Request for Information

By	The Electricity Authority, on behalf of the Standardised Flexibility Product Co-design Group ("the Co-design Group")
For	Brokered services supporting trade in standardised flexibility products
Release date	20 December 2024
Responses due by	10 January 2025

Background

Consumers and industry stand to benefit from trade in flexibility products. The market for flexibility products will provide an important price signal for investment in new generation and demand flexibility solutions, ensuring consumers benefit from more reliable and affordable electricity.

As New Zealand develops more intermittent generation, like wind and solar, electricity supply needs to be firmed with generation from hydro or other flexible generation.

Access to flexibility contracts will act as "insurance" for this firming and will give participants another risk management tool to manage financial risk, particularly during periods of volatility.

The introduction of standardised flexibility products is a priority for the Electricity Authority. The recently established Energy Competition Task Force included this project as a key measure to enable new generators and retailers to enter and compete in the market. This work also implements recommendation 8 from the Market Development Advisory Group's final report on *Price Discovery in a Renewable-Based Electricity System.*

The Co-design Group has recommended a super-peak hedge contract and anticipates trading of this product to begin late January 2025.

The opportunity

The Co-design Group would like to see trading in standardised flexibility products. In the past, services such as a matching services or auctions were highly beneficial to the wider market. It is anticipated that such a service would:

1. focus liquidity in the product, and

2. provide price discovery of trades as well as bids and offers
3. facilitate the execution of over-the-counter contracts between participants, subject to the required documentation in place between them.

This would be informative as to the depth of interest on the buy and sell side, as well as the spread between the two.

Standardised Flexibility Product 2025

Product style	Contract for difference
Commodity	Electrical energy bought and sold in the New Zealand Electricity Market
Nodes	Otahuhu 2201 grid reference point Benmore 2201 grid reference point
Contract size	0.1 MW
Contract profile	• All days • Trading periods 15 to 21 and 35 to 42
Price quotation	In increments of NZD$0.05
Contract durations	**Calendar quarters,** offered as quarterly contracts for the following 9 quarters (when including the front 6 months, a total of 12 quarters, or 36 months offered). **Calendar months,** offered as monthly contracts for the current quarter and next two quarters (6-8 months total), not including the current month.

Who might be able to help

It is anticipated that brokers may be the key provider of services as a matching service, or a bulletin board, on a regular basis.

What's important

- The market should be run regularly, and consistently from late January to July initially.
- The last orders should be accepted up to **30 minutes** prior to the matching of orders.
- Matching needs to be between approved counterparties within their respective trading limits.
    - Matched parties need to have completed due diligence and know-your-customer processes to ensure each counterparty is approved to trade with.

  - Parties on the matching platform need to qualify as wholesale investors for the purposes of the FMCA.
  - Matched parties need to have an executed ISDA and Schedule between them.
  - Trades need to be within the approved credit limits of matched parties.
- Distribution of anonymous bid, offer, and trade data from the market session to participants and the Authority.

Your information should include

- How you would fulfil the needs above.
- The frequency of the market operating (eg, fortnightly or twice monthly to start).
- An expectation of timing of the market in a working day or week, especially relative to existing ASX trading and FTR auctions.
- An indication of the speed and method with which you could publish anonymous bid, offer, and trade data from the market session to participants and the Authority.
- Indicative fee structure for participants.

Note:

The Authority will keep the details of your response confidential.

If we do publish any details, it will only be in an aggregated form and in a manner that keeps individual details confidential and anonymous.

We look forward to receiving your comments on this opportunity.

Please provide your response to:

[redacted]