

Risk management review

Key messages:

We initiated the risk management review in December 2023.

At the heart of the review is the Authority's commitment to a competitive retail electricity market where all consumers have more choice and more access to affordable electricity.

Any barriers to retail competition are not in the interests of consumers.

The review is testing whether the availability and pricing of risk management options, particularly OTC contracts, creates a barrier to entry or expansion by retailers, and therefore harms competition.

During the course of the review, we have requested and received substantial amount of information from non-integrated retailers and generator-retailers and this has undergone complex analysis.

We have been engaging with the Commerce Commission throughout the review – drawing on their expertise – to complement our internal analysis.

We will present initial views on whether risk management availability and pricing is creating a barrier to retail competition for stakeholder feedback later this year.

There is an overlap between the risk management review and the post-implementation review of the internal transfer price (ITP) and retail gross margin (RGM) information disclosure regime.

Both reviews are considering ITPs in the context of electricity market competition.

We intend to publish the post-implementation review into the disclosure regime at the same time as we release our initial views for feedback on the risk management review.

This will provide a complete picture of the Authority's views on these issues, the potential impact on consumers, and any initial thinking on responses.

Timeline

- *19 December 2023* – announcement of review underway
- *Late December 2023* – information requests to non-integrated retailers
- *Early March 2024* - information requests to generator-retailers
- *Mid April 2024* – final responses to requests received

- *Since* – Clarifications and follow-up information sought; detailed analysis undertaken
- *14 June 2024* – Emails to those with an interest in the review updating them on the intended timeline for publication of our initial views on the investigation phase of the review for stakeholder feedback. Supported by updated public information – news item and website
- *Last-quarter of 2024* – Publish review findings for feedback early in the last quarter of this calendar year. At the same time, we will also publish the post-implementation review of the ITP and RGM disclosure provisions.