LODESTONE ENERGY

30 September 2025

Electricity Authority

Via email: taskforce@ea.govt.nz

Lodestone Energy submission: Regulating trade in standardised super-peak hedge contracts

Questions	Answers
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?	As a priority, we recommend implementing simple super-peak hedges that are standardised, simple block products like the ASX (P x T x V); i.e., $220 from 6 to 9 pm for 0.1 MW for Q1 or January. We would also welcome shaped hedge contracts, as they theoretically reduce risk for the buyer and make setting up a retail proposition easier. We would have a minor concern that there would be a risk premium built into the prices that was not necessarily fair. In our view, these products are optional and very nice to have, as long as the risk premiums are competitively determined. A retailer that can combine 24x7 flat hedges and evening period hedges would materially be able to reduce its risk; particularly if Time-of-use (TOU) pricing was also standardised around the same time periods. In summary, it would be ideal if both simple and shaped hedges are available in the market. If there is difficulty in delivering a shaped-hedge, we would want market-making on the simple block product as the priority.
Q2. Do you agree with our objectives for and intended outcomes of trade in the super-peak product?	Yes. We would clarify with these major objectives: • Reduced seller concentration as liquidity builds (measured and published); • A transparent reference price for daytime energy (such as from a solar array); and • A transparent reference price for battery storage (peak period price).
Q3. Do you agree with our framework and metrics for assessing liquidity in the standardised super-peak market?	Yes. The volume trend, depth per side (≥6 MW), and spread caps (≤8% moving to ≤5%) are clear and auditable. We recommend adding a simple concentration metric (seller share of offered depth per session) to create visibility if parties dominate the price determination.
Q4. Do you agree with our proposed quarterly assessment	Yes.

period for voluntary trading from 2026 onwards?	Quarterly would likely be adequate as long as you retain discretion to run an interim check if any metric deteriorates materially between quarters.
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.	No. History has shown voluntary mechanisms are not readily accepted at material volumes. We think a regulated mandated process should be executed as soon as possible. The situation is quite urgent as capital is being evaluated for battery storage and more solar is entering the market. A transparent super-peak price is urgently needed and it should be for three years minimum into the future. We would support moving away from the mandated process if liquidity or spreads deliver enough length into the futures market. We have a view that when battery storage becomes a larger part of the market, liquidity will likely be derived more naturally.
Q6. Do you have views on whether barriers exist to wider or more diverse participation in the super-peak trading events?	Barriers: 1) Independent retailers are likely to be net buyers of super-peak hedges until their retail books are fulfilled. Trading tends to be weighted toward Gentailers (90% of the market) selling to Independents (at 10%). This tends to mean Gentailers will price the marginal super-peak volumes, the ones independents will be buying, at a premium; 2) Physical assets to back futures of the super-peak period are scarce; 3) Credit/prudential costs and limits are high; 4) bilateral onboarding; 5) Clip sizes can be too big for some independents. Remedies: 1) Execute a form of the Level Playing Field regulations to ensure independents have equal access to super-peak hedges as Gentailers have for themselves; 2) Quick implementation of the super-peak process will stimulate capital investment by independents (such as Lodestone) in battery capacity; 3) Take steps to reduce the prudential costs; 4) Allow 0.5–1.0 MW clips (aggregate depth unchanged); 5) Provide pre-approved small-trade limits, standardise electronic confirmations; 6) and explore an optional buyer credit hub.
Q7. Do you see a need for additional or better information on price discovery or trading of standardised super-peak	Keep publishing executed trades and auction logs. Add a post-session anonymised OTC snapshot per contract so participants can see current competitiveness:

contracts? If so, do you have any specific suggestions?	1. Top-of-book & % spread (best bid/offer; spread = (offer−bid)/mid); 2. Cumulative depth per side at ≥1/3/5/10 MW. 3. Participant counts (buyers, sellers); 4. Concentration (Top-2 seller share of offered depth, % only); 5. Executed summary (trades, total MW, VWAP).
Q8. Do you agree with our options for enduring regulation? Are there other options you think we should consider?	Yes. The two enduring options (ASX vs OTC market-making) are the right set. No additional option outperforms; an "offers-only" approach risks non-credible pricing.
Q9. Do you have feedback on the settings for the options (eg, bid-ask spread, volumes)?	As a priority, we would recommend implementing simple super-peak hedges that are standardised, simple block product like the ASX (P x T x V); i.e., $220 from 6 to 9pm for 0.1 MW for a specific period. Support 10 MW total quote depth and ≤5% spread. Start fortnightly OTC sessions; consider weekly once participation and traded volumes rise. Permit 0.5–1.0 MW minimum clips while keeping the 10 MW aggregate obligation.
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?	Agree. Apply obligations to those controlling flexible resources; divide evenly unless data warrants a differentiated split.
Q11. Do you agree with our criteria for assessing options for regulation? Do you think we should include anything else?	Yes. Add checks for concentration and constructive refusal (quotes that consistently sit at the cap but rarely trade).
Q12. Do you agree with our assessment of option 1: Market making ASX?	Yes. ASX brings transparency and clearing benefits but is slower to implement and often costlier for independents at present. It continues to trade significantly higher than spot settlement prices.
Q13. How important do you think it is to retain flexibility for the product to evolve?	Very important. Keep the Code high-level and reference an EA-maintained Product Specification (update by notice after short consultation) so the contract stays aligned to real peak risk.
Q14. Is access to the ASX a problem for your organisation? If so, please explain why.	Yes. A structured market making is needed to reduce the risk of ASX. • Short-term: low liquidity is always costly. The ASX is accessible but frequently expensive—ASX tends to trade at a premium near settlement; • Long-term (2–3 y): very low liquidity and high model uncertainty reduce counterparties.

Q15. Do you agree with our assessment option 2: market making OTC?	Yes. OTC market-making is the most workable near-term path. It improves access (small clips, no exchange margining), supports quick implementation, and allows the venue to publish anonymised post-session snapshots so participants can see that two-way prices are real and tradeable. As liquidity builds, parameters (depth, spread, frequency) can be tightened through routine reviews rather than full Code changes.
Q16. How much of a problem is the administration burden and/or lack of total anonymity in option 2?	Manageable with standard process and privacy controls: • **Docs & confirms:** one-time master terms; T+0 electronic confirmations for each matched clip; • **Anonymised crossing:** orders rest in a central book; counterparties are revealed only on confirmation; • **Reporting:** publish only aggregated fields (top-of-book, % spread, depth buckets, participant counts, concentration %) on an end-of-session or T+1 basis, with minimum-cell suppression where participant counts are small; This keeps operational overhead low while preserving compliance and auditability.
Q17. Do you have any feedback on our preferred option for regulating the standardised super-peak hedge contract?	Support, with clear initial settings and a time-bound review: • **Depth & spread:** 10 MW total per side; ≤5% bid-ask spread; • **Session design:** fortnightly trading windows; curve out to three years; • **Clip sizes:** permit 0.5–1.0 MW minimum clips while keeping the 10 MW aggregate obligation to avoid thinning; • **Review:** a formal 12-month review to adjust frequency, clip limits, or horizon based on observed spreads, depth, traded volumes, and participation breadth.
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?	Not preferred, except as a brief stabiliser. If used, constrain it with: • a short time-box (e.g., ≤4 weeks); • standing quotes at a capped spread (e.g., ≤8%), and; • the same post-session snapshot reporting so the market can judge competitiveness. Without these safeguards, offer-only settings risk non-credible price signals.
Q19. Do you agree option B might be appropriate as an urgent and short-term response to a material reduction in liquidity of shaped hedge contracts?	Preferred urgent tool. Requiring execution underwrites genuine price discovery. Practical calibration: • **Minimum sell:** 1–2 MW per obligated party, per contract, per session; • **Price quality:** retain a spread cap (e.g., ≤8%);

	• **Allocation:** pro-rata fills if demand is thin; allow intra-session netting across clips; • **Exemptions:** bona fide outages/force majeure with disclosure; This combination restores confidence quickly while keeping administrative load low.
Q20. What are your views on the frequency of monitoring for this option?	Weekly internal monitoring with fortnightly public reports. Publish, per contract and session: • best bid/offer and % spread; • cumulative depth at ≥1/3/5/10 MW (bid and offer sides); • buyer/seller counts; • concentration (Top-2 seller share of offered depth); • executed trades, total MW, and VWAP. This cadence balances speed (to spot stress) and stability (to avoid over-reacting to a single session).
Q21. Do you agree the Authority needs to be prepared for urgent action if necessary?	Yes. The market can change abruptly (fuel shocks, outages, transmission constraints). Having pre-agreed urgent tools and publication templates avoids hesitation and reduces uncertainty for all participants.
Q22. Do you agree with option B as the preferred option for urgent regulation while more enduring regulation is being considered?	Yes. Option B maintains actual trading during stress and preserves credible price signals while the enduring OTC market-making settings are consulted, implemented, and bedded in.
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?	Two additional tools and clear, objective triggers: • **Tools:** 1. **Temporary standing-quote requirement** at the two reference nodes with an explicit spread cap (e.g., ≤8%) so two-way prices remain visible. 2. **Light pre-trade transparency** (the post-session snapshot above) so participants can judge competitiveness and resilience. • **Triggers (activate urgent tools if any hold for two consecutive sessions):** • offered or bid depth <6 MW on any side; • closing spread >8% across near tenors; • Top-2 seller share of offered depth ≥85%; • fewer than three active sellers quoting. • **Sunset:** urgent settings lapse automatically after two compliant sessions, reverting to the standard monitoring regime.