

Summary of consultation feedback: Regulating the standardised super-peak hedge contract

E.1. This document summarises feedback from submissions received in response to the “*Regulating the standardised super-peak hedge contract: issues and options*” consultation paper (issues and options paper). The Electricity Authority Te Mana Hiko (Authority) received 14 submissions and has published these on its website¹. The list of submitters is in Table 1.

Table 1: List of submitters

Submitter	Submitter
2degrees	Lodestone Energy
Business NZ Energy Council	Marex
Contact Energy	Mercury
Electric Kiwi	Meridian
emhTrade	Nova Energy
Genesis Energy	Octopus Energy
Haast Energy Trading	Pulse Energy

E.2. The feedback is grouped by themes. These are listed below.

- a. Problem definition, objectives and intended outcomes
- b. Timeframes for regulating the super peak
- c. Analysis of market making options
- d. Preferred option and settings
- e. Obligated parties
- f. Platform for OTC trading
- g. Liquidity assessment framework
- h. Urgent Code amendment
- i. Barriers to participation
- j. Information on trading outcomes.

Problem definition, objectives and intended outcomes

Our initial position

E.3. Competition in the electricity market is essential to providing greater choice and more affordable electricity for consumers. Shaped hedges promote competition by helping

¹ [1B: Regulating the standardised super-peak hedge contract | Our consultations | Our projects | Electricity Authority](#)

retailers manage their exposure to wholesale price volatility during periods of high spot prices, facilitating the integration of new renewable generation into the electricity system, and providing participants with valuable information about expected prices during demand peaks or when there are gaps in renewable generation.

- E.4. The Market Development Advisory Group (MDAG) highlighted that the growth in intermittent generation will increase the concentration of long-duration flexible generation amongst participants who may have the means and incentive to exercise market power. Increasing price volatility in the spot market could deter or raise entry costs for independent suppliers and retailers. MDAG also considered that the greater the degree of forward contracting by those parties, the smaller the incentive they would have to exercise market power in the spot market.
- E.5. The Authority's core objectives for the trading of the super-peak product are to increase liquidity in the market for super-peak hedges and increase transparency in the form of robust price discovery for flexible resources. These will contribute to effective risk management, increased competition and greater investment in both flexible and renewable generation.

Submissions

Objectives

- E.6. Submitters varied in their views of the Authority's objectives for super-peak trading. Among supporters, 2degrees submitted that shaped hedges were critical for managing risk in a high renewables market, and helped participants ensure they are financially viable. Octopus Energy supported the Authority's objectives of increasing liquidity and price discovery. Octopus Energy submitted that shaped hedge contracts were critical for managing risk from volatile spot prices and would become more so as intermittent generation increased. Marex and emhTrade were also supportive of the Authority's objectives, with emhTrade arguing the importance of the price signal for new physical assets could not be overstated.
- E.7. Lodestone Energy supported the Authority's objectives, but suggested clarifications, including reduced seller concentration as liquidity builds, and a transparent reference price for daytime energy. Mercury was generally supportive of the Authority's objectives, but argued success in shaped contracts should be measured within the context of a broader set of shaped hedge contracts.
- E.8. Other submitters also offered additions or suggestions. For example, Business Energy Council NZ (BEC) supported the Authority's objectives for trading the super-peak product but felt that more time should be given for the market to deepen and develop naturally. In BEC's view the super-peak product had improved availability and pricing of super-peak hedges, and the market was trending towards the Authority's expectations.
- E.9. Nova agreed with the Authority's objectives but questioned how much liquidity was necessary to meet the stated objectives. Nova also felt the argument for improving price discovery for flexible resources was weak, with the market for base-load contract providing near 80% of the pricing information. Meridian agreed with the Authority's objectives but added that liquidity expectations needed to be realistic given the size of the market in New Zealand and the challenges in forecasting super-peak prices.
- E.10. On the other side of the debate, Genesis argued the Authority had not provided sufficient evidence that current price discovery was ineffective or inefficient, or that

regulatory intervention would improve on observed price outcomes. Genesis additionally felt the Authority had not shown market failure or that independent retailers were unable to access contracts at prices reflecting genuine scarcity.

Problem definition

- E.11. Some submitters felt the Authority had not provided a clear problem definition. For instance, 2degrees felt the consultation was largely silent on the cause of access problems. Pulse Energy argued the consultation paper had focused on independent retailers' need for hedge products without identifying the specific market or regulatory failure at issue. Electric Kiwi similarly felt a problem definition was lacking.
- E.12. In Pulse Energy's view, access issues arose from the combination of vertical-integration and market power that harmed competition and justified regulation. Electric Kiwi similarly argued that vertical integration, coupled with market power, caused competition problems, including in relation to the supply of hedge products.
- E.13. Genesis did not think the Authority had identified specific market failure beyond physical scarcity that demonstrated clear harm, established causal relationships and explained why intervention was necessary. Genesis additionally argued Authority's process fell short of established standards and did not meet guidance issued by the Ministry of Regulation or the Treasury.
- E.14. Meridian appeared concerned that the super-peak measures could overlap other workstreams. Without seeing the next steps for the Level Playing Field work, Meridian felt the current consultation risked duplicating regulatory responses to the same perceived problems.

The Authority's response

- E.15. The Authority considers that enabling access to and price discovery for super-peak hedge contracts contributes to more effective risk management, increased competition and greater investment in flexible and renewable generation capacity.
- E.16. The Authority does not agree that market failure should be a precondition to introducing regulated market making of the super-peak product. Voluntary market making in the baseload products has proven to be inconsistent under stress. Regulated market making provides stronger liquidity compared to a voluntary approach, and, for the reasons discussed in the paper, will promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.
- E.17. The proposal to market make the standardised super-peak is intended to work alongside other pro-competition measures being considered or implemented by the Authority as part of its Level Playing Field (LPF) work programme. Specifically, the proposed Non-Discrimination Obligations aim to improve access to risk management contracts on equivalent terms, while the proposed market making obligations would ensure that parties negotiating such contracts have clear and objective price information to inform those negotiations.

Time frames for regulating the super peak

Our initial position

- E.18. The Authority's view, as expressed in the issues and options paper, was that voluntary trading of the super-peak product should continue, and that we would

consider regulating if voluntary trading failed to achieve our liquidity targets for two consecutive quarters, from January 2026.

Submissions

Market making of the standardised super-peak should begin immediately

- E.19. Submissions from Haast, Pulse, Octopus, 2degrees, emhTrade, Lodestone and Electric Kiwi favoured immediate market making of the standardised super-peak product rather than giving the voluntary market more time to develop. Some of these submitters considered that our assessment of the market already shows there is inadequate liquidity, and we should regulate now to ensure good levels of liquidity. As one submitter stated:

“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?”²

- E.20. Submitters also contended that regulation would aid price discovery. For example, 2degrees argued that regulating shaped products, including a super-peak product was necessary to promote competition and to ensure that trading was deep enough to deliver liquidity and price discovery. Electric Kiwi similarly held that regulation was required to ensure reliable supply at efficient prices. In Electric Kiwi’s view, improving liquidity and price delivery was a building block for competition and the efficient operation of the market.
- E.21. 2degrees and Electric Kiwi suggested the range of options was too limited. Mandatory and voluntary options should have been included. The option to mandate super-peak hedge products now should have been included in the consultation.

The Authority should allow more time for the voluntary market to develop

- E.22. Other submitters argued that voluntary participation in the market should continue. Arguments in favour of continued voluntary trading included:
- the market was immature
 - the proposed quarterly assessment period did not allow sufficient time for genuine market development
 - the potential for unintended consequences from requiring market makers to provide an excess amount of super-peak liquidity
 - the high cost of market making and lack of a cost-benefit assessment
 - price discovery was working under the voluntary model
 - the OTC trading platform was poorly developed
 - limited evidence of any market failure with observed volumes and prices that efficiently support price discovery and retail competition
 - continued voluntary trading would be consistent with the MDAG recommendation of at least 12 months for the development of voluntary trading before any evaluation of the success of the standardised product.

² [emhTrade](#), Consultation Paper—Regulating the standardised super-peak hedge contract. 30 September 2025.

- E.23. Contact advocated for continued voluntary participation with guidance and oversight from the Authority. Contact argued:

...market making is among one of the more costly regulations required by the Authority, and lower cost approaches should be tested before codifying it as a requirement.

- E.24. Meridian argued an absence of market failure, noting that:

... regulation to require market making of the standardised super-peak contract would be premature since the market is nascent and there is limited evidence of any market failure with observed volumes and prices that efficiently support price discovery and retail competition.

The voluntary approach with the possibility of regulation creates uncertainty

- E.25. Pulse argued a voluntary approach would create uncertainty as to what incumbent gentailers would need to do to avoid regulation and would not give any surety to independent retailers that they will be able to obtain necessary risk management products going forward. Pulse suggested the Authority was creating uncertainty and risk by proposing voluntary access arrangements with unclear thresholds for regulation and uncertain access to shaped hedge products, and regulatory risk for new and independent generators if they invest in increased generation capacity that could trigger expansion of regulation beyond the gentailers.
- E.26. 2degrees put forward a similar argument: The voluntary approach creates uncertainty about what triggers regulation and the Authority's expectations on the conduct of the gentailers in the market – individually and in aggregate. Mandated arrangements would provide more regulatory certainty.

Problems with the platform should be addressed before regulation is considered

- E.27. Several submissions put forward that the current OTC trading platform is not suitable for market making. Liquidity should be assessed, and regulation considered, only once the platform was improved.

The Authority's response

- E.28. The Authority agrees with submitters that the voluntary approach does not provide the certainty for the market to develop properly. We think codifying market-making requirements will provide sharper price signals and stronger liquidity compared to a voluntary approach, thereby better promoting competition, efficiency, and reliability of supply for the long term benefit of consumers. The market making settings seek to balance the costs to market makers with the benefits to the wider market. This is discussed further in section 6 of the main paper.
- E.29. Comments on the current OTC trading platform are addressed further down from E.78 to E.85.

Analysis of market making options

Our initial position

- E.30. We identified two options for regulation that could deliver liquidity and price discovery through the disclosure of pricing and volume data: market making ASX and market making OTC. We set out criteria to assess these options based on what is needed to

deliver the objectives and intended outcomes. The criteria helped to identify which option best met these objectives.

- E.31. The Authority considered that, while both options could deliver liquidity and price discovery through the disclosure of pricing and volume data, OTC market making had advantages including lower access costs and speed of implementation.

Submissions

More options could have been considered

- E.32. Genesis suggested other approaches may better service a market with limited sellers and provided examples of uniform price auctions (the Global Dairy Trade auction with Fonterra) and one-sided auction formats (from US corporate bond markets). Electric Kiwi considered there was limited consideration of options – noting the options evaluated were variants of voluntary arrangements.
- E.33. All other submitters who commented on the options we presented agreed they were the right ones to consider.

Evolution of the product is important

- E.34. Our question of flexibility to evolve the product drew attention to how the choice of regulatory options could lock in today's product design when there may be a need for it to change in the future. Submissions from Lodestone, Genesis, Meridian, Marex and Nova highlighted the importance of retaining flexibility for the standardised hedge product to evolve. Octopus stated that:

“Committing to a long term structure like 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 OTC is key.”

Access to the ASX is not problematic

- E.35. Seven of the eight submitters who directly answered the question about ASX access stated that access to ASX was not a problem for them.
- E.36. Lodestone, Octopus and Nova said there were higher costs for trading on the ASX primarily due to high margin requirements. For example, Octopus said that trading on the ASX requires participants to provide substantial margin to the exchange and clearing participants based on daily market price movements – this was prohibitively expensive for many independents who also must post significant margins for their physical positions.

The costs and benefits of market making need quantifying

- E.37. Some submissions suggested a full assessment of the costs and benefits relative to the continuation of voluntary trading and a case for intervention would be necessary if the Authority ever contemplates progressing a regulatory option.
- E.38. Genesis argued that the evaluation of both options lacked:
- quantified estimates of costs and benefits
 - an analysis of transmission mechanisms
 - sensitivity to key assumptions
 - a comparison against current voluntary arrangements (not just other regulatory options)

- an assessment of investment disincentive effects.
- E.39. Meridian argued the criteria for assessing options presupposed an issue with voluntary trading and that the costs and benefits of a regulatory option should be considered alongside the benefits (and lower costs) associated with the continuation of voluntary trading. Meridian also notes that a full assessment of the costs and benefits relative to the continuation of voluntary trading would be necessary if the Authority ever contemplates progressing a regulatory option. Meridian also argued that imposing market making obligations on participants would present significant costs that would ultimately flow through to consumers.
- E.40. Pulse also noted a quantified cost benefit analysis would be helpful to test likely or expected outcomes of voluntary versus mandated requirements, different minimum volume/liquidity requirements, and inclusion of additional shaped products. Some submissions suggested a full assessment of the costs and benefits relative to the continuation of voluntary trading would be necessary if the Authority ever contemplates progressing a regulatory option.
- E.41. BEC supported the assessment criteria we used and agreed with the summary of assessment of the market making options against the criteria, except for costs and risks.
- E.42. For example, BEC did not believe the Authority had considered the costs that would be imposed on obligated parties if fuel or capacity scarcity were the driver behind the thin and illiquid market. BEC also wanted to see the risks associated with the absence of central clearing included.
- E.43. Some submissions believed there were lower costs associated with an OTC platform compared to trading on the ASX. BEC recommended that, if market making were to proceed, it should be option 2, on the OTC market. In BEC's view this would have lower access costs, faster implementation and allow greater flexibility should the product need to be adjusted.
- E.44. Other submitters agreed with our assessment of the options.

The Authority's response

- E.45. The issues and options paper considered the regulatory options in light of potential future product changes. OTC-based trading is faster to establish and offers more flexibility for the product to evolve. ASX-based trading would take longer to set up and is likely to limit flexibility to adapt the product if required as launching or modifying products can take up to 24 months. For these reasons, we remain of the view that market making OTC is preferable including for the potential evolution of the product.
- E.46. We noted Genesis' call for more quantified estimates of the costs of each option. Establishing the costs of each option quantitatively would have been difficult, with significant assumptions about creditworthiness and cost of access to finance required. We also note that other submitters confirmed that our relative and qualitative assessment of costs was accurate, saying that in their experience margin requirements were substantially higher on the ASX.
- E.47. We engaged Concept to provide economic advice, including an assessment of the economic costs and benefits, to identify the appropriate suite of products for our market. Concept's analysis estimates that improved price discovery and access, particularly through market-making in super-peak alongside baseload, could generate annual benefits of up to \$10 million per year by 2032.

- E.48. There is commentary on the assessment of costs of voluntary trading compared with the regulated option in section 7.
- E.49. We appreciate Genesis' suggestion of additional options that may suit the New Zealand electricity market. Market making of baseload hedge contracts forms the foundation of the forward price curve of electricity and there are significant benefits in retaining this familiar structure for our market.

Preferred option

Our initial position

- E.50. Our preferred option for regulation of the super-peak product is market making over-the-counter. We think market making OTC has advantages including lower access costs (particularly for smaller participants), speed of implementation (9 months), and greater flexibility to change products.

Submissions

Broad support for market making OTC

- E.51. Of the submitters who answered this question, most agreed that the preferred option we presented was the best option, though it is not without its drawbacks.
- E.52. There were comments on market making OTC being the more workable and cost-effective of the two approaches, it being quicker to implement and better suited to independent retailers. These views were not universal, however, and some submitters commented that the option understates administration costs and the impact of credit process challenges.
- E.53. Genesis did not directly comment on our preferred option for regulating the standardised super-peak hedge contract.

OTC as an interim arrangement before market making on the ASX

- E.54. There were suggestions to use OTC as an interim arrangement before moving the standardised super-peak to the ASX. Haast submitted that the Authority should move to daily ASX market making with the same MW settings as baseload futures as soon as possible, but the OTC window should be regulated with same parameters in the interim. Mercury's view was that all market made hedge contracts should be traded on the ASX in the long run.

The Authority's response

- E.55. The Authority remains of the view that market making OTC is the preferred option to commence with but we remain open to transitioning market making to the ASX in future if there is strong demand for daily trading of the super peak and the product design is considered to be settled.

Market making settings

Our initial position

- E.56. Our initial position was summarised in Table 3 of the issues and options paper.

Table 2: Summary of options for regulating the standardised super-peak contract

Option		Description	Regulatory requirements
1	Market making on the ASX	<i>Market making of every standardised super-peak contract on the ASX platform</i>	• <i>Minimum volume offered and bid: 10MW</i> • <i>Bid-ask spread: 5%</i> • <i>Trading frequency: Daily</i> • <i>Time horizon: 3 years</i>
2	Market making OTC	<i>Market making of every standardised super-peak contract on an OTC platform</i>	• <i>Minimum volume offered and bid: 10MW</i> • <i>Bid-ask spread: 5%</i> • <i>Trading frequency: Fortnightly/twice monthly</i> • <i>Time horizon: 3 years</i> • <i>OTC platform provider agnostic</i>

Submissions

E.57. Submitters' comments on settings were generally focused on volume and bid-ask spreads.

Bid-ask spreads

E.58. Submitters varied in their views of appropriate bid-ask spread settings. For example, 2degrees considered the proposed bid/offer spreads were too wide and should be narrower and argued the Authority should consider the additional benefits that could accrue if spreads were narrowed. Haast Energy also stated the bid-ask spreads should be narrowed for both super-peak product and existing baseload, arguing the benefits from lowering spreads from 5% to 3% for baseload products were clear.

E.59. The Authority's proposed spreads were positively regarded by some submitters including Lodestone Energy, Pulse Energy and Octopus Energy and Marex.

E.60. Other submitters argued that wider spreads could lower costs. Contact recommended the bid-ask spread be widened to at least 10% to compensate market makers for the additional price risk arising from the combined effects of spot price volatility of super-peak products and the significantly higher volatility from fortnight to fortnight price movements. Meridian felt that while 5% spreads might be a reasonable starting point, wider spreads would reduce costs.

Volume

E.61. Submitters also varied in their views of minimum volume settings. Both Octopus Energy and Lodestone Energy expressed support for a minimum volume of 10MW.

E.62. Pulse Energy similarly supported an initial volume of 10MW, but added that if a voluntary approach were retained the Authority should adopt 10MW for initial trading, or at least set explicit expectations for rapid escalation from 6MW and 10MW.

E.63. Other submitters thought the Authority's proposed settings were too high. For example, Meridian argued the proposed volumes appeared high relative to the super-peak exposures of potential purchasers in the electricity market. Meridian felt that volumes that were too high would result in additional costs for New Zealand consumers, with offshore speculators the likely beneficiaries.

- E.64. Contact submitted there was insufficient evidence to support the Authority's claim that 10MW of super-peak contacts should be available in each auction. In Contact's view, oversubscribing of market-making services could have unintended consequences, such as preventing market-makers from being able to service other sales channels. Instead, Contact recommended the Authority adopt an iterative approach, with voluntary participation from up to four market makers of 1.2MW each. This would make at least 4.8MW available in each contract for each event (or approximately 350 MW available across 3 years).
- E.65. Mercury argued the Authority should treat the value of the bid-ask spread, volume and other parameters as an initial view for further assessment. In Mercury's view, the Authority should adopt a "test and learn" approach over the assessment period to determine the appropriate settings.

Other comments

- E.66. Lodestone Energy additionally suggested fortnightly OTC sessions, potentially increasing to once weekly once participation and traded volumes rose, along with 0.5 – 1.0MW clips (while retaining the 10MW volume aggregate). Marex similarly felt that fortnightly or twice monthly trading struck the right balance and suggested three financial years of forward price discovery would be consistent with international best practice and should remain the standard. Contact also agreed with fortnightly trading on an OTC platform.
- E.67. Genesis argued any discussion of settings was premature for several reasons, including that the Authority had not clearly defined a problem, resolved existing platform issues or provided an empirical basis for the proposed thresholds.

The Authority's response

Bid-ask spreads

- E.68. We remain of the view that a maximum bid-ask spread of 5% represents an appropriate balance in terms of costs and risk to the market makers. Both market makers and purchasers benefit from narrow bid-ask spreads. Whereas purchasers benefit from liquidity to access hedges, market makers are able to use liquidity to manage the risk they incur with further trading.

Volume

- E.69. The Authority now proposes that the volume requirement be 6MW. This is designed to support price discovery rather than to meet all participants' demand for shaped products. This maintains incentives on participants to consider a variety of ways to manage their exposure to spot price risk during peak periods including investing in batteries and demand response. A lower volume requirement ensures that any decision to extend market making requirements to the super peak product is complementary to the Authority's broader package of proposed level playing field measures including non-discrimination obligations.
- E.70. Meridian gave us some detailed feedback on Table A1 in *Appendix A: Liquidity assessment of standardised flexibility products*. They queried whether our analysis pre-dated Ampol's sale of Flick customers. We have now updated our analysis to reflect the changes in ownership. The updated table A1 values are below.
- E.71. Table A1 showed the volume the independent retailers may require compared against the average volume offered and traded per session for a single year and

season. With the update to the table, there is a small decrease in values for the volume required for the independent retailers, and the volume required per trading event.

Table 3: Minimum volume required by independent retailers and amount currently available

Volume requirement	Winter duration (Q2 and Q3)	Summer duration (Q1 and Q4)
Max super-peak volume required by independent retailers	72MW	46MW
Volume required per trading event over a year of trading events	2.8MW	1.8MW
Current average volume available to buy per trading event per effective year	19MW	14MW
Current average volume traded per trading session per effective year	3.3MW	3.0MW

Obligated parties

Our initial position

E.72. The Authority considered those most able to manage the risk of market making are those with diversified flexible generation portfolios and well-resourced generation and trading teams (ie, Contact Energy, Genesis Energy, Mercury NZ, and Meridian Energy). This approach is also consistent with the named obligated participants for market making baseload contracts on the ASX.

Submissions

- E.73. Some submissions agreed with our position, though some reasoning differed from ours. 2degrees, and Pulse suggested that market power was a criteria that could be used for who the regulation applies to. Pulse also suggested that regulation should be linked to the underlying market failure.
- E.74. Mercury has indicated that the Authority should also indicate a “roadmap” for other participants who may have developed scale but on the flip side Pulse also suggested that if this is too loose it may serve as a barrier to smaller asset investors.
- E.75. Genesis suggested that applying regulation to specified parties was an inadequate rationale as it:
- indicates a weak problem definition
 - regulates business models
 - encourages rent seeking.
- E.76. Meridian suggests targeting regulation based on the level of voluntary participation.

The Authority's response

- E.77. We remain of the view that those most able to manage risk of market making are those with diversified flexible generation portfolios and well-resourced generation and trading teams (ie, Contact Energy, Genesis Energy, Mercury NZ, and Meridian Energy). This approach is also consistent with the named obligated participants for market making baseload contracts on the ASX.

Platform for OTC trading

Our initial position

- E.78. In the issues and options paper, the Authority indicated it was agnostic as to who provided the OTC market platform, and noted that there was a clear regulatory pathway through the Financial Markets Authority for a prospective provider. However, any prospective provider would need to provide necessary assurances, including compliance with applicable legislation and data delivery requirements.

Submissions

- E.79. Several submitters raised concerns with the existing platform for trading super-peak contracts. Contact argued the existing platform required significant manual processing, resulting in trades made in error. Electric Kiwi took a similar view, arguing it was difficult to amend bids once placed.
- E.80. Genesis submitted the operation of the platform carried implications for the assessment of market conditions, and argued that issues with the current platform should be investigated to ensure volumes traded reflect market conditions rather than platform limitations.
- E.81. Some submitters thought the existing platform would create challenges if applied to market making. For instance, Meridian submitted the existing platform was not fit for purpose if a market making obligation were to be introduced, while Electric Kiwi felt that establishing a fit-for-purpose platform was a necessary condition for mandated arrangements to be effective. These comments were echoed by emhTrade, who submitted the current platform's functionality was insufficient to enable market making as proposed by the Authority.
- E.82. Mercury suggested the Authority should review the trading platform now to identify improvements that could be implemented before 2026, while Contact recommended the Authority set up a work programme with the platform owner and participants to bring the platform up to required standards. Contact additionally recommended any assessment of liquidity only occur after these minimum standards were met.

The Authority's response

- E.83. Aotearoa Energy responded quickly to the co-design group's RFI for brokered services. It has been a vital preliminary step to develop this market in standardised super-peak contract. We do not believe that the platform limitations (eg, being able to rapidly change pricing levels) materially affected the relevant liquidity metrics which led to the evaluation of liquidity. This evaluation was primarily focussed on the prices and volumes of bids, offers, and the price differential between the bid and ask. It was possible to establish a comfortable price level for buying and selling before the auction and submit these orders.

- E.84. However, we agree that regulated market making will require a robust trading platform. A number of submissions provided helpful information on the functionality and performance standards needed from a platform used to fulfil market making obligations. The Authority will use this information to help ensure that any approved OTC brokered platform promotes a fair, transparent, and efficient market, and supports the development of a robust forward price curve.
- E.85. Subject to final decisions on market making requirements for the super peak product, the Authority will also continue to engage with stakeholders to ensure the platform aligns with industry needs.

Liquidity assessment framework

Our initial position

- E.86. Our initial proposal was to establish expectations for voluntary trading, with a pathway to regulation should these expectations not be met for two sequential quarters from January 2026. These expectations are set out in the table below.

Table 4: Framework for assessing liquidity and our expectations

<i>Metric</i>	<i>Expectation</i>
<i>Volume traded</i>	<i>Trend up over time</i>
<i>Volume offered and bid</i>	<i>At every trading event and over the whole forward price curve (ie, per contract³):</i> <i>The total volume of offers should be at least 6MW</i> <i>The total volume of bids should be at least 6MW</i>
<i>Bid-ask spread</i>	<i>At every trading event and over the whole forward price curve (ie, per contract):</i> <i>The spread between the highest bid price and lowest offer price should not exceed 8% across all contracts for the first assessment period (Q1 2026), and</i> <i>The spread should further narrow to 5% for the second assessment (Q2 2026) and beyond</i>

Submissions

- E.87. A few submitters (Lodestone, Meridian and Marex) broadly agreed with the framework and metrics for liquidity. Other submitters did not comment on the metrics as they considered that regulation should be introduced instead of voluntary trading arrangements.
- E.88. Meridian agreed the volumes available to buy should exceed the demand to enable buyers to be selective about prices at which they transact over time. However, they viewed that the Authority's analysis on the total volume required by independent retailers was flawed and too high.
- E.89. Nova agreed with the framework and the liquidity metrics but did not agree that this should be the basis for triggering regulation. It believes price discovery is not a strong enough reason for imposing a regulatory regime, and that risk management tools should be evaluated holistically, not just through the imposition of trading in the super-peak product.

³ In this section, contract means a specific form of the standardised super-peak product. Eg, the Benmore 2026 Q3 standardised super-peak.

- E.90. Mercury suggested the Authority should consider amending these metrics based on information gleaned from the quarterly assessments if required. It suggested the required contract volume should be considered during the quarterly assessments instead of being described in advance. It also suggested the proposed initial bid ask spread may not fairly reflect the risk associated with the contract given it trades fortnightly, and the contract has high volatility relative to its baseload benchmark. Mercury considered a more realistic measure of risk is in the 10-15% range.
- E.91. Genesis pointed to research it commissioned from Sapere⁴ that indicated the functional limitations of the platform could have suppressed trading activity and this could affect the assessment of liquidity and therefore the Authority's future expectations. Genesis also states the Authority has prioritised regulatory triggers rather than assessing whether price discovery has been achieved.

Explicit framework methodology and regulatory trigger

- E.92. Genesis submitted that if the Authority proceeds with the proposed assessment framework, it should publish the following to reduce regulatory uncertainty and enable participants to understand how their behaviour affects regulatory risk:
- a. clear methodology for calculating each metric
 - b. thresholds that would trigger regulatory concern
 - c. how metrics weigh against each other in decision-making
 - d. how platform issues are controlled for in interpretation.
- E.93. Mercury stated that the Authority should signal its current view of metrics for assessing liquidity while allowing for these metrics to be amended during quarterly assessments.

Quarterly assessments

- E.94. Many submitters considered the proposed timeline too short to inform genuine market development and long-term trades. BEC indicated that if the cause of inadequate liquidity was fuel or capacity scarcity then 6 monthly assessments may be more appropriate.
- E.95. Nova suggested the quarterly assessments should start in Q3 2026, and that the target volume is no more than 4MW.
- E.96. Pulse energy's response seemed to reference mandatory access regulation which is not being considered in this paper.

The Authority's response

- E.97. As noted already, the Authority is no longer proposing a periodic liquidity assessment. Instead, we propose moving directly to market making the super-peak product, but at the same volume proposed for voluntary trading (6MW rather than 10MW). We consider this approach appropriately balances the need for regulatory and investment certainty, and the costs of market making on regulated market makers.
- E.98. We will regularly monitor market performance including liquidity as part of our monitoring function.

⁴ Stevenson, T, Murray K, Hansen E, Davies P, Young M, Sapere Research Group Regulating the standardised super-peak hedge contract – Enhancing price discovery (2025)

Urgent Code amendment

Our initial position

E.99. We signalled in the issues and options paper that the Authority may intervene with an urgent Code amendment if there were a sudden and material decrease in liquidity of all OTC shaped hedges. The purpose of the urgent Code amendment would be to support trading in the super-peak product while an enduring regulatory solution is considered. We explored two options: a requirement to offer OTC (Option A) and a requirement to trade OTC (Option B).

Submissions

E.100. Submitters were divided over urgent, short-term action. Octopus Energy supported Option B as the preferred choice for urgent, short term regulation. In Octopus Energy's view, Option B's requirement to offer and sell a minimum volume of hedges would ensure obligated participants made trades. emhTrade and Lodestone Energy similarly agreed with the need to be prepared to take urgent action and supported the Authority's preferred Option B.

E.101. Marex also supported Option B over Option A. However, Marex submitted that volume obligations should be carefully calibrated to avoid price suppression or excessive burden. Marex suggested a sequenced approach, commencing with Option A as a stabilising measure, escalating to Option B where conditions persisted.

E.102. Other submitters preferred Option A. For instance, the BEC agreed that an urgent Code amendment could be necessary where there was a sudden or material reduction in the offers or trades of shaped hedges, including the super-peak product. However, the BEC preferred Option A over Option B on the basis that Option B risked giving buyers unjustified influence over prices and posed arbitrage risks due to potential price misalignments between mandated OTC contracts and other trading options.

E.103. Mercury preferred Option A for temporary, urgent regulation at times of extreme market stress. However, Mercury argued that this option should not apply if market making for a standardised super-peak hedge contract became a regulated obligation under the Code.

E.104. Meridian and Nova did not support Option B as an urgent response measure. Meridian argued clarity regarding the Authority's expectations for the standardised super-peak market would be sufficient to ensure ongoing bids and offers even in a stressed market, and that in general, the use of urgency should be minimised. Nova argued that market participants should be encouraged to manage their exposures in advance of short-term disruptions to the market, and felt that Option B would operate as a notional subsidy from gentailers to independent retailers that would not lower prices for consumers.

E.105. While Genesis agreed that the Authority should be prepared for urgent action in genuine emergencies, it did not think that low trading volumes in a nascent hedge market constituted an emergency requiring Code amendment powers. Genesis did not support Option B and recommended greater focus on market development, including through addressing existing platform issues.

The Authority's response

E.106. Mandatory market making following a normal code amendment process is our preferred approach to provide liquidity and robust price discovery. However, should circumstances warrant an urgent Code response in future, we will take this feedback into account.

Barriers to participation

Our initial position

E.107. We sought to understand if there were barriers to wider and more diverse participation.

Submissions

E.108. EmhTrade have suggested that the limited volumes being quoted, combined with “higher-touch” trade booking may limit participation. They have also suggested that full liquidity may not be accessible unless the participants have ISDAs and credit lines in place with all the super-peak sellers.

E.109. Marex have suggested that the process for trading is inefficient and acts as a barrier to broader participation and better pricing outcomes.

E.110. Genesis said that the Authority should investigate whether:

- a. credit arrangements inhibit participation
- b. the fortnightly auction frequency is optimal
- c. contract specifications meet diverse participant needs
- d. information asymmetries between participants affect willingness to trade.

The Authority's response

E.111. We acknowledge trading contracts OTC is more time consuming and resource intensive in comparison to trading on the ASX.

E.112. The co-design group considered that fortnightly trading was likely to be optimal to meet market demand for volume and to provide a regular price for flexible supply. The Authority has not received feedback that fortnightly trading is not optimal currently but some submitters suggested weekly trading could be considered in the future once participation and traded volumes rise.

E.113. It is likely through consistency of offering, the friction of that market will ease, but not be eliminated. Competition in the marketplace may lead to improvements in customer experience from the provider. Technological innovation may be available to better streamline contract confirmations between parties, and the lodging of hedge settlement agreements. Submitters should also note the proposed approach to the platform in section 6.

E.114. Credit arrangements and documentation (ie, International Swaps and Derivatives Association Master Agreement (ISDA)) can be a barrier to accessing OTC contracts of all kinds. However, once established, the arrangements are long-lasting, and through the use of Hedge Settlement Agreements we've sought to reduce the impact where possible.

Information on trading outcomes

Our initial position

- E.115. We publish fortnightly auction data sourced from Aotearoa Energy showing all bids, offers and trades in the standardised super-peak product. This is an anonymised dataset targeted at those familiar with the electricity industry. It can be used for more detailed price information and to understand the depth of the market.
- E.116. This information is supplemented with a broader suite of indicators of competition in the flexibility product market, drawing on enhanced hedge disclosure obligations. The Authority has published a flexibility hedge products dashboard since April 2025. It shows prices and traded volumes of key types of flexibility products (including the super-peak product) to help industry make operational and investment decisions.

Submissions

- E.117. Lodestone suggested that price discovery would be aided by publishing executed trades and auction logs, and a post-session anonymised OTC snapshot per contract
- E.118. Mercury agreed with the idea of end of session information on volumes and bids. Mercury also suggests that the Authority should collect information to understand the drivers of parties trading or not trading. Genesis thinks that the Authority should consider price discovery effectiveness.
- E.119. Marex believes that more frequent and detailed reporting on trades, bids, offers and volumes across the forward curve would provide participants with the visibility to assess fair value and manage risk effectively.

The Authority's response

- E.120. The Authority publishes the auction log file after each auction. This shows price and volumes of all offers, bids, and trades during the trading session.
- E.121. Authority staff is considering developing a post-session market 'snapshot'. As a first step we are preparing a 2.16 notice to gather specified information from any platform provider of trading of the super-peak contract.