

18 Dec 2025

Submissions  
Electricity Authority

Via taskforce@ea.govt.nz

To whom it may concern,

Consultation Paper-market making review: strengthening price discovery in the forward electricity markets

We appreciate the opportunity to provide feedback on strengthening price discovery in the forward electricity markets.

As a technology-led retailer committed to driving the energy transition, Octopus Energy has a strong interest in the development of a liquid and transparent wholesale market. A healthy forward contracts market is the bedrock upon which innovation, competition and expansion of supply will happen.

We are strongly supportive of the Authority's proposals to strengthen confidence in the forward market through:

- Extending market market of baseload contracts to 5 years;
- Implementing market making on super-peak products.

This work builds on a body of evidence highlighting an immediate and growing need for more robust arrangements to support liquidity and price discovery. We acknowledge that there have been some pragmatic choices to get arrangements in place quickly, we support these but we think the Authority should continue to progress further enhancements over time.

Please contact me if you would like to discuss any aspects of this submission further.

Regards

Alex Macmillan  
Energy Manager

## Format for submissions

Consultation Paper—market making review: strengthening price discovery in the forward electricity markets

<b>Submitter</b>	Octopus Energy
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Questions	Comments
<b>Q1.</b> Do you agree with the Authority's assessment of the impacts of market making policies? If not, please explain your reasoning.	We agree with the EA's assessment that market making policies are beneficial, however we think there is an opportunity to improve wider contracts market monitoring to improve confidence, we also think expansion of the market made products and time horizon are necessary improvements to support liquidity and rebuild confidence.
<b>Q2.</b> 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.	Having independent price views, and diversification in the sources of price information enhances trust in the forward curve.
<b>Q3.</b> In your view, does the CMM arrangement offer good value for money?	The CMM is costly but having independent price views, and diversification in the sources of price information enhances trust in the forward curve.
<b>Q4.</b> 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.	The proposal to continue with the current hybrid model makes sense. The current CMM provides an independent counterbalance but the forward price curve is still highly susceptible to pricing bias influenced by the gentailer portfolios.  The EA should continue to work towards creating a truly robust and mature market that has participants willing to act as market makers without direct compensation.
<b>Q5.</b> 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	Yes. The growth in intermittent generation demands stronger price signals for flexible capacity. Mandating market making in this product ensures that price signals exist to incentivise investment in new generation, storage and demand side flexibility.
<b>Q6.</b> 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	Consolidating morning and evening peaks into a single product aids initial liquidity, however splitting into separate contracts would ultimately better meet market needs by providing a more targeted risk management tool. This would also align with international trends, such as the new Australian super-peak contract. To provide essential long term investment signals, the EA should consider extending the horizon of the super-peak contract to mirror the proposed extension for baseload futures.
<b>Q7.</b> 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	We support the move to mandatory market making. We note that the 6MW volume is sufficient for price discovery however, the 5% spread is quite wide and equates to a reasonable dollar amount, potentially impacting competitive trading.  Given that the super-peak product is new and volatile, the 5% spread may be justifiable as a starting point but the EA should commit to an early and iterative review of these settings. This commitment will allow adjustments to be made swiftly, potentially tightening the spread or adjusting the volume ensuring the obligations remain proportionate and effective at promoting competition.
<b>Q8.</b> Do you agree with the Authority's proposed approach to establishing the platform? If not, please explain your reasoning.	We agree with the EA's approach to establishing the OTC platform for super-peak market making, as it correctly prioritises lower access costs, faster implementation, and greater flexibility for product changes compared to the ASX.

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<b>Q9.</b> Do you agree with the Authority's proposed market settings on the OTC platform? If not, please explain your reasoning	The fortnightly trading frequency for a volatile product like super-peak risks large price movements between sessions, which highlights the difficulty of setting the proposed 5% spread. This reinforces the importance of the early and iterative review (as noted in Q7) to confirm the optimal settings.
<b>Q10.</b> Do you support the Authority's proposal to extend the baseload futures horizon from three to five years? Please explain your reasoning.	We support the EA's proposal to extend the baseload futures horizon from three to five years. A longer forward price curve provides stronger long term price signals necessary to support financial decisions around generation investment and contracting decisions. Extending the horizon ensures the forward curve better indicates future prices and should help with aligning price levels towards the Levelised Cost of Energy.
<b>Q11.</b> 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?	Yes. The enhanced visibility supports competitive retail and generation pricing in the medium to long term.
<b>Q12.</b> What are your views on the Authority's proposed forward price trends based on OTC longer-dated contracts?	We support the EA's proposal to publish forward price trends based on aggregated OTC longer dated contracts.
<b>Q13.</b> Do you agree with the proposed reduced volume requirements for market making baseload contracts? If not, please explain why	We do not agree with the proposed reduction of baseload volume from 12MW to 10MW per contract. We believe maintaining the 12MW volume is the best option to support market resilience. The EA's own analysis notes that excess volume allows buyers and sellers to transact more easily and frequently, and reducing the volume, particularly during periods of market stress, may compromise the strength of price signals and competitive outcomes for consumers.
<b>Q14.</b> 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.	As per above we do not consider an 8MW volume requirement per contract for baseload futures to be sufficient to enable robust price discovery.
<b>Q15.</b> 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	We agree with the EA's proposal to modify the compliance framework by rounding the market maker failure assessments to the nearest second.  Additionally, the EA should incorporate specific monitoring into the framework that distinguishes between liquidity adding and liquidity consuming activity to ensure that volume obligations are being met.
<b>Q16.</b> Do you agree with the Authority's proposal to modify the Code to clause 13.236N(1)(a)(ii)?	Yes
<b>Q17.</b> Do you agree with the objectives of the proposed amendment? If not, please explain why?	Yes
<b>Q18.</b> Do you agree that the benefits of the proposed amendment outweigh its costs? If not, please explain why.	Yes
<b>Q19.</b> 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.	The combination of baseload and super-peak products provides the greatest benefits for price discovery by distinguishing between energy and capacity risks. Mandatory market making is preferable to voluntary arrangements, as it delivers the necessary market certainty and price discovery.
<b>Q20.</b> Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	Strengthening price discovery for baseload and super-peak contracts helps market participants manage price volatility more

Questions	Comments
	effectively. This should encourage competitive pricing in retail and generation markets.
Q21. Do you have any comments on the drafting of the proposed amendment?	No

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