12 January 2026

Hedge market summary December 2025

Market monitoring monthly report

This document gives an overview of hedge market activity over a month for the New Zealand electricity market. It covers key pricing, volume and market making information across the ASX and over-the-counter hedge market.

This report uses data from the hedge disclosure obligations provided by participants and is not reviewed for accuracy by the Authority. The results in this report reflect the data at the time of writing. Entries in the data identified by participants as potentially incorrect may be temporarily excluded at the time of writing until they can be corrected (as appropriate). If data inaccuracies are identified by a participant at a later date they may also be corrected. Corrections will result in updated information being published in future reports.

*Specific terms to do with the hedge market are defined in the **Glossary** at the end of this document.*

Hedge market summary – December 2025

1. Summary

1.1. Throughout December 2025, the ASX future price for all winter quarters increased, especially longer-term winter quarters.

1.2. During the last standardised super-peak trading session in December, the average price premia relative to ASX baseload prices was 26% at Ōtāhuhu and 18% at Benmore.

1.3. Hedges that were effective in December 2025 and Q4 2025 were priced higher than spot prices because of high hydro inflows in Q4 2025 leading to very low spot prices.

1.4. In December 2025, approximately 6.0TWh of ASX electricity futures were traded and approximately 4.1TWh of over-the-counter hedges were traded.

1.5. A total of 28.8MW of standardised super-peak product was traded in December 2025 during the trading sessions.

1.6. In December 2025, market makers collectively gained an average of $0.12/MWh from opening and closing positions on the ASX within a single trading day.

2. Hedge prices

2.1. Hedge prices are an indication of how high or low participants in the electricity market expect the wholesale electricity spot price to be for future periods. Prices for products that trade regularly often move with market sentiment.

2.2. The over-the-counter trades that represent Meridian acquiring Flick's hedge book were excluded. This is because they are historic contracts being re-traded and would not be useful indicators of market conditions at the time of re-trading.

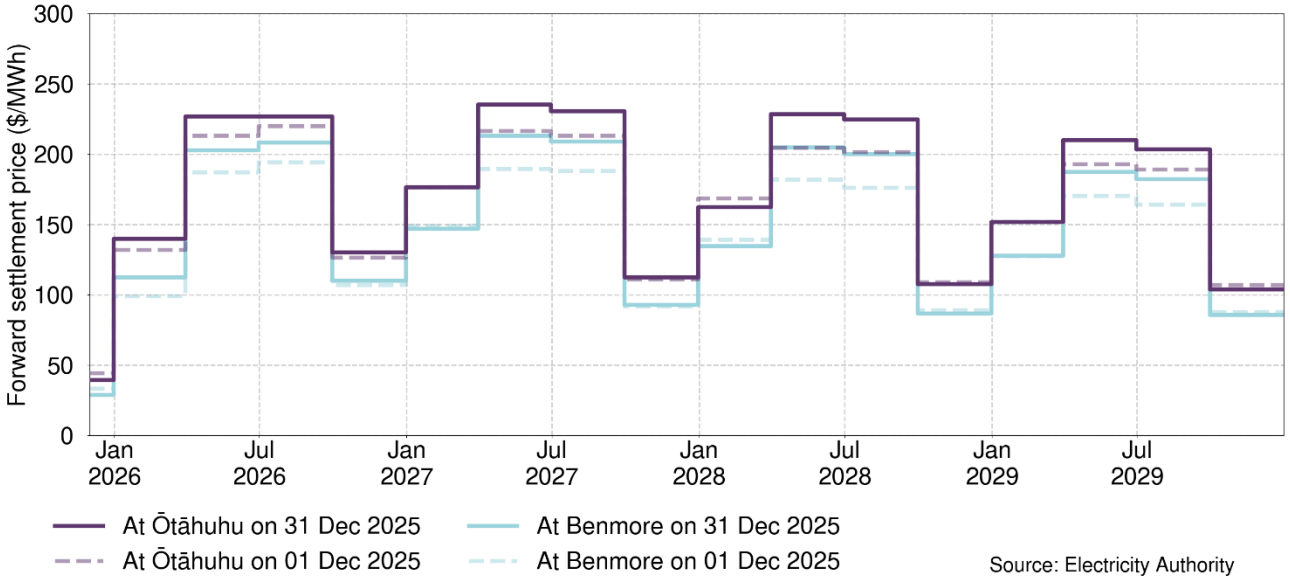
Price movements in December 2025

2.3. There are several standardised products in the New Zealand electricity hedge market that trade regularly. That means we can easily track how future price sentiment is changing. The current view of future prices is often referred to as the forward price curve, which acts as a consensus of future spot price expectations.

2.4. When parts of the forward price curve move up or down significantly, we know something has happened to make participants expect either higher or lower forward prices. However, frequent trading and the volatile nature of wholesale electricity spot prices also mean that a certain amount of hedge price fluctuation is natural and expected.

2.5. Figure 1 shows how the closing future price of standardised baseload quarterly hedges traded on the Australian Securities Exchange (ASX) changed throughout December 2025. This chart can also be used to see what participants expect the price to be during future periods. The hedge locations are at Ōtāhuhu (the North Island reference node) and Benmore (the South Island reference node).

Figure 1: Quarterly ASX baseload closing future prices at the start and end of December 2025



2.6. Throughout December 2025, the future price for all winter quarters increased, especially longer-term winter quarters.

2.7. In the short term, Q1-3 2026 prices increased slightly. The greatest increase was for Q2 2026 futures with the Ōtāhuhu price increasing by $14/MWh and the Benmore price increasing by $16/MWh. This is possibly due to a dry weather outlook leading to concern that we will experience a repeat of 2025 hydro inflows (a lack of rain in Q1 led to a sharp drop in hydro storage).

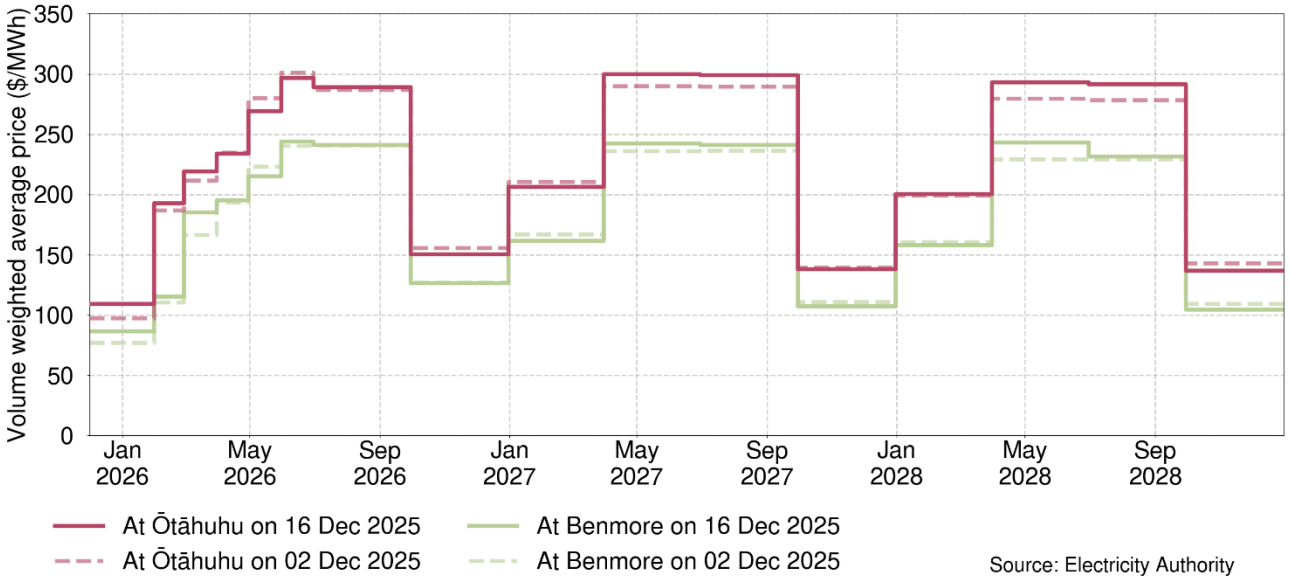
2.8. Q2-3 of 2027-29 increased by an average of $19/MWh at Ōtāhuhu and $21/MWh at Benmore. This may be related to speculation that gas scarcity will lead to an energy shortage.

2.9. The forward curve shows participants expect prices to decline in 2029. This is likely due to the large volume of possible new generation. Our Generation investment dashboard can help keep you informed about possible generation investment.

2.10. Figure 2 shows the volume weighted average price of the standardised super-peak product traded in December 2025. The standardised super-peak product has fortnightly trading sessions and the volume weighted average price of trades in a single session was used as a price reference for each product. If there were no trades in a session, the volume weighted average price of the orders in the session was used.

2.11. Standardised super-peak hedge prices are generally higher than ASX baseload prices because average prices at super-peak times are generally higher than average baseload prices.

Figure 2: Volume weighted average price of standardised super-peak product in last two trading session



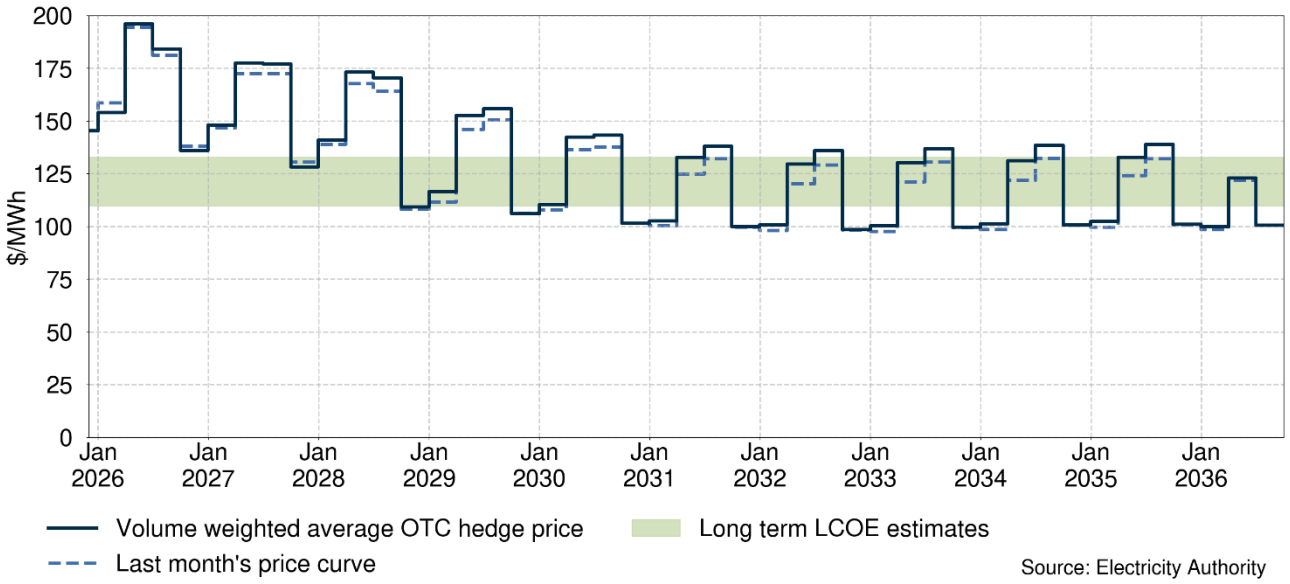
2.12. Standardised super-peak prices remained more consistent, with most prices fluctuating by less than $10/MWh. The largest change was March 2026 increasing by $19/MWh at Benmore. This could be due to concerns that hydro storage will have dropped by March 2026 as it did in 2025.

Long-dated over-the-counter hedge price curve

2.13. While the standardised hedge markets only offer products between three to four years ahead of the present, over-the-counter (OTC) products can be for any period agreed upon by the trading parties. That means we can estimate hedge prices much further into the future by using the non-standardised hedges.

2.14. Figure 3 shows the volume weighted average price for all baseload and 4-hourly hedges (hedges effective for all time periods in a day) that are at least partially effective for future quarters. Future quarters were only included when five contracts or more were available to be averaged. The levelised cost of electricity (LCOE) estimate is also included for comparison.

Figure 3: Baseload and 4-hourly over-the-counter (OTC) volume weighted average price, traded in 2025, compared to levelised cost of electricity (LCOE) estimates



2.15. The average OTC long-dated winter quarter prices have increased by $5-10/MWh with the addition of the December 2025 trades.

2.16. Currently, long-term electricity hedge price estimates are similar to the levelised cost of electricity estimates. This is good because it indicates investment in generation is likely to be returned.

Over-the-counter prices compared to ASX baseload prices

2.17. Since ASX baseload hedges are regularly traded and closing prices are published, these ASX baseload closing future prices are often used as a reference point for the over-the-counter electricity hedge market. This is done by matching over-the-counter hedge products to equivalent ASX products based on trading date and effective period.

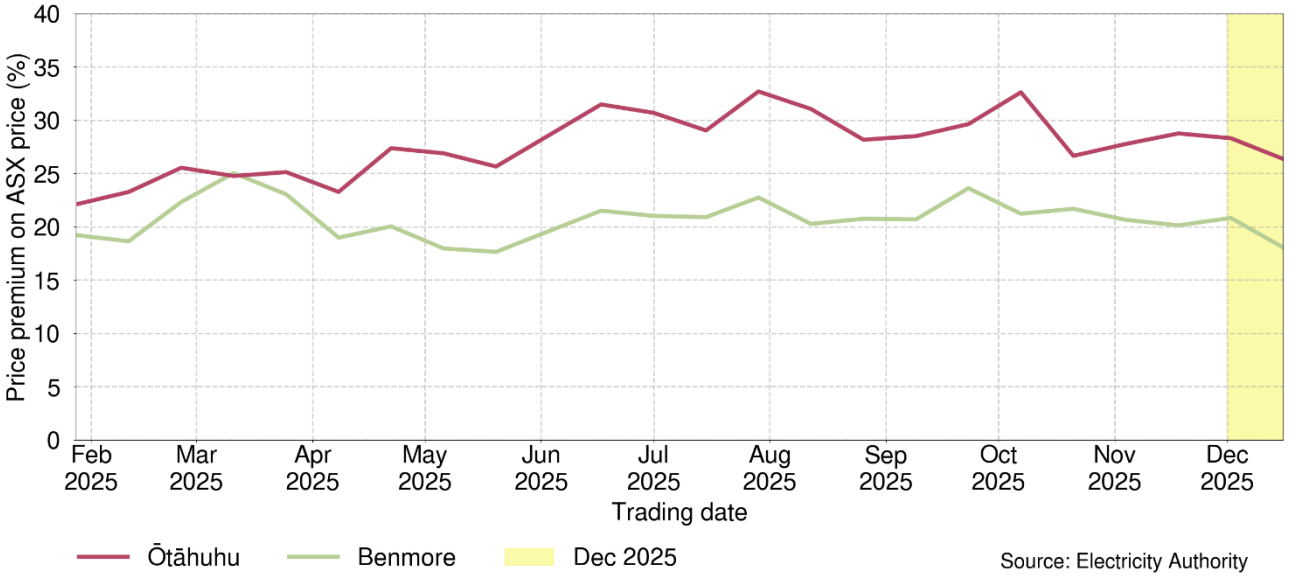
2.18. The ASX closing price from the last trading date before the trading date of the over-the-counter hedge is used, because that is what the over-the-counter traders would have available to them at the time of trading.

2.19. The price premium of the over-the-counter product compared to the ASX baseload product is calculated to assess how closely the over-the-counter products are being priced to the ASX baseload market.

2.20. Figure 4 shows the price premium of the standardised super-peak hedges that were quoted and traded in the trading sessions so far, compared to the ASX baseload closing future prices. Volume weighted average price premia were calculated from trades in the sessions to get the average price premium in each session.

2.21. It is expected that super-peak products would have high premia compared to ASX baseload products due to super-peak wholesale electricity spot prices being higher than baseload spot prices on average. There are also additional risk premia, such as peak capacity risk that contribute to the higher prices.

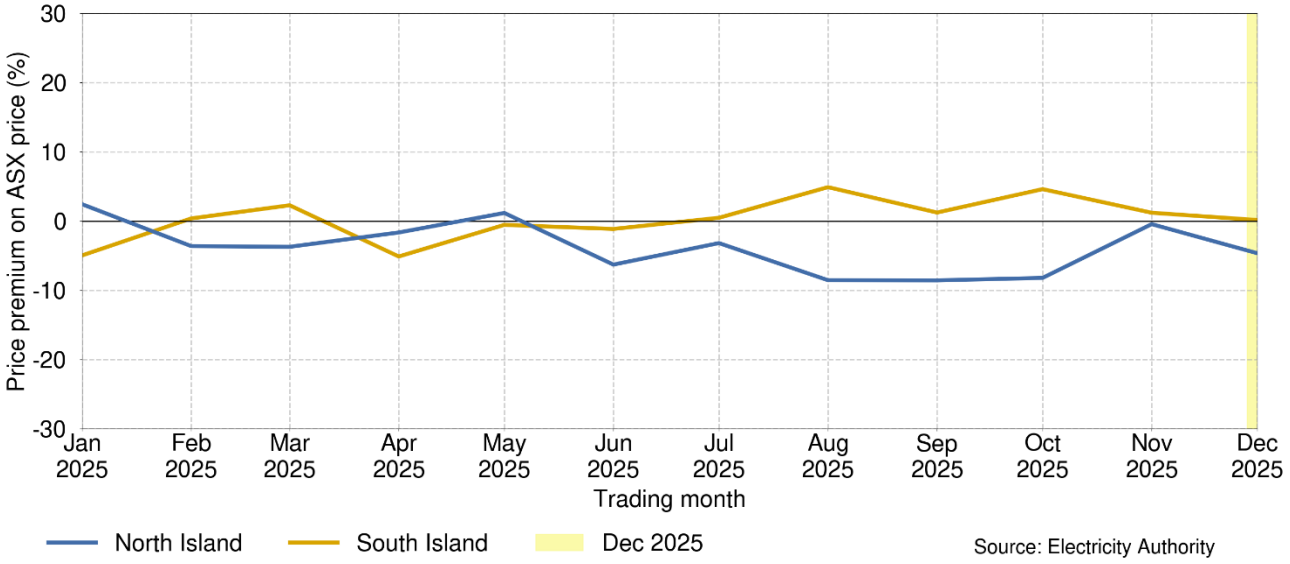
Figure 4: Average price premium over equivalent ASX baseload prices of standardised super-peak product prices from trading sessions



2.22. During the last standardised super-peak trading session in December, the average price premia was 26% at Ōtāhuhu and 18% at Benmore.

2.23. Figure 5 shows the volume weighted average price premium of monthly and quarterly baseload contracts for difference traded on the over-the-counter hedge market for each month from January 2025. North Island over-the-counter hedges were matched to ASX baseload hedges at Ōtāhuhu and South Island over-the-counter hedges were matched to ASX baseload hedges at Benmore.

Figure 5: Mean price premium relative to equivalent ASX baseload prices of baseload over-the-counter monthly and quarterly hedge contracts for difference, January 2025 to December 2025



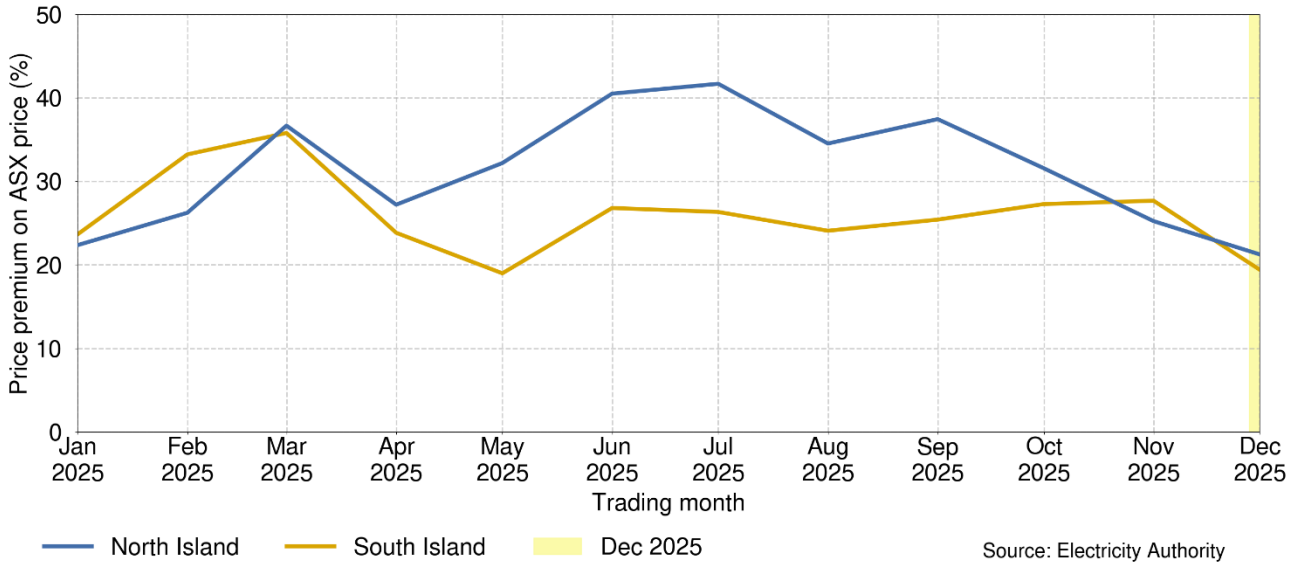
2.24. For the most part, over-the-counter baseload products are priced very close to equivalent ASX products. This indicates the participants in the over-the-counter trade market are not

disadvantaged compared to those who can trade on the ASX market when it comes to baseload hedge pricing.

2.25. In December 2025, the average price premia for baseload over-the-counter monthly and quarterly contracts for difference were -4.7% for North Island hedges and 0.12% for South Island Hedges.

2.26. Figure 6 shows the price premia for over-the-counter monthly and quarterly super-peak contracts for difference, including those that are and are not the standardised super-peak product.

Figure 6: Mean price premium over equivalent ASX baseload prices of super-peak over-the-counter monthly and quarterly hedge contracts for difference, January 2025 to December 2025



2.27. In December 2025, the average price premia for super-peak over-the-counter monthly and quarterly contracts for difference was 21% for North Island hedges and 19% for South Island Hedges.

Hedge market prices compared to wholesale electricity spot prices

2.28. After a contract effective period is complete, the contract is settled based on the wholesale electricity spot price during that effective period. The standardised super-peak product and the contracts sold on the ASX market are contracts for difference. A contract for difference is settled by paying the difference between the hedge contract price and the average wholesale electricity spot price over the contract effective period.

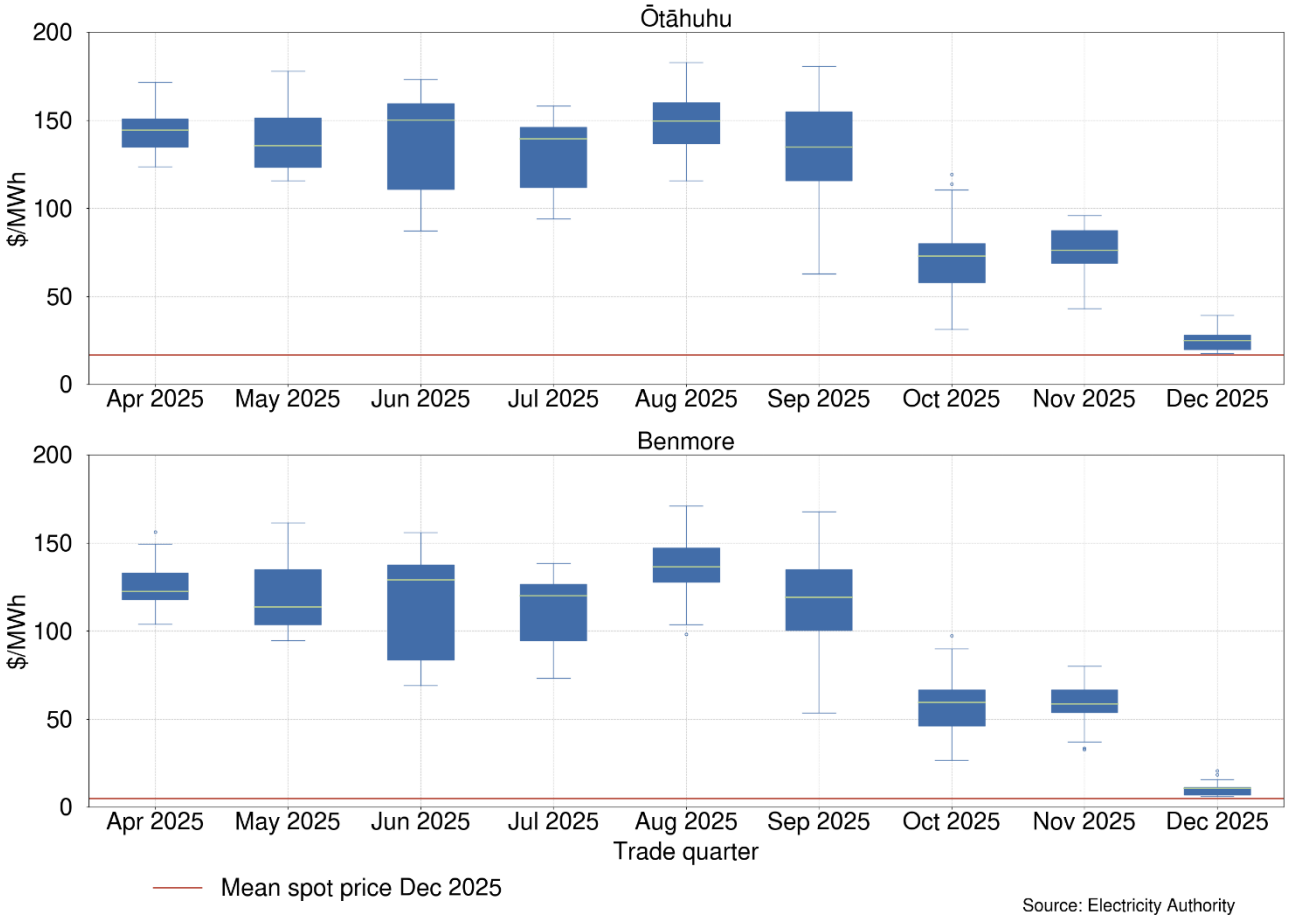
2.29. When the contract price is lower than the average spot price, the generation seller must pay the generation buyer the difference for the agreed upon amount of generation volume. When the contract price is higher, the generation buyer must pay the generation seller the difference.

2.30. Hedge contracts are a mechanism to manage a volatile spot price. As with most risk management options of this nature, sometimes the hedges settle to a party's benefit and

sometimes they don't. But overall, despite how a hedge ends up, a party has benefitted from price certainty and security.

2.31. Figure 7 shows the average electricity spot price for December 2025 compared to the distribution of ASX closing prices for December 2025 baseload hedges (monthly baseload hedges that are effective during the period of December 2025) by the month the hedges were priced.

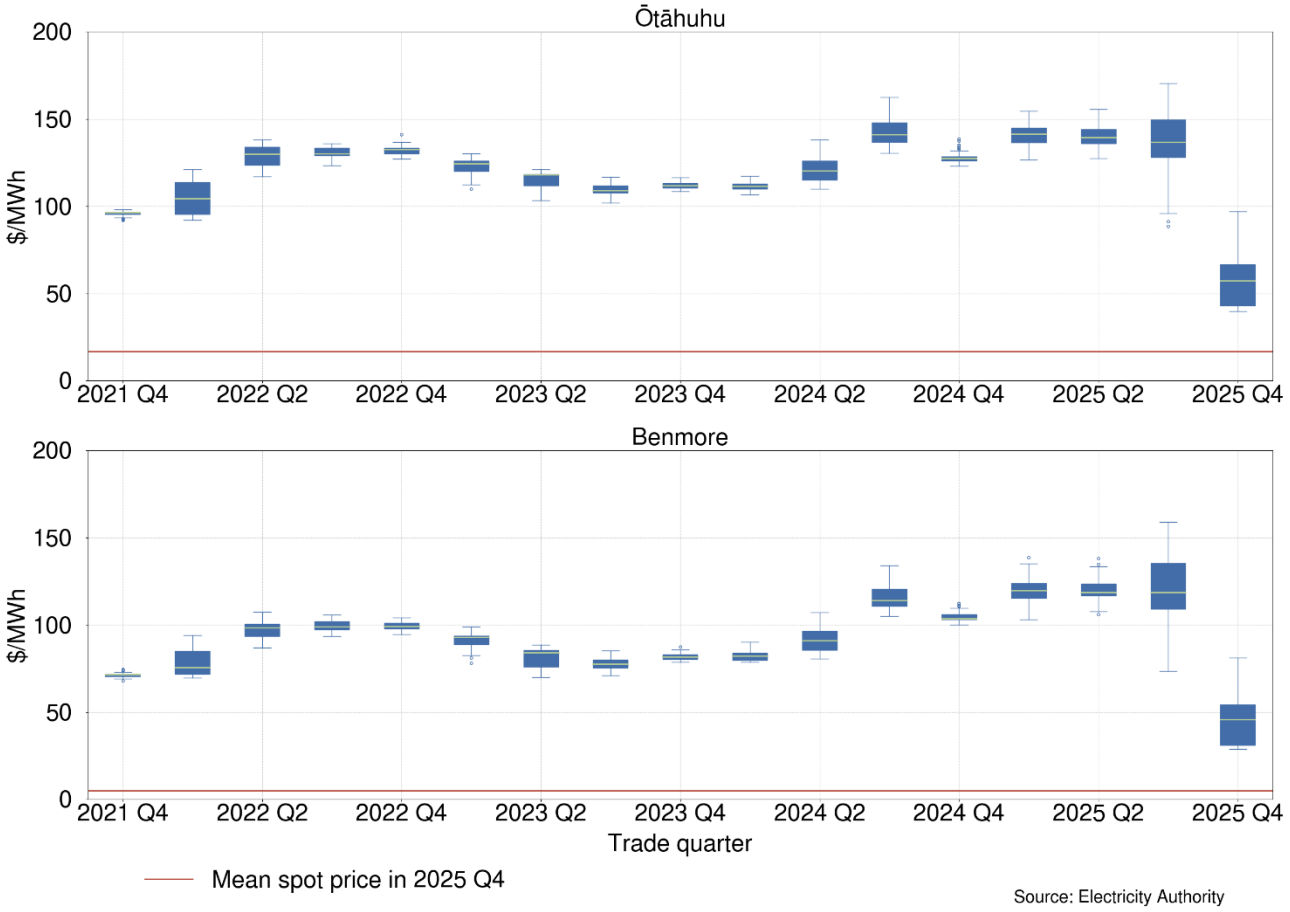
Figure 7: ASX settlement prices of December 2025 contracts by month the price was quoted compared to average wholesale electricity spot price in December 2025



2.32. ASX hedge prices for December 2025 were high compared to spot prices because Q4 2025 total inflows were above the historic 90th percentile for Q4 inflows. These high hydro inflows led to overfull lakes and hydro spilling, resulting in very low spot prices. Those who bought December 2025 hedges are likely to be paying the difference to those who sold the hedges.

2.33. Figure 8 shows the average Q4 2025 price compared to the baseload ASX hedge prices.

Figure 8: ASX settlement prices of Q4 2025 contracts by quarter the price was quoted compared to average wholesale electricity spot price in Q4 2025

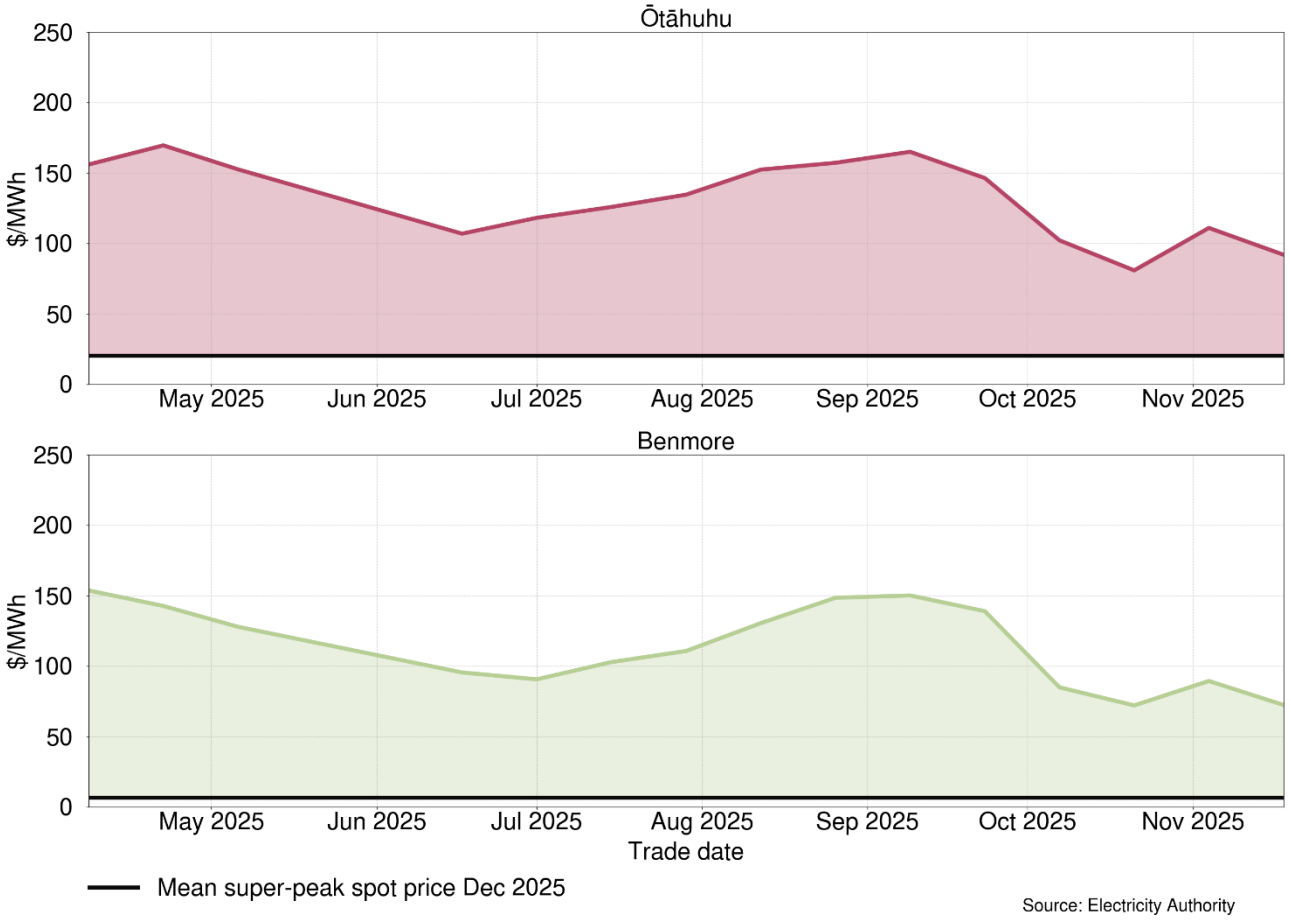


Source: Electricity Authority

2.34. The very low spot prices over most of Q4 2025 meant that Q4 2025 ASX hedges were priced higher than spot prices.

2.35. Figure 9 shows the volume weighted average price in each trading session for the standardised super-peak product effective in December 2025 compared to the average wholesale electricity spot price during super-peak times in December 2025.

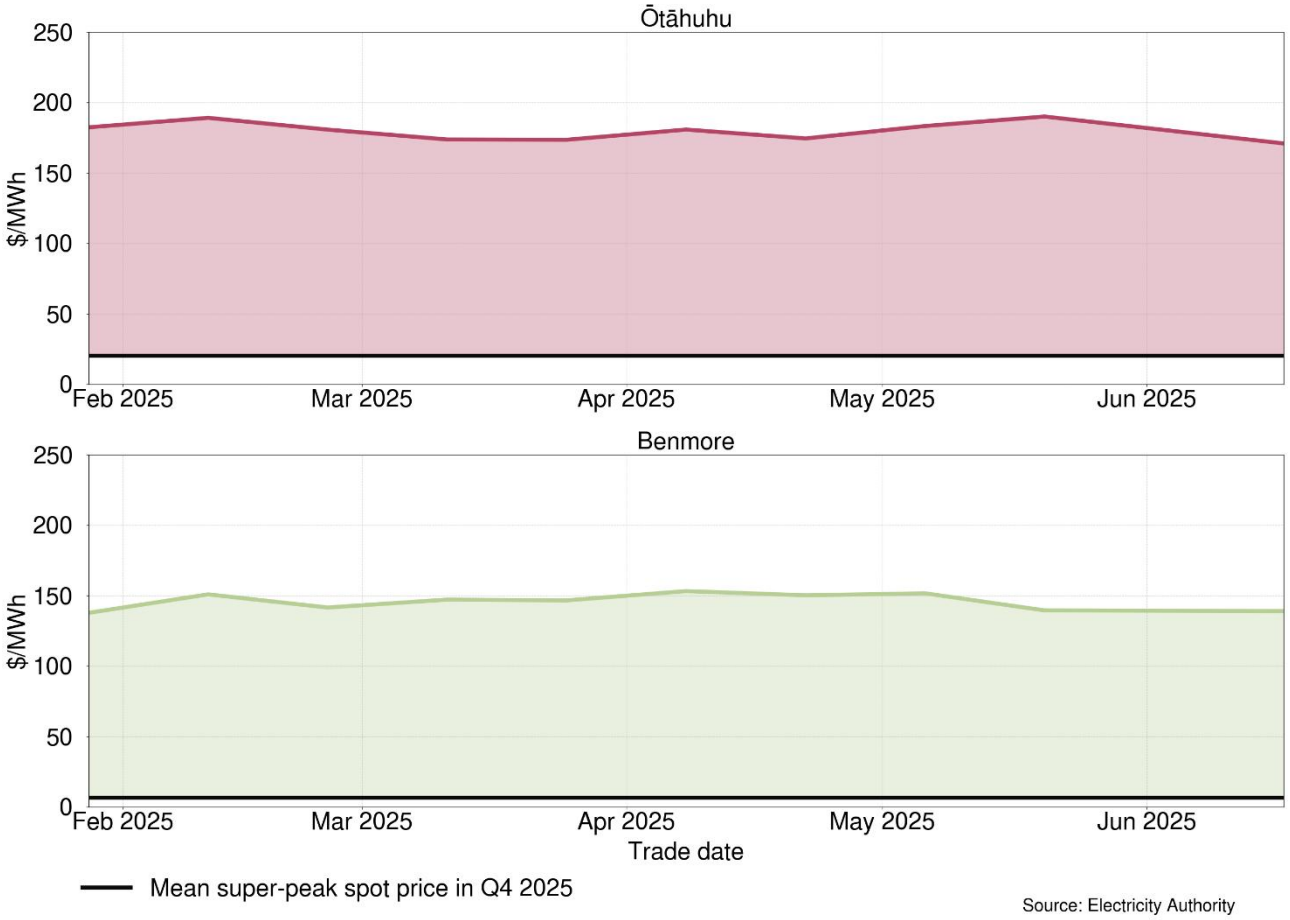
Figure 9: Standardised super-peak volume weighted average prices of December 2025 contracts by date traded compared to average wholesale electricity spot price at super peak times in December 2025



2.36. As with the ASX baseload December 2025 futures, the standardised super-peak product was generally priced high compared to the average spot price for the December 2025 period.

2.37. Figure 10 shows the average Q4 2025 super-peak price compared to the standardised super-peak hedge prices.

Figure 10: Standardised super-peak volume weighted average prices of Q4 2025 contracts by date traded compared to average wholesale electricity spot price at super peak times in Q4 2025



2.38. As with the ASX baseload Q4 2025 futures, the standardised super-peak product was generally priced high compared to the average spot price for the Q4 2025 period.

3. Volume traded

3.1. The amount of hedge volume being traded is a good indicator of how the hedge market is doing overall. If prices being quoted are perceived as being too high in the circumstances or not enough volume is being offered, we would expect less trading to occur.

3.2. The over-the-counter trades that represent Meridian acquiring Flick's hedge book were excluded. This is because they are historic contracts being re-traded and would not be useful indicators of market conditions at the time of re-trading.

3.3. Note: an over-the-counter contract traded in December 2025 was removed for this report due to incorrectly disclosed volume entries that have not yet been corrected.

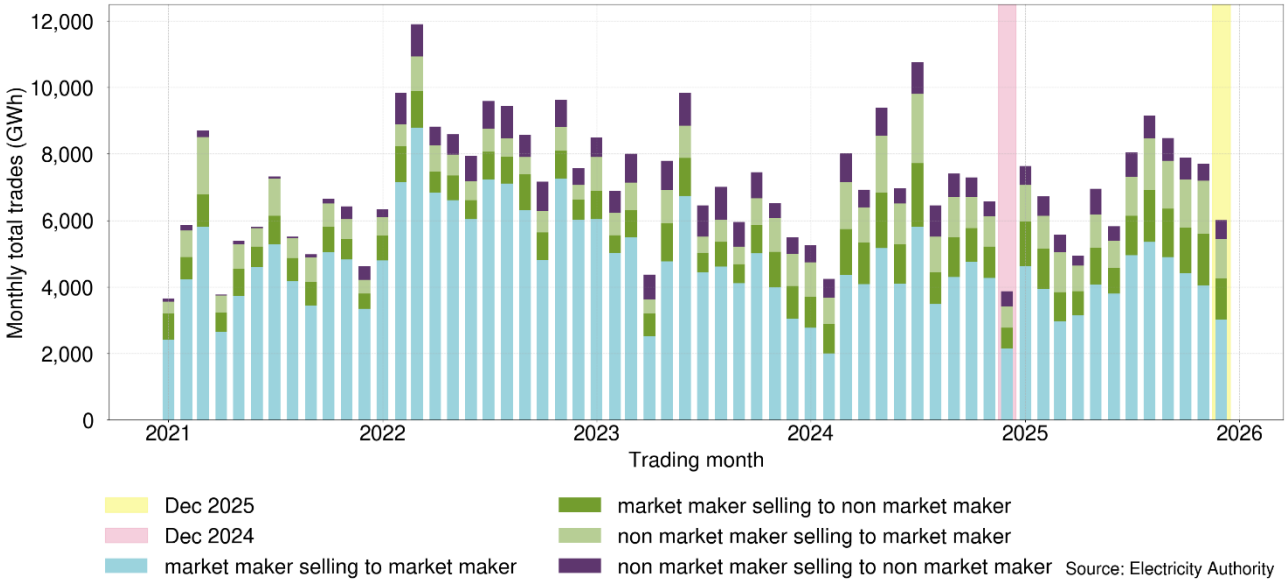
Trade volume by month traded and participant type

3.4. Most of the volume on the ASX market is traded between the five ASX New Zealand electricity futures market makers. This is because market makers must put in orders for a minimum amount of volume across certain contracts each business day in order to meet

their market making obligations. This also means that the volume traded on the ASX is often higher than the volume traded on the over-the-counter market due to market makers trading with each other and closing their positions.

3.5. Figure 11 shows the total volume of electricity futures traded on the ASX since January 2021 by month traded. This total volume is grouped based on whether the participants trading are market makers or not.

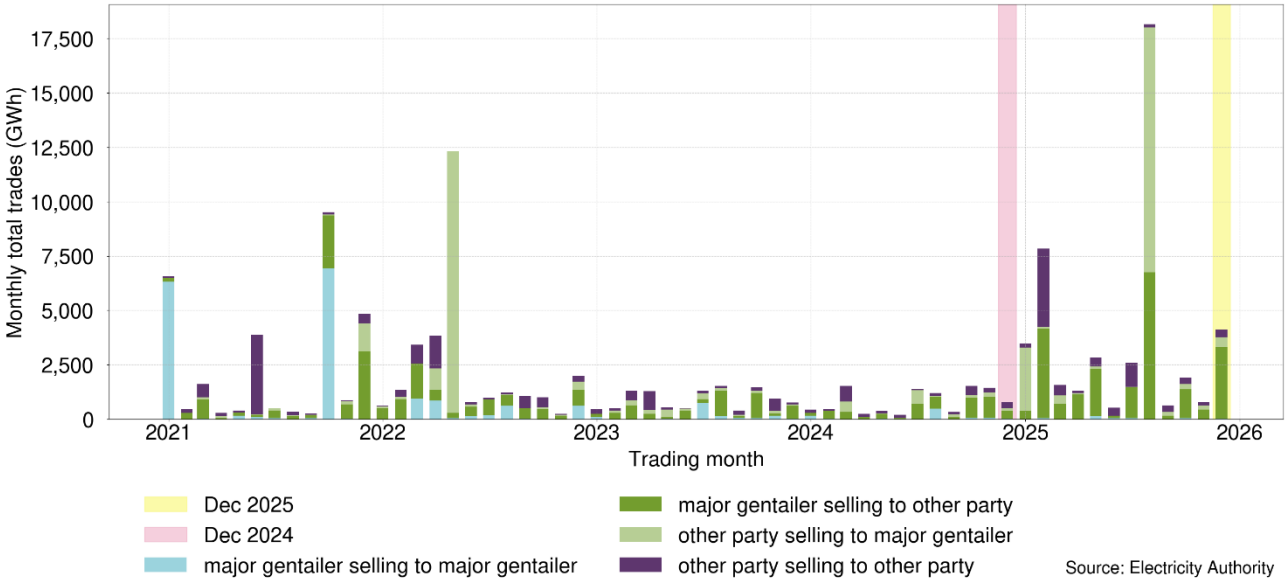
Figure 11: Monthly total volume traded on ASX by participant type, January 2021 to December 2025



3.6. In December 2025, ~6.0TWh of future generation volume was traded on the ASX. This is ~2.1TWh more than December 2024. Of that 6.0TWh, 50% was between two market makers.

3.7. Figure 12 shows the total volume of over-the-counter hedges traded since January 2021 by month traded. This total volume is grouped based on whether the participants trading were one of the four major gentailers or not. Sometimes very long-duration contracts are traded (ie, a contract effective for more than five years). These large contracts can lead to extremely large volumes traded in some months.

Figure 12: Monthly total volume traded over-the-counter by participant type, January 2021 to December 2025



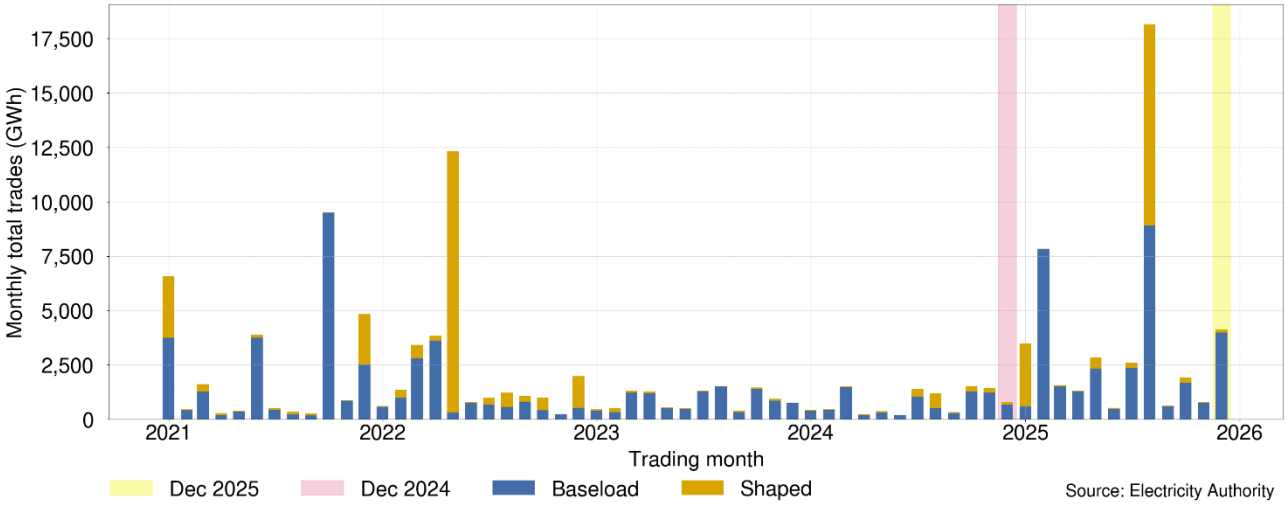
3.8. In December 2025, ~4.1TWh of future generation volume was traded over-the-counter. This is ~3.3TWh more than in December 2024. Of that 4.1TWh, 80% was a major gentailer selling to a participant who is not a major gentailer. Approximately 8.4% of trades were between two parties who are not major gentailers.

Trade volume by month traded and shape

3.9. In the over-the-counter market, hedges can be any shape. This means they can only be effective for whatever time periods the trading parties agree to. Commonly traded shapes include baseload (all trading periods), 4-hourly (all trading periods in 4-hour groups), peak (from the morning peak to the evening peak), and super-peak (just the morning and evening peaks without the period between the peaks). Everything that is not baseload is often referred to as a shaped hedge.

3.10. Figure 13 shows the total volume of over-the-counter hedges traded since January 2021 by month traded and grouped by whether the hedges were shaped or baseload.

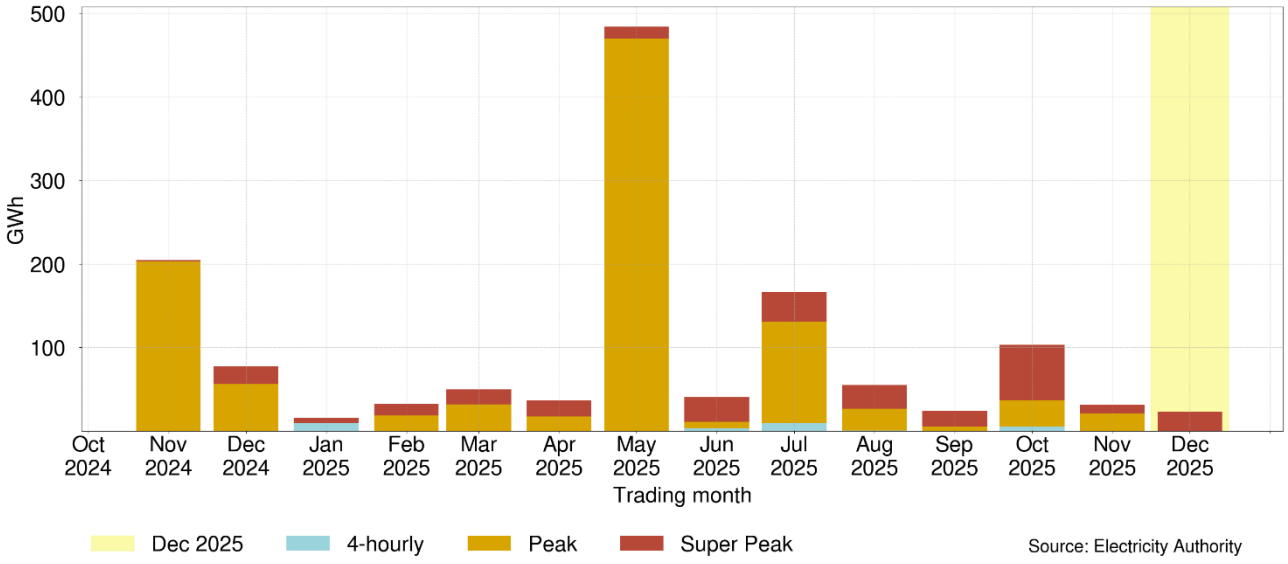
Figure 13: Monthly total volume traded over-the-counter by whether baseload or shaped, January 2021 to December 2025



3.11. Of the ~4.1TWh traded over the counter in December 2025, 3.3% of the volume was for shaped hedges.

3.12. Figure 14 shows the amount of volume traded over-the-counter for contracts for difference with each of the common shapes.

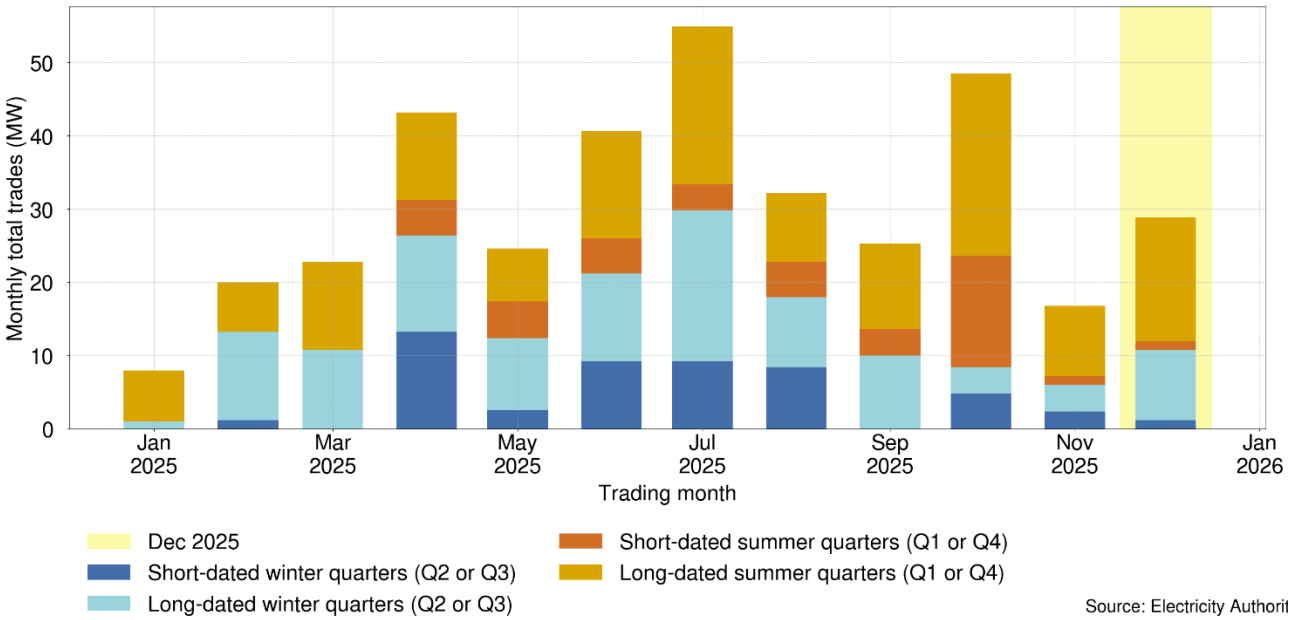
Figure 14: Monthly total volume traded over-the-counter for 4-hourly, peak and super-peak contracts for difference, November 2024 to December 2025



3.13. In December 2025, 0GWh of 4-hourly, 0GWh of peak, and 23GWh of super-peak contracts for difference were traded.

3.14. Figure 15 shows the volume of standardised super-peak product that has been traded each month in the trading sessions. This volume has been grouped by the type of contract being traded with respect to which quarters the contract covers and how far in advance the hedge is being traded.

Figure 15: Monthly total volume traded in standardised super-peak trading sessions by type of contract, January 2025 to December 2025



3.15. In December 2025, 28.8MW of standardised super-peak product volume was traded in the fortnightly trading sessions.

3.16. Approximately 92% of that volume was for hedging long-dated quarters that will be effective more than a year after the trading date.

Hedged volume by effective quarter

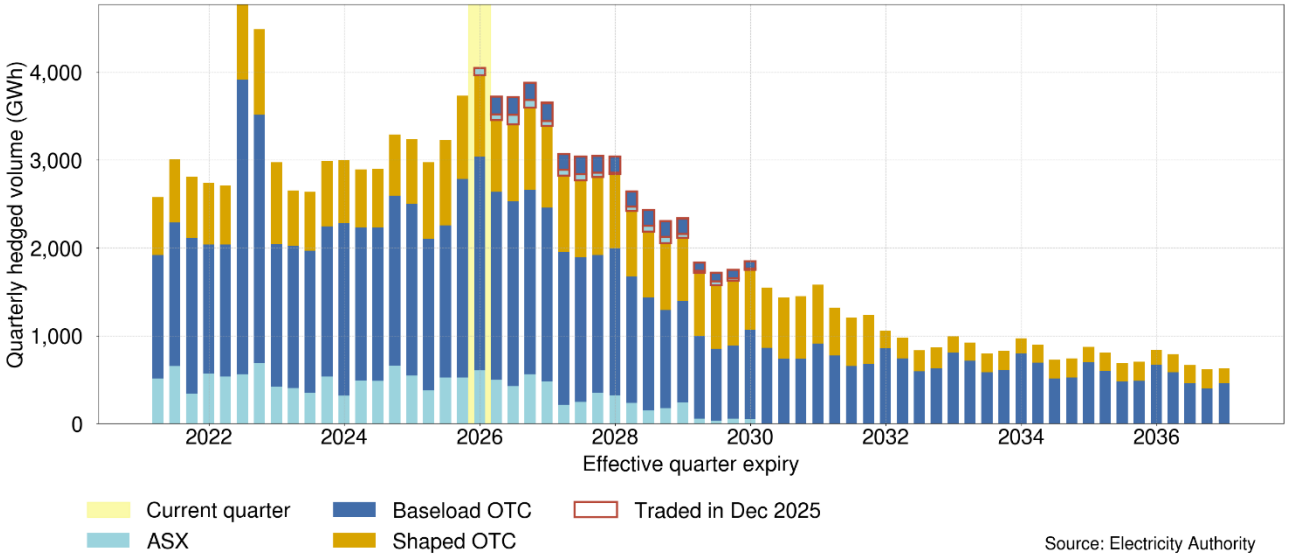
3.17. On the hedge market, volume traded is not equal to the amount of electricity demand that is hedged. This is because participants may buy a hedge and then sell it back, or sell it on to another party. When a hedge is not traded back, this is considered holding a hedge position. Being hedged requires holding a position.

3.18. Even though more volume is traded on the ASX, that volume is often traded back and not often held as a position. Thus, even though the volume traded is usually lower on the over-the-counter market, more hedge positions are held from over-the-counter trades.

3.19. We can estimate the amount that future periods are hedged by calculating the net volume position of each participant for each hedge period in the future and then summing the positive positions.

3.20. Figure 16 shows the total volume hedged by effective quarter. Hedge volume is coloured by whether it was traded on the ASX or over-the-counter and whether the over-the-counter hedges were shaped or baseload. Hedges traded in December 2025 have been indicated with a red outline.

Figure 16: Quarterly total volume hedged on the ASX and over-the-counter (OTC) markets by effective quarter, effective from January 2021



3.21. For the current quarter (Q4 2025), approximately 4.0TWh of volume was hedged. For comparison, the average total electricity demand for Q4 from 2021-25 was 10.0TWh.

3.22. For the coming winter quarters, approximately 3.7TWh of volume is hedged for Q2 2026 and 3.9TWh for Q3 2026. For comparison, average total electricity demand for Q2 and Q3 between 2021-25 was 10.4TWh and 11.2TWh respectively.

4. ASX market making

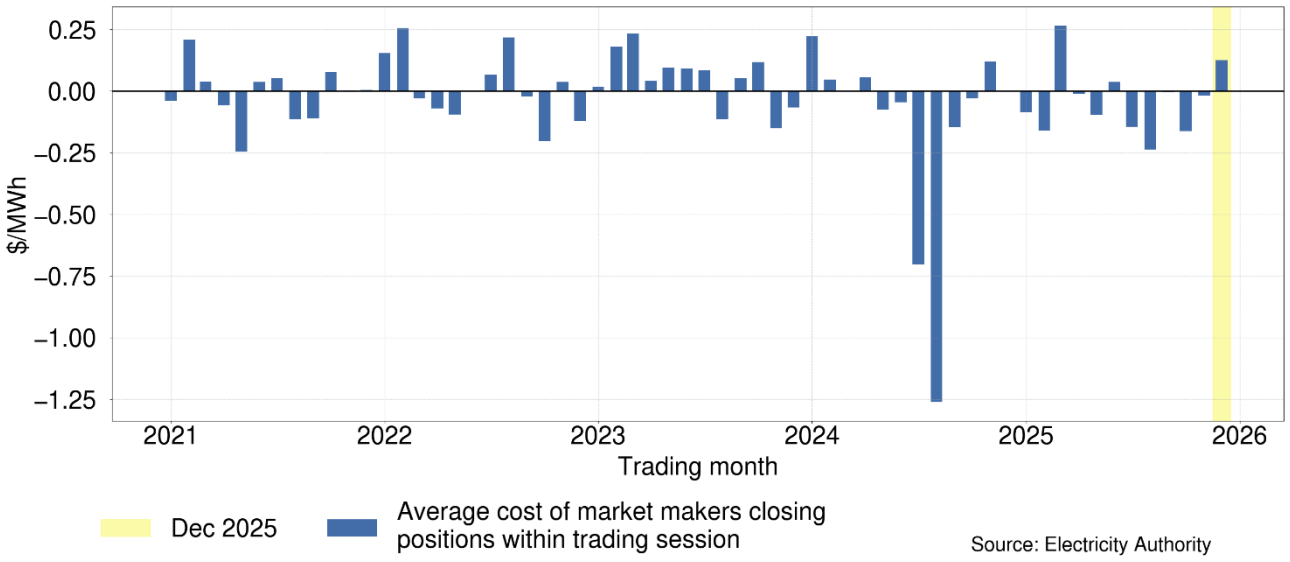
4.1. There are five market makers that must market make certain ASX products. These market makers are the four major gentailers (Mercury, Meridian, Contact and Genesis) and one commercial market maker. Each market maker is required to place buy orders and sell orders for a certain minimum volume every market making session.

4.2. When a market maker trades as a result of the orders they are required to place, they will often want to trade back the contracts they acquired so they are not left holding a position they did not intend to hold. This is called closing their position. When there is a price difference between the opening and closing of a position, money can be lost or gained by the party closing their position.

4.3. Market makers often open and close positions within a single trading session, rather than taking on the risk of holding a position long-term in hopes the market will move in a way that allows them to make a profit when closing the position. These short-term position closes can be costly, but some may consider them lower risk than holding the positions.

4.4. Figure 17 shows the monthly total cost or profit to market makers as a whole resulting from fully or partially closing their positions within the same trading session in which they were opened. This is divided by total volume being closed by the market makers within a session to show average cost or profit per MWh. A high average cost of closing positions indicates that the market is in a period of stress.

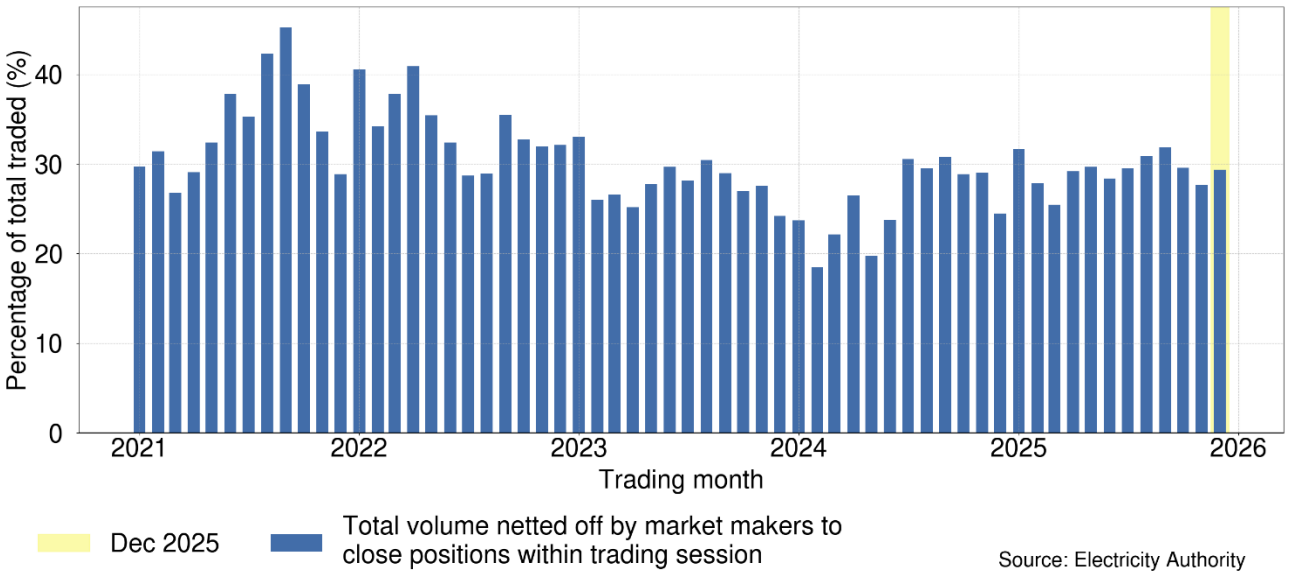
Figure 17: Total profit and loss to market makers from closing positions within trading session per MWh of volume closed, January 2021 to December 2025



4.5. In December 2025, market makers collectively gained an average of $0.12/MWh from quickly closing positions on the ASX.

4.6. Figure 18 shows the volume traded by market makers closing their positions within a session as a percentage of total ASX volume traded.

Figure 18: Total volume traded due to market makers closing positions within trading session as a percentage of total volume traded on the ASX



4.7. In December 2025, 29% of volume traded on the ASX was a market maker closing a position that they opened earlier in the same trading session.

Glossary

Australian Securities Exchange (ASX) – an exchange market where New Zealand electricity futures are traded.

Baseload hedge – a baseload hedge is effective for every time period in a day.

Close position – the action of trading back something to cancel out a previous trade.

Closing future price – this is the price of a hedge product at the end of a business day and is often used as a reference point for observing price changes.

Contract for difference (CFD) – a type of hedge contract that is settled by paying the difference between the agreed hedge price and the spot prices during the effective period.

Effective period – the period in the future that a hedge contract will cover risk for.

Four major gentailers – The four large gentailers that make up the majority of New Zealand's electricity generation and retail market: Contact, Genesis, Mercury, and Meridian.

Future contract – a standardised derivative traded on an exchange and centrally cleared.

Hedge – a risk management or insurance contract that pays you back if electricity prices are higher or lower than agreed.

Levelized cost of electricity (LCOE) – an estimate of the cost of generating electricity that takes into account the lifetime costs across different technologies.

Long-dated – a contract that will be effective more than a year from the trading date.

Market maker – a party that provides market making in a financial market to improve the market liquidity (volume available to be traded quickly). In the ASX electricity futures market, the four major gentailers provide market making along with one commercial market maker. These five participants are called the market makers.

Market making – a service that provides liquidity (volume available to be traded quickly) in a financial market.

Monthly hedge – a hedge contract that will be effective for a single month of a year (ie, an Aug 2027 hedge would be effective for all of August 2027).

Over-the-counter (OTC) – a decentralised financial market where hedges are traded directly between two parties (or through a broker) without the oversight of a centralised exchange.

Peak hedge – a shaped hedge that is effective during at least some of both super-peak periods (6.00am-10.30am and 5.00pm-11.00pm) and the time in between, but not the time outside of 6.00am-11.00pm.

Position – how much someone is hedged. The position of their hedge portfolio.

Quarterly hedge – a hedge contract that will be effective for a single quarter of a year (ie, a Q1 2027 hedge would be effective Jan-Mar 2027).

Shaped hedge – a shaped hedge is available for only specific time periods in the day.

Short-dated – a contract that will be effective less than a year from the trading date.

Standardised super-peak product – a standardised super-peak hedge product co-designed by industry experts. Standardised super-peak products are effective between 7.00am to 10.30am and 5.00pm to 9.00pm. Other non-standard super-peak hedges may be effective for slightly different time ranges.

Super-peak hedge – a shaped hedge that is not effective outside of super-peak times (6.00am-10.30am and 5.00pm-11.00pm).

4-hourly hedge – a shaped hedge that divides the day into six four-hour blocks to offer different pricing and volume for each 4-hour block, but still encompasses the whole day.