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

23 December 2025

Electricity Authority
Wellington

By email: market.making@ea.govt.nz

Electric Kiwi: Submission on proposed voluntary super-peak hedge product

Electric Kiwi appreciates the opportunity to make a submission on the Electricity Authority's consultation, Market making review: strengthening price discovery in the forward electricity markets. As an independent electricity retailer, Electric Kiwi has a strong interest in ensuring liquid, transparent, and efficiently functioning forward markets that support innovation, competition and optimal consumer outcomes.

Access to reliable financial hedge products is fundamental for the viability of independent participants who are not vertically integrated with generation. Without robust price discovery and effective forward market liquidity, the barriers to entry and operation for new retailers and large customers are significantly increased, ultimately undermining the health and competitiveness of the entire sector.

We support the direction of the Authority's proposals and, where additional detail is warranted, suggest refinements to ensure that market making obligations are best aligned with the objectives of liquidity, transparency, and effective competition. In particular, we highlight a deficiency in the current compliance approach and put forward a recommendation to more rigorously differentiate between "liquidity-adding" and "liquidity-consuming" activity in the calculation of market-making compliance.

Feedback on consultation proposals

Recognition of the Authority's Shift on Mandatory Market Making

Electric Kiwi commends the Authority for responding to robust industry feedback and recognising that voluntary market-making arrangements have failed to provide sufficient liquidity and reliability. The lack of enforceable obligations has often led to inconsistent participation, especially during periods of market stress, which undermines both confidence and effective risk management.

We particularly acknowledge the Authority's willingness to listen to a wide range of submissions in making a significant and necessary policy shift. Mandating market

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

making is an essential step towards a more stable, competitive, and transparent forward electricity market that works for all participants, not just the largest gentailers.

Mandatory Market Making for Super-Peak Futures

We fully support the Authority's proposal to introduce mandatory market making for super-peak contracts. These products correspond to the periods with the greatest price volatility and risk exposure for both independent retailers and large direct consumers. At present, insufficient liquidity in super-peak products creates substantial barriers for these non-vertically integrated participants to manage risk, leaving competition muted and ultimately resulting in higher costs for end consumers.

Establishing clear market making obligations for super-peak contracts is essential to ensuring that independent retailers, large customers, and other competitors to vertically integrated firms have genuine and ongoing access to hedge products in the periods they need them. This step should, to some degree, reduce the ability of gentailers to leverage their superior hedge access as a competitive advantage, and help level the playing field for new and growing market participant.

Support for Separate Morning and Evening Contracts

Electric Kiwi supports the idea of splitting the super-peak product into separate morning and evening contracts. We believe this refinement would better align with the actual risk profiles faced by many retailers and large customers, who often experience distinct exposures in the morning versus the evening peak periods.

Having discrete products for the morning and evening peaks would allow market participants to tailor their hedging strategies to their specific load shapes, ultimately supporting more efficient risk management. While concerns are sometimes raised about spreading liquidity thinly, we consider that, provided market making obligations are maintained for each period, there should be no material reduction in overall liquidity. In fact, well-defined products, closely matched to user needs, are likely to encourage greater uptake and more active trading.

Ensuring Fit-for-Purpose Platforms and Robust Market Settings

Electric Kiwi has previously highlighted key limitations with the existing super-peak market platform, particularly around the inflexibility of order amendments and trading session structures.[1] In practice, most market makers upload their bids via CSV files at the

[1] Electric Kiwi – Submission on proposed voluntary Super-Peak hedge product dated 30 September 2025.

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

start of a session and rarely make changes during live trading. We acknowledge recent improvements in this aspect however we remain concerned a lack of real-time adaptability is a major concern for the success of any effective, mandated market making arrangement.

For super-peak products to be traded effectively, the Authority, and the OTC Platform Industry Group, must ensure that a fit-for-purpose, user-friendly trading platform is in place. Such a platform should support flexible and intuitive order entry, real-time amendments and transparent market reporting. These features are essential to foster timely price formation, genuine liquidity and competitive access. While we acknowledge that a future transition toward exchange-based trading (such as through ASX) could offer improvements in areas like credit management, we also see ongoing value in OTC platforms for their accessibility and flexibility for some participants.

Ultimately, the Authority's focus should be on guaranteeing that any platform adopted, whether OTC or exchange-based, can deliver robust, transparent and open trading for all participants. This will require clear standards for platform functionality, explicit timelines for necessary improvements and ongoing engagement with stakeholders to ensure practical challenges are addressed. Similarly, the detailed settings governing market making on these platforms, including session timing and participation requirements, must remain flexible and responsive.

Position on the Hybrid Commercial and Regulated Market Making Model

Electric Kiwi does not support retaining the current hybrid model of regulated market makers alongside a single commercial market maker (CMM). In our view, the introduction of a commercial market maker must clearly result in additional volume, rather than simply offsetting or reducing the obligations of regulated market makers. Without evidence of additional net liquidity brought by the CMM arrangement, the hybrid approach does not deliver the market-wide benefits intended and may undermine confidence in the forward market.

Extending Baseload Futures Horizon from Three to Five Years

Electric Kiwi is open to the extension of the ASX baseload futures horizon from three to five years, recognising that access to longer-dated price signals can support investment planning and potentially benefit market participants seeking certainty for new generation projects. However, the greatest need for liquidity remains at the front of the curve, and if extending the horizon simply results in the same market making volume being stretched over a longer timeframe, the net effect could undermine market effectiveness and harm those relying on short- and medium-term hedging options.

We note that with the potential development of an OTC Platform that can scale to manage more products than just Super peak creates an opportunity to have long-term price discovery outside an exchange traded environment.

For a longer-dated based futures to function well, it is essential that there is balanced and active participation on both buy and sell sides all the way along the curve. Without this, the extended contracts risk becoming illiquid, with unreliable pricing and little practical value for risk management. We also acknowledge that increasing the tenor of contracts elevates both risk and the cost of provision for market makers, which could reduce their willingness to offer quotes or lead to higher risk premiums, ultimately diminishing the benefit for consumers.

Therefore, any expansion of the futures horizon should be conditional on a clear demonstration that it will deliver increased, and not merely reallocated, liquidity, combined with robust market making standards and ongoing monitoring. This measured approach is essential to preserving the integrity and utility of the forward market for all participants.

Baseload Market-Making Volume Should Remain at 12 MW

Electric Kiwi strongly believes the baseload market-making requirement should remain at 12 MW per contract at a minimum, rather than be reduced to 10 MW. The market urgently needs more total liquidity, and the proposed reduction would only shift limited liquidity from the front of the curve to other products, such as longer-dated contracts and super-peak contracts. This is not consistent with the market's core needs. All else being equal, baseload contracts at the front of the curve are the most valuable for efficient price signalling, robust hedging opportunities, and supporting participants' ability to rebalance positions. Diluting liquidity at this key point undermines these critical market functions.

The Authority asserts that reducing the requirement from 12 MW to 10 MW will "ensure market making obligations remain proportionate and sustainable," but does not define what "proportionate" means, nor does it present evidence that 12 MW is not sustainable. The commentary relies on general assertions about the cost to market makers without addressing the severe lack of competition from non-integrated participants. Vertical integration and market power are the primary causes of weak competition, and the current allocation of remedy costs is appropriately directed at gentailers. There is no evidence to suggest that current cost obligations are materially impacting gentailer profitability; in fact, the opposite appears to be true.

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

Furthermore, the suggestion that current volume obligations may exceed market demand reflects a lack of ambition regarding competition in the sector. If the Authority's reforms succeed in invigorating market competitiveness, especially if a liquid hedge market is established, there will necessarily be far greater demand for baseload volumes than what is observed today. Benchmarking obligations to current market demand underestimates the growth that true reforms should seek to unlock. As noted by others, the overall objective must be to enhance competition and provide the framework for genuine competitors to vertically integrated firms not just to survive, but to thrive. Maintaining a 12 MW baseload obligation is fundamental to achieving that objective.

Specific Submission on Clause 13.236N(1)(a)(ii)

Electric Kiwi also supports the Authority's proposal to tighten, or if necessary remove, the current Permitted Circumstances exemption under clause 13.236N(1)(a)(ii). In our view, previous use of this relief has at times extended beyond its intended scope, allowing market makers to avoid obligations inappropriately. We strongly encourage the Authority to clarify and, if appropriate, further restrict these exemptions to restore confidence in the regime and ensure obligations cannot be avoided except in truly exceptional and justified circumstances.

Additional Proposal: Maker/Taker Model for Market Making Compliance

A core objective of market making, both in spirit and in regulatory design, is to add tradable depth to the market, thereby stabilizing prices and delivering reliable hedge access for all. However, as currently formulated, compliance with market making obligations can be achieved by submitting orders that do not rest on the book, but instead immediately execute against existing liquidity (for example, by crossing the spread).

While this may satisfy the letter of the current compliance rules-because it meets the volume and spread thresholds-it does not serve the intent of truly making a price available to the market. This activity is commercial trading, not market making, and in fact can drain, rather than add, liquidity at times when the market needs it most.

Electric Kiwi proposes a simple, clear, and internationally recognized approach: compliance with market making obligations should be measured only by "Maker" activity - that is, orders which add liquidity by resting on the order book. "Taker" activity, which removes existing liquidity by executing immediately, should not count towards fulfilling market making obligations.

This could be implemented as follows:

-

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

- Compliant (Maker) Orders: Any order, or portion thereof, that upon submission does not immediately execute, but rests visibly on the order book.

- Non-Compliant (Taker) Orders: Any order, or portion thereof, that upon submission matches against existing interest and is instantly executed (crosses the spread).

- Partial Execution Handling: If an order is partially executed on entry, only the unfilled, resting portion counts towards compliance.

- Two-Sided Obligations: Market makers must maintain compliant Maker quotes on both bid and offer sides of the market, at or within the allowable spread, and in the requisite volume.

Conclusion

The Authority's proposals represent positive progress toward a forward market that is better able to support investment, competition, and consumer choice.

We look forward to continued engagement and would welcome the opportunity to contribute further during the implementation phase.

Yours sincerely,

Huia Burt
CEO, Electric Kiwi