MERCURIA
NEW ZEALAND LIMITED

2nd December 2025

Electricity Authority

By email: levelplayingfield@ea.govt.nz

Response to the Level Playing Field proposed Code Amendments

Introduction

Mercuria New Zealand Limited ("Mercuria") welcomes the opportunity to comment on the Electricity Authority's 14 October 2025 consultation paper on **Level Playing Field Measures – Proposed Code Amendments**.

Mercuria New Zealand is part of Mercuria Energy Group, one of the world's largest independent energy and commodities groups, active across global wholesale physical and derivative markets in power, renewables, and environmental products. Since commencing New Zealand operations, we have pursued two key objectives:

1. Supporting and investing in the country's renewable energy transition, and
2. Promoting healthy, competitive wholesale and retail electricity markets.

These objectives are consistent with the Authority's statutory purpose and intent in implementing the proposed Non-Discrimination Obligations (NDOs).

Mercuria's role in the New Zealand electricity market

Mercuria operates in New Zealand as an active trader of electricity and emissions units. Our Auckland based team transacts with Gentailers, independent retailers, generators, and large industrial consumers. We play three distinct roles:

- **Bridging buy- and sell-side counterparties across tenors and profiles:** Mercuria designs shaped and firming hedge products tailored to each counterparty's load and risk appetite, assuming residual risk that many physical participants prefer not to carry. Since 2024, we have traded approximately [redacted] with independents, including over [redacted] of shaped hedges.
- **Enhancing forward price robustness:** By trading actively across OTC and exchange products, we help identify pricing inefficiencies, contribute to price discovery, and strengthen the credibility of forward curves essential for investment and contracting decisions.
- **Supporting new generation and flexibility investment:** Mercuria negotiates offtake agreements and invests in projects, with potential commitments of over [redacted]. Efficient access to risk management products allows us to offer competitive, bankable solutions to developers, enabling project financing and construction.

Our participation deepens market liquidity, facilitates innovation in hedge design, and delivers competitive outcomes for independents.

Retail Price Consistency Assessment – clarity, comparability, and enforcement

Mercuria supports the Authority's decision to use the Retail Price Consistency Assessment (RPCA) as the compliance mechanism for Principle 1(3), in place of the previously proposed "economically meaningful internal hedge portfolio." We see this change as a practical approach to implementation. However, to ensure the RPCA delivers the intended market outcomes, it will need to incorporate key comparability features that the internal portfolio was designed to provide.

The original internal portfolio requirement would have offered a measurable benchmark for comparing internal and external pricing. This could have strengthened enforcement by reducing ambiguity and improving market confidence. . While we acknowledge implementation challenges with that approach, it is important that the RPCA retains the enforcement advantages such a mechanism would have delivered.

If the RPCA is to replace the internal portfolio, its effectiveness will depend on a transparent and stable methodology established at the outset, applied consistently over time, and amended only with adequate advance notice. By doing so, the pricing of risk management contracts can be assessed against a clear and reliable benchmark.

To ensure the RPCA can meet its objectives and be applied consistently, we recommend that:

- **Methodology is sufficiently prescriptive to enable meaningful comparison.**
  Guidance must minimise subjective interpretation so that compliance assessments are objectively measurable.
- **Premiums and discounts should be applied consistently**
  The RPCA should not focus solely on only justifiable discounts to internal buyers and justifiable premiums to external buyers. Discounts and premiums should be applied to both groups of buyers consistently, as is applicable. For example, volume growth related discounts should be available to all customers, not just a Gentailer's own retail arm.

We recommend the Authority finalise RPCA well ahead of implementation, ensuring it is clear and sufficiently detailed to produce **consistent, comparable, and enforceable outcomes** that build participants' confidence.

Scope of NDOs – products

We strongly support applying NDOs to **all relevant hedge and firming product types**, not only those associated with retailer competitiveness. A narrower scope could leave certain product categories outside regulation, creating the potential for discriminatory practices to occur where they are not monitored.

We recommend including:

- **All standard profile products** – baseload, peak, superpeak profiles.
- **All firming products** – whether linked to PPAs or sold standalone.
- **Nonstandard OTC products** such as synthetic storage, seasonal swaps, callable thermal options, and other emerging instruments designed to address intermittent generation risk.

The design of NDOs should anticipate future market evolution, reducing the need for future changes to the Code.

As highlighted by the Standardised Flexibility Product Co-Design Group earlier this year, diversity in risk products is essential for buyers to shape portfolios to their needs. Equal access rules should reflect this reality from the outset.

Scope of NDOs – participants

We strongly support an inclusive definition of "buyer" under the NDOs. Equal treatment should extend to financial intermediaries such as Mercuria, which play an important role in warehousing risk, aggregating demand, and providing tailored hedge solutions. This activity promotes liquidity, price discovery, and more efficient risk allocation across the market. Arbitrage, when based on genuine market trading, is a healthy driver of competitive market behaviour.

The Authority's current framing appears to focus primarily on the competitiveness of independent retailers. We recommend ensuring the definition of "buyer" is sufficiently inclusive.

Transparency and equal access to commercial information

We strongly support Principle 4 on equal access to commercial information but expect that practical application of such transparency will require careful industry codesign. This can be done alongside the development of RPCA guidance.

We recommend:

- **Broad interpretation of "commercial information"** to cover product availability, capacity forecasts, indicative pricing methodologies, and any changes to standard terms.
- Realtime or near realtime release to all buyers to avoid tactical delays.
- Alignment with RPCA transparency – ensuring that relevant information for pricing decisions is reflected in both compliance assessments and ongoing disclosures.

Uncommitted capacity – application consistency

The principle should apply equally to marginal retail sales and external hedge sales. Where external sale prices increase due to scarcity or market shifts, equivalent retail sales should move in step. Likewise, if external offers are reduced or discounted, the retail arm should reflect the same adjustment. This approach protects against selective margin squeezes and supports genuine even-handedness.

Implementation timeline

We support the proposed 1 July 2026 commencement date. This timing is broadly workable and aligns with financial year cycles, allowing parties to integrate compliance requirements into existing business processes.

Given existing market data availability and the simplification provided by the RPCA approach, we believe modest acceleration of key certain preparatory steps is feasible without compromising design integrity:

- Begin RPCA guidance development immediately, supported by regular stakeholder workshops through early 2026.
- Consider an initial "shadow RPCA" exercise in Q2 2026 to test methodologies and identify any interpretive issues before the first binding submission.

Conclusion

Mercuria supports the Authority's commitment to delivering workable, effective Level Playing Field measures. In our view, strengthening the RPCA methodology, ensuring broad product and participant scope, and embedding robust transparency will materially improve market confidence, liquidity, and consumer outcomes.

We urge the Authority to:

- Make RPCA guidance explicit, prescriptive, and capable of detecting indirect forms of preferential treatment.
- Apply NDOs to **all hedge, firming, and emerging OTC product types**.
- Include **financial intermediaries and all sophisticated buyer types** within scope.
- Ensure **commercial information** relevant to any risk product is provided equally and promptly.
- Maintain the proposed commencement date, with preparatory shadow testing to finetune methods.

Mercuria is ready to work closely with the Authority and industry participants to codesign technical guidance and compliance approaches that deliver genuine level-playing-field outcomes.