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Submissions
Electricity Authority
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Via email: market.making@ea.govt.nz

ERGANZ SUBMISSION ON MARKET MAKING REVIEW

The Electricity Retailers' and Generators' Association of New Zealand ('ERGANZ') welcomes the opportunity to provide feedback on the Electricity Authority's consultation paper, 'Market making review: strengthening price discovery in the forward electricity markets' from November 2025.

ERGANZ is the industry association representing companies that sell electricity to Kiwi households and businesses. Collectively, our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

Summary

ERANZ supports the Authority's overall objective of strengthening forward-market price discovery, transparency and confidence, where it improves competition and supports efficient, timely investment in generation, storage and demand-side flexibility.

We also note the Authority's observation that there is growing interest in longer-dated contracts, including because wholesale prices are expected to fall, and that extending the curve is intended to help test convergence toward LCOE as a competitive-outcomes indicator. ERANZ agrees that these are useful lenses, and they reinforce the need for settings that are proportionate, durable under stress, and implementable.

ERANZ's key recommendations are:

- Proceed with mandatory super-peak market making, commencing with 6 MW per contract per fortnight, but revisit the proposed 5% maximum spread and calibrate it using evidence, including volatility and close-out risk at a fortnightly cadence.
- Embed an explicit early effectiveness 'test and learn' review for super-peak settings and publish a transparent methodology for recalibration of volume and spread settings.

- Oppose extending ASX quarterly baseload futures beyond three years as the costs outweigh the benefits. There is no proven market demand for 4–5 year products and current OTC activity does not justify mandating ASX market making.
- Support reducing baseload volume requirements and the proposed compliance refinements, to help keep the overall suite of obligations proportionate.
- Strengthen the evidential basis for market making cost estimates by using the best available data, including CMM information, and testing sensitivities under stress and multi-day inventory holding scenarios.

ERANZ submits that any evolution of market making should be guided by principles, including the Authority stating that its objective is to support the market with measures that strengthen access to risk management tools and price discovery in ways that support competition and efficiency. Obligations on ERGANZ's members should be no heavier than required to achieve robust price signals, particularly given the costs and risks borne by obligated parties (including inventory and credit exposure).

Given the probable need for iterative refinement, the Authority's initial settings should be treated as a starting point, with a clear review path informed by observed liquidity and trading outcomes, this is consistent with feedback from prior rounds. Market design should avoid unnecessarily locking in product specifications where the shape of peak risk may evolve (including possible future separation of morning/evening peaks).

Submission points

Mandatory market making for standardised super-peak contracts

ERGANZ supports the introduction of mandatory market making for the standardised super-peak contract. Shaped price signals are increasingly important in a system with higher intermittent generation and more frequent periods of very low and very high spot prices.

ERGANZ is comfortable with the proposed 6 MW aggregate minimum volume as an initial setting. However, we recommend the Authority reconsider the proposed maximum 5% bid-ask spread. Super-peak prices are inherently more volatile than baseload and, given fortnightly trading, market makers can face additional inventory and close-out risk relative to daily-traded exchange products. A spread set too tightly risks reducing willingness to quote, or shifting costs and risks elsewhere.

ERGANZ recommends the Authority calibrate the spread using evidence on observed price volatility and holding periods (including available CMM and market data), and either commence with a more conservative maximum spread (or a defined volatility/stress adjustment mechanism) or pair the 5% spread with a short-cycle review and a transparent recalibration methodology.

OTC platform minimum standards and selection

ERANZ supports the Authority's proposed minimum standards for the OTC platform used to fulfil obligations covering open access, functionality (direct bid/offer management, minimising errors/delays), real-time information and downloadable data, and platform availability/security.

This directly responds to extensive prior submitter feedback, including from ERGANZ members. This included concerns about manual processing leading to trades made in error; platform issues should be investigated to ensure volumes reflect market conditions rather than platform limitations; and views that the existing platform is not fit for purpose for a market making obligation.

Our members recommend that the Authority should review the platform and implement improvements before 2026, and that a work programme with the platform owner and participants to bring the platform up to required standards.

Therefore, ERGANZ recommends that the Authority runs a transparent approval process for the recognised platform (criteria, testing, stakeholder engagement, transition arrangements), particularly given the Authority's intention to approve one platform provider to concentrate liquidity. The Authority should ensure the platform produces high quality compliance data (including auditability and standardised outputs), consistent with the Authority's stated need for consistent data for monitoring and compliance. Finally, the Authority should ensure fees and access terms do not create barriers, noting the platform will be commercially sustained through transaction-based fees.

Super-peak settings and product design

ERGANZ notes the Authority proposes market makers quote 6 MW per contract per fortnight at a 5% spread (or $2 minimum), and that the requirement is intended to support price discovery rather than meet all demand. ERGANZ considers that the 5% maximum spread is not yet well-evidenced for super-peak, given higher underlying spot volatility in super-peak periods (the Authority itself notes increased volatility to system change) and that a fortnightly trading cadence creates a material close-out risk versus daily exchange trading.

ERGANZ supports settings designed for OTC's fortnightly cadence (including the five-minute presence option as a monitored flexibility mechanism), and recognises the Authority's intent to revise settings if trading transitions to ASX in future.

On product design, ERANZ supports retaining flexibility to adjust specifications over time. The Authority has invited feedback on whether the super-peak product should remain combined or split into separate morning/evening peaks, and notes Concept's analysis that peak dynamics may shift toward the evening peak in 2032–2037.

Therefore, ERGANZ recommends the Authority:

- maintain the current combined product as the initial implementation (to reduce fragmentation risk), but
- commit to reassessing whether separate morning/evening products are warranted once sufficient trading history exists.

This is aligned with prior submitter feedback emphasising the importance of retaining flexibility for the product to evolve.

Extending ASX quarterly baseload futures to five years

ERGANZ does not support extending mandatory market making for ASX baseload futures beyond three years at this time. The Authority's case for an extension is not justified when Concept's analysis concludes the cost-benefit case is uncertain at best, with "costs and benefits of longer-dated futures...minor" and outcomes dependent on unvalidated assumptions about buyer and seller interest.

The claimed benefits of around $1.2 million per year from improved financing are speculative and small relative to the $2.5 million per year in costs. We note that some market maker members consider the costs understated. There is no evidence that market demand for standardised 4–5 year products exists beyond what is already met through OTC arrangements.

Liquidity is acknowledged to thin materially beyond year 3, raising questions about whether mandated market making would actually deliver robust price discovery. MDAG recommended that any extension should be contingent on assessing the effectiveness of super-peak market making first. There are good reasons for this and the sequencing should be respected.

If the Authority wishes to support longer-dated price discovery, it should:

- Monitor OTC market development for 4–5 year contracts.
- Assess the effectiveness of super-peak market making over two or three years before considering baseload extension.

Other comments

ERGANZ supports the proposal to reduce baseload offer volume obligations from 12 MW to 10 MW per contract, noting the Authority's analysis that current obligations may exceed market demand and its commitment to monitor impacts. This should also be viewed as part of a cross-product rebalancing, given the Authority's description (drawing on Concept) that baseload volume requirements can be distributed across baseload and super-peak.

ERGANZ supports the Authority's intent to regularly publish price trends for long-dated OTC contracts to improve transparency and competition, subject to appropriate aggregation, anonymisation and publication-lag safeguards (to mitigate de-anonymisation risk in thin markets).

Additionally, ERGANZ supports:

- rounding the compliance algorithm's failure assessment to the nearest second (rather than millisecond), to avoid penalising negligible lapses and preserve exemptions for genuine stress; and
- clarifying that the "breach of law" permitted circumstance is not intended to apply where reasonable steps could have avoided the breach while continuing to trade.

Consultation questions

Questions	Comments
Q1. Do you agree with the Authority's assessment of the impacts of market making policies? If not, please explain your reasoning.	ERGANZ generally agrees with the Authority's assessment that market making settings have improved liquidity, helped support a more robust forward price curve, and improved price transparency. The consultation paper also notes that outcomes are influenced by external factors such as spot price volatility and the presence of clearing participants, which makes attribution to any single policy change difficult. Going forward, ERGANZ's primary focus is on ensuring settings remain proportionate to demonstrated demand, durable under stress, and practical to implement. The regime should support confidence and participation in forward markets while avoiding over-procurement of liquidity and unintended cost transfer to consumers.
Q2. Do you agree with the Authority's assessment that the introduction of the CMM has achieved its intended policy objectives? If not, please explain why.	ERGANZ broadly agrees that the introduction of the commercial market maker (CMM) has contributed to greater transparency and confidence in the forward price curve, including by providing an additional source of executable quotes and market information. The CMM has also helped make the costs of market making more visible to levy payers. However, the existence of the CMM does not remove the need to keep the overall suite of obligations calibrated, particularly as the Authority proposes to add additional products (super-peak) and extend contract horizons.
Q3. In your view, does the CMM arrangement offer good value for money?	On balance, ERGANZ considers the CMM arrangement can provide value for money when it is used to strengthen confidence and participation, and when its service levels (volume, spread, session design) are aligned with market needs. To support durable confidence, ERGANZ encourages the Authority to continue improving transparency about the total costs of market making (including the drivers of those costs) and to demonstrate how CMM service levels are set and reviewed in light of measured outcomes.

Q4. Do you support the Authority’s proposal to continue with the current hybrid model of four regulated market makers and one commercial market maker? If not, please explain your concerns.	ERGANZ supports continuing the hybrid model at this time, consistent with the Authority’s view that further additions are unlikely to materially improve outcomes and could impose unnecessary costs.
Q5. Do you agree with the Authority’s proposal to market make super-peak contracts? Do you agree with the rational for this proposal? If not, please explain why	ERGANZ supports the Authority’s proposal to introduce mandatory market making for the standardised super-peak contract, given the fragility of voluntary arrangements and the importance of shaped price signals for flexibility, reliability, and investment. ERGANZ supports an aggregate minimum volume of 6 MW per contract per fortnight as a pragmatic starting point. However, ERGANZ is not yet persuaded that a maximum 5% bid-ask spread is appropriately calibrated for super-peak, given the higher underlying spot price volatility during super-peak periods and the additional inventory/close-out risk that arises from fortnightly trading (compared with daily exchange trading). We recommend the Authority revisit the spread setting using evidence (including CMM and market data on holding periods and mark-to-market exposure) and commit to an early effectiveness review.
Q6. Do you think there should be changes to the proposed specifications of the super- peak product (e.g. trading periods, unit volume, node coverage, or horizon)? For example, would splitting the product into separate morning and evening peak contracts better meet market needs	ERGANZ supports commencing with the standardised contract specification in Table 3 (including the defined trading periods and “all days” application) to allow liquidity to develop around a consistent reference product. However, consistent with prior submissions, product evolution must remain feasible—particularly given the prospect of peak shifting (e.g., towards evening) as renewables increase.
Q7. Do you agree with the proposed settings for regulated market making in the super- peak product (eg, offer volume and spread requirements)? Please explain your view	ERGANZ supports moving to a 6 MW aggregate volume requirement (with 1.5 MW per regulated market maker per contract), as a sensible balance between achieving liquidity and avoiding over-procurement. On the spread requirement, ERGANZ considers further work is required. A maximum 5% spread may prove too tight given super-peak’s volatility and the fortnightly trading cadence, which can force market makers to carry inventory across meaningful price movements. ERGANZ recommends either (a) commencing with a

	more conservative maximum spread (or a defined volatility/stress adjustment mechanism), or (b) retaining 5% initially but pairing it with an explicit, short-cycle review and a transparent methodology for recalibration. More generally, ERGANZ recommends the Authority publish a clear methodology for how it will review and adjust super-peak settings over time, including the metrics it will use to assess whether obligations are aligned with demand and whether price discovery benefits are being realised.
Q8. Do you agree with the Authority's proposed approach to establishing the platform? If not, please explain your reasoning.	ERGANZ supports the Authority establishing an OTC platform only if it is demonstrably fit for purpose and improves market confidence and participation. Platform selection should prioritise: (i) robust governance and operational resilience; (ii) transparent and fair access arrangements; (iii) clear rules around auction conduct, credit and default management; and (iv) low-friction participation for both buyers and sellers. Given significant stakeholder feedback in the previous round on platform limitations, ERGANZ encourages the Authority to ensure platform design choices are co-designed with users and tested operationally before go-live.
Q9. Do you agree with the Authority's proposed market settings on the OTC platform? If not, please explain your reasoning	ERGANZ supports the general structure of the market making window, including measures intended to balance participation certainty with flexibility (e.g., the ability to satisfy obligations through presence for a minimum period). We also support the intent to avoid overlap with the ASX baseload market making window.
Q10. Do you support the Authority's proposal to extend the baseload futures horizon from three to five years? Please explain your reasoning.	ERGANZ opposes extending the availability of ASX-listed quarterly baseload futures beyond three years in principle. The beneficiaries are unclear – it is not evident that the extension would benefit retailers, generators planning renewable investment, or other large industrials. For years four and five, liquidity shrinks significantly, as acknowledged by the Authority, and price uncertainty increases substantially, credit risk exposure and

	financing costs increase, all of which outweigh trading income. ERGANZ notes that demand for liquidity at the long end of the curve remains uncertain. If the Authority presses ahead, then to manage cost and delivery risk, ERGANZ recommends staging implementation - for example, introduce year 4 contracts first, review outcomes and demand, and only then consider year 5. ERGANZ also recommends considering lower initial quoting volumes for the newly introduced longer-dated quarters until two-sided demand is demonstrated.
Q11. Would your organisation expect to use these longer-dated futures contracts? If so, could you describe how they would be used in your risk management or trading strategies?	N/A
Q12. What are your views on the Authority's proposed forward price trends based on OTC longer-dated contracts?	ERGANZ supports publication of aggregated trends in longer-dated OTC prices and volumes to improve transparency, provided it is sufficiently anonymised/aggregated to avoid revealing commercially sensitive positions or enabling strategic behaviour.
Q13. Do you agree with the proposed reduced volume requirements for market making baseload contracts? If not, please explain why	ERGANZ supports the proposed reduction, consistent with the Authority's analysis that very high mandatory volumes may not be necessary to achieve liquidity outcomes and can impose unnecessary cost/risk.
Q14. Do you consider an 8 MW volume requirement per contract for baseload futures would be sufficient to enable robust price discovery? If so, please provide information to support.	An 8 MW volume requirement per contract may be sufficient for robust price discovery over time, particularly if accompanied by other settings that support participation (such as refresh provisions and sensible exemption/stress rules). Given the size of the New Zealand market and the risk of over-procurement, ERGANZ considers that lower volumes can still deliver meaningful price discovery, especially at the longer end of the curve where demand is likely to be thinner.
Q15. Do you agree with the Authority's proposal to modify the compliance framework in terms of the quoting	ERGANZ supports rounding the quoting requirement time to the nearest second (rather than millisecond) to avoid technical non-compliance that does not reflect meaningful market harm.

requirement time? If not, please explain your reasoning	
Q16. Do you agree with the Authority's proposal to modify the Code to clause 13.236N(1)(a)(ii)?	N/A
Q17. Do you agree with the objectives of the proposed amendment? If not, please explain why?	Broadly yes, but concerns remain.
Q18. Do you agree that the benefits of the proposed amendment outweigh its costs? If not, please explain why.	There is a risk that costs outweigh the benefits. Through this consultation process, the Authority should ensure the requirements are calibrated to address clearly identified problems in an efficient and cost-effective way based on market participant feedback.
Q19. Do you agree that the proposed amendment is preferable to the other options in relation with a) appropriate suites of contracts and b) Mandatory vs voluntary, c) reduce baseloads volume? If you disagree, please explain your preferred option in terms consistent with the Authority's main statutory objectives in section 15 of the Act 2010.	No further comments.
Q20. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	See answers to Q1 and Q18.
Q21. Do you have any comments on the drafting of the proposed amendment?	No further comments.

Conclusion

ERGANZ would like to thank the Authority for considering our submission.

If there are any outstanding questions or a need for further comments, please let me know.

Yours sincerely,

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