octopusenergy.nz

30 Sep 2025

Submissions
Electricity Authority

Via taskforce@ea.govt.nz

To whom it may concern,

Regulating trade in standardised super-peak hedge contracts

We appreciate the opportunity to provide feedback on regulating the super-peak standardised flexibility product.

Octopus Energy advocates for regulatory action on the standardised super-peak hedge contract, the market's current assessed shallowness and lack of liquidity pose a risk of market power and significantly impedes competition. Delaying the move to regulate until 2026 unnecessarily prolongs market exposure to insufficient liquidity.

We believe Option 2: Market Making OTC is superior to the ASX option due to its greater accessibility, lower barriers to entry for smaller independent participants, and flexibility for product evolution. Finally, for urgent short term intervention, we support Option B which requires obligated participants to not only offer but also sell a minimum volume of hedges.

Regards,

Alex Macmillan
Energy Manager

Format for submissions

Regulating the standardised super-peak hedge contract issues and options

Submitter	Octopus Energy

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. These contracts are a critical tool for managing risk from volatile spot prices and will become even more so with increasing intermittent generation.
Q2. Do you agree with our objectives for and intended outcomes of trade in the super-peak product?	Yes. We agree with the objectives of increasing liquidity and price discovery.
Q3. Do you agree with our framework and metrics for assessing liquidity in the standardised super-peak market?	Yes. Volume traded, volume offered and bid, and bid-ask spreads, capture the key elements necessary for assessing liquidity and price discovery.
Q4. Do you agree with our proposed quarterly assessment period for voluntary trading from 2026 onwards?	No. The EA's own initial assessment, covering January to June 2025, determined the market is shallow and not sufficiently liquid, waiting until January 2026 for the start of the 2 consecutive quarter review period (a potential 6 month delay) risks prolonging exposure to market power. The move to regulate should be addressed more quickly.
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. Given that the current performance has already been assessed as insufficient, the move to regulate more quickly should be undertaken.
Q6. Do you have views on whether barriers exist to wider or more diverse participation in the super-peak trading events?	The EA's own findings in the Risk Management Review confirm that the market is "neither deep nor liquid" and that some gentailers aren't offering hedges. This lack of a liquid market and transparency creates a major barrier for independent parties.
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?	
Q8. Do you agree with our options for enduring regulation? Are there other options you think we should consider?	We agree that mandatory market making is the appropriate form of regulation. We also agree with the preference for Option 2 -

	Market Making OTC over the ASX due to its greater accessibility for small participants, faster implementation, and product flexibility.
Q9. Do you have feedback on the settings for the options (eg, bid-ask spread, volumes)?	The proposed settings of a 10MW volume and a 5% bid-ask spread seems like a good starting point for regulation. The current market is shallow, with an average of only 2.5MW available to buy at any one time, so a regulated 10MW volume would significantly improve liquidity. A 5% bid-ask spread is also an improvement on the current spreads, which can be as wide as 13% for certain contracts.
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?	We agree with the Authority's rationale that regulation should apply to the four large gentailers. This is because these companies control over 95% of the flexible generation that can back shaped hedge contracts.
Q11. Do you agree with our criteria for assessing options for regulation? Do you think we should include anything else?	Yes, the proposed criteria for assessing options for regulation seem comprehensive. However, should there also be a criteria included that explicitly addresses the EA's implementation of levelling the playing field. Gentailers control over 95% of the flexible generation, this additional criteria can ensure regulation effectively tests whether options prevent market power and promote a competitive market.
Q12. Do you agree with our assessment of option 1: Market making ASX ?	The EA's assessment of Option 1: Market making on the ASX seems fair. The significant barriers to access make it potentially a poor fit for independent parties. The high costs and administrative overhang of providing margin and getting clearing participant access are potentially prohibitive.
Q13. How important do you think it is to retain flexibility for the product to evolve?	Committing to a long term structure like the ASX, where product changes can take up to 24 months, could limit the market's ability to adapt and meet future needs. The ability to quickly amend the product, as is possible with the OTC option, is key.
Q14. Is access to the ASX a problem for your organisation? If so, please explain why.	No. Trading on the ASX requires participants to provide substantial margin to the exchange and clearing participants based on daily market price movements. This is prohibitively expensive for many

	independents who also have to post significant margins for their physical positions.
Q15. Do you agree with our assessment of option 2: market making OTC ?	We agree with the EA's assessment of Option 2: Market making OTC. We believe the benefits of this option in promoting competition and access to hedges outweigh drawbacks.
Q16. How much of a problem is the administration burden and/or lack of total anonymity in option 2?	We believe the benefits of this option in promoting competition and access to hedges outweigh drawbacks.
Q17. Do you have any feedback on our preferred option for regulating the standardised super-peak hedge contract?	No. We also believe the benefits of this option outweigh drawbacks.
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 would have concerns about the effectiveness of Option A. Requiring obligated participants to only offer a minimum volume of hedges, without an obligation to trade them, introduces a high risk of uncompetitive pricing.
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. Option B's requirement to offer and sell a minimum volume of hedges ensures that obligated participants must engage with the market and achieve a trade. This is crucial for maintaining market confidence.
Q20. What are your views on the frequency of monitoring for this option?	The proposed quarterly monitoring for Option B is a reasonable initial compromise. However, we believe that the monitoring frequency should be flexible and if necessary be increased.
Q21. Do you agree the Authority needs to be prepared for urgent action if necessary?	We agree that the EA needs to be prepared for urgent action. The EA's own findings highlight that fuel or capacity scarcity often drives a thin and illiquid market. With rapidly declining thermal fuels, there is risk that the market for shaped hedges could contract suddenly.
Q22. Do you agree with option B as the preferred option for urgent regulation while more enduring regulation is being considered?	Yes, Option B is the preferred choice for urgent, short term regulation. By requiring obligated participants to offer and sell a minimum volume of hedges, it ensures that trades are actually made.
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?	Working in tandem with market making for the super-peak product, non-discrimination obligations serve as a proactive measure by making gentailers less likely to withhold offers or provide preferential terms to their own retail arms, thereby ensuring

	competitors have fair access to shaped hedges.