



PO Box 106165,
Auckland 1143, New Zealand
NZBN 9429041132524 | **GST** 113618701

28 November 2025

Electricity Authority
Level 7, ASB Bank Tower
2 Hunter Street
Wellington 6011

By email: wholesaleconsultation@ea.govt.nz

Tēnā koutou,

Electric Kiwi Submission: Improving prudential security arrangements

Introduction and summary

Thank you for the opportunity to respond to the Electricity Authority's consultation on proposed changes to prudential requirements for electricity retailers. Electric Kiwi supports the consultation paper's overarching objectives and intentions - especially those focused on improving market efficiency, fostering competition, and supporting the growth of independent retailers.

While we appreciate that the Authority has identified options in this consultation aimed at making prudential requirements more manageable for small retailers, we believe most of the proposals will not fully achieve the Authority's objectives, and we wish to highlight several key points for consideration.

GST on Hedge Settlements

The single most effective step the Authority could take right now to reduce prudential costs and thereby promote the efficient and continuing operation of independent retailers is to remove the requirement to pay GST from the prudential calculation..

The current prudential calculation is problematic because it mirrors the NZX invoice calculation, which creates an inherent GST mismatch. GST is added to the spot price, but hedges are zero-rated for GST, which means they are incapable of fully offsetting the volatility inherent in the spot price.



PO Box 106165,
Auckland 1143, New Zealand
NZBN 9429041132524 | GST 113618701

For independent retailers, the mismatch in GST treatment forces a requirement to carry increased working capital to cover the timing difference between payments to the NZX and GST deduction. The inclusion of GST in the prudential calculation significantly widens the timing mismatch exacerbating our working capital burden, which is not faced by non-independent counterparts.

Crucially this difference in GST treatment only represents a cash flow timing difference, not a permanent loss and as such does not signify a systemic market risk in the event of non-payment. In a default scenario, the GST component of the resulting bad debt is recoverable from the IRD by the creditors. The prudential requirement is therefore forcing the market to secure against a recoverable tax liability, not an actual credit loss.

Should the Authority have concerns regarding the cashflow timing impact, we urge them to engage directly with the Inland Revenue Department (IRD) on this matter, rather than compelling independent retailers to bear significant extra working capital with no corresponding risk mitigation.

Option 1: Dynamic Adder

We do not support the proposed transition to a more dynamic adder. In a market already characterised by volatility, introducing additional layers of unpredictability will only heighten capital management challenges for retailers. The result is a need for independents like us to continue forecasting for the highest possible prudential requirements, rather than realising meaningful cost savings or lower capital barriers. This volatility is a major barrier for new or smaller retailers, and can compound the structural difficulties created by an upstream market that is not functioning competitively.

Option 2: Reductions to the Post-Default Exit Period

We are generally supportive of allowing reductions in the post-default exit period. However, we believe the current qualifying threshold is insufficiently inclusive and will not meet the stated objectives of this consultation. Raising the threshold would allow larger independent retailers like us to benefit as soon as operational adjustments permit. For the smallest retailers, any capital freed under this proposal is unlikely to be material, and therefore the measurable



PO Box 106165,
Auckland 1143, New Zealand
NZBN 9429041132524 | **GST** 113618701

impact on market competition, investment, or innovation will be limited without further adjustments.

Option 3: Reallocation of Residual Funds

We support the model for reallocation of residual funds to retailers on the basis proposed in Table 1 (except we do not agree that gentailers should be included in any reallocation). Since it is retailers who provide the funds for prudential security, it is both fair and logical that they should benefit from the return of any residuals.

Option 4: ASX Prudential Offsetting

It is evident from figure 5, and from our own experience, that independent retailers - both large and small - acquire relatively few risk management contracts, whether by number or by overall volume, through the ASX compared to OTC arrangements. Acquiring risk management contracts via the ASX is prohibitively expensive for many retailers, making it an impractical option for most. As a result, while well-intentioned, the proposed changes to physical and futures offsetting arrangements are unlikely to materially impact most retailers or meaningfully enhance competition and reduce cost pressures in the current environment.

Electric Kiwi uses Hedge Settlement Agreements (HSAs) to offset prudential requirements and supports the forthcoming expansion allowing Clearing Manager FPVV hedge settlement under HSAs from 1 January 2026. Further broadening HSA eligibility would be a positive step toward enabling independent retailers to better manage prudential costs.

We look forward to working constructively to ensure any changes are both beneficial for consumers and workable for retailers, and welcome further engagement on the specific issues raised in this submission.

Yours sincerely,



PO Box 106165,
Auckland 1143, New Zealand
NZBN 9429041132524 | **GST** 113618701

ur to

Huia Burt,
CEO, Electric Kiwi

⋮



PO Box 106165,
Auckland 1143, New Zealand
NZBN 9429041132524 | **GST** 113618701

28 November 2025

Electricity Authority
Level 7, ASB Bank Tower
2 Hunter Street
Wellington 6011

By email: wholesaleconsultation@ea.govt.nz

Tēnā koutou,

Electric Kiwi Submission: Improving prudential security arrangements

Introduction and summary

Thank you for the opportunity to respond to the Electricity Authority's consultation on proposed changes to prudential requirements for electricity retailers. Electric Kiwi supports the consultation paper's overarching objectives and intentions - especially those focused on improving market efficiency, fostering competition, and supporting the growth of independent retailers.

While we appreciate that the Authority has identified options in this consultation aimed at making prudential requirements more manageable for small retailers, we believe most of the proposals will not fully achieve the Authority's objectives, and we wish to highlight several key points for consideration.

GST on Hedge Settlements

The single most effective step the Authority could take right now to reduce prudential costs and thereby promote the efficient and continuing operation of independent retailers is to remove the requirement to pay GST from the prudential calculation..

The current prudential calculation is problematic because it mirrors the NZX invoice calculation, which creates an inherent GST mismatch. GST is added to the spot price, but hedges are zero-rated for GST, which means they are incapable of fully offsetting the volatility inherent in the spot price.