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Submissions
Electricity Authority
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ERGANZ SUBMISSION ON CODE AMENDMENT OMNIBUS #6

The Electricity Retailers' and Generators' Association of New Zealand ('ERGANZ') welcomes the opportunity to provide feedback on the Electricity Authority's consultation paper, 'Code amendment omnibus #6: tie-breaker enhancement, materially large contracts, hedge disclosure obligations' from January 2026.

ERGANZ is the industry association representing companies that generate and 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

ERGANZ supports the Authority's Code amendments.

On the minimum offer price exclusions for tie-breaker situations, ERGANZ is supportive. The current reliance on System Operator discretion creates unnecessary uncertainty for generators and investors, and the proposed \$0.01/MWh floor is a practical, low-disruption solution that complements the System Operator's planned SPD tie-breaker mechanism. The real-world impact on intermittent generators is expected to be minimal given existing offer behaviour.

On the issue of materially large contracts provisions, ERGANZ wishes to restate its view that large bilateral electricity contracts are private commercial arrangements, and the Authority's oversight role in this space risks regulatory overreach into the competitive market. We encourage the Authority to remain mindful of this tension as the regime evolves. That said, ERGANZ acknowledges that the specific amendments proposed in this consultation paper, particularly the carve-out for market-priced contracts and the improved treatment of intermittent generation offsets, are reasonable clarifications within the existing framework, and we offer qualified support for them.

ERGANZ broadly supports the proposed improvements to the hedge disclosure obligations. Greater transparency in the over-the-counter market serves the long-term interests of market participants and consumers alike, and the individual proposals are proportionate. We offer some specific comments on implementation, particularly around demand response disclosure and the protection of commercially sensitive information.

Submission points

Section 1: Minimum Offer Price Exclusions for Tie-Breaker Situations

ERGANZ supports the Authority's proposal to amend the Code to exclude intermittent generators from offering at \$0/MWh. The current arrangements, under which tie-breaker situations require manual intervention by the System Operator, are unsatisfactory. Reliance on operator discretion introduces variability and unpredictability into dispatch outcomes, and creates uncertainty for generators and investors seeking to understand how their plant will be treated in oversupply conditions.

As intermittent generation continues to grow as a share of the generation mix, ERGANZ agrees that the frequency of tie-breaker situations can be expected to increase, making a durable and automated solution increasingly important.

The proposed \$0.01/MWh minimum offer price is a targeted and proportionate response to this problem. It does not fundamentally alter the market design, impose material costs on intermittent generators, or distort the price signals that the market relies upon.

Geothermal and thermal plant operating at minimum generation levels face real constraints. Forced shutdown during low-load periods means these units may be unavailable to meet later demand peaks, increasing operational risk and threatening system security. The proposal appropriately prioritises this operational reality.

ERGANZ further supports the proposal to exclude intermittent generators from bidding for Must Run Dispatch Auction rights. Allowing intermittent generators to hold MRDA auction rights would be inconsistent with the underlying rationale for this amendment. The MRDA exists to give less flexible plant the ability to secure dispatch in conditions where they might otherwise be curtailed.

ERGANZ does, however, encourage the Authority to monitor the effects of this amendment as intermittent generation continues to grow. While the current impact is limited given the small number of zero-price offers in the market today, the generation mix in five to ten years will look materially different.

Section 2: Improving Clarity of the Materially Large Contracts Provisions

Large bilateral electricity contracts between generators and industrial consumers are private commercial arrangements, negotiated between sophisticated parties operating in a competitive market. The MLC framework subjects these arrangements to significant regulatory oversight and restriction, including disclosure obligations, clearance processes, and constraints on the terms

generators may offer. ERGANZ considers this level of regulatory intervention into private contracting carries the risk of overreach, and may itself distort investment signals and commercial relationships. Therefore, we encourage the Authority to remain mindful of regulatory costs in this space.

ERGANZ agrees that there is a genuine and material problem with how the current Code recognises the benefits of new intermittent generation for the purposes of determining MLC status. The result is that the offset provided by new intermittent generation is, in practice, almost meaningless for wind and solar assets. This creates a material barrier to investment. Large load customers seeking supply certainty through fixed volume or load following contracts with generators investing in new renewable capacity may find that such arrangements are captured by the MLC provisions even where the new generation substantially improves overall supply conditions.

This outcome is contrary to the policy rationale for the offset provision, which was designed to recognise exactly that kind of supply-enhancing investment. ERGANZ supports the Authority's decision to address this problem through a Code amendment rather than guidance alone.

ERGANZ prefers Option 2: amending the Code to recognise intermittent generation arising from new investment through a median generation offset.

Option 2 allows generators to apply an offset equal to the median expected generation from a new asset across all trading periods following commissioning. ERGANZ believes this approach appropriately reflects the economic contribution of new intermittent generation over the life of a contract, rather than penalising generators for the inherent variability of renewable output at any single point in time. This is a well-calibrated response that reduces barriers to new investment while preserving the regime's ability to identify and address genuine inefficient price discrimination.

ERGANZ supports giving generators the flexibility to choose between median generation and point-in-time offsets because different contract structures have different characteristics. The Authority's guidance should set out clearly what documentation and evidence is required to support each approach, and how the Authority will assess compliance. Uncertainty about the Authority's expectations in this area would undermine the investment confidence that the amendment is intended to provide.

Section 3: Improving Transparency of Hedge Disclosure Obligations

ERGANZ broadly supports the package of improvements proposed in this section. A well-functioning over-the-counter market depends on timely, accurate, and consistent information.

ERGANZ supports the proposal to require disclosure of the generating station where the price in a contract is linked to generation. ERGANZ notes and supports the Authority's stated intention not to publish this information at an individual contract level, as the generating station is commercially sensitive information.

ERGANZ also supports the proposal to introduce a 10-business-day timeframe for disclosure of novel contracts, and to apply the same process requirements that govern risk management

contracts. The proposed 10-business-day timeframe is appropriate and consistent with the standard timeframe for other risk management contracts.

ERGANZ supports the proposal to include demand response contracts within the definition of risk management contracts and to require disclosure of their key terms.

ERGANZ does, however, wish to flag the potential compliance complexity arising from demand response provisions that are embedded within broader electricity hedge contracts. Where a demand response element forms part of a larger contract, participants will need clear guidance on how to disaggregate and report those provisions. The Hedge Disclosure System User Guide will be critical in this regard, and ERGANZ recommends that the Authority consult with members on a draft of the relevant guidance before it is finalised. This would reduce the risk of the inconsistent reporting that the proposal is designed to address.

ERGANZ also seeks clarification on the Authority's intention regarding publication of demand response information. The consultation paper states that information will not be published at a contract level other than whether the contract includes demand response. ERGANZ supports this approach but asks the Authority to confirm in the final decision what aggregated information, if any, will be published, and how the Authority intends to use this data in its market monitoring activities.

Consultation questions

Questions	Comments
Q2.1 Do you support the proposal to exclude intermittent generators from offering at \$0/MWh?	Yes. ERGANZ supports this proposal. The current reliance on System Operator discretion creates unnecessary uncertainty for generators and investors. We agree the practical impact on intermittent generators is minimal given that only one such generator has submitted \$0/MWh offers since 2008.
Q2.2 Do you agree the proposed amendment is preferable to the alternative options?	Yes. The alternatives of expanding MRDA scope, redesigning the market, or modelling local network losses all involve significantly greater complexity, cost, and implementation time. The proposed Code amendment achieves the same practical outcome more efficiently.
Q2.3 Do you agree with the analysis in the Regulatory Statement?	Yes, with one addition. ERGANZ recommends the Authority establish a review mechanism to assess the effectiveness of the \$0.01/MWh floor as the generation mix evolves and intermittent generation continues to grow.
Q3.1 Do you agree there is an issue with how the current Code recognises	Yes. The current "worst case" approach effectively renders the intermittent generation offset meaningless for wind and solar assets. This creates an unintended barrier to investment in new

<p>new generation benefits for MLC purposes?</p>	<p>renewable generation and is contrary to the policy rationale for the offset provision.</p>
<p>Q3.2 Do you favour Option 1, Option 2, or an alternative?</p>	<p>ERGANZ supports Option 2. Option 2's median generation offset appropriately reflects the economic contribution of new intermittent generation over the life of a contract. The Authority should consult on draft guidance with our members for calculating offsets before finalising the approach.</p>
<p>Q3.3 Do you agree offsets should be calculated using prevailing industry standards specific to each generation type?</p>	<p>Yes, in principle. ERGANZ supports the use of robust methodologies aligned with industry standards. Generally, ERGANZ recommends against embedding references to specific standards in the Code, as these can become outdated. ERGANZ supports the Code referring to prevailing industry standards generically, with specific standards identified in guidance that can be updated without requiring a Code amendment.</p>
<p>Q3.4 Do you agree with allowing generators to choose between median and point-in-time offsets?</p>	<p>Yes. Different contract structures have different characteristics and a one-size-fits-all approach would be poorly suited to the variety of arrangements in practice. Preserving both options allows generators to structure contracts appropriately without being distorted by the mechanics of MLC offset calculation. The Authority's guidance should clearly set out the evidence required to support each approach.</p>
<p>Q3.5 Do you agree the proposed amendments are preferable to the alternatives?</p>	<p>Yes. Guidance alone without Code amendments carries an unacceptable risk of being insufficient to resolve the interpretation issues that have arisen. A Code amendment supported by detailed guidance is the appropriate vehicle for these changes, and is consistent with the Authority's statutory objectives.</p>
<p>Q3.6 Do you agree with the analysis in the Regulatory Statement?</p>	<p>Yes, with qualification. ERGANZ reiterates its broader concern that the MLC regime as a whole warrants periodic review to ensure it remains well-calibrated to address the specific harm it was designed to prevent.</p>
<p>Q4.1 Do you support the proposal to require disclosure of the generating station?</p>	<p>Yes. The inability to distinguish PPAs from firming contracts under the current framework is a genuine operational problem. Requiring identification of the generating station resolves this directly and proportionately. The Authority should be explicit in the Code amendment and guidance about the confidentiality protections applying to this field, and ensure its internal data handling protocols are sufficiently robust.</p>

Q4.2 Can you identify any other way to distinguish PPAs from firming contracts without defining PPAs in the Code?	No. The fundamental challenge is that both contract types can take the same legal form. ERGANZ agrees that defining PPAs in the Code is unnecessary to achieve this outcome.
Q4.3 Do you agree a 10-business-day timeframe and standard process requirements should apply to novel contracts?	Yes. The 10-business-day timeframe seems appropriate and consistent with standard risk management contract requirements. The single-party disclosure model (seller discloses, buyer verifies) sensibly reduces duplication.
Q4.4 Do you agree with including demand response contracts in the definition of risk management contracts and requiring disclosure of key terms?	Yes. Consistent disclosure of demand response arrangements for market monitoring purposes makes sense as electrification progresses. ERGANZ flags that guidance on how to disaggregate and report demand response provisions embedded within broader contracts will be critical, and recommends the Authority consult on draft guidance with our members before finalising.
Q4.5 Do you agree this proposal would increase confidence in published price information?	Yes. Back-to-back contracts reflecting historical prices would distort contract curves if published through standard processes, and could reveal commercially sensitive information given the small number of participants likely to be involved.
Q4.6 Do you agree the proposed amendments are preferable to the alternatives?	Yes. ERGANZ requests that any further changes to hedge disclosure obligations to support non-discrimination monitoring be consulted on separately and with adequate lead time.
Q4.7 Do you agree with the analysis in the Regulatory Statement?	Yes. ERGANZ notes the acknowledgement that further changes may follow and requests early and meaningful consultation on any such changes before they are progressed.
Q5.1. Do you agree the issue identified by the Authority is technical and non-controversial?	Yes.
Q5.2. Do you have any feedback on the issue identified?	N/A

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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