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Market Making Review

1. Introduction

1.1 Genesis Energy Limited (**Genesis**) appreciates the opportunity to comment on the Electricity Authority's (**Authority**) consultation paper "Market Making Review: Strengthening Price Discovery in the Forward Electricity Markets" dated 14 November 2025 (**Consultation Paper**). As one of New Zealand's largest integrated energy companies with a diversified flexible generation portfolio, a market maker of New Zealand electricity futures on the ASX and a provider of bespoke OTC products, including the recent Huntly Firming Options, we have relevant experience with the benefits and costs of market making and OTC arrangements.

1.2 Our submission is organised as follows:

Section 2 – Summary of Genesis' position
Section 3 – Price discovery and flexible capacity scarcity
Section 4 – Response to independent economic analysis
Section 5 – Why market making of baseload ASX futures should not be extended to five years
Section 6 – Super peak market making implementation conditions
Section 7 – Conclusion

Our responses to the specific consultation questions are set out in **Schedule A**.

2. Summary of Genesis Position

2.1 Genesis acknowledges that the independent economic analysis commissioned by the Authority (Concept Consulting, Infometrics) has strengthened the regulatory case for intervention in respect of super-peak contracts. **Genesis supports, on balance, the Authority's proposal to introduce mandatory super-peak market making** and considers that a 6 MW aggregate quoting obligation strikes an appropriate balance between improved liquidity and avoiding over-procurement.

2.2 On the maximum spread, Genesis considers further calibration is required to ensure obligations remain commercially sustainable given super-peak volatility and the fortnightly OTC close-out cadence. Genesis asks that the Authority either:

(a) commence with a wider maximum spread than 5% (calibrated using evidence on volatility, inventory holding periods, and close-out risk); or

(b) retain 5% initially, but pair it with an explicit short-cycle 'test and learn' review and a transparent recalibration methodology (including stress/volatility settings) to adjust spread and volume settings if observed trading outcomes warrant it.

2.3 Genesis' support for the super-peak proposals is subject to four key conditions:

(a) **Platform functionality as a genuine precondition:** Implementation should not proceed until the OTC platform meets defined minimum functionality standards.

(b) **Preservation of investment incentives:** Regulatory settings must not erode scarcity price signals that underpin investment in flexible capacity.

(c) **Recognition of credit risk management:** Explicit Code recognition that market makers may apply appropriate credit terms.

(d) **Formal review and recalibration framework:** Implement a structured review after 12–18 months of operation, supported by an explicit early effectiveness 'test and learn' review and publication of a transparent methodology for recalibrating spread and volume settings (including stress/volatility settings), based on observed two-sided demand, liquidity outcomes, and evidence of improved price discovery.

2.4 However, **Genesis does not support the proposal to extend market making of baseload futures from three to five years**. As detailed in Section 5, Concept Consulting's analysis concludes the cost-benefit case for this extension is "unclear" and the benefits "negligible". The Authority should not proceed with an intervention that its own commissioned expert cannot support. At a minimum, the Authority should assess the effectiveness of super-peak market making before considering any extension of baseload market making beyond three years.

2.5 We also emphasise that market making can improve the 'thermometer' (price transparency) but cannot cure the underlying 'fever' (capacity scarcity). The high cost of capacity-backed hedges reflects physical scarcity of flexible generation.

3. Price Discovery and Flexible Capacity Scarcity

3.1 The Authority identifies limited price transparency in shaped contracts as constraining competition. This is legitimate - but it is important to distinguish between:

(a) **Price discovery gaps:** A real issue that market making can help address.

(b) **Underlying capacity scarcity:** Better price discovery cannot create capacity that does not exist.

3.2 While market making can improve the 'thermometer' (price transparency) but cannot cure the underlying 'fever' (capacity scarcity). The high cost of capacity-backed hedges reflects physical scarcity of flexible generation. The Authority's super-peak proposals may improve the "thermometer", but the underlying fever requires investment in flexible generation.

4. Response to Independent Economic Analysis

4.1 Genesis acknowledges that the Authority's consultation process and the economic analysis supporting this review, reflect the Authority's consideration of feedback from market participants on the "Regulating standardised flexible products" consultation. The commissioning of independent economic analysis from Concept Consulting[1] and futures and spot price analysis from Infometrics[2] demonstrate an evidence-based approach to policy development which is welcomed.

4.2 Having considered the analysis presented and the Authority's reasoning, Genesis considers that, on balance, the Authority's proposals for mandatory super-peak market making can be supported, subject to the implementation conditions set out in Section 6 of this submission.

4.3 Our analysis focussed on identifying where the analysis and evidence supports regulatory intervention and where they do not. We acknowledge that Concept's analysis provides structured quantification of potential costs and benefits for super-peak market making. Key findings that support where we have landed on the super peak proposal include:

(a) **Super-peak preferred over peak:** Concept finds baseload + super-peak potentially provides the greatest benefits.

[1] Concept Consulting, 12 September 2025, "Electricity Hedge Market-making Cost Benefit Analysis" (**Concept Report**).

[2] Stroombergen, A., Hendy, E., 11 August 2025, "Exploration of the Relationship between ASX Prices and Spot Prices" Infometrics (**Infometrics Report**).

(b) **ASX transition recommended:** Superior liquidity and price discovery potential in the longer term.

(c) **Buyer-seller imbalance is key risk:** Market maker risk is more sensitive to trading imbalances than product characteristics particularly given the fixed spread requirements.

However, critically, Concept's analysis does not support extending market making of baseload futures to five years. We agree and discuss this in Section 5 below.

5. Why market making of baseload futures should not be extended to five years

5.1 Genesis does not support the Authority's proposal to extend market making of baseload futures from three to five years. The Authority's own commissioned economic analysis does not establish that this intervention would deliver net benefits to consumers.

The Three Fundamental Problems with the Five-Year Extension

5.2 Genesis' opposition rests on three core concerns, each grounded in the Authority's own commissioned evidence:

(a) **First, Concept's bottom line is "unclear".** The Authority's own commissioned expert concluded:

> "Overall, we anticipate the potential for both costs and benefits to be minor. Absent greater certainty on likely buyers and sellers, we consider it unclear whether the costs of extending the horizon would be outweighed by the benefits".[3]

The Authority should not proceed with regulatory intervention when its own expert adviser states the cost-benefit balance is "unclear".

(b) **Second, the Authority's benefit narrative misattributes Concept's findings.** The $1.2 million financing benefit cited as context in paragraph 6.42 of the Consultation Paper relates to super-peak products, not the horizon extension. Concept explicitly allocates this benefit to the "Baseload + super-peak" scenario - not to the "Baseload only" scenario.[4] For the baseload-only horizon extension, Concept estimates potential benefits as "Negligible". Accordingly, the Authority's presentation creates a misleading impression that Concept's financing benefit figure supports the five-year extension proposal. It does not.

(c) **Third, even if prices were quoted, they would not become reliable investment signals.** Concept explicitly states that "thin liquidity means

[3] Concept Report, section 6.1.1.

[4] Concept Report, section 6.5, Table 1.

prices are unlikely to be particularly meaningful" for longer-dated contracts.[5] Without demonstrated end-user demand, the outcome is likely to be synthetic quotes and socialised fees - not actionable reference prices for investment decisions. Concept also observes that long-term forecasts are inherently uncertain and that most long-dated contracting uses indexation to manage that uncertainty, reducing the relevance of a fixed-price Year 4 - 5 baseload futures quote as an investment signal.[6]

What Would Change Our View

5.3 Genesis' position is evidence-based and subject to revision if circumstances change. We could support extending market making of **annual** rather than quarterly products to Year 4 (and then year 5) if, after 12–24 months of operation under the proposed super-peak and three-year baseload arrangements, evidence demonstrates:

(a) sustained end-user participation in longer-dated contracts beyond market makers themselves;

(b) spreads and depth in Year 3 contracts comparable to Year 1–2 products;

(c) demonstrable use of longer-dated prices in investment or financing decisions (e.g., PPA pricing, project finance); and

(d) net benefits that exceed the costs and risks to market makers.

5.4 This approach is consistent with MDAG's recommended sequencing principle—which the Authority acknowledges at paragraph 6.40 of the Consultation Paper but then proceeds to dismiss without rigorous justification. We discuss in paragraphs 5.10, 5.11 and 5.19 below why the two reasons the Authority outlines for proceeding – growing OTC activity and the need for more robust long term prices – are flawed.

Key Misinterpretations in the Authority's Summary of Concept's Findings

5.5 Beyond the fundamental concerns above, the Authority's summary of Concept's findings in paragraphs 6.41 - 6.43 of the Consultation Paper contains several material misinterpretations that warrant correction:

(a) **The $1.2 million benefit relates to shaped products, not horizon extension.** As noted above, Concept discusses this financing benefit in the context of "a well-designed shaped product" that "can capture differentiated price signals across the day"[7] and Table 1 of their report allocates it to "Baseload + super-peak", not the baseload-only horizon extension. Further, the Authority's $1.2 million per year illustration is explicitly hypothetical ("even a modest 1% improvement in revenue certainty") and does not demonstrate that extending baseload market making to Years 4 - 5 would deliver that uplift, or that similar outcomes could not be achieved through bespoke OTC/PPA arrangements.

[5] Ibid.
[6] Ibid.
[7] Concept Report, section 5.4.2.

(b) **The $5,000/MW cost estimate excludes mark-to-market risk.** In footnote 14 of section 6.1.1 pf their report, Concept explicitly states this figure assumes "negligible mark-to-market earnings/loss." The Authority's $2.5 million annual cost estimate therefore represents a best-case floor, not a comprehensive cost estimate. For longer-dated contracts held for longer periods, cumulative mark-to-market exposure is amplified.

(c) **Concept found earnings turn negative beyond a two-year extension.** Concept's report states:

> "We anticipate the potential for a small benefit from a two year extension, but that average earnings would start to reduce beyond that as financing costs outweigh any transaction income."[8]

The Authority proposes five years - three years beyond the point where Concept says earnings become negative. The Consultation Paper does not address this finding in any detail.

(d) **The "trading with each other" observation indicates weak genuine demand, not a healthy market.** The Authority explains the relatively low loss as occurring "because market makers are mostly trading with each other." This churn between market makers indicates the market is not effectively serving real hedgers. Adding longer-dated contracts with even less expected demand will not improve this dynamic.

Uncertain Beneficiaries and Unproven Demand

5.6 Concept's analysis reveals significant uncertainty about who would actually use longer-dated market-made contracts. The key findings are:[9]

(a) Retailers "will generally not prefer to lock in long-term positions"—they face competitive risk if prices move.

(b) Industrial consumers "may be better served by other products such as PPAs"—which already exist in the OTC market.

The Authority itself acknowledges that baseload futures "do not perfectly match the variable output profiles of wind and solar generation". This mismatch reinforces that standardised Year 4 - 5 baseload futures are unlikely to be the contract form relied on for renewable investment and financing decisions, which commonly require shaped and/or indexed arrangements.

5.7 The absence of demonstrated demand from physical hedgers - retailers and large industrial consumers - raises questions about whether the intervention would deliver benefits that accrue to consumers through improved hedging access and investable reference prices. If the primary activity in longer-dated contracts is market makers trading with each other or financial participants seeking arbitrage opportunities, the

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[8] Concept Report, section 6.1.1.

[9] Ibid.

intervention is unlikely to advance the "long-term benefit of consumers" under section 15 of the Electricity Industry Act 2010.

5.8 We do not suggest financial participation is inherently problematic - financial traders can improve liquidity and price discovery. However, for the intervention to be justified, there must be evidence that the benefits translate into improved hedging access and investable reference prices for physical participants. Concept's analysis does not establish this.

Market Maker Risk with Asymmetric Exposure

5.9 While market making fees are ultimately recovered from consumers, market makers bear risks that fees may not fully compensate - particularly during stress periods or one-sided trading. Fees are socialised through industry charges, but the downside inventory and mark-to-market risk from prolonged one-sided trading is borne by market makers. Specifically:

(a) The Authority estimates extending market making by two years would add approximately $2.5 million per year in costs to market makers collectively. As one of four regulated market makers, Genesis would bear approximately $0.6 million annually in additional costs.

(b) Critically, this estimate assumes balanced buying and selling interest. Concept explicitly notes: "if trading were one-sided, market makers could face prolonged inventory risk, with low transaction earnings unlikely to offset that risk".[10]

(c) The Authority's own data shows losses were concentrated in August 2024 during market stress - precisely the kind of tail risk that longer-dated contracts would amplify, not mitigate. Longer horizons mean longer holding periods for inventory, which means greater cumulative exposure to stress events.

(d) Research on thin power futures markets finds that inventory-dominated conditions - where order flow is one-sided and dealers cannot easily balance positions - occur across approximately 73% of physically plausible parameter configurations, while balanced trading conditions occur in only about 8% of configurations.[11] This analysis suggests that the balanced-trading assumption underlying the Authority's cost estimates may be optimistic. By requiring continuous quoting while capping spreads, the Authority may force market makers to price risk below its actuarial value during periods of imbalanced trading.

Longer-Dated Futures Are Unreliable Price Signals

5.10 The Authority's claimed benefit of improved price signals for investment decisions is undermined by evidence that longer-dated futures prices are unreliable:

[10] Concept Report, Section 6.1.1.
[11] Williams, P.R (2025). 'Market Makers in Thin Power Futures Markets: Testing the Kyle Model's Robustness.' Preprints.org, 202511.0445.v1. [Preprint/simulation study]

(a) The Authority acknowledges the Infometrics Report's analysis that longer-dated futures are not unbiased predictors of spot prices.

(b) The Infometrics Report confirms that "ASX prices are not efficient estimators of spot prices. That is, the standard deviation of the errors are relatively high".[12]

(c) International evidence demonstrates that forward price bias increases with contract maturity.[13]

(d) Evidence from Alberta - a market structurally comparable to New Zealand as an isolated, energy-only market - found that electricity futures prices are unreliable predictors of spot prices.[14]

5.11 The Authority cites the relative "stability" of longer-dated contracts as a positive feature. However, this stability reflects the well-documented Samuelson effect—the empirical regularity that price volatility decreases as contract maturity lengthens. Jaeck & Lautier's 2016 seminal study f confirmed the Samuelson effect in the German, Nordic, US and Australian electricity markets.[15] In illiquid markets, price stability often reflects a lack of new information flow and trading activity (stale pricing) rather than a robust consensus on future value. This renders the price signal less actionable for investment decisions. Further, we note that longer-dated contracts can exhibit lower observed volatility, but this should not be interpreted as indicating low risk or low cost; uncertainty can crystallise as delivery approaches, and the tail risks may only become apparent when positions must eventually be closed out.

Departure from MDAG's Recommended Sequencing

5.12 The Authority is departing from MDAG's recommended sequencing approach without rigorous justification. MDAG recommended that extension of longer-dated futures be contingent on assessment of effectiveness of previous actions. The Authority acknowledges this at paragraph 6.40 of the Consultation Paper but dismisses the sequencing recommendation. Genesis recommends the Authority follow MDAG's approach of assessing effectiveness before extending market making base load obligations. The Consultation Paper proposes to introduce mandatory super-peak market making and extend mandatory baseload futures market making from three to five years at the same time, before any assessment of whether the super-peak intervention is effective. Good regulatory practice is to implement one major change, evaluate outcomes, and only then decide whether further intervention is warranted.

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[12] Infometrics Report, page 3.

[13] Jacobs, K., Li, Y. & Pirrong, C. (2022). 'Supply, demand, and risk premiums in electricity markets.' Journal of Banking & Finance, 135, 106390. This study found that the average forward bias (the difference between the forward price and the expected future spot price) increases from approximately $3 at one-month maturity to approximately $7 at twelve-month maturity.

[14] Olmstead, D.E.H. & Yatchew, A. (2025). 'Alberta's electricity futures market: An empirical analysis of price formation.' Energy Economics, 143, 108284.

[15] Jaeck, E. & Lautier, D. (2016). "Volatility in electricity derivative markets: The Samuelson effect revisited." Energy Economics, 59, 300–313.

5.13 International regulatory experience reinforces this cautious approach. The UK's Secure and Promote licence condition, introduced by Ofgem in 2014 to improve wholesale electricity market liquidity, was suspended in November 2019. Ofgem's review found it difficult to isolate the policy's effects from other market developments and that it was too early to draw definitive conclusions on the policy's effectiveness.[16] The decision letter noted concerns about the costs falling disproportionately on remaining participants as the market consolidated. New Zealand has an even smaller pool of market makers than the UK did at the time of suspension.

5.14 We also observe that the Australian NEM Review Report released in December 2025 recommends phased implementation of market making obligations, focusing initially on South Australia before considering extension to other regions - and emphasising ongoing assessment of effectiveness before broadening scope.[17] This international approach reinforces Genesis' position that the Authority should follow MDAG's recommended sequencing.

International comparisons not applicable

5.15 The Authority may point to international markets as precedent for long-dated electricity futures - particularly the European Energy Exchange (**EEX**), which offers products with tenors up to 10 calendar years. However, using EEX to justify the Authority's proposal is misleading. The EEX products differ from the Authority's proposal in three critical respects:

(a) **Granularity:** EEX offers calendar year contracts at the long end, with quarterly contracts only for approximately three years. The Authority proposes quarterly contracts through Year 5 - splitting liquidity four times more thinly than annual contracts.

(b) **Execution method:** EEX long-dated products support both exchange trading and trade registration for clearing - participants can negotiate Power Purchase Agreements bilaterally and then register them with the exchange. The Authority proposes mandatory continuous screen-based quoting with maximum spread requirements.

[16] Ofgem (2019). Decision to suspend the Secure and Promote Market Making Obligation with effect from 18 November 2019.

[17] Nelson, T., Conboy, P., Hancock, A. & Hirschhorn, P. (2025). National Electricity Market wholesale market settings review: Final Report. Department of Climate Change, Energy, the Environment and Water, Canberra, Australia (**NEM Review**).

(c) **Purpose:** EEX long-dated products are marketed as tools for asset financing - helping renewable energy developers secure bank loans by demonstrating revenue certainty. They are not typically used for active portfolio management by retailers.

Table: Comparison of EEX and EA Proposals

Feature	**EEX (Europe)**	**Authority's Proposal**
Granularity	Annual contracts at long end	Quarterly contracts through Year 5
Execution	Exchange trading + trade registration	Mandatory continuous quoting
Market making	Quarterly only for ~3 years	Quarterly for 5 years

5.16 The critical distinction is between listing a product for bilateral clearing and mandating continuous liquidity for screen trading. Even the massive, liquid European markets do not mandate quarterly market making beyond three years. If this model works in Europe, the Authority has not established why New Zealand requires a more onerous approach.

5.17 We also note the Authority's reference at paragraph 5.3 of the Consultation Paper to the Australian NEM Review's recognition of New Zealand's market making arrangements. We observe the NEM Review specifically praises the super-peak co-design process and the current three-year baseload regime - arrangements Genesis supports. However, the NEM Review does not analyse or endorse extending baseload market making beyond three years.

5.18 In summary, the five-year extension proposal is unsupported by the international evidence the Authority cites.

Evidence of "Growing Interest" Is Overstated

5.19 The Authority cites OTC trading data to support growing interest in longer-dated contracts. However, the Authority's own data contradicts this characterisation: OTC trading fell from 41 contracts in 2023 to 27 in 2024 - a 34% decline. If genuine demand existed for longer-dated contracts, we would expect increasing- not declining - OTC activity. Those who genuinely want longer-dated hedge cover can already access it through the OTC market.

Alternatives

5.20 Genesis' position is that the Authority should not proceed with extending market making beyond three years. As discussed earlier, Genesis' position is evidence-based and subject to revision if circumstances change. Genesis could support extending market making to Year 4 (and then year 5) if, after 12–24 months of operation under the proposed super-peak and three-year baseload arrangements, evidence demonstrates:

(a) sustained end-user participation in longer-dated contracts beyond market makers themselves;

(b) spreads and depth in Year 3 contracts comparable to Year 1–2 products;

(c) demonstrable use of longer-dated prices in investment or financing decisions (e.g., PPA pricing, project finance); and

(d) net benefits that exceed fees and risk costs to market makers.

5.21 At that point, if the Authority wishes to test demand for longer-dated contracts, Genesis recommends lower-cost alternatives that would reveal genuine demand before imposing mandatory obligations:

(a) **Annual strips for Year 4, then Year 5:** Reduce from eight additional quarterly products to an annual products. Annual contracts may be more appropriate for long-term investment decisions, as evidenced by PPA pricing structures and EEX practice.

(b) **Phased implementation:** Implement Year 4 first, observe for 12–18 months, then make an evidence-based decision on Year 5. This halves initial costs and risks while providing empirical evidence.

(c) **Automatic review trigger:** Implement any extension with triggers for recalibration - for example, if market maker losses exceed a defined threshold or trading remains persistently one-sided.

(d) **Lower initial quoting volumes at the long end:** If the Authority proceeds with Year 4 (and any later move to Year 5), it should set a lower initial quoting obligation for those tenors than for Years 1 - 3, and increase only once there is evidence of sustained end-user participation and two-sided flow. For example, commence Year 4 at 6-8 MW and recalibrate through the review process.

(e) **Explicit time-bound review / sunset expectation:** Any Year 4 - 5 obligation should include an explicit Code review within three years of commencement, with a presumption of reversion to a three-year horizon unless the Authority can demonstrate (with published evidence) sustained liquidity and meaningful end-user participation, and that net benefits outweigh the costs and risks imposed.

(f) **Transparent monitoring:** The Authority should publish quarterly reporting for Years 4 - 5 on open interest, traded volume, bid-ask spreads, quote depth, and the share of trading involving non-market-makers, so the effectiveness of the obligation can be assessed on an evidence basis.

5.22 We note that the absence of analysis of these alternatives to long dated quarterly futures in the Consultation Paper represents a missed opportunity. The Ministry of Business, Innovation and Employment's Regulatory Impact Assessment guidelines require that policy agencies "identify a range of options" and "assess the costs, benefits and risks of each option." The regulatory process would be strengthened by evaluating lower-cost alternatives when the Authority's own commissioned expert concludes the cost-benefit case for the proposed approach is "unclear."

6. Implementation Conditions

6.1 Genesis's support for mandatory super-peak market making is subject to the following implementation conditions:

(a) **Platform functionality as a genuine precondition:** Implementation should not proceed until the OTC platform meets defined minimum functionality standards.

(b) **Preservation of investment incentives:** Regulatory settings must not erode the scarcity price signals that underpin investment in flexible capacity. Market making obligations should be calibrated to ensure that forward prices continue to reflect genuine supply-demand fundamentals, rather than creating artificial price compression that discourages new investment.

(c) **Credit risk management:** Genesis seeks explicit Code recognition that market makers may manage credit exposure through appropriate commercial terms.

(d) **Formal review and recalibration framework:** Genesis supports a structured review after 12–18 months of operation, including an explicit early effectiveness 'test and learn' review and publication of a transparent methodology for recalibrating spread and volume settings (including stress/volatility settings), based on observed two-sided demand, liquidity outcomes, and evidence of improved price discovery.

7. Conclusion

Genesis supports the Authority's proposals for mandatory super-peak market making, subject to appropriate implementation and review arrangements. We emphasise that while market making can improve price transparency it cannot substitute for investment in flexible generation. However, Genesis does not support extending market making of baseload futures from three to five years. The Authority's own commissioned expert has concluded that the cost-benefit case is "unclear" and the benefits “negligible”. In the absence of clear evidence that benefits outweigh costs, and consistent with MDAG's recommended sequencing approach, the Authority should not proceed with this element of the proposals.

Genesis remains committed to constructive engagement on these issues and welcomes the opportunity to discuss these matters further with the Authority.

Yours sincerely

Warwick Williams
Senior Regulatory Counsel | Group Insurance Manager

SCHEDULE A

Response to Consultation Questions

Question	Comment
Q1: Do you agree with the Authority's assessment of the impacts of market making policies? If not, please explain your reasoning.	**BROADLY AGREE.** Genesis acknowledges that market making policies since 2020 have improved liquidity and price discovery. However, improvements in the 'thermometer' (price transparency) should not be conflated with addressing the underlying 'fever' (flexible capacity scarcity).
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.	**AGREE.** The CMM has contributed to market resilience by providing additional depth.
Q3: In your view, does the CMM arrangement offer good value for money?	**NO COMMENT.** Genesis is not positioned to comment on the commercial terms of the CMM arrangement.
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.	**SUPPORT.**
Q5: Do you agree with the Authority's proposal to market make super-peak contracts? Do you agree with the rationale for this proposal? If not, please explain why.	**CONDITIONAL SUPPORT.** Genesis supports mandatory super-peak market making, subject to the implementation conditions set out in Section 6 of this submission.
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?	**NO MATERIAL CHANGES.** The current super-peak specification appropriately captures periods of highest capacity scarcity. Genesis does NOT support splitting into separate morning/evening contracts—this would fragment liquidity without clear evidence the benefits are material and outweigh the costs.
Q7: Do you agree with the proposed settings for regulated market making in the super-peak product (e.g., offer volume and	**CONDITIONAL SUPPORT.** Genesis supports moving to a 6 MW aggregate super-peak volume requirement as an initial setting, to balance liquidity benefits with the risk of over-procurement.

Question	Comment
spread requirements)? Please explain your view.	On the spread requirement, Genesis recommends the Authority undertake further calibration using evidence on super-peak volatility, expected inventory holding periods, and the close-out risk created by a fortnightly OTC cadence. We recommend either: (a) commencing with a wider maximum spread than 5%, calibrated using that evidence; or (b) retaining 5% initially, but only with an explicit early 'test and learn' review and a published methodology for recalibrating spread and volume settings (including stress/volatility settings) if trading outcomes show the settings are not sustainable or are not delivering price discovery benefits.
Q8: Do you agree with the Authority's proposed approach to establishing the platform? If not, please explain your reasoning.	**CONDITIONAL SUPPORT - PLATFORM READINESS IS A GENUINE PRECONDITION.** Implementation of super peak market making should not proceed until the platform meets defined minimum functionality standards. Genesis supports establishing an OTC platform but emphasises that premature implementation would undermine confidence in the new arrangements.
Q9: Do you agree with the Authority's proposed market settings on the OTC platform? If not, please explain your reasoning.	**BROADLY SUPPORT.** Genesis broadly supports the 60-minute fortnightly trading window. We support eventual transition to ASX once the OTC market has matured and demonstrated sustained two-sided demand.
Q10: Do you support the Authority's proposal to extend the baseload futures horizon from three to five years? Please explain your reasoning.	**DO NOT SUPPORT.** Genesis does not support extending baseload futures from three to five years. As detailed in Section 5 of this submission: • Concept's analysis concludes the cost-benefit case is "unclear" and the benefits negligible - the Authority's own expert does not support the intervention. • Beneficiaries are uncertain - retailers generally do not want to lock in at longer horizons, generators and industrials may be better served by OTC/PPAs. • Longer-dated futures are not unbiased predictors of spot prices, limiting their value for investment decisions. • OTC trading in longer-dated contracts declined 34% from 2023 to 2024, contradicting the claimed "growing interest".

Question	Comment
	• The international evidence cited by the Authority is not comparable and does not support the extension. • The Authority is departing from MDAG's recommended sequencing without rigorous justification. Please see further the detailed discussion in Section 5 of this submission.
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?	**POTENTIALLY, BUT THIS DOES NOT SUPPORT MANDATORY MARKET MAKING.** Genesis could potentially use longer-dated baseload futures for some hedging purposes. However, Genesis's potential use does not establish a case for mandatory market making obligations. Market makers with physical generation assets are "natural counterparties" to OTC trades - these transactions would occur without mandatory exchange trading. The relevant question is whether mandatory market making would generate net benefits for consumers, not whether Genesis or other market makers might transact in such products. Please see further the detailed discussion in Section 5 of this submission.
Q12: What are your views on the Authority's proposed forward price trends based on OTC longer-dated contracts?	**CAVEATS APPLY.** Genesis supports publication of aggregated OTC price trends with appropriate uncertainty ranges/qualifications. The Authority should clearly communicate the limitations of longer-dated price signals. As the Authority acknowledges in Table 5, "longer-dated futures are not unbiased predictors of spot prices." Any publication should include prominent health warnings about using thin-market prices for investment decisions. Please see the detailed discussion in Section 5 of this submission.
Q13: Do you agree with the proposed reduced volume requirements for market making baseload contracts? If not, please explain why.	**SUPPORT.** Genesis supports the proposed reduction in baseload volume requirements.
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.	8 MW may be sufficient for robust price discovery, particularly at the longer end of the curve where demand is inherently thinner..

Question	Comment
Q15: Do you agree with the Authority's proposal to modify the compliance framework in terms of the quoting requirement time? If not, please explain your reasoning.	**SUPPORT.** Rounding to the nearest second will reduce compliance noise from minor technical interruptions while preserving the integrity of exemptions for genuine stress events. This is a sensible improvement.
Q16: Do you agree with the Authority's proposal to modify the Code to clause 13.236N(1)(a)(ii)?	**SUPPORT.** Genesis supports clarifying the 'permitted circumstances' exemption to provide greater certainty for market makers.
Q17: Do you agree with the objectives of the proposed amendment? If not, please explain why?	Genesis supports the objectives of strengthening price discovery and supporting competition. However, Genesis emphasises two points: (a) market making alone cannot deliver affordable electricity if physical capacity remains scarce—the 'thermometer' cannot cure the 'fever'; and (b) the statutory objective of "long-term benefit of consumers" (s 15) requires that benefits outweigh costs, which Concept's analysis does not establish for the five-year extension.
Q18: Do you agree that the benefits of the proposed amendment outweigh its costs? If not, please explain why.	**PARTIALLY.** **For super-peak market making:** on balance, yes. **For extending baseload futures to five years: no** - Concept explicitly states the cost-benefit balance is "unclear" and that benefits for baseload-only horizon extension are "negligible." The Authority should not proceed with an intervention that its own commissioned expert cannot support.
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.	**Appropriate suites of contracts: AGREE** that super-peak is preferable to peak. Concept finds super-peak provides clearer capacity-related price signals and better isolates duck-curve effects from solar. **Mandatory vs voluntary: AGREE** that mandatory arrangements are appropriate for super-peak. As the Authority notes, voluntary trading arrangements can be fragile and may falter under market stress. Given demand uncertainty for new products, mandatory arrangements provide greater confidence in sustained price discovery. **Reduced baseload volume: AGREE** that baseload obligations should be reduced and remain proportionate. Resources should be redirected toward super-peak where price discovery gaps are more material.

Question	Comment
Q20: Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	**AGREE** in respect of the super-peak Code amendments. However, while the five-year extension does not require a Code amendment - but the same rigour under section 32(1) should apply to any material regulatory policy change. Concept's "unclear" conclusion does not satisfy the requirement that benefits outweigh costs.
Q21: Do you have any comments on the drafting of the proposed amendment?	**YES.** Genesis requests that the Code provisions include: **(a) Credit risk management provisions:** Explicit recognition that market makers may manage credit exposure through appropriate commercial terms, without such terms being characterised as discriminatory conduct. **(b) Formal review and recalibration framework:** A structured review after 12–18 months of operation, including publication of a transparent methodology for recalibrating spread and volume settings (including stress/volatility settings) based on observed two-sided demand, liquidity outcomes, and evidence of improved price discovery.