emhTrade

The Electricity Authority
PO Box 10041
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24 March 2026

To whom it may concern,

Consultation Paper— Non-discrimination obligations: Retail Price Consistency Assessment.

Thankyou for the opportunity to submit on the latest, targeted consultation in regards to Non-discrimination Obligations. We commend the Authority for making rapid progress on these critical changes whilst also making valuable course-corrections in response to submitters' feedback. We are of the view that if implemented effectively, with adequate monitoring and consequence for lack of compliance, these changes will help underpin a more competitive and lower cost electricity industry for the benefit of consumers.

Whilst we did not submit in the prior round, like most submitters, we saw many pitfalls in the proposed limitation of the obligations to *Uncommitted Capacity*. We therefore support the *Option 2* proposed in this consultation. However, we see two (related) flaws in the proposed RPCA guidance that we wish to draw attention to, and make some additional suggestions.

Volume uncertainty drives costs that efficient operators must face.

The Authority notes that "As the RPCA relies on these expectations, the assessment avoids having to adjust actual outturns for, say, the effects of demand or supply shocks or other factors outside a gentailer's control, forecast errors, and actual performance of various gentailer internal business units that could all impact realised margins and may obscure an anti-competitive margin squeezing"[1]

The Authority then goes on to propose that RPCA be calculated based on a (point) estimate of a gentailer's load profile. The issue here is that things like demand shocks and forecast errors do, of course, occur and the cost of managing such risks (ultimately, the risk of being over or under hedged) must be borne by any as-efficient retailer. These costs manifest either through buying or selling hedges near to real-time to finesse a portfolio, or via option premium paid to add swing volume (optionality) to a contract book.

The guidance, by using a point estimate of load, allows gentailers to ignore these costs in constructing their RPCA. This effect will be particularly acute in the case that a "book build" approach is taken, as there appears to be no link to historic forecast volume, ie a book-build can happen retrospectively (to align with the *current* forecast volumes). This isn't a good proxy for the true cost of a forecast and book-build approach.

The guidance should be explicit that the cost of managing volume uncertainty risk to prudent levels (using observable prices) should be included in any RPCA.

Efficient retail requires both buying and selling at non-discriminatory prices.

[1] Para A 11 of the paper.

As described above, and as noted recently by a number of submitters[2][3], one commonly used way to manage volume uncertainty is to finesse a hedge book closer to real time as estimates become more accurate. Furthermore, we expect that retailers may purchase PPAs that leave them over-contracted in certain periods. To manage the risk associated with this length, retailers must be able to sell at fair and reasonable prices.

Non-discriminatory obligations should apply to both buyers and sellers of risk management contracts.

Without these two changes, there is a clear loophole that will continue to force retailers to compete up-hill and into the wind. Efficient retailers must incur the real-world costs of uncertainty. Without these two minor changes, the as-efficient comparison is simply not comparing apples with apples. An as-efficient retailer would, as drafted, be expected to have perfect foresight – this obviously isn't possible, and certainly isn't free.

Similarly, a retailer that must face discriminatory bids when trying to adjust positions cannot be expected to compete on a level playing field.

Additional suggested improvements to RPCA Guidance.

- The cost of locational risk management should be explicitly included. Para A.81 and A.83 should include FTRs (traded prices, not model-derived DSPs).
- RPCA should ensure a gentailer must "eat their own cooking". Para A.83(a) should be amended to include a gentailer's own OTC trades *and quotes to third parties* (offers where book-building). This creates a further signal/embedded monitoring of the NDOs.
- Book building methods should use historic forecast volumes (and any subsequent adjustments) rather than current forecast volumes.
- Any book-building method should be such that the volumes procured on any given historic day are a reasonably small percentage of the overall quoted/traded volume on that day or reflect reasonable price elasticity/slippage.
- The Authority should be weary of incentives that an RPCA may create to manipulate market prices on particular days that may have high weighting in future RPCA book-build calculations (it ought not to be reasonable to buy 50MW of a far quarter on the last day of every month at settlement prices, for example). This is both unrealistic and creates a strong incentive to artificially depress prices on the last day of the month by trading through thin volumes.

No part of this submission is confidential, please do not hesitate to contact me to discuss any aspect in more detail.

Yours Faithfully,

[redacted]

Stuart Innes,
CEO

[2] "All else being equal, baseload contracts at the front of the curve are the most valuable for efficient price signalling, robust hedging opportunities, and supporting participants' ability to rebalance positions." Electric Kiwi Submission Market Making Review
[3] "For the near six months Meridian identifies a more granular buy/sell/hold position for each month. This is reassessed weekly and adjusted as hydrology and other key uncertainties unfold. " Meridian Submission Level Playing Field measures: Options Paper