The Electricity Authority - Te Mana Hiko
PO Box 10041
Wellington 6143

30 September 2025

Consultation Paper—Regulating the standardised super-peak hedge contract

To whom it may concern,

Thank you for the opportunity to submit on the *"Regulating the standardised super-peak hedge contract"* consultation.

emhTrade has been an active participant in the New Zealand electricity hedge market for more than a decade, trading across ASX, FTRs, and OTC products. Since the introduction of the standardised super-peak trading sessions in January, we have undertaken numerous trades with a range of physical market participants. In line with the Authority's objectives, we look forward to continued growth in liquidity and participation in this and other shaped hedge products.

Our responses to the Authority's questions are set forth on the following page. None of the information in this response is confidential.

We welcome further discussions with the Authority and the wider market on the points raised.

Yours faithfully,

Stu Innes
CEO & Co-founder – emhTrade

Appendix E Format for submissions

Regulating the standardised super-peak hedge contract issues and options

Submitter	emhTrade Markets Limited

Questions	**Comments**
Q1. Do you agree that access to shaped hedge contracts such as the standardised super-peak hedge contract is an important enabler of competition in the electricity market?	Yes
Q2. Do you agree with our objectives for and intended outcomes of trade in the super-peak product?	Yes. We would add that the importance of the price signal for new physical assets cannot be overstated. We agree retail market innovation will be enhanced by deeper markets in shaped products, as a capacity-like price allows for clearer ToU pricing, greater recognition of the value of load shifting and clearer signals to invest in the capability to provide it.
Q3. Do you agree with our framework and metrics for assessing liquidity in the standardised super-peak market?	The Authority currently estimates that bid and offer volumes of at least 6 MW are sufficient to exceed natural (independent retailer) demand for these hedges. While that may currently be the case, the overall objective of the standardised super-peak workstream is to enhance competition and provide a framework under which retailers can grow, not merely survive. The Authority also notes that: *"The participation of traders (ie, non-physical participants) is also important to close any price differences relative to fair value or efficient pricing."* We agree with this statement. However, where (perceived) price inefficiency exists and non-physical participants trade against it, physical participants could end up competing for the limited 6 MW volume available. For this reason,

	minimum tradable volumes should be a multiple of estimated natural demand. Given that the standardised super-peak contract is approximately one-third the notional value of a baseload contract, we agree with Principal Economics' recommendation that total bids and offers should be at least 10–15 MW per side. The sooner this depth is achieved, the better. On a MWh basis, 10MW of super-peak provides buyers and sellers with between 31-63% of the tradeable volume prescribed by the ASX market making agreements (depending on whether refresh obligations are included). Given that fortnightly super-peak trading sessions occur only about 12% as often as ASX market-making windows, we do not consider this volume requirement onerous for regulated market makers.
Q4. Do you agree with our proposed quarterly assessment period for voluntary trading from 2026 onwards?	No. The Authority has provided robust analysis showing that traded and bid/offer volumes, as well as bid/offer spreads, have been insufficient to achieve its objectives. If the Authority agrees liquidity is insufficient, why delay action for 6–12 months, when consumers will ultimately pay the price of this delay? History has shown that voluntary market making works until it doesn't - which is precisely when it is most needed. A regulatory framework must therefore be in place before the next major event occurs. Winter 2024 is still fresh in the market's collective memory. Even with robust regulatory and contractual frameworks in place, one party's inability to perform caused a cascade failure of the entire market making scheme, at enormous cost. If a regulated scheme is this fragile, the "wait and see" approach will not serve the market or the Authority well if any storm clouds appear during the proposed assessment period. When the standardised super-peak product was announced, the Authority left the door open to regulatory intervention if liquidity proved inadequate. We have now reached that juncture - it is time to act. There is real moral hazard if the Authority chooses to wait another 6–12 months, as market makers would reasonably infer that threats of intervention will not be acted on and thus their optimal course of action is to further delay the provision of meaningful liquidity.

Q5. Do you think we should allow trading to develop further voluntarily and assess whether to regulate according to the framework set out above, or do you see a need to move more quickly now to regulate? Please provide reasons.	Immediate regulation is needed. As noted above: - The Authority has empirically shown there is inadequate liquidity. - Further entrenching the precedent that the Authority will not act on its signalled interventions makes any voluntary guidelines less effective (across all aspects of the market).
Q6. Do you have views on whether barriers exist to wider or more diverse participation in the super-peak trading events?	We are concerned that the limited volumes currently being quoted restrict participation and price discovery. The super-peak's lower notional value, combined with higher-touch trade booking and settlement requirements for OTC trades (compared to the ASX), may be limiting participation. If 10 MW were available at any time, more parties (particularly non-physical participants) would likely make the effort to trade, thereby improving efficiency. To access full liquidity, participants must have ISDAs and credit lines in place with all super-peak participants. For many entities this will be difficult, if not impossible.
Q7. Do you see a need for additional or better information on price discovery or trading of standardised super-peak contracts? If so, do you have any specific suggestions?	Yes. The existing platform requires significant improvement to support live participant-led order submission, data exports/price feeds, and the usual minimum viable functions of a derivative trading platform. The current platform's functionality is insufficient to enable market making as proposed by the Authority. Even for lower volume or frequency trading, there is too much friction. Participants must be able to submit and change their own prices via direct market access, rather than submitting a spreadsheet to the broker and being unable to change bids/offers promptly. While auction logs are available post-trading, real-time data is essential for informed live trading decisions. We acknowledge that the Authority and platform provider did excellent work to deliver a solution under tight timeframes, but further enhancements are needed to ensure competitive outcomes for consumers.
Q8. Do you agree with our options for enduring regulation? Are there other options you think we should consider?	We agree with the options presented and do not provide others to consider.

Q9. Do you have feedback on the settings for the options (eg, bid-ask spread, volumes)?	Regarding the OTC-based market-making option, we strongly agree it is preferable to increase the volume available in each trading event rather than the frequency of trading. The former reduces the effective spread for participants needing to secure volume. It is unclear whether the proposed 2.5 MW market-making obligation includes a refresh requirement similar to ASX. We believe 2.5 MW should be made available without a refresh, rather than 1.25 MW with refresh. The former results in a lower effective spread, especially if the proposed bid-ask spreads of 8%/5% are enacted. If a 3% bid-ask spread were achieved or mandated, a refresh option could reasonably be considered.
Q10. Do you agree with our rationale for who the regulation should apply to, and that it should be evenly spread across the obligated participants?	Yes
Q11. Do you agree with our criteria for assessing options for regulation? Do you think we should include anything else?	Yes
Q12. Do you agree with our assessment of option 1: Market making ASX ?	Yes.
Q13. How important do you think it is to retain flexibility for the product to evolve?	No strong view
Q14. Is access to the ASX a problem for your organisation? If so, please explain why.	No.
Q15. Do you agree with our assessment of option 2: market making OTC ?	The costs of trading OTC are not uniformly lower. The OTC trade flow and settlement process are more involved and inherently more manual and costly than on-exchange trading. While the working capital costs of on-exchange trading (initial and variation margins) are material and highly visible,

	eliminating IM/VM in OTC trading simply introduces a new cost in the form of credit risk (which is far less visible). Where participants choose not to set up trading relationships with others, incomplete whitelists create costs for affected entities and the wider market by reducing price discovery and liquidity. Subjective onboarding requirements from some participants mean the OTC market will never achieve full whitelist inclusion. By contrast, trading on exchange is always 100% inclusive for those entities who have access. Regarding frequency of trading events, we note that nothing prevents participants and brokers from quoting standardised super-peak contracts outside the fortnightly trading windows, which would enhance temporal resolution of the OTC solution.
Q16. How much of a problem is the administration burden and/or lack of total anonymity in option 2?	As mentioned earlier, the administrative burden is significant. We are constrained by the number of “small value” OTC trades we can enter due to the administrative overhead. No such constraint exists on-exchange, where the trade flow is relatively low-touch. Lack of anonymity is not a concern for us, but it does create information asymmetry since both parties to a trade are known to each other, but the wider market is not informed.
Q17. Do you have any feedback on our preferred option for regulating the standardised super-peak hedge contract?	The ASX has been slow to add new contracts to the NZ Electricity suite, so the exchange traded option is somewhat academic without their backing. To the extent the Authority can disclose such information, we would be interested in the ASX’s (or another exchange’s) willingness to list the super-peak contract. If exchange support cannot be secured, work should begin in earnest to develop a robust OTC framework.
Q18. Do you agree with our description of option A as a possible urgent and short-term response to a material reduction in liquidity of shaped hedge contracts?	Yes. While it may be a possible response to a short-term reduction in liquidity of shaped hedge products, it is not a useful one in our view, for the reasons identified in section 8.20.
Q19. Do you agree option B might be appropriate as an urgent and short-term response to a material	Yes

reduction in liquidity of shaped hedge contracts?	
Q20. What are your views on the frequency of monitoring for this option?	N/A
Q21. Do you agree the Authority needs to be prepared for urgent action if necessary?	Yes
Q22. Do you agree with option B as the preferred option for urgent regulation while more enduring regulation is being considered?	Yes
Q23. Are there any other ways to correct a sudden and material reduction in the offer and/or trade of shaped hedges, including the standardised super-peak contract?	No further suggestions.