Regulating the standardised superpeak hedge contract: issues and options

Consultation paper

August 2025

Introduction

Marex welcomes the opportunity to respond to this consultation document.

The Marex team has more than 12 years of experience in building and operating both exchange-traded and OTC markets, firstly at OMF and then Jarden. Marex is a leading intermediary, facilitating the majority of exchange-traded and OTC flows outside of the ASX market-making window.

It is our view that the current marketplace for trading superpeak products is inefficient, which has contributed to the limited participation observed to date.

Flexibility contracts are a key enabler of competition.

Q1. Do you agree that access to shaped hedge contracts such as the standardised superpeak hedge contract is an important enabler of competition in the electricity market?

Yes. Access to shaped hedge contracts, such as the standardised superpeak hedge, is an important enabler of competition in the electricity market. These products allow participants to manage risk in a manner that aligns with actual consumption and generation profiles, thereby lowering barriers to entry for smaller retailers and new entrants.

By improving access to risk-management tools targeted at periods of highest price and volatility, such contracts increase liquidity, enhance price discovery, and promote a more level competitive field. The resulting improvements in market efficiency ultimately benefit consumers through more competitive pricing and a broader range of retail offerings.

Objectives and intended outcomes of trade in the superpeak product.

Q2. Do you agree with our objectives for and intended outcomes of trade in the superpeak product?

Yes, Marex agrees with the stated objectives and intended outcomes for the superpeak product.

Assessment framework for voluntary trading

Q3. Do you agree with our framework and metrics for assessing liquidity in the standardised superpeak market?

Yes, we agree with the Authority's proposed framework and metrics for assessing liquidity in the standardised superpeak market. Our experience with the establishment of the ASX futures market in the early 2010s highlights the importance of initially adopting a voluntary participation model to support its success.

A voluntary approach encourages genuine engagement from participants, builds confidence, and delivers more sustainable market outcomes than those arising from imposed regulation.

We support the Authority setting clear expectations for spreads and volumes as benchmarks for success, as this provides the necessary guidance and transparency for participants to work towards without imposing mandatory obligations.

A rise in the sum volume of bids and offers to 6MW per contract, and bid/ask spreads being 8% or less and then narrowing to 5% or less in the second assessment period, are reasonable and fair expectations for assessing liquidity.

In our view, the Authority's role should be to indicate these thresholds at which it considers the market to be functioning effectively, with drafted regulation reserved only as a backstop if voluntary trading fails to deliver. This balance will give the market the best chance of achieving sustainable liquidity, robust price discovery, and the intended benefits of the superpeak product.

Q4. Do you agree with our proposed quarterly assessment period for voluntary trading from 2026 onwards?

Yes, we agree with the proposed quarterly assessment period for voluntary trading from 2026 onwards. Quarterly reviews strike the right balance between providing the Authority with timely insight into market performance and allowing sufficient time for meaningful trends to emerge.

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.

Marex supports maintaining a voluntary approach at this stage, guided by clear expectations from the Authority on spreads, volumes, and liquidity. Voluntary trading offers the best chance of fostering genuine engagement, sustainable participation, and an organically developed market. Our market experience highlights it can take quite some time for a new product to develop sufficient depth in liquidity.

Setting transparent benchmarks will provide a common measure of progress, with obligated market making remaining a backstop if voluntary arrangements fail to deliver. While we acknowledge that some participants have differing views, we consider the most balanced path is to "give voluntary a chance", subject to regular review and adjustment as needed.

Assessment of liquidity, and measures EA are taking to increase transparency.

Q6. Do you have views on whether barriers exist to wider or more diverse participation in the superpeak trading events?

Yes. From our discussions with market participants, it appears that the current process for trading the superpeak product is inefficient and acts as a barrier to both broader participation and better pricing outcomes.

Additionally, the limited number of counterparties able to offer superpeak products has constrained liquidity.

Q7. Do you see a need for additional or better information on price discovery or trading of standardised superpeak contracts? If so, do you have any specific suggestions?

Yes, we see a strong need for better information to support price discovery and trading of standardised superpeak contracts. At present, limited transparency is a barrier to confidence and wider participation. More frequent and detailed reporting on trades, bids, offers, and volumes across the forward curve would provide participants with the visibility required to assess fair value and manage risk effectively.

Options for regulating trade in the superpeak product.

Q8. Do you agree with our options for enduring regulation? Are there other options you think we should consider?

If regulation is to be introduced, we support Option 2: Market making on the over-the-counter market.

An OTC-based approach provides the strongest, most enduring framework as it creates genuine market infrastructure rather than relying on event-based trading. Importantly, it enables faster expansion beyond the superpeak product to a broader set of hedge products, improving liquidity and efficiency across the market.

This approach provides scalability, transparency, and resilience, while supporting the growing demand for superpeak hedges as intermittent generation expands.

Q9. Do you have feedback on the settings for the options (e.g., bid-ask spread, volumes)?

We broadly agree with the Authority's proposed settings, noting the following:

- Minimum volume: The 10 MW requirement is an appropriate starting point. It provides sufficient liquidity while ensuring proportional obligations. Flexibility to adjust this setting as market depth develops will be important.
- Bid-ask spread: A 5% spread is a pragmatic benchmark, encouraging liquidity without discouraging participation.
- Frequency of trading: We agree that fortnightly or twice-monthly trading strikes the right balance. Increasing event volumes, rather than frequency, reduces administrative burdens on smaller participants.
- Time horizon: Maintaining three financial years of forward price discovery is consistent with international best practice and should remain the standard.

Taken together, these parameters strike the right balance between promoting liquidity, reducing barriers to participation, and ensuring durability of the regime. Option 2, with these settings, is the most workable and enduring framework for market making.

Regulation would apply to generators with flexible resources who are able to manage price risks associated with peak demand.

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. We agree with the Authority's rationale for who the regulation should apply to and that it should be evenly spread across the obligated participants. The large generators have the generation mix, experience, and depth of resources required to support effective market making in the superpeak product.

Spreading the obligation evenly ensures fairness, avoids concentration of burden, and provides the market with consistent liquidity and price signals across the forward curve. This approach will give participants confidence that the product is underpinned by credible counterparties with the capacity to deliver, which is essential for robust price discovery and effective risk management.

Assessment of options for regulation

Q11. Do you agree with our criteria for assessing options for regulation? Do you think we should include anything else?

While we believe this market could succeed without the need for regulation, we agree that the criteria outlined in Table 4 are comprehensive and well-aligned with the Authority's statutory objectives of promoting competition, ensuring reliable supply, and supporting the efficient operation of the electricity industry for the long-term benefit of consumers.

In particular, we support the inclusion of:

- **Price discovery** - critical for transparency and confidence in the hedge market.
- **Access and liquidity** - ensuring both large and small participants can meaningfully engage.
- **Investment and innovation in flexible supply -** one of the most important criteria. The regulatory framework should not only support current liquidity needs but also create the right conditions for future investment and innovation in flexible supply and risk management.
- **Costs –** in the context of regulating market markers, costs related primarily to trade reporting and compliance requirements. These implications are particularly important for smaller participants, who face proportionally higher burdens.
- **Timing -** the market for shaped hedges is still developing, and participants require solutions that can be implemented quickly while retaining flexibility as products evolve. Regulating market makers in the OTC market is preferable, as it provides both speed to market and the ability to adapt products more easily over time.

- **Workability** - essential to ensure compliance is practical and monitoring/enforcement can be effective.
- **Risks -** a robust assessment of risks is critical to ensure the chosen framework achieves the Authority's objectives without unintended consequences. While both options carry risks, **Option 1 (ASX)** presents structural and systemic risks that are harder to mitigate. Whereas **Option 2 (OTC)** involves operational risks that can be effectively managed through automation, and intermediary support. For this reason, OTC represents the lower risk and more resilient pathway to achieve the Authority's statutory objectives.

We suggest that the following considerations to further strengthen the assessment framework:

- **Market scalability and adaptability:** The criteria should assess whether an option can support future market evolution (e.g., additional flexible products beyond superpeak) without needing major regulatory redesign.
- **Alignment with international best practice:** Ensuring the framework is consistent with comparable markets to encourage investment and participation from a wider range of counterparties.
- **Impact on innovation:** While "investment and innovation in flexible supply" is included, there should be explicit consideration of whether regulation fosters or inhibits innovation in trading platforms, products, and market design.

Overall, the proposed criteria provide a sound framework for assessment. With the additional considerations, they will be robust enough to ensure enduring regulation that delivers long-term market benefits.

Assessment of options for regulating the superpeak product

Q12. Do you agree with our assessment of option 1: market making ASX?

We agree with the Authority's assessment of Option 1. While ASX-based market making has advantages in terms of transparency, anonymity, and efficient price discovery, these benefits are outweighed by the significant disadvantages for smaller participants. Access costs, margining requirements, and reliance on a limited number of clearing participants create barriers to entry and fragility in the system.

Nonetheless, we note that it would take a long lead time if at all for the ASX to launch a superpeak product, which weakens the viability of Option 1 compared with OTC market making.

Q13. How important do you think it is to retain flexibility for the product to evolve?

Flexibility is critically important**.** The market for flexibility products is still in its early stages and demand will evolve as intermittent generation grows and the wider hedge market matures. Market structures and products must be able to adapt quickly - both in contract design and supporting infrastructure. An OTC approach provides this adaptability, allowing new products to be introduced quickly, market parameters to be refined based on experience, and innovations trialled without the long lead times required for an exchange listing. Maintaining flexibility ensures the market remains fit for purpose and prevents embedding structures that may become unsuitable over time.

Q14. Is access to the ASX a problem for your organisation? If so, please explain why.

Access to the ASX for Marex is not a barrier as we are clearing members of the ASX. With Marex now established in New Zealand, participants can access the ASX through us, subject to wholesale participation rules. This means there are few participants who cannot reach the ASX through us. An issue we are aware of though is the difficulty for participants to efficiently cross collateralize between ASX Clear and the NZX Clearing Manager.

Q15. Do you agree with our assessment of option 2: market making OTC?

Yes, we agree with the Authority's assessment. OTC market making offers sufficient transparency and price discovery, and crucially it is more flexible and faster to implement (within 9 months or sooner). It also provides lower costs of entry, capital efficiencies via hedge settlement agreements (HSAs), and the ability to adapt the product design as market needs evolve.

In practice, OTC market making better supports smaller participants and physical counterparties, while still enabling strong linkage to ASX baseload pricing for reference.

Our preference remains OTC, given it is more flexible, can facilitate smaller entities more effectively, and can still deliver transparency and robust price discovery. Importantly, with the entry of Marex into New Zealand, via our parent group we are able to offer OTC products without the onerous cashflow requirements of daily margining.

Q16. How much of a problem is the administration burden and/or lack of total anonymity?

Both are issues, but neither is insurmountable:

- Administration burden: We acknowledge the costs associated with maintaining OTC documentation. However, these can be addressed through automation of back-office processes and by increasing volumes in each event to reduce processing.
- Anonymity: While OTC trades are not fully anonymous once contracts are exchanged, Marex offers structures whereby clients face Marex as the counterparty, preserving anonymity between participants. This delivers the same practical benefit as exchange-based trading, without losing the flexibility advantages of OTC.

In short, the administrative and anonymity concerns can be effectively managed. They should not outweigh the significant advantages of OTC in terms of flexibility, accessibility, innovation and cost-efficiency.

Summary – Option 1 & 2 – Q12 to 16

- Option 1 (ASX) offers excellent transparency and anonymity but comes with high costs, access challenges, fragility, and long implementation timelines.

- Option 2 (OTC) offers broader access, lower costs, faster implementation, and greater flexibility. While it requires mitigation of admin and anonymity issues, these can be effectively addressed (e.g., automation, Marex acting as counterparty).

On balance, Option 2 delivers a more workable and enduring framework**,** particularly in the context of New Zealand's evolving generation mix and the need for inclusive, flexible hedging solutions.

Q17. Do you have any feedback on our preferred option for regulating the standardised superpeak hedge contract?

Marex agrees with the Authority's assessment that market making over-the-counter (OTC) is the most appropriate option at this stage. OTC market making offers lower access costs, faster implementation, and most importantly the flexibility to evolve the product specification as market conditions change. Given the increasing penetration of wind and solar generation, flexibility in contract design will be essential to ensure hedge products remain relevant and effective.

In our view, OTC market making is the right first step for enduring regulation because it:

- Provides an accessible and inclusive framework, particularly for smaller retailers and generators.
- Can be implemented within a much shorter time frame than an ASX-listed product.

- Delivers sufficient transparency and price discovery, supported by linkages to existing ASX baseload contracts; and
- Allows the market to innovate and adjust without the rigidity of exchange listing processes.
- Improves liquidity

This positions the market well to transition to an ASX-based standardised flexibility product in future, if and when the product definition stabilises. For now, however, we strongly support the Authority's preference for OTC market making as the most effective, workable, and enduring approach.

Circumstances that could warrant an urgent Code response

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?

We agree that Option A requiring obligated participants to offer a minimum volume of superpeak contracts OTC could provide a viable urgent, short-term response if there is a sudden and material reduction in liquidity. The ability to implement this within a week makes it a practical stop-gap measure that could help preserve access to shaped hedges and maintain confidence in the market during periods of stress.

However, we note two key limitations of Option A:

- **Price risk:** Simply requiring offers does not guarantee competitive prices. There is a risk of compliance through high-priced or "constructive refusal" offers, which would undermine the effectiveness of the intervention.
- **Depth of market making:** Without an obligation to also buy or provide competitive bid/ask spreads, the solution is limited to ensuring supply, rather than supporting genuine two-way liquidity or robust price discovery.

In our view, these risks could be mitigated if the Authority:

- Strengthens monitoring of offer quality (e.g. by setting parameters around bid-ask spreads or competitive pricing guidelines); and
- Considers automation of reporting and compliance checks to minimise administrative burden and ensure timely oversight.

Option A is an appropriate stop-gap measure in urgent circumstances, provided it is clearly time-limited and accompanied by robust monitoring to ensure that offers are meaningful and not merely nominal. In parallel, work should continue establishing the enduring OTC framework, which provides a more sustainable solution.

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?

Yes, we agree that Option B requiring obligated participants to offer and sell OTC superpeak contracts to unrelated qualifying counterparties could be an appropriate urgent response in certain circumstances. By obligating not only offers but also trades, this option reduces the risk of uncompetitive or nominal pricing that exists under Option A and provides greater assurance that liquidity and competition will be preserved.

That said, Option B also carries risks:

- If the volume obligation is set too high, it could artificially suppress prices, distort the forward curve, and create overly onerous obligations for participants.
- A poorly calibrated obligation could unintentionally undermine investment signals for new flexible supply.

For this reason, any required trade volumes should be carefully calibrated to prevailing market conditions (e.g., outage-driven vs. fuel scarcity), and clearly time-limited. Option B should be used only as a stop-gap measure until the enduring OTC market-making framework is in place.

Q20. What are your views on the frequency of monitoring for this option?

We consider quarterly monitoring to be sufficient in most cases, balancing the need for oversight with the practical burden on participants. However, if the underlying disruption is expected to be short-lived (e.g., a three-month period due to a plant outage), monthly monitoring could be justified to provide timely assurance and maintain confidence in the market.

The Authority should retain flexibility to adjust monitoring frequency according to circumstances, while also ensuring that compliance requirements are streamlined (e.g., leveraging hedge disclosure data and minimising duplicative reporting)

Concluding Comments on Urgent regulation

We acknowledge the Authority's concern that a sudden and material reduction in the supply of shaped hedges could undermine confidence, competition, and price discovery in the electricity market. In such circumstances, urgent intervention may be warranted to preserve liquidity until the enduring framework is fully implemented.

- **Option A (requirement to offer):** We see this as a light-touch, fast-to-implement measure that could provide immediate assurance of supply. However, its effectiveness depends on ensuring offers are competitively priced, otherwise it risks becoming a compliance exercise rather than a meaningful liquidity solution.

- **Option B (requirement to offer and sell):** This provides greater certainty of actual trades and mitigates the risk of uncompetitive pricing. However, it must be carefully calibrated to avoid artificially suppressing prices or distorting the forward curve. Option B should only be deployed where market conditions clearly justify a stronger intervention.

On balance, we support a sequenced approach**:**

- **Option A as an immediate stop-gap** if liquidity suddenly contracts, with enhanced monitoring to ensure offers are genuine; and
- **Option B as a contingency escalation** if Option A proves insufficient or if the market situation deteriorates further.

In parallel, it is critical that focus remains on the enduring OTC market-making framework (Option 2)**.** This is the most effective long-term solution to support liquidity, price discovery, and market confidence while retaining the flexibility to adapt products as the generation mix evolves.

Q21. Do you agree the Authority needs to be prepared for urgent action if necessary?

Yes, we agree it is important that the Authority remains prepared to act urgently if there is a sudden and material reduction in shaped hedge liquidity. The superpeak contract and other shaped hedges are critical for supporting price discovery, retail competition, and market confidence. A prolonged gap in access would undermine participants' ability to manage risk and could deter new entrants.

That said, any urgent measures should accurately and transparently diagnose the cause of the liquidity reduction, be time-limited, clearly signalled as temporary, and designed to bridge to the enduring OTC market-making framework**.** This ensures that short-term confidence is preserved without distorting longer-term investment signals.

Q22. Do you agree with Option B as the preferred option for urgent regulation while more enduring regulation is being considered?

We agree that Option B is the stronger of the two urgent measures if intervention is required. By obligating participants to both offer and sell, Option B reduces the risk of "high-priced" compliance that could occur under Option A, thereby better supporting hedge access and competition.

However, we caution that:

- Volume obligations must be calibrated carefully to avoid artificial price suppression or excessive obligations.

- Monitoring should be flexible and proportionate (quarterly in most cases, but monthly if disruption is short and severe).
- The measure should be strictly interim and revert to the Authority's preferred enduring regulation (OTC market making) as quickly as practicable.

With these safeguards in place, Option B provides an effective backstop that can preserve confidence in the market while longer-term solutions are implemented.

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 superpeak contract?

Yes, in addition to Options A and B, the Authority could consider complementary measures that improve resilience without over-reliance on obligations:

- **Enhanced transparency:** Leveraging hedge disclosure obligations and near real-time reporting of offers/trades would help identify and respond to emerging liquidity issues before they escalate.
- **Facilitated trading sessions:** The Authority could convene additional OTC trading windows (with or without obligations) during periods of stress to stimulate liquidity.
- **Support for smaller participants:** Encouraging intermediated or credit-based structures. These tools, alongside an urgent obligation such as Option B, would help maintain confidence and competition while ensuring the market transitions smoothly to an enduring framework.

Executive Summary

We welcome the Authority's consultation on regulating the standardised superpeak hedge contract and support the objective of promoting competition, reliable supply, and efficient operation of the electricity industry for the long-term benefit of consumers.

Enduring Regulation (Q1–Q20)

- We agree that enduring regulation is required and strongly support Option 2: Market making over-the-counter (OTC)**.**
- OTC market making offers lower access costs, faster implementation (approximately 9 months), and greater flexibility to adapt as the electricity market transitions. These attributes are particularly important as the market for shaped hedges remains nascent and will continue to evolve with increasing renewable penetration.
- In contrast, Option 1: ASX market making provides excellent transparency and anonymity but is hampered by high access costs, capital-intensive margining, fragility in clearing arrangements, and a long lead time (18–24 months). While Marex's entry into New Zealand now provides ASX access for wholesale participants - as well as OTC futures lookalike structures that replicate ASX exposures without onerous

cashflow requirements - we do not believe ASX is the right primary pathway at this stage.

- The Authority’s proposed criteria for assessing options (price discovery, access, liquidity, costs, timing, workability, and risks) are appropriate. We recommend adding scalability, international alignment, and explicit support for innovation to strengthen the framework.
- Across these criteria, our comparison shows Option 2 consistently outperforms Option 1 in terms of access, flexibility, costs, and timing, while still delivering robust price discovery and transparency.

Urgent Regulation (Q18–Q23)

- We agree the Authority should be prepared for urgent action if there is a sudden and material reduction in liquidity of shaped hedges, given their importance for risk management and retail competition.
- Option A (requirement to offer) is a light-touch intervention that can be implemented quickly, but risks uncompetitive pricing if obligations are met with high-priced offers.
- Option B (requirement to offer and sell) provides stronger assurance of genuine liquidity, and we agree with the Authority that this is the preferred urgent response if required. However, volume obligations must be carefully calibrated to avoid artificial price suppression or excessive burden, and the measure should be strictly interim.
- In urgent cases, we recommend a sequenced approach**:** begin with Option A as a stabilising measure, escalate to Option B only if conditions persist, and always ensure that interventions are clearly temporary.
- Complementary measures such as enhanced hedge disclosure, facilitated OTC sessions, and support for smaller participants through credit-based OTC structures could further bolster resilience.

Conclusion

Our clear preference is for the Authority to adopt Option 2: OTC market making as the enduring regulatory framework. This approach balances transparency, liquidity, cost-efficiency, and flexibility, while ensuring broad participation across the market. Urgent measures may be needed to preserve liquidity in times of stress, but these should be temporary and transitional, bridging to the enduring OTC framework as quickly as possible.