that publicly available information on these contracts could have adverse effects on long-term competition and innovation, as these contracts are considered a form of intellectual property. Submitters highlighted the need for a streamlined and standardised disclosure process for novel contracts, with any exemptions carefully considered.
- 3.25. The majority of submitters supported the proposal to exempt ASX-traded contracts from hedge disclosure obligations, provided that this information is accessible on the Authority's EMI website. Their main reason was to avoid duplicating information handling, as the Authority can already access trade data from the ASX. Submitters argued that the transaction details of ASX futures products hold limited added value due to their generic nature.
- 3.26. Some submitters raised concerns about potential barriers for participants when comparing OTC and bilateral contracts with ASX settlement prices if the two data

sources differ. That is, ASX settlement prices will be accessed via the Authority's EMI website and not the hedge disclosure system.

Table 3: Summary of submissions on collecting information on all contracts

Proposed changes	Agree	Somewhat agree	Disagree	No response
Q1. Do you agree with the proposal to retain the existing categories of risk management contract (CfDs, fixed-price physical supply and options contracts), with the proposed changes to ensure these contract categories remain fit-for-purpose? If not, please explain why?	8	1	0	4
Q2. Do you agree with the proposed disclosure approach regarding the novel contracts? If not, please explain why?	5	3	1	4
Q3. Do you support the proposal to exclude ASX-traded contracts from the hedge disclosure obligations, if it means losing access to detailed data at the individual contract level for these contracts? If not, please explain why?	6	1	1	5
Q4. If you do not support excluding ASX-traded contracts from the hedge disclosure obligations, please describe what additional value this data holds compared with the aggregated insights available on the Authority's EMI website. If not, please explain why?	NA	NA	NA	NA

Authority's response and final decision

- 3.27. Taking into account the feedback received, and in particular that submitters largely agreed with the proposed Code amendments regarding the collection of information, the Authority has decided to move forward with the proposed Code amendments. This will extend hedge disclosure obligations equally to all OTC contracts (above a certain volume threshold), falling under three categories: CfDs, options contracts, and FPPS contracts.
- 3.28. The Authority has decided not to require participants to manually disclose ASX traded contracts, provided that participants have consented under clause 13.236AA⁶. Although this decision means individual level details of exchange-traded contracts will not be publicly available to participants, the Authority believes that modifying information published on EMI (see discussion below) will offer market participants sufficient data to compare OTC and ASX contracts.
- 3.29. In response to concerns about the potential compliance burden associated with disclosing Commercial and Industrial FPPS contracts, the Authority has opted for regular collection of information rather than periodically surveying such contracts. The Authority considers that such an approach will have minimal increased

⁶ Consent for trading data to be shared by ASX with the Authority.

compliance costs for both the Authority and participants. Moreover, regular rather than periodic collection of information on Commercial and Industrial FPPS contracts would provide more timely insights into market trends, facilitating the Authority's monitoring function.

- 3.30. Acknowledging submitters' concerns regarding the disclosure and publication of novel contracts, the Authority recognises the need to strike a balance between increasing transparency and protecting commercially sensitive information.
- 3.31. Therefore, while the Authority will require disclosure of some information on novel contracts to enhance its market monitoring, market facilitation and enforcement functions, it will not require disclosure of the same detailed information as is required for the prescribed categories of risk management contract.
- 3.32. As we discuss below, any information the Authority publishes on novel contracts will be limited to high level insights on emerging market trends in an anonymised format at an aggregated level, to ensure appropriate protection of commercially sensitive information.

Expanding information disclosure requirements for each contract

What the Authority proposed

- 3.33. The proposed changes to the information disclosure requirements for each contract included price, quantity, contract profile and trading periods, contract characteristics, location and fuel type. A high-level summary of how these proposals modify the existing collection of data points is outlined in Table 4 and described below.

Table 4: Summary of proposed changes to information collected for each contract

Status	Data points
No material change	parties' details, contract type trade, effective and end dates whether there are adjustment, suspension, force majeure, special credit, or pass-through clauses whether the contract uses any version of the ISDA Master Agreement
Expanded	price, contract profile, quantity, location, trading periods
New	contract characteristics (PPAs, options, swaptions) fuel type
Removed	whether the contract has been traded on Energy Hedge

- 3.34. **Price** disclosure changes would require participants to disclose the price or series of prices for each trading period and, if applicable, the contract premium. The hedge disclosure system would then use this information to calculate the 'contract price' based on the existing formula in clause 13.220 of the Code.
- 3.35. The Authority considered that disclosing granular data would simplify participants' disclosure requirements, removing the need to calculate a single contract price. It

would also equip the Authority with comprehensive information, enabling a nuanced assessment of contract shapes and types, as well as how the market evolves in response to intermittent generation risks.

- 3.36. **Quantity** disclosure requirements would entail disclosing the specified volume of electricity for each price to be paid in relation to each trading period under the contract, if applicable.
- 3.37. **Contract profile and trading periods** is important for accurately understanding changes in the contracts market. As the share of intermittent generation increases in electricity supply, we expect higher demand for shaped products and reduced demand for base load contracts.
- 3.38. Therefore, the Authority proposed to require participants to disclose, for all identified contracts, whether they are base load, peak load, or off-peak, and the corresponding trading period during which each price in the contract applies. The proposed categories for contract profiles are defined as follows:
- (a) **Peak load:** A contract for a higher average volume of electricity in trading periods 15 to 44 than in trading periods 45 to 48 and 1 to 14.
 - (b) **Base load:** A contract for a flat volume of electricity in every trading period during which a price in the contract applies.
 - (c) **Off-peak load:** A contract for a higher average volume of electricity in trading periods 1 to 14 and 45 to 48 (typically during low-demand hours) than in trading periods 15 to 44.
- 3.39. **Contract characteristics** would expand under the proposed changes. These changes necessitate a more comprehensive disclosure of contract characteristics in relation to options contracts. Specifically, participants would be required to disclose the option type (put or call), whether it is a cap option or a floor option, and the option style (for example, Asian or American).
- 3.40. The Authority also proposed collecting information on whether the buyer has the right to call a lower volume than available for the contract duration to help in identifying swaptions. We also proposed collecting information on whether a contract is linked to consumption or generation to facilitate the identification of PPAs.
- 3.41. **Location** was proposed to change to the relevant node at which the price is set in the contract, rather than the grid zone area. The hedge disclosure system would then publish the corresponding grid zone area, using the disclosed node to calculate the location factor and establish a standardised contract price.
- 3.42. **Fuel type** was proposed as a new data point. This addition aimed to provide further clarity on the type of fuel associated with the contract to provide a better understanding of contract prices.

Submitters' feedback

- 3.43. The majority of submitters supported the proposed approach to disclosing contract details. They recognised the reasonable balance struck by the proposed changes between disclosure and publication and protecting commercially sensitive information. Submitters emphasised that quality public information on the contracts market could foster market competition and investment. Additionally, some

highlighted the importance of combining active monitoring with policy reforms and robust enforcement.

Table 5: Summary of submissions on expanding information disclosure requirements for each contract

Proposed changes	Agree	Somewhat agree	Disagree	No response
<p>Q5. Do you agree with the proposed approach to the disclosure of contract details including price, quantity, contract characteristics, contract profile, fuel type, trading period and location?</p> <p>If not, please explain why and outline what you consider to be a more appropriate approach.</p>	4	8	0	1
<p>Q6. Are there any other datapoints you think should be disclosed for each contract?</p>	N/A	N/A	N/A	N/A

- 3.44. A few submitters suggested requiring Internal Transfer Pricing (ITP) disclosures for generator-retailers. Some also suggested aligning data points with the Authority’s risk management review, and collecting information on Requests for Proposals (RFPs). This point is discussed in the section below. Others provided feedback on specific data points including price, volume, contract profile and options contracts.
- 3.45. Regarding **price** data collection, some submitters proposed amendments to the calculation of contract price, suggesting a load-weighted average price calculation instead of time-weighted average, as it produces a more comparable contract price. They also suggested capturing indexed or formulaic contracts for price and volume.
- 3.46. Some submitters suggested amending **contract profile** by requiring disclosure of four options for contract profile rather than the proposed three (baseload, peak load and off peak) to distinguish between peak load and super-peak load. Super-peak contracts cover only the high-demand hours of the morning and evening periods with no volume cover during the lower demand middle of the day.
- 3.47. The requirement for information disclosure on **options contracts** price, quantity and terms was a new disclosure under the proposed amendments. Submitters suggested adding extra data points to the proposed information requirements, such as option premiums in \$/MWh, option exercise date, and underlying asset for options contract.
- 3.48. Some submitters suggested requiring disclosure of information on **fixed price variable volume and demand response** contracts, while some requested disclosure exemption for long-term contracts underpinning financial debt for generation facilities.
- 3.49. Additionally, submitters suggested developing a standardised price format for FPPS contracts to simplify disclosure, monitoring adjustment or similar clauses for OTC contracts, revising grid zone areas to be defined around the FTR nodes, designing mechanisms to deal with multi-node contracts below the volume threshold for disclosure, and requiring disclosure of Hedge Settlement Agreement (HSA) status with the clearing manager.

Authority's response and final decision

- 3.50. The Authority has carefully reviewed feedback from submitters and has decided to proceed with the proposed amendments to the Code regarding the information collected. The decision to expand information disclosure requirements for each contract aims to minimise the compliance burden for participants while ensuring appropriate protection for commercially sensitive information. The Authority has addressed submitters' feedback by making modifications to the information published on risk management contracts (discussed below).
- 3.51. In terms of requiring ITP disclosures for generator-retailers, participants are already required to disclose ITP. Effective from 30 November 2021, the Authority introduced new disclosure requirements in Part 13 of the Code. These mandate all retailers with more than one percent of installation control points (ICPs) to annually disclose their retail gross margin, and generator-retailers to disclose their ITP. Therefore, the Authority is not progressing this suggestion in this Code amendment at this time.
- 3.52. The Authority is committed to providing a balanced monitoring and disclosure approach across various risk management strategies including vertical integration and OTC contracts. The Authority will be further considering these matters in both its:
- (a) post-implementation review of the ITP and retail gross margin disclosure requirements; and
 - (b) risk management review, which is considering whether generator-retailer internal pricing relativities (whether ITP or other) raise retail electricity market competition concerns.⁷
- 3.53. Recognising the importance of load-weighted average **contract prices** for participants' decision making, the Authority has decided to publish both time-weighted and load-weighted average contract prices to improve comparability. The new hedge disclosure requirements are sufficiently detailed to allow the Authority to publish additional information without altering disclosure requirements for participants.
- 3.54. Changes to the Code amendment have been made to require the WITS manager to calculate load-weighted average contract price in addition to time-weighted contract price, and to require this information to be published (see clauses 13.220, 13.226 and 13.226A(1)(b) in Appendix B).
- 3.55. The Authority acknowledges the difficulties in disclosing prices and volumes of **index-based contracts** within the hedge disclosure system. These contracts, tied to market indices or other raw materials, enable longer-term agreements between buyers and sellers in electricity risk management. However, disclosing the price of an indexed contract at signing is difficult due to its lack of immediate clarity.
- 3.56. To facilitate the disclosure of prices for index-based contracts, the Authority will introduce mechanisms within the hedge disclosure system. These mechanisms will enable participants to indicate when a contract price is indexed and provide detailed information, including the index price formula and description of the indices used.

⁷ The programme initiation document for the risk management review is available at [Risk Management Review PID final.pdf \(ea.govt.nz\)](#).

This enhancement ensures participants can readily comply with their disclosure obligations while also increasing reliability and accuracy of OTC market data.

- 3.57. The Authority has decided to not require disclosure of load type as the Authority would be able to determine **contract profile** using other information disclosed. That is, disclosure of information in relation to each trading period during which a price in the contract applies (new clause 13.219(1)(l)) will provide the information necessary to determine load type. We have accordingly removed this information requirement from the Code amendment as consulted on, and associated definitions of peak load contract, base load contract and off-peak load contract (see changes to clauses 1.1 and 13.219(1)(m) in Appendix B).
- 3.58. We agree that information on super peak contracts would provide participants with a more comprehensive understanding of the contracts market. We will therefore consider sharing insights on contract profile based on four options - off peak, base load, peak load, and super peak load - to improve price signals and confidence in the market. Rather than publishing this information in relation to each contract, we will publish this information in anonymised and aggregated format, as we are already publishing for each contract whether that contract applies to all trading periods within its term.
- 3.59. Participants are required to disclose **options premium** in dollar (\$) amount and the Authority acknowledges that presenting this information in dollar per megawatt-hour (\$/MWh) would provide more insights into risk management contracts. Therefore, the Authority has decided to collect options premium in dollar amount and publish in both \$ and \$/MWh using contract volume disclosed to the hedge disclosure system. This approach minimises the compliance burden for participants while providing valuable information for shaping their risk management strategies. Changes to the Code amendment have been made to require the WITS manager to calculate premium as \$/MWh, and to require this information to be published (see clauses 13.226(1)(d) and 13.226A(1)(b) in Appendix B).
- 3.60. The Code amendments will require participants to disclose information on all risk management contracts, including risk management contracts that are **fixed price variable volume** or **demand response** contracts. While acknowledging some participants' concerns about disclosing commercially sensitive information about contracts underpinning financial debt, the Authority considers such information should be disclosed to the Authority to enhance its market facilitation, monitoring and enforcement functions. We will take all the necessary measures to maintain participants' anonymity when publishing information on risk management contracts. This information will be published at an aggregated level to ensure identifying details remain confidential.
- 3.61. Although the data points listed in 3.49 might add value to participants' risk management strategies, the Authority decided not to mandate their disclosure due to potential burdens on disclosing parties and the Authority compared to the expected benefits. Requiring disclosure of these data points could also raise more issues around confidentiality and anonymity.

Voluntary disclosure of bids and offers

What the Authority proposed

- 3.62. The Authority did not propose to expand the hedge disclosure obligations to bids and offers, to mitigate compliance costs for participants as the risk management information collected on executed contracts is undergoing significant changes as the result of the proposed amendments.
- 3.63. Instead, the Authority proposed continuous monitoring of participants' behaviour under the industry-led voluntary Code of Conduct established by the OTC Working Group. The OTC working group that established and signed this voluntary Code of Conduct agreed to be disclosing parties and to regularly provide this data to the Authority.

Submitters' feedback

- 3.64. The majority of submitters supported the proposed voluntary approach to the disclosure of bids and offers. They agreed that collecting RFPs under the voluntary Code of Conduct presents a more pragmatic solution that balances transparency with compliance costs.
- 3.65. However, some submitters raised concerns regarding the extensive volume of information and potential reduction in OTC market efficiency. They questioned the effectiveness of this proposed approach, expressing doubts about participants' willingness to comply with a voluntary disclosure regime. As an alternative, they suggested incentivising brokers to disclose bids and offers rather than traders.

Table 6: Summary of submissions on voluntary disclosure of bids and offers

Proposed changes	Agree	Somewhat agree	Disagree	No response
Q7. Do you agree with the proposed voluntary approach to the disclosure of bids and offers?	8	2	1	2
If not, please explain why and outline what you consider to be a more appropriate approach?				

Authority's response and final decision

- 3.66. The Authority acknowledges that the majority of submitters supported voluntary disclosure of RFPs under the industry-led voluntary Code of Conduct established by the OTC Working Group.
- 3.67. While recognising the benefits of aligning information disclosure requirements wherever possible, the Authority has decided not to further expand hedge disclosure requirements to RFPs at this time.
- 3.68. This decision reflects the fact that the Authority's risk management review is ongoing, and that currently, RFPs are the subject of voluntary disclosure obligations under the voluntary Code of Conduct. The Authority has requested data from participants, including detail on OTC contract requests and responses for the purpose of monitoring the voluntary Code of Conduct and for the risk management

review. Our monitoring team has been analysing the responses received and proactively publishes updates on the project page⁸. The current voluntary information disclosure will be assessed early next year after the completion of the risk management review.

- 3.69. The Authority considers that it would be premature to require mandatory disclosure of this information while OTC Code of Conduct monitoring is being developed (thus far with voluntary disclosure), and the risk management review is ongoing. We may revisit this decision in the future, depending on the uptake and effectiveness of the voluntary Code of Conduct.

Publishing more information on risk management contracts

What the Authority proposed

- 3.70. The Authority proposed to enhance transparency in the OTC market by requiring the WITS manager to publish more information about each risk management contract. This initiative aimed to increase confidence in price information and, by extension, market competitiveness. The information we proposed would be published for individual contracts is summarised in Table 7 and detailed below.

Table 7: summary of proposed changes to information published for individual contracts

Data point	Current publication status	Proposed publication status
Parties' details	x	x
Trade, effective and end dates	✓	✓
Contract type	✓	✓
Quantity (total volume)	✓	✓
Contract price	✓	✓
Premium (if specified)	xx	✓
Whether the contract applies to all trading periods within its term	✓	✓
Grid zone area	✓	✓
Contract profile (load type)	xx	✓
Contract characteristics (Options, swaptions and PPAs)	xx	✓
Fuel Type	xx	✓
Whether there are adjustment, suspension, force majeure, special credit or pass-through clauses	✓	✓
Whether the contract uses the ISDA	✓	✓

✓ Publicly available x not publicly available xx not collected

⁸ [Risk management review](#)

- 3.71. While emphasising the importance of transparency, the Authority recognised the need to balance this with safeguarding commercially sensitive information and maintaining anonymity of market participants. To achieve this balance, the Authority suggested anonymising location by continuing to publish information on grid zone area rather than specific nodes.
- 3.72. Additionally, we proposed continuing to publish a time-weighted average contract price and quantity for all risk management contracts, rather than by trading period. We considered that this approach would ensure efficient price signalling to the market, while preserving confidentiality around commercially sensitive information.
- 3.73. We explained that the Authority may also, from time to time, publish analysis or market insights that use other information which is required to be disclosed but which is not published on an individual contract level. Such publications would use aggregated data in anonymised form so that parties are not identified.

Submitters' feedback

- 3.74. The majority of submitters agreed with the proposed changes. However, some submitters raised concerns about certain aspects of publishing information on risk management contracts and suggested some changes.

Table 8: Summary of submissions on publishing more information on risk management contracts

Proposed changes	Agree	Somewhat agree	Disagree	No response
<p>Q8. Do you agree with publishing the proposed data-points in Table 8 for individual contracts on the hedge disclosure system?</p> <p>If not, please explain why and outline what you consider to be a more appropriate approach?</p>	8	1	2	2
<p>Q9. What other insights and analysis on the risk management information do you think would be helpful to publish on the hedge disclosure system or EMI?</p>	NA	NA	NA	NA

- 3.75. Most submitters supported the idea of publishing the proposed data-points for individual contracts, emphasising the importance of timely information dissemination on the contracts market. Some submitters raised concerns about the difficulty of comparing complex contracts such as PPAs and stressed the importance of preserving innovative and commercially sensitive information such as fuel type.
- 3.76. Others highlighted the risk of market inefficiency, suggesting that participants might prefer certain contract structures over others to avoid the publication of specific information. They recommended requiring disclosure of demand response contracts without publishing them or publishing an overall contract price. They believed this approach would prevent unintended consequences while still allowing the Authority to monitor market efficiency. There were also concerns about comparing baseload

ASX contracts with OTC contracts, which are generally non-standard and may have a shaped profile.

- 3.77. Additionally, some submitters requested further information and insights be published in addition to those proposed by the Authority. This includes publishing:
- (a) quantity and price value by quarter
 - (b) a comparison between wholesale contract prices and long-run investment costs⁹
 - (c) historical price trend for individual calendar quarter

Authority's response and final decision

3.78. After considering feedback on the preferred options paper, the Authority has decided to go ahead with the proposal to increase the information published on risk management contracts, with some changes. While acknowledging the potential challenges in comparing complex contracts such as PPAs, the Authority believes that publishing information on each contract type will offer valuable insights into emerging market trends, participants' risk management behaviour, and frequency and magnitude of each contract type. Table 9 provides a summary of the Authority's decision.

Table 9: Authority's decision on information to be published for each contract

Data point	CfDs, Options, FPPS	Contracts linked to generation (PPAs)
Parties' details	x	x
Trade date	✓	✓
Effective and end dates	✓	x
Contract type	✓	✓
Quantity (total volume)	✓	✓
Contract price	✓	x
Premium (if specified)	✓	x
Whether the contract applies to all trading periods within its term	✓	✓
Grid zone area	✓	x
Contract profile (load type)	✓	✓
Contract characteristics (Options, swaptions and PPAs)	✓	✓
Fuel Type	x	x
Whether there are adjustment, suspension, force majeure, special credit or pass-through clauses	✓	✓
Whether the contract uses the ISDA	✓	✓

✓ Publicly available x not publicly available

⁹ It refers to recommendation D4 by Electricity Price Review.

- 3.79. The Authority recognises that disclosing fuel type, when specified in a contract, and disclosing certain information on PPAs such as price and location, can facilitate the identification of involved counterparties and potentially reveal sensitive business details such as the strategic partnership or market positions. This could disadvantage parties by making their negotiating positions more transparent to competitors. This transparency may discourage participation in these types of contracts if participants fear exposing their commercially sensitive information to competitors.
- 3.80. To promote market competitiveness and safeguard participants' commercial interests, it's important to carefully manage the level of detail disclosed for these types of contracts, particularly when contract volumes are relatively low. Consequently, the Authority has made slight adjustments to the proposed Code amendments concerning the publication of information about individual risk management contracts.
- 3.81. The Authority has decided not to publish information on fuel type and to reduce the information published on PPAs - contracts linked to generation at a particular plant or station. Published information on PPAs will include trade date, quantity, whether the contract applies to all trading periods, and the presence of adjustment, suspension, force majeure, special credit, or pass-through clauses at this time. These modifications aim to protect participants' commercially sensitive information, given the limited number of PPAs traded annually and the restricted number of thermal generators. These changes are reflected in the Code amendment at new clause 13.226A(2).
- 3.82. The Authority will monitor this information and publish high level insights from time to time, but only in an anonymised format at an aggregated level. As PPA trade volumes grow over time, the risk of revealing sensitive data may diminish, at which point the Authority may consider a further Code amendment to provide for more information to be published in relation to each PPA disclosed.
- 3.83. The Authority also recognises concerns around the impact of disclosure obligations on influencing participants' preferences for certain contract types. However, the comprehensive hedge disclosure requirements will enable the Authority to identify participants' market behaviour, and whether they are favouring specific contract structures. The hedge disclosure system will also provide for voluntary disclosure of additional information about novel contracts, aiding the Authority in understanding emerging trends and risk management strategies.
- 3.84. As explained in the consultation paper, the Authority intends to increase visibility on novel contracts, so that all participants can strengthen their hedging strategy using innovative contract types. It will do so through the publication of high-level insights on emerging market trends in an anonymised format at an aggregated level, to ensure appropriate protection of commercially sensitive information. This does not require any changes to the Code amendments as consulted on. New clause 13.233(1A) as proposed clarifies that the Authority may disclose information for a purpose in connection with its objectives or functions in anonymised or consolidated form. Information on individual novel contracts at a de-aggregated level will not be published, until such time as that novel contract is prescribed as a new type of risk management contract (see discussion below).

- 3.85. Acknowledging the differences between baseload ASX and OTC contracts, the Authority notes that participants use a variety of risk management products to manage their spot price risk, with varying visibility for these products. The goal is to ensure comparable visibility for both ASX-traded and OTC contracts whenever feasible.
- 3.86. Using improved disclosure requirements, the Authority can provide more insights on the contracts market to facilitate market analysis for participants. This includes but is not limited to indicators on competition and efficiency of the market, average contract price by type of contract and relative to the ASX, volume of transactions, and volume of contracts traded by contract type and load type. The objective is to answer questions such as ‘are new contract types emerging?’, ‘What types of contracts are being traded?’, and ‘do contract prices appear to be competitive?’. This information will be presented on the Authority’s data and insights platform along with regular market reports that provide high level insights on emerging market trends.
- 3.87. The Authority will consider providing the suggested insights, as outlined in section 3.77, on the Authority’s data and insights platform. We recently published data on the comparison between contract prices and new baseload supply in 2024 through the Generation Investment Survey¹⁰. Going forward, the Authority intends to offer more regular updates on this information through improvements to the visibility of the pipeline of generation investment, including analysis of Levelised Cost of Electricity (LCOE).

Improving the hedge disclosure system

What the Authority proposed

- 3.88. The Authority proposed to maintain the existing data collection methods, including bulk upload and online forms, while updating the hedge disclosure system to align with the new hedge disclosure obligations. We highlighted the importance of data security and best practice data governance to protect commercially sensitive information.
- 3.89. The Authority also sought feedback on the integration of Application Programme Interface (API) technology into the hedge disclosure system to enhance the reporting process further. It was noted that this change might necessitate investment and upgrades in participants’ systems.

Submitters’ feedback

- 3.90. Submitters generally supported the Authority’s proposed changes to the design and operation of the hedge disclosure system, with some considering it as the change that adds the most value. They suggested including an appropriate lead time to allow participants to allocate resources adequately for the required changes.
- 3.91. There were mixed or uncertain opinions among submitters regarding the use of API to disclose and download risk management information. Some raised concerns about additional compliance costs and lead time for implementation. Others

¹⁰ [Uplift in new renewable electricity generation projects | Electricity Authority \(ea.govt.nz\)](#)

believed that the existing methods were sufficient, and that API would impose unnecessary extra costs to the Authority and participants.

Table 10: Summary of submissions on improving the hedge disclosure system

Proposed changes	Agree	Somewhat agree	Disagree	No response
<p>Q10. Do you agree with the proposed approach to improving the hedge disclosure system?</p> <p>If not, please explain why and outline what you consider to be a more appropriate approach?</p>	7	3	0	3
<p>Q11. Do you support the option of using API to disclose risk management information, even if doing so requires investment and upgrade in your systems?</p>	5	2	2	4

Authority's response and final decision

- 3.92. The Authority recognises the hedge disclosure system's importance in creating transparency in the contracts market and reducing the compliance burden for participants. After reviewing submissions, the Authority has decided to proceed with updating the hedge disclosure system to align with the Code amendments, allowing for the collection of additional information on risk management contracts.
- 3.93. The Authority has decided that this information will be published on the Authority's data and insights platform alongside other data about the wholesale and contracts markets. Consequently, the hedge disclosure system will serve solely as a data collection platform, with all information accessible to participants through a single source – the Authority's data and insights platform.
- 3.94. This consolidation will enable participants to access information on OTC and ASX contracts from one location. The Authority has therefore made consequential changes to the proposed Code amendments to refocus WITS manager responsibilities to receipt and verification of information submitted to the hedge disclosure system, and making this information available to the Authority so that it can publish the information on its own platform (see clauses 13.226 to 13.227A in Appendix B).
- 3.95. Acknowledging participants' concerns regarding API compliance costs and implementation lead time, the Authority has decided to maintain the existing hedge disclosure system for now, ensuring a seamless implementation of Code amendments. The possibility of using APIs for uploading and downloading risk management information will be reassessed in the future and will include further engagement with industry participants.

Future proofing the proposed Code amendment

What the Authority proposed

- 3.96. The Authority proposed to add new clauses 13.219A and 13.219B to empower the Authority to introduce a new category of risk management contract and additional

information subject to information disclosure requirements, without necessitating a Code amendment. These provisions aimed to future proof the Code by establishing a mechanism for the Authority to augment the list of data points and contracts swiftly in response to emerging novel risk management contracts.

- 3.97. Continuous and enhanced disclosure of information pertaining to risk management contracts will help to strengthen trust and confidence in the electricity market's operation and promote the Authority's statutory objective of improving competition for the long-term benefit of consumers.

Submitters' feedback

- 3.98. While most submitters did not offer comments on this proposed amendment, one submitter disagreed with the use of notices to introduce new types of risk management contract and/or additional information for any risk management contract. They submitted that any new or expanded obligations should be introduced through the Code-making process under section 39 of the Act, rather than through a notice mechanism, to prevent bypassing the processes and protections outlined in the Act and ensure that participants can all refer to the Code to understand obligations.

Authority's response and final decision

- 3.99. The Authority has carefully considered the submitter's concerns and is satisfied that the proposed notice provisions are a lawful and appropriate mechanism to future proof the Code amendments.
- 3.100. The Authority considers it likely that the hedge disclosure obligations will need to be updated in future to reflect the growing diversity of risk management contracts and ensure it can continue to publish relevant information about each type of risk management contract to assist participants to compare price. The Authority also needs access to relevant information to give it enough visibility to fulfil its market monitoring function under section 16(1)(g) of the Act.
- 3.101. The power to identify additional kinds of risk management contracts for which disclosure is required, and to require disclosure of additional information for risk management contracts, is an appropriate response to a constantly evolving and changing contracts market. It will allow hedge disclosure obligations to remain current, certain, and relevant, without placing undue burdens on participants and the Authority by requiring information about a wide range of risk management contract (or contract information) to be disclosed or describing the risk management contracts in a vague, unspecified way.
- 3.102. We have considered, as an alternative to new clause 13.219B, amending the definition of 'risk management contract' in the Code to include any contract used to manage risk in relation to the spot market for electricity. However, we are satisfied that this alternative would provide less certainty to the industry than the notice approach.
- 3.103. The Authority has carefully limited the notice provisions so that the sub-delegated power to require disclosure of additional information is narrowly prescribed. We note in particular that:

- (a) the Authority can only prescribe additional information to be disclosed relating to an existing risk management contract for a specified purpose (new clause 13.219A(2))
- (b) the Authority can only prescribe an additional type of risk management contract if that contract “is used to manage risk in relation to the spot market for electricity” and only for a specified purpose (new clause 13.219B(2))
- (c) the Authority must first follow a consultation process similar to that required for any Code amendment, which includes:
 - (i) publishing the proposed notice, the Authority’s purpose in requiring disclosure of the additional information, and the Authority’s assessment of the likely benefits and costs of the notice;
 - (i) providing a reasonable opportunity for submissions; and
 - (i) an obligation to consider submissions in deciding whether to publish the notice.

Other drafting changes

- 3.104. Upon reviewing the proposed Code amendments, the Authority has decided to implement the following alterations to improve the processes of collecting and publishing information.
- 3.105. The Code requires the WITS manager to indicate that the information is verified, notify other party to confirm the information, and make certain data available on a publicly accessible platform. Upon verification, the WITS manager must promptly publish the information, excluding sensitive details such as party names and contract specifics. As the Authority has decided to shift to publishing risk management data on the Authority’s website rather than the hedge disclosure system, the role of the WITS manager will now focus on verification, acknowledgement, and notification tasks. Therefore, the Authority has changed the proposed amendments to clause 13.226 to ensure alignment with the updated approach of publishing risk management information and insights directly on the Authority’s data and insights platform.
- 3.106. We also made minor edits to improve the Code drafting. This includes changes to clauses 13.219A and 13.219B to align the requirements for proposed notices under those provisions, to bold some defined terms (in the definition of “time weighted contract price” and clause 13.219A(3)(c)(ii)), to fix an error in clause 13.230(1) and reinsert “in” after “this subpart”, to correct the reference to the Code in clause 13.233(1)(b), and to clarify the operation of some clauses (including clarifying who publishes location factor in clause 13.220, and the operation of clauses 13.220(3) and 13.236).

4. The amendments will promote competition and efficiency for the long-term benefit of consumers

- 4.1. The Authority’s main objective, as outlined in section 15(1) of the Act, is to promote competition in, reliable supply by, and efficient operation of, the electricity industry for the long-term benefit of consumers. The Authority’s additional objective, under

section 15(2) of the Act, is to protect the interests of domestic and small business consumers in relation to their electricity supply. However, the additional objective only applies to the Authority's activities in relation to the dealings between participants and domestic and small business consumers, as stated in section 15(3).

- 4.2. Section 32(1) of the Act states that the Code may contain any provisions that are consistent with the Authority's objectives and are necessary or desirable to promote any or all of the matters listed in section 32(1).

The amendments are consistent with section 32(1) of the Act

- 4.3. The Authority considers that the Code amendments are consistent with the Authority's main objective,¹¹ and with section 32(1) of the Act, because they are necessary or desirable to promote, for the long-term benefit of consumers:
- **Competition in the electricity industry:** The Code amendments promote competition in the electricity industry because they require more information to be disclosed and published about a greater number of risk management contracts, which will foster transparency and reliability of information within the contracts market, thereby increasing market confidence. This will enable market participants to more effectively manage their exposure to price volatility and facilitate the entry of new participants.
 - **The efficient operation of the electricity industry:** The Code amendments promote efficiency because the disclosure and publication of greater information will create a more transparent contracts market, which will lead to more efficient price discovery and allocation of resources.
 - **The performance by the Authority of its functions:** The Code amendments enhance regulatory oversight by collecting more information about the contracts market. This increased transparency enables the Authority to identify and address emerging issues, thereby supporting market development.
- 4.4. Where submissions commented, they generally agreed that these amendments are aligned with the Authority's statutory objectives.

The benefits of the amendments are greater than the costs

- 4.5. We consider that the benefits of improving hedge disclosure obligations will outweigh the associated costs, as indicated in the preferred options paper. The majority of submitters also supported the Authority's cost benefit analysis and its resulting conclusion. For a more detailed description of the costs and benefits of the amendments, please refer to Appendix C of the preferred options paper.

5. Next steps – implementation of decisions and supporting actions

- 5.1. We are taking necessary steps to implement our decisions and support the industry as they prepare to comply with the upcoming changes to the hedge disclosure

¹¹ The Authority's additional objective does not apply because the Code amendment do not relate to the dealings of industry participants with domestic consumers and small business consumers.

obligations. We are working closely with NZX to update the hedge disclosure system, ensuring it aligns with the Code amendments.

- 5.2. To ensure industry stakeholders are well-informed about the upcoming changes to hedge disclosure obligations, we are publishing the decision paper now to give adequate notice of the effective date of the Code amendments. This advance publication will give participants the necessary time to understand how the changes will apply to them and any future risk management contracts they might enter into (such as PPAs, other long-term contracts and relevant demand response contracts), and make the necessary adjustments to their operational processes. We intend that the Code amendments will come into effect in October 2024.
- 5.3. The Authority in collaboration with NZX will use this time to hold user workshops on proposed changes to the electricity hedge disclosure system to get user input on its functionalities. The Authority will confirm the effective date of the Code amendments in Market Brief once the Gazette Notice is published.
- 5.4. The Authority is also actively working on improving the publication of information and insights on risk management contracts via the EMI website. This will involve the bulk download of a subset of disclosed risk management information, regular insights on quantity and price value by quarter, along with historical price trend for individual calendar quarter.

6. Attachments

- 6.1. The following appendices are attached to this paper:

Appendix A Approved Code Amendment

Appendix B Approved Code Amendment (redlined version)

Appendix A Approved Code amendment

This appendix shows the how the Code will be amended by the approved Code amendment. To see a redlined version of the changes that are being made to the Code, see Appendix B.

Part 1 – Preliminary provisions

1.1 Interpretation

(1) In this Code, unless the context otherwise requires,—

...

adjustment clause means a clause in a **risk management contract** under which the price or prices of a specified volume of **electricity** may be adjusted, including an adjustment relating to the Consumer Price Index, the Producers Price Index or any other index

...

buyer, for the purposes of subpart 5 and subpart 7 of Part 13, means—

- (a) in respect of a **contract for differences**, the fixed-price payer, being the **party** obliged to make payments at a fixed price from time to time during the **term** of the contract; or
- (b) in respect of a **fixed-price physical supply contract**, the purchaser of **electricity**; or
- (c) in respect of an **options contract**, either—
 - (i) the **party** paying the **premium**; or
 - (ii) if there is no **premium**, the **party** who agrees to be the **buyer** for the purposes of subpart 5 or subpart 7 (as applicable) of Part 13; or
 - (iii) if neither **party** agrees to be the **buyer**, the **party** whose name is the first alphabetically
- (ca) for the purposes of subpart 5 of Part 13, in respect of a contract prescribed by the **Authority** under clause 13.219B as a **risk management contract**, either—
 - (i) the **party** specified as the buyer in the contract; or
 - (ii) if neither **party** is specified as the buyer, the **party** whose name is the first alphabetically.
- (d) for the purposes of subpart 7 of Part 13, in respect of any other contract, the **party** consuming the **electricity** that the contract relates to

...

contract for differences, for the purposes of subpart 5 and subpart 7 of Part 13, means a financial derivative contract—

- (a) under which 1 or both **parties** makes or may make a payment to the other **party**; and
- (b) in which the payment to be made depends on, or is derived from, the price of a **quantity** of **electricity** at a particular time; and
- (c) that may provide a means for the risk to 1 or both **parties** of an increase or decrease in the price of **electricity** to be reduced or eliminated; and

(d) that relates to a quantity of **electricity** that equals or exceeds ~~0.1~~^{0.25} MW of **electricity**

...

contract price schedule *[Revoked]*

...

fixed-price physical supply contract means a contract that provides for the physical supply of **electricity**, if—

- (a) the **buyer** is reasonably expected to purchase 1 MW or more of **electricity** on average during the **term** of the contract (for the purposes of determining whether a contract meets this 1 MW threshold, the total purchases under the contract must be used); and
- (b) the contract allows the **buyer** to purchase either—
 - (i) variable amounts of **electricity** linked to actual consumption or generation of **electricity** at a fixed price or prices; or
 - (ii) a fixed amount of **electricity** at a fixed price or prices; and
- (c) excludes a contract for the physical supply of **electricity**, that is generated by an **embedded generating station**, directly to a **consumer**

...

floating-price payer means the **party** obliged to make 1 or more payments, from time to time during the **term** of a **risk management contract**, of a floating amount for a **quantity** of **electricity**

...

load weighted contract price means, in respect of a **risk management contract**, a price that has, in accordance with clause 13.220, been calculated, load weighted, adjusted to a **location factor** for the relevant **grid zone area**, and corrected for **losses**, for the purposes of subpart 5 of Part 13

...

options contract means a contract containing the right to buy or sell a financial derivative contract that relates to a quantity of **electricity** that equals or exceeds 0.1 MW of **electricity**

...

other party, for the purposes of subpart 5 of Part 13, means the **party** to a **risk management contract** who did not submit information under clauses 13.219(1), 13.223(1), or 13.224, as the case may be

...

premium, in relation to a **risk management contract**, means the dollar amount paid by the **buyer** to the **seller**

...

quantity, for the purposes of subpart 5 of Part 13, means—

- (a) for a **risk management contract** other than a **fixed-price physical supply contract**, the total volume in MWh of **electricity** to which the contract relates; or

- (b) for a **fixed-price physical supply contract**, the volume in **MWh** of **electricity** reasonably likely to be supplied under the contract

...

risk management contract, for the purposes of subpart 5 and subpart 7 of Part 13, means—

- (a) a **contract for differences**; or
- (b) a **fixed-price physical supply contract**; or
- (c) an **options contract**; ~~but or~~
- (ca) for the purposes of subpart 5 of Part 13, a contract prescribed by the **Authority** under clause 13.219B as a **risk management contract**; but
- (d) does not include an **FTR**

...

seller, for the purposes of subpart 5 and subpart 7 of Part 13, means—

- (a) in respect of a **contract for differences**, the **floating-price payer**; or
- (b) in respect of a **fixed-price physical supply contract**, the **party** selling the **electricity**; or
- (c) in respect of an **options contract**, either—
 - (i) the **party** receiving the **premium**; or
 - (ii) if there is no **premium** under the **options contract**, the **party** who agrees to be the **seller** for the purposes of subpart 5 or subpart 7 (as applicable) of Part 13; or
 - (iii) if neither **party** agrees to be the **seller**, the **party** whose name is the second alphabetically
- (ca) for the purposes of subpart 5 of Part 13, in respect of a contract prescribed by the **Authority** under clause 13.219B as a **risk management contract**, either—
 - (i) the **party** specified as the seller in the contract; or
 - (ii) if neither **party** is specified as the seller, the **party** whose name is the second alphabetically.
- (d) for the purposes of subpart 7 of Part 13, in respect of any other contract, the **party** who is not the **buyer**

...

special credit clause means a clause in a **risk management contract** that specifies that, if a **party** defaults during the **term** of the contract, the **party** that is not in default will be paid a specified amount or that, on execution of the contract, the **party** that is not in default, is provided with a guarantee that payment will be made when the settlement amount reaches a certain threshold

...

time weighted contract price means, in respect of a **risk management contract**, a price that has, in accordance with clause 13.220, been calculated, time weighted, adjusted to a **location factor** for the relevant **grid zone area**, and corrected for **losses**, for the purposes of subpart 5 of Part 13

...

trade date, for the purposes of subpart 5 of Part 13, means the date the **parties** enter into a **risk management contract**

Part 13 – Trading arrangements

Subpart 5 – Hedge arrangement disclosure

13.217 Purpose of this subpart

This subpart provides for the disclosure of information about **risk management contracts**, in order to—

- (a) facilitate the ready comparison of **electricity** prices and other key terms of **risk management contracts**; and
- (b) enable persons to formulate their own historic contract curves for **electricity**; and
- (c) provide a more informed basis for the Authority to monitor and assess the market for **risk management contracts** in respect of **electricity**, for the purposes of its functions under section 16 of the **Act**.

13.218 Parties required to submit information

- (1) The following **parties** to **risk management contracts** are required to submit the information specified in clauses 13.219 and 13.223 using an **approved system**:
 - (a) the **seller**, if the **seller** is a **participant**; or
 - (b) the **buyer**, if the **buyer** is a **participant** and the **seller** is not a **participant**.
- (2) *[Revoked]*

13.219 Information that must be submitted

- (1) The party specified in clause 13.218 must submit the following information to the **approved system** in relation to every **risk management contract**, excluding exchange-traded **risk management contracts** where the **parties** have provided consent under clause 13.236AA:
 - (a) each **party's** legal name;
 - (b) each **party's** email address for notice;
 - (c) the **trade date**;
 - (d) the **effective date**;
 - (e) the **end date**;
 - (f) the **quantity**;
 - (g) whether the contract is a **contract for differences**, a **fixed-price physical supply contract**, an **options contract** or, if the contract is a type of **risk management contract** prescribed by the **Authority** under clause 13.219B, the type of **risk management contract**;
 - (h) if the contract is an **options contract**:
 - (i) whether it is a call option or a put option;
 - (ii) if it is a call option, whether the **buyer** has the right to buy less than the **quantity**;
 - (iii) whether it is a cap option or floor option; and
 - (iv) the option style (for example, American or Asian);
 - (i) the fuel type (for example, solar, wind, thermal, or hydro), if specified in the contract;
 - (j) the **premium**, if specified in the contract;
 - (k) the **trading periods** during which each price in the contract applies;
 - (l) in relation to each **trading period** during which a price in the contract applies;

- (i) the **node** at which each price is set; and
 - (ii) the price or series of prices to be paid at each relevant **node**; and
 - (iii) if applicable, the specified volume of **electricity** for each price to be paid at each relevant **node**
- (m) whether price (or prices) in the contract are linked to consumption or generation of **electricity**:
 - (n) whether there is an **adjustment clause**:
 - (o) whether there is a **force majeure** clause:
 - (p) whether there is a **special credit** clause:
 - (q) whether there is a **suspension** clause:
 - (r) whether there are any other clauses providing for the pass-through of certain costs, levies or tax or some form of carbon-related cost:
 - (s) whether the contract uses any version of the International Swaps and Derivatives Association Master Agreement (ISDA Master Agreement) (including where the schedule to the form of the ISDA Master Agreement used for the contract makes an amendment to the main part of the ISDA Master Agreement):
 - (t) any other information specified in a notice **published** by the **Authority** under clause 13.219A.
- (2) The party specified in clause 13.218 must submit the information required by this clause in the form specified by the **Authority** and in accordance with clause 13.225(1).

13.219A Authority may prescribe additional information that must be submitted

- (1) The **Authority** may **publish** a notice prescribing additional information relating to a **risk management contract** that must be submitted under clause 13.219(1)(t).
- (2) The **Authority** may prescribe additional information under subclause (1) only for a purpose specified in clause 13.217.
- (3) Before **publishing** a notice under subclause (1), the **Authority** must:
 - (a) **publish** a proposed notice that contains:
 - (i) the information relating to a **risk management contract** that the **Authority** intends to prescribe as additional information that must be submitted under clause 13.219(1)(t);
 - (ii) the **Authority's** purpose in requiring disclosure of the additional information; and
 - (iii) the **Authority's** assessment of the likely benefits of requiring the disclosure of the additional information prescribed in the proposed notice and whether those benefits are expected to outweigh the likely costs; and
 - (iv) the proposed date or dates on which the disclosure of the additional information will apply; and
 - (b) provide a reasonable opportunity for persons to make submissions to the **Authority** on the proposed notice; and
 - (c) consider submissions received under paragraph (b) in deciding whether to:
 - (i) make any reasonable changes to the additional information required by the proposed notice; and
 - (ii) **publish** the notice.

13.219B Authority may prescribe additional risk management contract

- (1) The **Authority** may **publish** a notice prescribing any type of contract used to manage risk in relation to the spot market for **electricity** as a **risk management contract** to which this subpart applies.
- (2) The **Authority** may prescribe any type of contract as a **risk management contract** under subclause (1) only for a purpose specified in clause 13.217.
- (3) Before **publishing** a notice under subclause (1), the **Authority** must:
 - (a) **publish** a proposed notice that contains:
 - (i) the type or types of contract that the **Authority** intends to prescribe as a **risk management contract**;
 - (ii) the **Authority's** purpose in prescribing the type or types of contract as a **risk management contract**;
 - (iii) the **Authority's** assessment of the likely benefits of prescribing the type or types of contract as a **risk management contract** and whether those benefits are expected to outweigh the likely costs;
 - (iv) a list of any additional information that **parties** to the type or types of contract must submit to the **Authority** under clause 13.219A;
 - (v) the proposed date or dates on which this subpart will apply to the type or types of contract; and
 - (b) provide a reasonable opportunity for persons to make submissions to the **Authority** on the proposed notice; and
 - (c) consider submissions received under paragraph (b) in deciding whether to:
 - (i) make any reasonable changes to the proposed notice; and
 - (ii) **publish** the notice.

13.220 Calculation of contract prices

- (1) Following the receipt of information submitted under clause 13.219, the **WITS manager** must calculate:
 - (a) the **time weighted contract price** in accordance with subclause (1A); and
 - (b) the **load weighted contract price** in accordance with subclause (1B).
- (1A) The **time weighted contract price** is to be calculated in accordance with the following formula:

$$CP_{tw} = \left(\frac{\sum_{i=1}^n P_i \times TP_i}{\sum_{i=1}^n TP_i} \right) / LF \times LAF$$

where

CP_{tw} is the **time weighted contract price**

n is the number of different prices within the contract

P_i is the price specified in the contract

TP_i is the number of **trading periods** during which each price in the contract applies

LF is the **location factor**, for the relevant **node** at which the price is set in the contract, as **published** by the **WITS manager** in accordance with clause 13.221

LAF means a loss adjustment factor, which is,—

(a) if the **time weighted contract price** for the contract is referenced to a **point of connection** on the **grid**, 1; or

(b) for all other contracts, 0.937 (being the difference between 1 and the loss factor of 0.063).

(1B) The **load weighted contract price** is to be calculated in accordance with the following formula:

$$CP_{lw} = \left(\frac{\sum_{i=1}^n P_i \times V_i}{\sum_{i=1}^n V_i} \right) / LF \times LAF$$

where

CP_{lw} is the **load weighted contract price**

n is the number of different prices within the contract

P_i is the price specified in the contract

V_i is the volume of **electricity** for each **trading period** during which each price in the contract applies

LF is the **location factor**, for the relevant **node** at which the price is set in the contract, as **published** by the **WITS manager** in accordance with clause 13.221

LAF means a loss adjustment factor, which is,—

(a) if the **load weighted contract price** for the contract is referenced to a **point of connection** on the **grid**, 1; or

(b) for all other contracts, 0.937 (being the difference between 1 and the loss factor of 0.063).

(2) *[Revoked]*

- (3) Where a **risk management contract** includes prices at more than 1 **node**, the **WITS manager** will calculate the **time weighted contract price** and **load weighted contract price** at each **node**.
- (4) To avoid doubt, if a **risk management contract** includes an **adjustment clause**, the **time weighted contract price** and **load weighted contract price** is that which applies before the **adjustment clause** takes effect.

...

13.222 [Revoked]

13.222A Information about other contracts that must be submitted

If a **participant** enters into a contract where a substantial purpose is to manage risk for the **participant** in relation to the spot market for **electricity**, but that contract is not a **risk management contract**, the **participant** must submit to the **approved system**:

- (a) notification that the **participant** has entered into the contract; and
- (b) a description of the key terms of the contract.

13.223 Modified or amended information

- (1) If a **risk management contract** is modified or amended after the information referred to in clause 13.219 is submitted to the **approved system** and the effect of the modification or amendment is that the information submitted to the **approved system** is no longer correct or complete, the **party** specified in clause 13.218 must submit the modified or amended information to the **approved system**.
- (2) The **party** specified in clause 13.218 must submit the information under subclause (1)—
 - (a) so that it identifies in each case the information that has been modified or amended; and
 - (b) in the form specified by the **Authority**; and
 - (c) in accordance with clause 13.225(2).

13.224 Correction of information

Except when clause 13.223 applies, if the **party** specified in clause 13.218 discovers that information previously submitted to the **approved system** about that **risk management contract** is incorrect or incomplete, that **party** must—

- (a) seek to agree with the **other party** to the **risk management contract** that the information is incorrect or incomplete and how it should be corrected; and
- (b) when both **parties** have agreed that the incorrect or incomplete information should be corrected, submit the corrected information to the **approved system** in accordance with clause 13.225(3).

13.225 Timeframes for submitting information

- (1) The **party** specified in clause 13.218 must submit the information specified in clause 13.219 to the **approved system**—
 - (a) in respect of a **contract for differences** or an **options contract**, no later than 5pm, 5 **business days** after the **trade date**; and
 - (b) for any other type of **risk management contract**, no later than 5pm, 10 **business days** after the **trade date**.

- (2) The **party** specified in clause 13.218 must submit any modified or amended information under clause 13.223(1) to the **approved system** no later than 5pm, 5 **business days** after the amendment or modification to the **risk management contract** is made.
- (3) A **participant** that discovers under clause 13.224 that information it submitted to the **approved system** is incorrect or incomplete must submit the corrected information to the **approved system** no later than 5pm, 2 **business days** after both **parties** to the **risk management contract** have agreed how the incorrect or incomplete information should be corrected.
- (4) The **party** specified in clause 13.227A(3) must submit the corrected information agreed under clause 13.227(3A) to the **approved system** no later than 5pm on the date that is 2 **business days** after the date that the **parties** to the **risk management contract** on the corrected information.

13.226 WITS manager must make certain information available to Authority

- (1) The **WITS manager** must, as soon as practicable, make the following information in relation to every **risk management contract** available to the **Authority**:
 - (a) information submitted under clause 13.219;
 - (b) whether the contract applies to all **trading periods** within its **term**;
 - (c) the **time weighted contract price** and **load weighted contract price** calculated in accordance with clause 13.220 or, if clause 13.220(3) applies, the **time weighted contract prices** and **load weighted contract prices**;
 - (d) the **premium**, expressed as an amount of dollars per **MWh**;
 - (e) the **grid zone area** in which the, or each, **time weighted contract price** and **load weighted contract price** is determined or applies;
 - (f) where any information is submitted under clauses 13.223(1) and 13.224—
 - (i) that information, to the extent that it modifies, amends, or corrects information made available under paragraph (a); and
 - (ii) any necessary amendments to the information made available under paragraphs (b) to (e).
- (1A) The **WITS manager** must, as soon as practicable, make information submitted under clause 13.222A available to the **Authority**.
- (2) At the same time that it makes information submitted under clause 13.219 or 13.223(1) available in accordance with subclause (1), the **WITS manager** must—
 - (a) *[Revoked]*
 - (b) for a **risk management contract** other than a **fixed-price physical supply contract**, give a written notice to the **other party** to the contract—
 - (i) (if the **other party** is a **participant**) requiring the **other party** to submit a **verification notice** to the **approved system** within 2 **business days** of receiving the notice confirming whether or not the information is correct; or
 - (ii) (if the **other party** is not a **participant**) giving the **other party** the option to submit a **verification notice** to the **approved system** within 2 **business days** of receiving the notice confirming whether or not the information is correct; or
 - (c) if the contract is a **fixed-price physical supply contract**, give a written notice to the **other party** giving the **other party** the option to submit a **verification notice** to the **approved system** within 2 **business days** confirming whether or not the information is correct.

- (3) A **participant** that receives a **verification notice** under subclause (2)(b)(i) must comply with the written notice.

13.226A Authority must make certain information publicly available

- (1) Subject to subclause (2), the **Authority** must, as soon as practicable after the **WITS manager** makes information available to the **Authority** under clause 13.226(1), **publish** the following information in relation to every **risk management contract**:
- (a) information submitted under clauses 13.219(1)(c) to 13.219(1)(h), 13.219(1)(j), and 13.219(1)(m) to 13.219(1)(s); and
 - (b) information made available under clauses 13.226(1)(b) to (e); and
 - (c) where any information is submitted under clauses 13.223(1) and 13.224—
 - (i) that information, to the extent that it modifies, amends, or corrects information **published** under paragraph (a); and
 - (ii) any necessary amendment to the information **published** under paragraph (b).
- (2) If the **risk management contract** is for the purchase of **electricity** linked to **generation** at a particular **generating plant** or **generating plants**, or **generating station** or **generating stations**, the **Authority** may also **publish** the following information in relation to the **risk management contract**:
- (a) information submitted under clauses 13.219(1)(c), 13.219(f) to 13.219(1)(h), and 13.219(1)(m) to 13.219(1)(s);
 - (b) information made available under clause 13.226(1)(b); and
 - (c) where any information is submitted under clauses 13.223(1) and 13.224—
 - (i) that information, to the extent that it modifies, amends, or corrects information **published** under paragraph (a); and
 - (ii) any necessary amendment to the information **published** under paragraph (b).
- (3) When information submitted under clause 13.219 or 13.223(1) is first **published** under subclause (1) or (2), the **Authority** must indicate that the information is unverified.
- (4) The **Authority** must, as soon as practicable, update the indication made under subclause (3) to verified, pending verification, not disputed, disputed or subject to a long-term dispute every time the **WITS manager** notifies the **Authority** of a change in accordance with clauses 13.227(1) to (3), 13.227(4) and 13.227A(4).

13.227 Process on verification of information or otherwise

- (1) The **WITS manager** must notify the **Authority**, as soon as practicable, that the information made available under clause 13.226(1) is verified if the **other party** to a **risk management contract** submits a **verification notice** to the **approved system** within 2 **business days** of receiving notice under clause 13.226(2) confirming that the information made available under clause 13.226(1) is correct.
- (2) The **WITS manager** must notify the **Authority**, as soon as practicable, that the information made available under clause 13.226(1) is not disputed, if—
- (a) the **other party** to a **risk management contract** other than a **fixed-price physical supply contract** is not a **participant** and does not submit a **verification notice** to the **approved system** within 2 **business days** of receiving notice under clause 13.226(2)(b)(ii); or

- (b) the **other party** to a **fixed-price physical supply contract** does not submit a **verification notice** to the **approved system** within 2 **business days** of receiving notice under clause 13.226(2)(c).
- (3) The **WITS manager** must notify the **Authority**, as soon as practicable, that the information made available under 13.226(1) is disputed if the **other party** to a **risk management contract** submits a **verification notice** to the **WITS manager** within 2 **business days** of receiving notice under clause 13.226(2) advising that the information made available under clause 13.226(1) is not correct.
- (3A) If the information made available under clause 13.226(1) is disputed, the **WITS manager** must give the **parties** to the relevant **risk management contract** a written notice requiring the **parties** to use all reasonable endeavours to agree within 10 **business days** of receiving the notice on:
 - (a) whether the information made available under clause 13.226(1) is correct; and
 - (b) if not, what corrections should be made to the information.
- (4) If the **other party** to a **risk management contract** other than a **fixed-price physical supply contract** is a **participant** that has not submitted a **verification notice** within 2 **business days** of receiving notice in accordance with clause 13.226(2)(b)(i), the **WITS manager** must—
 - (a) notify the **Authority**, as soon as practicable, that the information made available in accordance with clause 13.226(1) is pending verification; and
 - (b) give the **other party** a written reminder notice requiring the **other party** to submit a **verification notice** as soon as possible.
- (5) *[Revoked]*

13.227A Parties to comply with written notices from WITS manager

- (1) The **parties** must comply with any written notice from the **WITS manager** under clause 13.227(3A) or (4)(b).
- (2) If the **parties** to the **risk management contract** agree under clause 13.227(3A) that the information made available under clause 13.226(1) is correct, the **other party** must submit a **verification notice** to the **approved system** confirming that the information is correct.
- (3) If the **parties** to the **risk management contract** agree under clause 13.227(3A) to a correction to the information made available under clause 13.226(1), the **party** that submitted that information to the **approved system** must submit the corrected information in accordance with clause 13.225(4).
- (4) If the **parties** to the **risk management contract** have not complied with subclauses (2) or (3) within 10 **business days** of receiving the written notice from the **WITS manager** under clause 13.227(3A) or (4)(b), the **WITS manager** must notify the **Authority** that the information is subject to a long term dispute.

13.228 Confirmation of information submitted through approved system

- (1) The **WITS manager** must, using the **approved system**, confirm receipt of any information received by it under clauses 13.219, 13.222A, 13.223 or 13.224.
- (2) Each confirmation under subclause (1) must contain a copy of the information received using the **approved system**, together with the date and time of receipt.

13.229 Submitting party or participant to check if no confirmation received

- (1) If a **party** or **participant** does not receive confirmation from the **WITS manager** under clause 13.228(1) within 6 hours of submitting the information, they must contact the **WITS manager** within 1 **business day** from the end of that 6 hour period to check whether the **approved system** has received the information.
- (2) If the **WITS manager** advises the **party** or **participant** that the **approved system** has not received the information, the **party** or **participant** must resubmit the information.
- (3) This process must be repeated until the **WITS manager** has confirmed receipt of the information from the **party** or **participant** in accordance with clause 13.228.

13.230 Certification of information

- (1) Each **participant** that has submitted information to the **approved system** in accordance with this subpart in a particular year ending 31 March must, by 30 June that year, certify to the **Authority** that the information submitted was correct.
- (2) The certification provided under subclause (1) must be—
 - (a) *[Revoked]*
 - (b) in the **prescribed form**; and
 - (c) signed and dated by either—
 - (i) a director of the **participant**; or
 - (ii) the **participant's** chief financial officer, or person holding an equivalent position; or
 - (iii) the **participant's** chief executive officer, or person holding an equivalent position.

13.231 Appointment of auditor

- (1) The **Authority** may, in its discretion, require an **audit** as to whether a **participant** has complied with this subpart.
- (2) If the **Authority** requires an **audit** under subclause (1)—
 - (a) the **Authority** must require the **participant** to nominate an appropriate **auditor**;
 - (b) the **participant** must provide that nomination within a reasonable timeframe;
 - (c) the **Authority** may direct the **participant** to appoint the **auditor** nominated by the **participant**; and
 - (d) if the **participant** fails to nominate an appropriate **auditor** within 20 **business days**, the **Authority** may direct the **participant** to appoint an **auditor** of the **Authority's** choice.
- (2A) The **participant** must appoint an **auditor** in accordance with a direction made under paragraph (2)(c) or (2)(d).

13.231A Audit process

- (1) A **participant** subject to an **audit** under this clause must, on request from the **auditor**, provide the **auditor** with a copy of every **risk management contract** that it has entered into in the previous 12 months or within such other period specified by the **auditor**.
- (2) The **participant** must provide the information no later than 20 **business days** after receiving a request from the **auditor** for the information.
- (3) The **participant** must ensure that the **auditor** produces an **audit** report on the **participant's** compliance with this subpart and submits the **audit** report to the **Authority** within the timeframe specified by the **Authority**.

- (4) Before the **audit** report is submitted to the **Authority**, the **auditor** must refer any apparent failure by the **participant** to comply with this subpart that the auditor has identified to the **participant** for comment within the timeframe specified by the **auditor**.
- (5) The **audit** report must include any comments from the **participant** on any apparent non-compliance that the **auditor** referred to the **participant** under subclause (4) if the **participant** provided comments to the **auditor** within the time specified by the **auditor**.
- (6) The **audit** report does not need to contain a copy of any **risk management contract** that the participant has provided to the **auditor** in accordance with subclause (1), unless the **Authority** has specifically required the **auditor** to include a copy of any **risk management contract** in the **audit** report.

13.232 Payment of costs relating to audits

- (1) If an **audit** establishes to the reasonable satisfaction of the **Authority** that a **participant** may not have complied with this subpart, the **participant** must pay for the **audit** even if the **Authority** declines to appoint an investigator to investigate the alleged breach.
- (2) If the **Authority** considers that the apparent non-compliance of the **participant** is minor or relates to some (but not all) of the clauses in this subpart, the **Authority** may, in its discretion, make an assessment regarding the proportion of the costs of the **audit** that are to be paid by the **participant**, and those costs must be paid by the **participant**.
- (3) If an **audit** establishes to the reasonable satisfaction of the **Authority** that the **participant** has complied with this subpart, the **participant** is not required to pay any of the **auditor's** costs.

13.233 WITS manager and Authority must keep certain information confidential

- (1) The **Authority** must keep, and ensure that the **WITS manager** keeps, information submitted to the **approved system** under this subpart confidential, unless—
 - (a) the information is provided by the **Authority** to subcontractors or **service providers** that the **Authority** appoints to provide services for the purposes of this subpart, and those subcontractors or **service providers** have agreed to keep that information confidential, on the same terms as apply to the **Authority** under this clause; or
 - (b) disclosure is required to enable the **Authority** or the **WITS manager** to carry out its obligations and duties under the **Act**, this Code or the Electricity Industry (Enforcement) Regulations 2010 or is otherwise required by law; or
 - (c) the **party, parties** or other persons to whom the information relates have provided written consent to the disclosure; or
 - (d) *[Revoked]*
 - (e) the information is otherwise publicly available at the time that the **Authority** discloses it.
- (1A) The obligation in subclause (1) does not prevent the **Authority** from—
 - (a) using the information for any purpose in connection with the **Authority's** objectives set out in section 15 of the **Act** or the **Authority's** functions in section 16 of the **Act** or section 14 of the Crown Entities Act 2004; or
 - (b) disclosing the information in connection with a purpose referred to in paragraph (a) in anonymised form or in consolidated form.

- (2) The **Authority** may use copies of a **risk management contract** provided to the **Authority** under clause 13.231A(6) only for purposes related to this subpart and the enforcement of this subpart.

...

13.236 Availability of information

The **WITS manager** may only remove information that is submitted under clauses 13.219, 13.223, or 13.224 from the **approved system** 12 months after the termination of the **risk management contract** that the information relates to.

13.236AA Requirement to provide consent to exchange

- (1) Each **participant** must ensure that, before placing any bid or offer for, or entering into, an exchange-traded **risk management contract**, it has provided the consent described in clause 13.236AA(2) to the exchange through which the bid or offer will be placed or contract entered into, which consent must continue to be in effect at the time any such bid or offer is placed or contract is entered into.
- (2) The **participant** must ensure that the consent is in the **prescribed form** and allows the exchange to provide any of the following de-anonymised information (including historical information) to the **Authority** at such frequency as may be required by the **Authority** from time to time:
 - (a) any information, documents or data in relation to bids or offers placed for **risk management contracts**, or in relation to such contracts entered into, by, or on behalf of, the **participant** (including in relation to buy and sell prices, trading periods, volumes and quantities):
 - (b) any information, documents or data in relation to the number of outstanding **risk management contracts** held by, or on behalf of, the **participant** at the end of each **trading day**:
 - (c) where the **participant** has an agreement with an exchange that imposes requirements on the **participant** in relation to the exchange's market-making scheme for **risk management contracts**, any other information, documents or data that the **Authority** may require in relation to the **participant's** performance of its obligations under that agreement.
- (3) The **participant** must ensure that all necessary arrangements are in place with any agent, associate, contractor, service provider, or other person acting on behalf of, or on the instructions of the **participant**, immediately after providing consent in accordance with subclause (1), to permit and facilitate the provision of all information described in subclause (2) by the exchange to the **Authority**.
- (4) The **participant** must, within 5 **business days** of receiving a written request from the **Authority**, supply the **Authority** with such evidence as may be reasonably required by the **Authority** to satisfy itself that the consent and arrangements required by this clause 13.236AA are in full force and effect.
- (5) The **Authority** may issue guidelines to assist **participants** to identify the types of information the **Authority** may obtain from an exchange and the types of arrangements it expects **participants** to put in place to permit and facilitate the provision of such information.

Appendix B Approved Code Amendment – redlined version

This appendix shows changes the Code amendment will make to the existing Code, as well as changes that have been made to the Code amendment as consulted on. Code amendments in this appendix are displayed as:

- (a) added text or formatting as consulted on is black underlined
- (b) deleted text as consulted on is ~~black strikethrough~~
- (c) additional added text or formatting compared to our consultation paper is red underlined
- (d) additional deleted text compared to our consultation paper is ~~red strikethrough~~.

Part 1 – Preliminary provisions

1.1 Interpretation

- (1) In this Code, unless the context otherwise requires,—

...

adjustment clause means a clause in a ~~contract for differences~~ or a ~~fixed-price physical supply contract~~ risk management contract under which the price or prices of a specified volume of **electricity** may be adjusted, including an adjustment relating to the Consumer Price Index, the Producers Price Index or any other index

...

~~**base load contract**, for the purposes of subpart 5 of Part 13, means a contract for a flat volume of **electricity** in every trading period during which a price in the contract applies~~

buyer, for the purposes of subpart 5 and subpart 7 of Part 13, means—

- (a) in respect of a **contract for differences**, the fixed-price payer, being the **party** obliged to make payments at a fixed price from time to time during the **term** of the contract; or
- (b) in respect of a **fixed-price physical supply contract**, the purchaser of **electricity**; or
- (c) in respect of an **options contract**, either—
 - (i) the **party** paying the **premium**; or
 - (ii) if there is no **premium**, the **party** who agrees to be the **buyer** for the purposes of subpart 5 or subpart 7 (as applicable) of Part 13; or
 - (iii) if neither **party** agrees to be the **buyer**, the **party** whose name is the first alphabetically
- (ca) for the purposes of subpart 5 of Part 13, in respect of a contract prescribed by the **Authority** under clause 13.219B as a **risk management contract**, either—
 - (i) the **party** specified as the buyer in the contract; or
 - (ii) if neither **party** is specified as the buyer, the **party** whose name is the first alphabetically.

- (d) for the purposes of subpart 7 of Part 13, in respect of any other contract, the **party** consuming the **electricity** that the contract relates to

...

contract for differences, for the purposes of subpart 5 and subpart 7 of Part 13, means a financial derivative contract—

- (a) under which 1 or both **parties** makes or may make a payment to the other **party**; and
- (b) in which the payment to be made depends on, or is derived from, the price of a **specified quantity of electricity** at a particular time; and
- (c) that may provide a means for the risk to 1 or both **parties** of an increase or decrease in the price of **electricity** to be reduced or eliminated; and
- (d) that ~~either—~~
- ~~——(i)——relates to a quantity of **electricity** that equals or exceeds 0.10-25 MW of **electricity**; or~~
 - ~~——(ii)——is entered into through a derivatives exchange, being a market in which **parties** trade standardised financial derivative contracts, and contracts containing the right to buy or sell standardised financial derivative contracts, with a central counterparty~~

...

time weighted contract price means, in respect of a **risk management contract**, a **single** price that has, in accordance with clause 13.220, been calculated, time weighted, adjusted to a **location factor** for the relevant **grid zone area**, and corrected for **losses**, for the purposes of subpart 5 of Part 13

~~**contract price schedule** means, in respect of a **risk management contract**, a price or series of prices to be paid under that contract in respect of specified times or amounts and at a single location~~

...

fixed-price physical supply contract means a contract that provides for the physical supply of **electricity**, if—

- (a) the **buyer** is reasonably expected to purchase 1 **MW** or more of **electricity** on average during the **term** of the contract (for the purposes of determining whether a contract meets this 1 **MW** threshold, the total purchases under the contract must ~~should~~ be used ~~despite clause 13.219(6)~~); and
- (b) the contract allows the **buyer** to purchase either—
- (i) variable amounts of **electricity** linked to actual consumption or generation of electricity at a fixed price or prices; or
 - (ii) a fixed amount of **electricity** at a fixed price or prices; and
- (c) excludes a contract for the physical supply of **electricity**, that is generated by an **embedded generating station**, directly to a **consumer**

...

floating-price payer means the **party** obliged to make 1 or more payments, from time to time during the **term** of a ~~contract for differences~~ **risk management contract**, of a floating amount for a **quantity** of **electricity**

...

load weighted contract price means, in respect of a **risk management contract**, a price that has, in accordance with clause 13.220, been calculated, load weighted, adjusted to a **location factor** for the relevant **grid zone area**, and corrected for **losses**, for the purposes of subpart 5 of Part 13

...

~~off-peak load contract, for the purposes of subpart 5 of Part 13, means a contract for a higher average volume of **electricity** in **trading periods 1 to 14 (inclusive) and 45 to 48 (inclusive)** in a **trading day** than in **trading periods 15 to 44 (inclusive)** in a **trading day** during which a price in the contract applies~~

...

options contract means a contract containing the right to buy or sell a financial derivative contract that relates to a quantity of **electricity** that equals or exceeds 0.1 MW of **electricity**

...

other party, for the purposes of subpart 5 of Part 13, means the **party** to a **risk management contract** who did not submit information under clauses 13.219(1) ~~to (4)~~, 13.223(1), or 13.224, as the case may be

...

~~peak load contract, for the purposes of subpart 5 of Part 13, means a contract for a higher average volume of **electricity** in **trading periods 15 to 44 (inclusive)** in a **trading day** than in **trading periods 45 to 48 (inclusive) and 1 to 14 (inclusive)** in a **trading day** during which a price in the contract applies~~

...

~~premium, in relation to an **options contract** a **risk management contract**, means the dollar amount paid by the **buyer** of the **options contract** to the **seller**~~

...

quantity, for the purposes of subpart 5 of Part 13, means—

- (a) for a **risk management contract** other than a **fixed-price physical supply contract**, ~~**contract for differences** or **options contract**~~ the total volume in MWh of **electricity** to which the contract relates; or
- (b) for a **fixed-price physical supply contract**, the volume in MWh of **electricity** reasonably likely to be supplied under the contract

...

risk management contract, for the purposes of subpart 5 and subpart 7 of Part 13, means—

- (a) a **contract for differences**; or
- (b) a **fixed-price physical supply contract**; or
- (c) an **options contract**; ~~but or~~
- (ca) for the purposes of subpart 5 of Part 13, a contract prescribed by the **Authority** under clause 13.219B as a **risk management contract**; but
- (d) does not include an **FTR**

...

- seller**, for the purposes of subpart 5 and subpart 7 of Part 13, means—
- (a) in respect of a **contract for differences**, the **floating-price payer**; or
 - (b) in respect of a **fixed-price physical supply contract**, the **party** selling the **electricity**; or
 - (c) in respect of an **options contract**, either—
 - (i) the **party** receiving the **premium**; or
 - (ii) if there is no **premium** under the **options contract**, the **party** who agrees to be the **seller** for the purposes of subpart 5 or subpart 7 (as applicable) of Part 13; or
 - (iii) if neither **party** agrees to be the **seller**, the **party** whose name is the second alphabetically
 - (ca) for the purposes of subpart 5 of Part 13, in respect of a contract prescribed by the Authority under clause 13.219B as a **risk management contract**, either—
 - (i) the **party** specified as the seller in the contract; or
 - (ii) if neither **party** is specified as the seller, the **party** whose name is the second alphabetically.
 - (d) for the purposes of subpart 7 of Part 13, in respect of any other contract, the **party** who is not the **buyer**

...

special credit clause means a clause in a ~~contract for differences~~ **risk management contract** that specifies that, if a **party** defaults during the **term** of the contract, the **party** that is not in default will be paid a specified amount or that, on execution of the contract, the **party** that is not in default, is provided with a guarantee that payment will be made when the settlement amount reaches a certain threshold

...

trade date, for the purposes of subpart 5 of Part 13, means the date ~~on which legally binding rights and obligations are created between the parties~~ enter into a **risk management contract**

Part 13 – Trading arrangements

Subpart 5 – Hedge arrangement disclosure

13.217 Purpose ~~Contents of this subpart~~

This subpart provides for the disclosure of information about **risk management contracts**, which may be ~~contracts for differences, fixed-price physical supply contracts or options contracts~~, in order to—

- (a) facilitate the ready comparison of **electricity** prices and other key terms of **risk management contracts**; and
- (b) ~~enable address the lack of information available to persons to formulate their own historic contract curves for~~ **electricity**; and
- (c) provide a more informed basis for the Authority persons to monitor and assess the competitiveness of the market for **risk management contracts** in respect of **electricity**, for the purposes of its functions under section 16 of the Act.

13.218 Parties required to submit information

- (1) The following **parties** to **risk management contracts** are required to submit the information specified in clauses 13.219, ~~13.222~~ and 13.223 using an **approved system**:
 - (a) the **seller**, if the **seller** is a **participant**; or
 - (b) the **buyer**, if the **buyer** is a **participant** and the **seller** is not a **participant**.
- (2) ~~[Revoked] Despite subclause (1), a party specified in that subclause may, at the Authority's discretion, not be required to submit certain information specified in clauses 13.219, 13.222 and 13.223 using an approved system if the Authority is satisfied that appropriate consent and arrangements are in place under clause 13.236AA for the Authority to obtain such information directly from an exchange and the Authority has advised that party in writing—~~
 - ~~(a) that this subclause applies; and~~
 - ~~(b) what information that party is not required to submit.~~

13.219 Information that must be submitted

- (1) The party specified in clause 13.218 must submit the following information to the approved system in relation to every risk management contract, excluding exchange-traded risk management contracts where the parties have provided consent under clause 13.236AA:
 - (a) each party's legal name;
 - (b) each party's email address for notice;
 - (c) the trade date;
 - (d) the effective date;
 - (e) the end date;
 - (f) the quantity;
 - (g) whether the contract is a contract for differences, a fixed-price physical supply contract, an options contract or, if the contract is a type of risk management contract prescribed by the Authority under clause 13.219B, the type of risk management contract;
 - (h) if the contract is an options contract:
 - (i) whether it is a call option or a put option;
 - (ii) if it is a call option, whether the buyer has the right to buy less than the quantity;
 - (iii) whether it is a cap option or floor option; and
 - (iv) the option style (for example, American or Asian);
 - (i) the fuel type (for example, solar, wind, thermal, or hydro), if specified in the contract;
 - (j) the premium, if specified in the contract;
 - (k) the trading periods during which each price in the contract applies;
 - (l) in relation to each trading period during which a price in the contract applies:
 - (i) the node at which each price is set; and
 - (ii) the price or series of prices to be paid at each relevant node; and
 - (iii) if applicable, the specified volume of electricity for each price to be paid at each relevant node
 - ~~(m) whether the contract is a base load contract, peak load contract, or off-peak load contract, if specified in the contract;~~

- ~~(m)~~ whether price (or prices) in the contract are linked to consumption or generation of **electricity**;
 - ~~(n)~~ whether there is an **adjustment clause**;
 - ~~(o)~~ whether there is a **force majeure** clause;
 - ~~(p)~~ whether there is a **special credit** clause;
 - ~~(q)~~ whether there is a **suspension** clause;
 - ~~(r)~~ whether there are any other clauses providing for the pass-through of certain costs, levies or tax or some form of carbon-related cost;
 - ~~(s)~~ whether the contract uses any version of the International Swaps and Derivatives Association Master Agreement (ISDA Master Agreement) (including where the schedule to the form of the ISDA Master Agreement used for the contract makes an amendment to the main part of the ISDA Master Agreement);
 - ~~(t)~~ any other information specified in a notice **published** by the **Authority** under clause 13.219A.
- (2) The party specified in clause 13.218 must submit the information required by this clause in the form specified by the **Authority** and in accordance with clause 13.225(1).

13.219 Information that must be submitted

- (1) The following information must be submitted to the **approved system** in relation to every **options contract**:
- (a) the **trade date**;
 - (b) the **effective date**;
 - (c) the **end date**;
 - (d) the **quantity**.
- (2) The following information must be submitted to the **approved system** in relation to each **contract for differences** or **fixed-price physical supply contract**:
- (a) whether the contract is a **contract for differences** or a **fixed-price physical supply contract**;
 - (b) the **trade date**;
 - (c) the **effective date**;
 - (d) the **end date**;
 - (e) the **quantity**;
 - (f) whether or not the contract applies to all **trading periods** within its **term**;
 - (g) whether there is an **adjustment clause**;
 - (h) whether there is a **force majeure clause**;
 - (i) whether there is a **suspension clause**;
 - (j) whether there are any other clauses providing for the pass-through of certain costs, levies or tax or some form of carbon-related cost.
- (3) In addition to the information that must be submitted in accordance with subclause (2), the following information must be submitted to the **approved system** in relation to each **contract for differences**:
- (a) whether there is a **special credit clause**;
 - (b) whether the volume of **electricity**, in respect of which payments are required to be made by the **floating-price payer**, is flat or varies for different **trading periods**;
 - (c) whether the contract has been traded on the EnergyHedge platform. The EnergyHedge platform is a centralised trading platform for standardised derivative contracts on **electricity** prices in New Zealand;

- (d) — whether the contract has been prepared based on the standardised schedule, which can be adopted in conjunction with the International Swaps and Derivatives Association Master Agreement, as may be available on EnergyHedge.
- (4) — In addition to the information that must be submitted in accordance with subclauses (2) and (3), the following information must be submitted to the **approved system** in relation to each **contract for differences** that has a **term** of less than 10 years and each **fixed-price physical supply contract** that has a **term** of less than 10 years:
- (a) — the **contract price** calculated in accordance with clause 13.220;
- (b) — the **grid zone area** in which the **contract price** is determined or applies.
- (5) — The information specified in this clause must be submitted in the form specified by the **Authority** and in accordance with clause 13.225(1).
- (6) — If a **seller** and a **buyer** enter into a **contract for differences** or **fixed-price physical supply contract** that includes more than 1 **contract price schedule**, the **party** required to submit information in accordance with clause 13.218 must do so in accordance with 1 of the following methods:
- (a) — if the contract includes **contract price schedules** relating to more than 1 **grid zone area**, by combining the information relating to all **contract price schedules** within each **grid zone area** and submitting that combined information to the **approved system** as if there were 1 contract for each **grid zone area**;
- (b) — if the contract includes **contract price schedules** relating to more than 1 **node**, by combining the information relating to all **contract price schedules** at each **node** and submitting the combined information to the **approved system** as if there were 1 contract for each **node**;
- (c) — if the **party** does not wish to combine the information in accordance with paragraphs (a) and (b), by submitting the information for each **contract price schedule** to the **approved system** individually, as though each **contract price schedule** was a separate contract.
- (7) — To avoid doubt, if a **contract for differences** or **fixed-priced physical supply contract** includes an **adjustment clause**, —
- (a) — the information that must be disclosed in accordance with this clause, in relation to the contract, must only be disclosed once; and
- (b) — the **contract price** to be disclosed in accordance with subclause (4) is that which first applies under the contract.

13.219A Authority may prescribe additional information that must be submitted

- (1) The **Authority** may **publish** a notice prescribing additional information relating to a **risk management contract** that must be submitted under clause 13.219(1)(t).
- (2) The **Authority** may prescribe additional information under subclause (1) only for a purpose specified in clause 13.217.
- (3) Before **publishing** a notice under subclause (1), the **Authority** must:
- (a) **publish a proposed notice that contains:**
- (i) the **proposed notice information relating to a risk management contract that the Authority intends to prescribe as additional information that must be submitted under clause 13.219(1)(t):**
- (ii) the **Authority's** purpose in requiring disclosure of the additional information; and

- (iii) the **Authority's** assessment of the likely benefits of requiring the disclosure of the additional information prescribed in the proposed notice and whether those benefits are expected to outweigh the likely costs; and
- (iv) the proposed date or dates on which the disclosure of the additional information will apply; and
- (b) provide a reasonable opportunity for persons to make submissions to the **Authority** on the proposed notice; and
- (c) consider submissions received under paragraph (b) in deciding whether to:
 - (i) make any reasonable changes to the additional information required by the proposed notice; and
 - (ii) **publish** the notice.

13.219B Authority may prescribe additional risk management contract

- (1) The **Authority** may **publish** a notice prescribing any type of contract used to manage risk in relation to the spot market for **electricity** as a **risk management contract** to which this subpart applies.
- (2) The **Authority** may prescribe any type of contract as a **risk management contract** under subclause (1) only for a purpose specified in clause 13.217.
- (3) Before **publishing** a notice under subclause (1), the **Authority** must:
 - (a) **publish** a proposed notice that contains:
 - (i) the type or types of contract that the **Authority** intends to prescribe as a **risk management contract**;
 - (ii) the **Authority's** purpose in prescribing the type or types of contract as a **risk management contract**;
 - (iii) the **Authority's** assessment of the likely benefits of prescribing the type or types of contract as a **risk management contract** and whether those benefits are expected to outweigh the likely costs;
 - (iv) a list of any additional information that **parties** to the type or types of contract must submit to the **Authority** under clause 13.219A;
 - (v) the proposed date or dates on which this subpart will apply to the type or types of contract; and
 - (b) provide a reasonable opportunity for persons to make submissions to the **Authority** on the proposed notice; and
 - (c) consider submissions received under paragraph (b) in deciding whether to:
 - (i) make any reasonable changes to the proposed notice; and
 - (ii) **publish** the notice.

13.220 Calculation of contract prices

- (1) Following the receipt of information submitted under clause 13.219, the **WITS manager** must calculate:
 - (a) tThe **time weighted contract price** in accordance with subclause (1A); and
 - (b) the **load weighted contract price** in accordance with subclause (1B).
- (1A) The **time weighted contract price** is to be calculated to be submitted for the purposes of clause 13.219(4)(a) and (6) is to be calculated in accordance with the following formula:

$$CP_{tw} = \left(\frac{\sum_{i=1}^n P_i \times TP_i}{\sum_{i=1}^n TP_i} \right) / LF \times LAF$$

where

CP_{tw} is the **time weighted contract price**

n is the number of different prices within the contract

P_i is the price specified in the contract

TP_i is the number of **trading periods** during which each price in the contract applies

LF is the **location factor**, for the relevant **node** at which the price is set in the contract, as **published** by the **WITS manager Authority** in accordance with clause 13.221

LAF means a loss adjustment factor, which is,—

- (a) if the **time weighted contract price** for the contract is referenced to a **point of connection** on the **grid**, 1; or
- (b) for all other contracts, 0.937 (being the difference between 1 and the loss factor of 0.063).

(1B) The load weighted contract price is to be calculated in accordance with the following formula:

$$CP_{lw} = \left(\frac{\sum_{i=1}^n P_i \times V_i}{\sum_{i=1}^n V_i} \right) / LF \times LAF$$

where

CP_{lw} is the load weighted contract price

n is the number of different prices within the contract

P_i is the price specified in the contract

V_i is the volume of electricity for each trading period during which each price in the contract applies

LF is the location factor, for the relevant node at which the price is set in the contract, as published by the WITS manager in accordance with clause 13.221

LAF means a loss adjustment factor, which is,—

(a) if the load weighted contract price for the contract is referenced to a point of connection on the grid, 1; or

(b) for all other contracts, 0.937 (being the difference between 1 and the loss factor of 0.063).

(2) ~~[Revoked] The Authority may issue guidelines on the approved system to provide assistance to sellers and buyers in determining what information must be submitted to the approved system, which may include clarification as to how to apply the formula in subclause (1) in the circumstances covered by clause 13.219(6).~~

(3) Where a risk management contract includes prices at more than 1 node, the WITS manager will calculate the time weighted contract price and load weighted contract price at as if there were 1 contract for each node.

(4) To avoid doubt, if a risk management contract includes an adjustment clause, the time weighted contract price and load weighted contract price is that which applies before the adjustment clause takes effect.

...

13.222 ~~[Revoked] Other information that must be submitted~~

(1) ~~The following information must be submitted to the approved system in relation to every risk management contract:~~

~~(a) each party's legal name;~~

~~(b) each party's email address for notice.~~

(2) ~~The information must be submitted in accordance with clause 13.225(1).~~

13.222A Information about other contracts that must be submitted

If a participant enters into a contract where a substantial purpose is to manage risk for the participant in relation to the spot market for electricity, but that contract is not a risk management contract, the participant must submit to the approved system:

(a) notification that the participant has entered into the contract; and

(b) a description of the key terms of the contract.

13.223 Modified or amended information

(1) ~~If a modification or amendment is made to a risk management contract is modified or amended, after the information referred to in clauses 13.219 or 13.222 has been is submitted to the approved system, and the effect of the modification or amendment is that the information submitted to the approved system is no longer correct or complete, the party specified in clause 13.218 must submit the modified or amended information must be submitted to the approved system.~~

(2) ~~The party specified in clause 13.218 must submit the information submitted under subclause (1) must—~~

- (a) ~~so that it identifies~~ identify in each case the information that has been modified or amended; and
- (b) ~~be~~ in the form specified by the **Authority**; and
- (c) ~~be submitted~~ in accordance with clause 13.225(2).

13.224 Correction of information

Except when clause 13.223 applies, if a ~~party to a risk management contract~~ the party specified in clause 13.218 discovers that information previously submitted to the **approved system** about that **risk management contract** is incorrect or incomplete, that **party** must—

- (a) seek to agree with the **other party** to the **risk management contract** that the information is incorrect or incomplete and how it should be corrected; and
- (b) when both **parties** have agreed that the incorrect or incomplete information should be corrected, submit the corrected information to the **approved system** in accordance with clause 13.225(3).

13.225 Timeframes for submitting information

- (1) The party specified in clause 13.218 must submit the information specified in clauses 13.219 and ~~13.222~~ ~~must be submitted~~ to the **approved system**—
 - (a) in respect of a **contract for differences** or an **options contract**, no later than 5pm, 5 **business days** after the **trade date**; and
 - (b) for any other type of **risk management contract**, no later than 5pm, 10 **business days** after the **trade date**.
- (2) The party specified in clause 13.218 must submit any modified or amended information ~~submitted~~ under clause 13.223(1) ~~must be submitted~~ to the **approved system** no later than 5pm, 5 **business days** after the amendment or modification to the **risk management contract** is made.
- (3) A **participant** that discovers under clause 13.224 that information it submitted to the **approved system** is incorrect or incomplete must submit the corrected information to the **approved system** no later than 5pm, 2 **business days** after both **parties** to the **risk management contract** have agreed how the incorrect or incomplete information should be corrected.
- (4) The party specified in clause 13.227A(3) must submit the corrected information agreed under clause 13.227(3A) ~~submitted in accordance with clause 13.227(8)~~ ~~must be submitted~~ to the **approved system** no later than 5pm on the date that is; 2 **business days** after the date that the parties to the risk management contract have agreed, ~~in accordance with clause 13.227(5)(b), that the information made available under clause 13.226(1) is not correct, and on the~~ corrected the information accordingly.

13.226 WITS manager must make certain information available to **the public Authority**

- (1) The **WITS manager** must, as soon as practicable, make the following information in relation to every risk management contract ~~the information submitted under clauses 13.219, 13.223(1), and 13.224~~ available to the Authority at no cost on a publicly accessible approved system:
 - (a) information submitted under clauses 13.219-13.219(1)(c) to 13.219(1)(j), and 13.219(1)(m) to 13.219(1)(t);
 - (b) whether the contract applies to all trading periods within its term;

- (c) the **time weighted contract price and load weighted contract price** calculated in accordance with clause 13.220 or, if clause 13.220(3) applies, the **time weighted contract prices and load weighted contract prices**;
- (d) the **premium**, expressed as an amount of dollars per MWh;
- (~~ed~~) the **grid zone area** in which the, or each, **time weighted contract price and load weighted contract price** is determined or applies;
- (fe) where any information is submitted under clauses 13.223(1) and 13.224—
 - (i) that information, to the extent that it modifies, amends, or corrects information made available under paragraph (a); and
 - (ii) any necessary amendments to the information made available under paragraphs (b) to (~~ed~~).

(1A) The WITS manager must, as soon as practicable, make information submitted under clause 13.222A available to the Authority.

- (2) At the same time that it makes ~~the submitted~~ information **submitted under clause 13.219 or 13.223(1)** available in accordance with subclause (1), ~~for all information other than that submitted under clause 13.224~~, the **WITS manager** must—
 - (a) ~~[Revoked] indicate on the approved system that the information is unverified; and~~
 - (b) **for a risk management contract other than a fixed-price physical supply contract** if the contract is a ~~contract for differences or an options contract~~, give a written notice to the **other party** to the contract—
 - (i) (if the **other party** is a **participant**) requiring the **other party** to submit a **verification notice** to the **approved system** within 2 **business days** of receiving the notice confirming whether or not the information is correct; or
 - (ii) (if the **other party** is not a **participant**) giving the **other party** the option to submit a **verification notice** to the **approved system** within 2 **business days** of receiving the notice confirming whether or not the information is correct; or
 - (c) if the contract is a **fixed-price physical supply contract**, give a written notice to the **other party** giving the **other party** the option to submit a **verification notice** to the **approved system** within 2 **business days** confirming whether or not the information is correct.
- (3) A **participant** that receives a **verification notice** under subclause (2)(b)(i) must comply with the written notice.

13.226A Authority must make certain information publicly available

- (1) Subject to subclause (2), the **Authority** must, as soon as practicable after the **WITS manager** makes information available to the **Authority** under clause 13.226(1), **publish** the following information in relation to every **risk management contract**:
 - (a) information submitted under clauses 13.219(1)(c) to 13.219(1)(h), 13.219(1)(j), and 13.219(1)(m) to 13.219(1)(s); and
 - (b) information made available under clauses 13.226(1)(b) to (e); and
 - (c) where any information is submitted under clauses 13.223(1) and 13.224—
 - (i) that information, to the extent that it modifies, amends, or corrects information **published** under paragraph (a); and
 - (ii) any necessary amendment to the information **published** under paragraph (b).

- (2) If the **risk management contract** is for the purchase of **electricity** linked to **generation** at a particular **generating plant** or **generating plants**, or **generating station** or **generating stations**, the **Authority** may also **publish** the following **information** in relation to the **risk management contract**:
- (a) information submitted under clauses 13.219(1)(c), 13.219(f) to 13.219(1)(h), and 13.219(1)(m) to 13.219(1)(s);
 - (b) information made available under clause 13.226(1)(b); and
 - (c) where any information is submitted under clauses 13.223(1) and 13.224—
 - (i) that information, to the extent that it modifies, amends, or corrects **information published** under paragraph (a); and
 - (ii) any necessary amendment to the information **published** under paragraph (b).
- (3) When information submitted under clause 13.219 or 13.223(1) is first **published** under subclause (1) or (2), the **Authority** must indicate that the information is **unverified**.
- (4) The **Authority** must, as soon as practicable, update the indication made under subclause (3) to **verified**, **pending verification**, **not disputed**, **disputed** or **subject to a long-term dispute** every time the **WITS manager** notifies the **Authority** of a change in accordance with clauses 13.227(1) to (3), 13.227(4) and 13.227A(4).

13.227 Process on ~~V~~erification of information or otherwise

- (1) The **WITS manager** must ~~indicate on the approved system~~ notify the **Authority**, as **soon as practicable**, that the information made available under clause 13.226(1) is **verified** if ~~if the other party to a risk management contract submits a verification notice to the approved system within 2 business days of receiving notice under clause 13.226(2) confirming that the information made available under clause 13.226(1) is correct, the WITS manager must indicate that the information made available under clause 13.226(1) is verified.~~
- (2) The **WITS manager** must ~~indicate on the approved system~~ notify the **Authority**, as **soon as practicable**, that the information made available under clause 13.226(1) is not **disputed**, if—
- (a) the **other party** to a **risk management contract** other than a **fixed-price physical supply contract** ~~contract for differences~~ or an **options contract** is not a **participant** and does not submit a **verification notice** to the **approved system** within 2 **business days** of receiving notice under clause 13.226(2)(b)(ii); or
 - (b) the **other party** to a **fixed-price physical supply contract** does not submit a **verification notice** to the **approved system** within 2 **business days** of receiving notice under clause 13.226(2)(c).
- (3) The **WITS manager** must ~~indicate on the approved system~~ notify the **Authority**, as **soon as practicable**, that the information made available under 13.226(1) is **disputed** if ~~if the other party to a risk management contract submits a verification notice to the WITS manager within 2 business days of receiving notice under clause 13.226(2) advising that the information made available under clause 13.226(1) is not correct, the approved system must indicate that the information is disputed.~~
- (3A) If the information made available under clause 13.226(1) is **disputed**, the **WITS manager** must give the **parties** to the relevant **risk management contract** a written notice requiring the **parties** to use all reasonable endeavours to agree within 10 **business days** of receiving the notice on:
- (c) whether the information made available under clause 13.226(1) is correct; and

- (d) if not, what corrections should be made to the information.
- (4) If the **other party** to a **risk management contract** other than a **fixed-price physical supply contract** ~~contract for differences~~ or an **options contract** is a **participant** that has not submitted but does not submit a verification notice within 2 **business days** of receiving notice in accordance with clause 13.226(2)(b)(i), the **WITS manager** must—
- (a) ~~indicate on the approved system notify the Authority, as soon as practicable,~~ that the information made available in accordance with clause 13.226(1) is pending verification; and
- (b) give the **other party** a written reminder notice requiring the **other party** to submit a **verification notice** as soon as possible.
- (5) ~~[Revoked]If the information made available under clause 13.226(1) is disputed, the WITS manager must—~~
- (a) ~~indicate on the approved system that the information is disputed; and~~
- (b) ~~give the parties to the relevant risk management contract a written notice requiring the parties to use all reasonable endeavours to agree on whether the information submitted in accordance with clause 13.225(1) is correct or not within 10 business days of receiving the notice.~~

13.227A Parties to comply with written notices from WITS manager

- (16) The **parties** must comply with any written notice given from the WITS manager under ~~subclauses clause 13.227(3A) or (4)(b) or (5)(b).~~
- (27) If the **parties** to the **risk management contract** ~~agree in accordance with~~ under clause 13.227(3A) subclause (5)(b) that the information made available under in accordance with clause 13.226(1) is correct, the **other party** must submit a **verification notice** to the **approved system** ~~within 1 business day~~ confirming that the information is correct.
- (38) If the **parties** to ~~the a~~ **risk management contract** agree under clause 13.227(3A) to a correction to in accordance with subclause (5)(b) that the information made available under in accordance with clause 13.226(1) is ~~not correct~~, the **party** that submitted that information to the **approved system** must submit the corrected ~~that~~ information in accordance with clause 13.225(4).
- (49) ~~If, the parties to the risk management contract have not complied with subclauses (2) or (3) within 10 business days of receiving the written notice from the WITS manager under clause 13.227(3A) or (4)(b), sent in accordance with subclause (5)(b), the parties to the relevant risk management contract are not able to agree whether or not the information made available in accordance with clause 13.226(1) is correct, despite using all reasonable endeavours, the WITS manager must indicate on the approved system notify the Authority~~ that the information is subject to a long term dispute.

13.228 Confirmation of information submitted through approved system

- (1) The **WITS manager** must, using the **approved system**, confirm receipt of any information received by it under clauses ~~13.219~~13.21, ~~or 13.222 to~~ 13.222A, 13.223 or 13.224.
- (2) Each confirmation under subclause (1) must contain a copy of the information received using the **approved system**, together with the date and time of receipt.

13.229 Submitting party or participant to check if no confirmation received

- (1) If a **party** or participant ~~that submits information to the approved system~~ does not receive confirmation from the **WITS manager** under clause 13.228(1) ~~that the~~

~~approved system~~ has received the ~~party's~~ information within 6 hours of submitting the information, ~~they~~ that ~~party~~ must, within ~~1 business day~~ of that 6 hour period ending, contact the **WITS manager** within 1 business day from the end of that 6 hour period to check whether the **approved system** has received the information.

- (2) If the **WITS manager** advises the **party** or **participant** that the **approved system** has not received the information, the **party** or **participant** must resubmit the information.
- (3) This process must be repeated until the **WITS manager** has confirmed receipt of the information from the **party** or **participant** in accordance with clause 13.228.

13.230 Certification of information

- (1) Each **participant** that has submitted information to the **approved system** in accordance with ~~this subpart clause 13.225 in~~ in a particular year ending 31 March must, ~~within 3 months of the end of the year ending 31 March~~ by 30 June that year, certify to the **Authority** that the information submitted was correct.
- (2) The certification provided under subclause (1) must be—
 - (a) ~~[Revoked]~~
 - (b) in the **prescribed form** ~~form specified by the **Authority**~~; and
 - (c) signed and dated by either—
 - (i) a director of the **participant**; or
 - (ii) the **participant's** chief financial officer, or person holding an equivalent position; or
 - (iii) the **participant's** chief executive officer, or person holding an equivalent position.

13.231 Appointment of auditor ~~Audit of information~~

- (1) The **Authority** may, in its discretion, require ~~carry out~~ an **audit** as to whether a **participant** has complied with this subpart.
- (2) If the **Authority** requires an **audit** ~~decides under subclause (1) that a **participant** should be subject to an **audit**~~,—
 - (a) the **Authority** must require first give written notice to the **participant** requiring the **participant** to nominate an appropriate **auditor**;:-
 - (b) t~~The **participant** must provide that nomination in writing to the **Authority** within a reasonable timeframe~~;:-
 - (c) t~~The **Authority** may direct the **participant** to must appoint the **auditor** nominated by the **participant**~~;:- and
 - (d) i~~f the **participant** fails to nominate an appropriate **auditor** within 20 business days, a reasonable timeframe, the **Authority** may direct the **participant** to appoint an **auditor** of the **Authority's** ~~its own~~ choice.~~
- (2A) The **participant** must appoint an **auditor** in accordance with a direction made under paragraph (2)(c) or (2)(d).

13.231A Audit process

- ~~(13)~~ A **participant** subject to an **audit** under this clause must, on request from the **auditor**, provide the **auditor** with a copy of every **risk management contract** that it has entered into in the previous 12 months or within such other period specified by the **auditor**.
- ~~(2)~~ The **participant** must provide the this **audit** information no later than 20 business days after receiving a request from the **auditor** for the information.

- (34) The **participant** must ensure that the **auditor** ~~produces~~ provides the **Authority** with an **audit** report on the **participant's** compliance with this subpart and submits the **audit** report to the **Authority** within the timeframe specified by the **Authority**. ~~that has been prepared in accordance with subclauses (4A) and (5).~~
- (4) Before the **audit** report is submitted to the **Authority**, the **auditor** must refer any apparent failure by the **participant** to comply with this subpart that the auditor has identified to the **participant** for comment within the timeframe specified by the **auditor**.
- (54A) The **audit** report must include any comments from the **participant** on any apparent non-compliance ~~that the auditor referred to the participant under subclause (4) found by the auditor~~ if the **participant** provided comments to the **auditor** within the a-time specified by the **auditor**.
- (65) The **audit** report ~~must~~ does not need contain a copy of any **risk management contract** that the participant has provided to the **auditor** in accordance with subclause (13), unless the **Authority** has specifically required requested that the **auditor** to include a copy of any **risk management contract** in the **audit** report ~~do so~~.

13.232 Payment of costs relating to audits

- (1) If an **audit** establishes, to the reasonable satisfaction of the **Authority**, that a **participant** may not have complied with this subpart ~~(whether or not the Authority appoints an investigator to investigate the alleged breach)~~, the **participant** must pay for the **audit** even if the Authority declines to appoint an investigator to investigate the alleged breach.
- (2) If the **Authority** considers that the apparent non-compliance of the **participant** is minor or relates to some (but not all) of the clauses in this subpart, the **Authority** may, in its discretion, make an assessment regarding the proportion of the costs of the **audit** that are to be paid by the **participant**, and those costs must be paid by the **participant**.
- (3) If an **audit** establishes to the reasonable satisfaction of the **Authority** that the **participant** has complied with this subpart, the **participant** is not required to pay any of the **auditor's** costs.

13.233 WITS manager and Authority must ~~not publish~~ keep certain information and ~~may use information only under this subpart~~ confidential

- (1) The **Authority** must keep, and ensure that the **WITS manager** ~~and each auditor appointed under clause 13.231(2) keeps~~, information submitted to the **approved system** under this subpart clauses 13.219, or 13.222 to 13.224 and copies of any **risk management contract** provided to the **auditor** under clause 13.231 confidential, unless—
- (a) the information is provided by the **Authority** to subcontractors or **service providers** that the **Authority** appoints to provide services for the purposes of this subpart, and those subcontractors or **service providers** have agreed to keep that information confidential, on the same terms as apply to the **Authority** under this clause; or
- (b) disclosure is required to enable the Authority or the WITS manager to carry out its obligations and duties under the Act, this Code the Code or the Electricity Industry (Enforcement) Regulations 2010 or is otherwise the information is required to be disclosed by law; or

- (c) the **party, or parties or other persons** to whom the information relates have provided written consent to the disclosure; or
- (d) ~~[Revoked] any of the information in a risk management contract is made available in accordance with clause 13.226(1); or~~
- (e) the information is otherwise publicly available at the time that the **Authority** discloses it.

(1A) The obligation in subclause (1) does not prevent the **Authority** from—

- (a) using the information for any purpose in connection with the **Authority's** objectives set out in section 15 of the **Act** or the **Authority's** functions in section 16 of the **Act** or section 14 of the Crown Entities Act 2004; or
 - (b) disclosing the information in connection with a purpose referred to in paragraph (a) in anonymised form or in consolidated form.
- (2) The **Authority** may use the information submitted under clause 13.222 and copies of a **risk management contract** provided to the **Authority** under clause 13.231A(6) by an **auditor** appointed under clause 13.231(2) only for purposes related to this subpart and the enforcement of this subpart.

...

13.236 Availability of information

The **WITS manager** may only remove information that is submitted under clauses 13.219, 13.223, or 13.224 may only be removed from the **approved system** after 12 months following after the termination of the **risk management contract** that the information relates to.

13.236AA Requirement to provide consent to exchange

- (1) Each **participant** must ensure that, before placing any bid or offer for, or entering into, an exchange-traded **risk management contract**, it has provided the consent described in clause 13.236AA(2) to the exchange through which the bid or offer will be placed or contract entered into, which consent must continue to be in effect at the time any such bid or offer is placed or contract is entered into.
- (2) The participant must ensure that the consent ~~required under subclause (1) must be~~ is in the **prescribed form** and allows the exchange to provide any of the following de-anonymised information (including historical information) to the **Authority** at such frequency as may be required by the **Authority** from time to time:
 - (a) any information, documents or data in relation to bids or offers placed for **risk management contracts**, or in relation to such contracts entered into, by, or on behalf of, the **participant** (including in relation to buy and sell prices, trading periods, volumes and quantities);
 - (b) any information, documents or data in relation to the number of outstanding **risk management contracts** held by, or on behalf of, the **participant** at the end of each **trading day**;
 - (c) where the **participant** has an agreement with an exchange that imposes requirements on the **participant** in relation to the exchange's market-making scheme for **risk management contracts**, any other information, documents or data that the **Authority** may require in relation to the **participant's** performance of its obligations under that agreement.
- (3) ~~Each~~ The **participant** must ensure that, all necessary arrangements are in place with any agent, associate, contractor, service provider, or other person acting on behalf of, or on the instructions of the participant, immediately after providing consent in

accordance with subclause (1), ~~all necessary arrangements are in place with any agent, associate, contractor, service provider, or other person acting on behalf of, or on the instructions of, the participant~~ to permit and facilitate the provision of all information described in subclause (2) by the exchange to the **Authority**.

- (4) ~~Each~~**The participant** must, within 5 **business days** of receiving a written request from the **Authority**, supply the **Authority** with such evidence as may be reasonably required by the **Authority** to satisfy itself that the consent and arrangements required by this clause 13.236AA are in full force and effect.
- (5) The **Authority** may issue guidelines to assist **participants** to identify the types of information the **Authority** may obtain from an exchange and the types of arrangements it expects **participants** to put in place to permit and facilitate the provision of such information.