

23 December 2025

# Pulse welcomes proposal to mandate supply of super-peak hedge products

Pulse Energy welcomes that the Electricity Authority has moved swiftly away from proposals that standardised super-peak hedge contracts continue to be supplied under voluntary arrangements to proposed mandatory arrangements.

Pulse supports the Authority's proposal to mandate that Contact, Genesis, Mercury and Meridian supply a super-peak product.

We do not believe the shift from proposed voluntary to mandated arrangements should impact the required volume of base-load contracts.

## **Contact, Genesis, Mercury and Meridian only should be mandated market makers**

We note [Meridian's](#) view that "The Authority's expectations seem focused on the four largest generator retailers, given control of flexible hydro and thermal generation resources. However, ... It would also not be unreasonable to expect increased participation from a wider range of participants. For example, Nova owns gas peaking generation that is well suited to de-risking of super-peak contracts."

Pulse considers it important to distinguish between expected market outcomes and what should be required under regulation. It may well be that expected market outcomes would include Nova offering super-peak products but regulation should be aimed at addressing market failures and, accordingly, mandate that incumbent gentailers with market power provide super-peak products. The Meridian commentary highlights the importance of being clear about the market failure the reforms are aimed at addressing in the problem definition.

Sapere claim, on behalf of [Genesis](#), that "Regulatory interventions targeting specific firms are highly unusual, especially in competition policy." We disagree. The proposed intervention is targeted at suppliers with market power. This is little different to, for example, access regulation under the Telecommunications Act which is targeted at Chorus and other Local Fibre Companies.

## **The problem is a market power problem**

We agree with the Authority that “enabling access to and price discovery for super-peak hedge contracts contributes to more effective risk management, increased competition and greater investment in flexible and renewable generation capacity.”

While “The Authority does not agree that market failure should be a precondition to introducing regulated market making of the super-peak product” the issues with access to hedge contracts are a consequence of market power problems in the electricity market. The consultation paper effectively leaves the underlying market failure implicit i.e. that Contact, Genesis, Mercury and Meridian each has significant or substantial market power, and that this can have negative impacts on the hedge and retail markets.

We have not been able to reconcile the Authority’s commentary that the draft decision to regulate does not hinge on Contact et al’s market power, which raises questions about what the Authority considers the actual market failure to be, with the earlier and, we believe, more sound commentary in the closely related [non-discrimination obligations consultation](#) that the proposed decision to regulate Contact et al was based on their market power:<sup>1</sup>

“Our concerns are focused on the combination of vertical integration and market power, which the gentailers maintain through their control of the flexible generation base. The four large gentailers are the main suppliers in both the retail and wholesale electricity markets.

...

“Although Nova is a gentailer, which has flexibility with its gas-fired peakers, it does not raise the same market power concerns as the four large gentailers.”

The non-discrimination obligations and regulation of super-peak products are fundamentally addressing the same problem with access to risk management products in different but complementary ways. This is not well reflected in the respective problem definitions provided in the consultations.

## **Mandated arrangements will help provide regulatory certainty**

We welcome that the Authority has accepted our point that use of voluntary access arrangements creates considerable and unnecessary regulatory uncertainty (and risk) compared to mandated access. This position is well traversed in submissions in response to the previous super-peak consultation including, for example, [2degrees](#), [Electric Kiwi](#) and [Haast Energy Trading](#).

We agree with the Authority that “the voluntary approach does not provide the certainty for the market to develop properly”.

## **Voluntary arrangements haven’t worked**

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<sup>1</sup> Including by querying this with the Authority.

We agree with the Authority that “voluntary trading arrangements are fragile, and this fragility can undermine market confidence, ultimately constraining liquidity and weakening price discovery” and “The optional nature of voluntary trading ... limits its value as a risk management tool. Retailers and generators cannot rely on the availability of super-peak products to hedge against price volatility during high-demand periods. As a result, the mechanism falls short in supporting participants’ ability to manage financial exposure, especially during stress events.”

The Authority has highlighted well that “the voluntary nature of these arrangements proved fragile under market stress”, which is when access seekers depend on them most, and the experience during the 2018 Pohokura gas outage when “market makers widened spreads or withdrew services ... [further] reduced stakeholders’ confidence in voluntary market making.” These points have been well canvassed in submissions, including in response to the Authority’s consultation on the urgent Code amendment which relaxed mandatory market making obligations, and on the consultation to allow the Code amendment to lapse.

We welcome and agree with independent retailers and financial trader support for mandated arrangements. For example, we agree with [EMH Trading](#) that “The Authority has provided robust analysis showing that traded and bid/offer volumes, as well as bid/offer spreads, have been insufficient to achieve its objectives.”

We agree with [Octopus](#) that “The EA’s own initial assessment, covering January to June 2025, determined the market is shallow and not sufficiently liquid, waiting until January 2026 for the start of the 2 consecutive quarter review period (a potential 6 month delay) risks prolonging exposure to market power. The move to regulate should be addressed more quickly.” We also agree with Octopus that “the current performance has already been assessed as insufficient, the move to regulate more quickly should be undertaken.”

We similarly also agree with [Lodestone Energy](#) that “History has shown that voluntary market making works until it doesn’t - which is precisely when it is most needed. A regulatory framework must therefore be in place before the next major event occurs” and that “When the standardised super-peak product was announced, the Authority left the door open to regulatory intervention if liquidity proved inadequate. We have now reached that juncture - it is time to act. There is real moral hazard if the Authority chooses to wait another 6–12 months, as market makers would reasonably infer that threats of intervention will not be acted on and thus their optimal course of action is to further delay the provision of meaningful liquidity.”

### **Non-discrimination rules and mandatory market making are not substitutes**

We reject Meridian’s suggestion that the combination of market making and non-discrimination principles risks duplicating regulatory responses to the same “perceived problem”.

The two initiatives should be seen as complementary and supportive with the non-discrimination rules providing principles-based guidance, and the market making

requirements providing specific obligations. A useful analogy is the way that (principles-based) dangerous driving laws complement specific speeding and alcohol level restrictions. The rules may overlap each other (speeding can be dangerous) but they also complement each other and provide greater certainty about what driving behaviour would breach the law. Principles-based rules are particularly complementary to prescriptive rules when every possible scenario can't be anticipated or legislated against.

We agree with the Authority that “The proposal to market make the standardised super-peak is intended to work alongside other pro-competition measures being considered or implemented by the Authority as part of its Level Playing Field (LPF) work programme. Specifically, the proposed Non-Discrimination Obligations aim to improve access to risk management contracts on equivalent terms, while the proposed market making obligations would ensure that parties negotiating such contracts have clear and objective price information to inform those negotiations.”

#### **Clause 12.236N(1)(a)(ii)**

Pulse supports the Authority's proposal to modify the Code to clause 13.236N(1)(a)(ii) such that the participant must be satisfied on a reasonable basis that trading is likely to cause it to breach an applicable law AND “it has taken all reasonable steps to avoid the likely breach of the law while continuing to trade.”

#### **Frontier report should be treated with caution**

Pulse welcomes the Authority drawing on the views of Bushnell et al (one of two peer reviewers of the Frontier Economics report), including that the forward market serves not only as a hedging tool but also as a valuable source of information about market expectations, and the Authority should extend market making obligations to super-peak or other shaped products.

The consultation also noted “The Frontier Economics report found no material issues with New Zealand's contracts market or participants' ability to manage risk. [footnote removed]”

Pulse considers that the Frontier Economics report should be treated with caution. For example, while Frontier downplayed issues with access to hedge products in one part of its report, this was contradicted in earlier sections of its report where it advocated that a benefit of its proposed “NewCo” would be that independents would have better access to hedge products.

Frontier commented that “Substantial reform is needed to deliver lasting benefits” and its proposed changes included a “focus on ... Supporting competition by lifting-up independent retailers and generators to the cost efficiency level of the gentailers so they can compete on a level playing field”. This included “establishing a new organisation, which we refer to as “New Co”” and the proposal that “independent retailers, generators, and large direct customers ... have priority over access to [NewCo's] firm capacity and energy”.

#### **Evolution of peak-products**

Pulse supports review and consideration of optimal hedge product arrangements over-time, including consideration of super-peak products which split out morning and evening peaks, as the Authority notes has been done recently for the new Australian super-peak contract.

We would also support 5-year baseload products but do not consider that it should be at the expense of liquidity in the 3-year product.

### **Commercial market making**

Pulse is supportive of commercial market making (CMM). To get the best value out of CMM we consider that it should increase the number of market makers<sup>2</sup> but should also be used to increase the supply of hedge products (rather than diluting the mandatory market makers obligations).<sup>3</sup> We consider that the way the contract was handled last year materially undermined the value of the CMM arrangements.

### **Other matters: clause 2.16 information notice**

Pulse supports the proposed clause 2.16 information notice for the standardised super-peak hedge contract. We consider that formalising current practices will help ensure transparency and provision of timely trading information.

We agree it is desirable that the Authority publishes “comprehensive, reliable and consistent data in a timely way after each trading event” and this would “support price discovery and facilitate the Authority’s monitoring of the market for shaped hedges.” We also agree “Transparency of trading information can support participation and confidence in the market for super-peak trading” and this is important for “investment and competition”.

We also agree “any delays in publishing data reduces participants’ ability to plan their hedging strategy in advance of subsequent trading events” and that the costs of the proposal can be expected to be low :as the proposed requirements largely mirror the current arrangement” and that, accordingly, “the benefits of this proposal are likely to outweigh its costs.”

### **Concluding remarks**

Pulse welcomes that the Authority has listened to stakeholder concerns and is now proposing mandated access for super-peak products. This will create substantially more regulatory certainty (and reduce risk) which will enhance the effectiveness of the access arrangements in promoting competition and more efficient operation of the electricity industry.

We would welcome similar enhancements to the proposed limited non-discrimination rules to complement and enhance the effectiveness of the super-peak product access arrangements.

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<sup>2</sup> This is a point well canvassed by the Electricity Authority and in independent electricity retailer [submissions](#).

<sup>3</sup> Again, this is a point that was made by [independent electricity retailers](#) when the Authority consulted on introduction of CMM arrangements.

Yours sincerely,

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