Market making review – strengthening price discovery in the forward electricity markets

Decision paper

28/04/2026

ELECTRICITY AUTHORITY
TE MANA HIKO

Executive summary

The Electricity Authority Te Mana Hiko (Authority) has decided to amend the market making requirements in subpart 5B of Part 13 of the Electricity Industry Participation Code 2010 (Code) to:

- require market making for standardised super-peak contracts,
- extend market making requirements for baseload contracts from 3 to 5 years ahead, and
- reduce the total offer volume from 12MW to 8MW for baseload contracts with duration of three to five years ahead.

The Authority is also proceeding with minor amendments to improve the operation of the compliance framework, including refining the binary pass/fail compliance settings and clarifying the definition of the exemption to quote where doing so would breach an applicable law (permitted circumstances).

Consumers benefit when the market has better forward price information

The Authority considers that the Code amendments will promote competition in, reliable supply by, and the efficient operation of, the electricity sector for the long-term benefit of consumers. For example:

- Market making the standardised super-peak contract will improve price discovery by providing a standardised tradable instrument that reflects the value of flexibility. It supports retail competition by better enabling independent retailers to manage risk and offer competitive pricing, and facilitates the entry of new intermittent generation into the system.
- A longer forward curve provides businesses with greater certainty to enter into long-term supply agreements, reducing financing barriers for investment in new renewable projects.
- The other changes are intended to ensure market making requirements are sustainable and support improved confidence in the operation the forward markets.

We sought industry feedback on the proposed Code amendments

The Authority published a consultation paper "*Market making review: strengthening price discovery in the forward electricity markets*" (consultation paper) in November 2025. We received 22 submissions from stakeholders on the proposed Code amendments. The submissions and consultation paper are available on the Authority's website. We thank submitters for taking the time to share their views on the amendments.

Submitters generally agreed with the objective of improving price discovery and recognised the contribution of market making to providing liquidity. There was broad support for introducing market making requirements for the standardised super peak hedge contracts. Most submitters considered this would help to bolster liquidity, particularly in times of market stress.

However, a number of submitters had reservations about or did not support the proposals to extend baseload market making requirements from three to five years, and reduce volume requirements for these contracts. A key concern was that lower offer volumes would reduce liquidity of short duration contracts which are important for managing near term changes to market conditions. Submitters also urged the Authority to provide transparency around the costs of extending market making services, and to evaluate the impact of the changes and amend the settings if appropriate.

We are making the proposed Code amendments with some changes to reflect feedback

The Authority has considered all submissions and has decided to proceed with the proposed Code amendments, with some changes in response to submitters' feedback.

Changes to standardised super-peak market making proposals:

- **Ability to take exemptions**: Market makers will be permitted to take up to five trading event exemptions within any rolling 12-month period. This change is intended to ensure the market making obligations are commercially sustainable, consistent with the goal of ensuring reliable market making.

Changes to baseload market making proposals:

- **Dynamic volume requirements**: The 12 MW volume requirement will be retained for monthly contracts and for quarterly contracts covering the current year and the following two years. For longer-dated quarterly contracts (three to five years ahead), the volume requirement will be reduced to 8 MW.

These changes are designed to better align market making obligations with how the market operates in practice, maintaining liquidity where it is most valuable and supporting effective price discovery across the forward price curve.

We will phase the implementation and undertake a review of effectiveness

The Code amendments will be implemented in stages to facilitate an orderly transition and ensure operational readiness, with the first stage taking effect from **July 2026**. Key implementation milestones are as follows:

- **31 July 2026** – Market making requirements for standardised super-peak contracts commence on an approved OTC platform. Some changes to baseload market making settings also take effect, including refinement of the Authority's existing binary pass/fail compliance settings and clarification of the definition and application of exemptions from quoting obligations.
- **1 March 2027** – New baseload market making settings relating to forward price curve horizon and volume requirements take effect (this timing is aligned with the start of the new commercial market maker contract).

The Authority will monitor the impact of these changes on liquidity, price discovery and access to risk management contracts. We intend to review the standardised super-peak market making settings a year after their introduction and will also review broader market making settings again in mid-2028.

Further consultation on how compliance with market making obligations is counted

The Authority will undertake further consultation on a matter that was raised by some submitters in feedback on the effectiveness of recent policy changes to market making settings.

Their concern was that the way that market making obligations are assessed allows for surface-level compliance in that certain trades initiated by market makers count towards the obligations even though they may remove volume available for other participants ("market taker" trading). The Authority intends to investigate the extent to which this type of trading is occurring and whether it is reducing the effectiveness of the Authority's market making policy objectives.

A consultation paper seeking feedback on this issue is expected to be published in late May 2026, with a view to aligning any potential changes, subject to industry feedback, with commercial market maker procurement by March 2027.

Contents

1 Purpose

1.1 This paper sets out the Authority's decision to amend the market making requirements in subpart 5B of Part 13 of the Code to strengthen price discovery, thereby improving confidence and competition in hedge markets.

1.2 This paper:

(a) explains the key elements of the final Code amendment including where this diverges from the Code amendment initially proposed in the consultation paper

(b) discusses and responds to issues raised in feedback on our consultation paper

(c) notes how the Code amendment is consistent with our statutory objectives

(d) sets out the final Code amendment

(e) outlines the Authority's intended next steps.

1.3 These changes are part of a broader suite of pro-competition measures the Authority is progressing, including the non-discrimination obligations (NDO) as part of its Level Playing Field measures, which were last consulted on in March 2026[1]. Final decisions on the NDOs are targeted for May 2026.

2 Strong, reliable price signals help all participants compete with confidence

2.1 The futures market plays an important role in New Zealand's electricity system by enabling buyers and sellers to fix their future price of electricity. It is one of the ways that participants can insure themselves against the risk of volatile prices in the electricity spot market. By extension, it is also a key enabler for retailers to offer fixed prices to consumers.

2.2 As well as helping participants manage risk, the futures market fulfils another key role, by producing the forward price curve. The forward price curve is the current price at which electricity can be bought and sold for future time periods and it provides valuable information to electricity sector participants and others to help make efficient operational and investment decisions.

2.3 Market making is a vital service for the effective functioning of the futures market. Market makers create a forward price curve by regularly quoting buy and sell prices for small volumes of electricity and updating these prices to reflect the latest information on market conditions. These price signals support competition in the retail and generation markets.

2.4 The Authority's review of market making sought to ensure that our settings are making the best contribution to the policy objectives to improve the availability of risk management contracts and price discovery. Our proposals were primarily focused on measures to strengthen price discovery whilst maintaining sufficient liquidity. This reflected our assessment in the consultation paper that:

(a) the introduction of market making requirements in 2020 have improved liquidity and contributed to more robust price signals in the futures market, and

(b) improvements to price discovery for shaped hedges and longer-dated futures are necessary to support the transition to a high renewables electricity system.

2.5 We consulted on proposals to:

[1] Non-discrimination obligations: Retail Price Consistency Assessment, uncommitted capacity and other matters

(a) **Introduce market making requirements for the standardised super-peak contracts**[2] on an approved over-the-counter (OTC) trading platform, with total offer volume requirements of 6 MW per contract and a bid-ask spread of 5%.

Stronger price signals for shaped products will support investment in flexible generation, storage and other new technologies to assist the transition to a higher renewable generation mix.

(b) **Extend longer-dated futures** by increasing the availability of quarterly baseload contracts from three years[3] to five years.

A longer forward curve supports visibility for long-term planning and investment decisions.

(c) **Reduce total baseload offer volume** from 12 MW to 10 MW.

We want to ensure that market making obligations are proportionate and sustainable. Offering more volume than market demand imposes unnecessary costs.

2.6 We also consulted on a small number of minor proposals to improve market making settings for baseload contracts. These included refining the Authority's binary pass/fail settings, and clarifying the definition of the exemption to quote where doing so would breach an applicable law (permitted circumstances).

3 We received submissions from a range of stakeholders

3.1 The Authority received 22 submissions from a wide range of participants listed in Table 1. Submissions are available on the Authority's website.

3.2 The Authority has endeavoured to accurately summarise the views expressed in the submissions in the following section. However, these summaries are not exhaustive, and individual submissions should be read to obtain a full account of submitters' views.

Table 1: List of submitters

Category	Submitters
Market maker	Contact Energy (Contact) Genesis Energy (Genesis) Mercury Energy (Mercury) Merdian Energy (Meridian) Vivienne Court Trading Pty Ltd (Vivcourt)
Independent retailer or generator	Flick Electric (Flick) Pulse Energy (Pulse) Octopus Energy (Octopus) 2degrees
Major electricity user	Major Electricity Users' Group (MEUG) Fonterra New Zealand Steel Oji Fibre Solutions
Industry bodies	BusinessNZ Energy Council (Business NZ) Electricity Retailers' and Generators' Association of New Zealand (ERGANZ)
Financial intermediary	Haast Energy (Haast) Bold Trading and emhTrade (Bold) Mercuria New Zealand Limited (Mercuria)

[2] This proposal built on the Authority's issues and options paper "*Regulating the standardised super-peak hedge contract"* which sought feedback on whether to continue with the voluntary trading arrangement. .

[3] Under current settings, market makers are required to provide quotes for the current month, the following five months, and every listed quarterly contract up to three years ahead (ASX lists March, June, September, December quarters).

	Icehouse Capital Pty Ltd (Icehouse Capital) Marex

3.3 Submitters generally supported the main objective of the Authority's review to strengthen price discovery in the forward markets. They emphasised that liquid, transparent forward markets are essential for a well-functioning electricity market, and agreed that market making plays a key role in improving liquidity and price discovery.

3.4 Some submitters noted that market making requirements impose costs on market makers, which are likely to be passed on to consumers. They stressed that these costs are sensitive to market making settings and should be measured accurately.

3.5 Other submitters, while acknowledging the benefits of market making, noted concerns about the current settings including trading being concentrated among a small number of participants which increases vulnerability during times of market stress, and participants' reliance on a short baseload-only forward price curve that only partially meets their actual hedging requirements.

Market making the standardised super-peak hedge product

3.6 Our consultation paper sought feedback on introducing market making requirements for the standardised super-peak product as well as a range of associated decisions relating to the product specifications, market making settings, and trading platform arrangements. Respondents' views on these proposals are summarised below.

Introducing market making requirements

3.7 Most submitters agreed that the benefits of mandatory market making of standardised super-peak contracts outweigh the costs. They noted that, when market-making arrangements are well designed, they can improve liquidity and support effective price discovery.

Table 2: Summary of responses to Q5. do you agree with the Authority's proposal to market make super-peak contracts? Do you agree with the rational for this proposal?

Response	Submitters
Agree (12)	Octopus, Mercury, entrust, ERGANZ, Electric Kiwi, 2degrees, pulse, emhTrade, BEC, Mercuria, Haast
Conditionally agree (3)	Meridian, Contact, Genesis
Disagree (1)	Marex
No response (6)	Vivienne court, NZ steel, Oji Fibre solution, Fonterra, MEUG, Icehouse capital

3.8 Octopus noted that

> "*the growth in intermittent generation demands stronger price signals for flexible capacity*".

Pulse also commented that

> "*voluntary access arrangements create considerable and unnecessary regulatory uncertainty (and risk) compared to mandated access*".

3.9 Some submitters, mainly regulated market makers, provided conditional support. They emphasised that the success of mandatory obligations would depend on the readiness of the OTC platform, maintaining effective price signals, and applying regular review and recalibration. Genesis suggested:

"*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*".

3.10 Marex disagreed with the proposal. They argued that a robust voluntary framework will achieve the outcome faster and with fewer unintended consequences. They considered the standardised super-peak contract to be less vulnerable to disruption (such as that experienced during the Pohokura gas shortage) because:

> "*trading infrastructure is stronger, the product design is clearer, and participants are actively using the product."*

They believed the market is not ready for mandatory obligations and:

> *"liquidity is not yet natural and forcing quotes risks producing price signals that reflect obligations rather than genuine market interest."*

Proposed product specifications

3.11 Submitters had mixed views on whether changes are needed to the proposed standardised super-peak product specifications, including trading periods, unit volume, node coverage, and contract horizon.

Table 3: Summary of responses to 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)?

Response	Submitters
Agree (5)	Octopus, 2degrees, Electric Kiwi, Mercuria, Haast
Conditionally agree (2)	Mercury, ERGANZ
Disagree (5)	Meridian, Contact, Genesis, emhTrade, Marex
No response (10)	Entrust, Vivienne Court, NZ Steel, Oji Fibre Solutions, Fonterra, Pulse, MEUG, Icehouse Capital, BEC

3.12 Some submitters did not support making any changes to the product specifications at this stage. They considered the existing super-peak specifications appropriately capture periods of highest capacity scarcity and noted that more bespoke contracts can be traded in the OTC market. These submitters thought that splitting the product into morning and evening peaks could fragment liquidity and given the product is still new, they advised against frequent or material adjustments. For instance, Marex commented that:

> "*the priority is building depth and confidence in a single, well understood super-peak contract.*"

Mercury also added that:

> "*the objective should be to focus on promoting the trade in hedge contracts in total and not narrowly focus on one subset of contracts or their specifications as market conditions are evolving at a greater pace than has been the case historically.*"

3.13 Other submitters supported separating the product into morning and evening peaks. Electric Kiwi argued that:

> "*this refinement would better align with the actual risk profiles faced by many retailers and large consumers, who often experience distinct exposures in the morning versus evening peak periods.*"

These submitters considered that liquidity would not be materially affected, provided the two new products have the same market making requirements as the current combined product.

Proposed settings - fortnightly trading, 6 MW volume and 5% spread

3.14 Many submitters either agreed or conditionally agreed with the proposed market making settings. They considered 6 MW sufficient for price discovery and an appropriate balance between providing useful price signals and maintaining liquidity.

Table 4: Summary of responses to Q7. Do you agree with the proposed settings for regulated market making in the super-peak product (eg, offer volume and spread requirements)?

Response	Submitters
Agree (5)	Octopus, ERGANZ, 2degrees, Electric Kiwi, BEC
Conditionally agree (6)	Mercury, Meridian, Contact, Genesis, Mercuria
Disagree (2)	emhTrade, Marex
No response (9)	Entrust, Vivienne Court, NZ Steel, Oji Fibre Solutions, Fonterra, Pulse, MEUG, Icehouse Capital, Haast

3.15 Contact noted that they:

> "*consider this is a pragmatic compromise which meets the likely need in the market.*"

Genesis stated that they:

> "*support moving to a 6 MW aggregate super-peak volume requirement as an initial setting, to balance liquidity benefits with the risk of over-procurement.*"

3.16 A smaller number of submitters, including Mercuria, emhTrade, and Marex disagreed and argued that 6 MW is insufficient. They favoured the Authority's earlier proposal for a 10 MW requirement outlined in the issues and options paper "*Regulating the standardised super-peak hedge contract*" (Issues and Options Paper. These submitters believed that a higher volume requirement would promote dynamic efficiency and support product development, noting that smaller notional values can limit participation in OTC markets due to transaction costs.

3.17 Other submitters, such as Meridian, believe that the current super-peak volumes are already adequate. Meridian stated that:

> "*the volumes of standardised super-peak contract currently available and transacted are more than sufficient for non-integrated retailers to build a hedge portfolio and enable retail competition.*"

Mercury also noted that:

> "*the volume needs to be sufficient to enable price discovery, but not so much as to distort or reduce trade in other hedge contracts more generally.*"

3.18 Views on the proposed 5% spread were more mixed. Some submitters considered the spread too wide. Octopus commented that the 5% spread "*equates to a reasonable dollar amount, potentially impacting competitive trading*". Others argued that the spread was too tight. Mercury and Contact suggested widening the spread to 10%. They noted that 5% may not adequately capture the risk associated with the contract given the cadence of trading events and the volatility of the super-peak prices. Meridian suggested a different approach,

> *""spreads locationally based on the physical assets of the regulated market makers.*"

3.19 Several submitters provided conditional support. ERGANZ suggested:

"*retaining 5% initially but pairing it with an explicit, short-cycle review and a transparent methodology for recalibration.*"

Genesis also supported retaining 5% at first, but only with an explicit early 'test and learn' review or by starting with a wider spread before tightening later. Some submitters supported the super-peak market making obligations only on the condition that they do not reduce existing baseload requirements, noting that baseload contracts underpin the functioning of the broader hedge market.

Trading on an OTC platform

3.20 Submitters expressed broad support for the Authority's proposed approach to establishing an OTC platform, with no submitters explicitly opposing the proposal. Those who agreed considered the OTC platform to offer lower access costs than ASX, faster implementation, and greater flexibility for product changes, supporting orderly trading and wider participation in the market.

Table 5: Summary of responses to Q8. Do you agree with the Authority's proposed approach to establishing the platform?

Response	Submitters
Agree (7)	Octopus, 2degrees, Contact, BEC, emhTrade, Marex
Conditionally agree (6)	Mercury, ERGANZ, Electric Kiwi, Meridian, Genesis, Haast
Disagree (0)	
No response (9)	Entrust, Vivienne Court, NZ Steel, Oji Fibre Solutions, Fonterra, Pulse, MEUG, Icehouse Capital, Mercuria

3.21 BEC noted that:

"During this time where adjustment may be needed, market making should remain on an OTC platform. Once the market has been sufficiently established then the Authority should look at the possibility of shifting to the ASX."

3.22 A number of submitters conditionally agreed with our proposal. They viewed the OTC platform as appropriate initially (or as a transitional solution) but emphasised that platform readiness should be a genuine precondition for imposing market making obligations. Haast noted that they:

"support introduction of the super-peak product initially on the OTC platform, as a pragmatic way of making the product available more quickly, and then transitioning to ASX."

3.23 These submitters generally supported an eventual transition to ASX once the market matures and liquidity deepens and stressed the importance of minimum standards. Electric Kiwi highlighted that an OTC platform will require:

"clear standards for platform functionality, explicit timelines for necessary improvements and ongoing engagement with stakeholders to ensure practical challenges are addressed."

3.24 Feedback on the proposed OTC platform settings was similarly supportive overall.

Table 6: Summary of responses to Q9. Do you agree with the Authority's proposed market settings on the OTC platform?

Response	Submitters
Agree (5)	ERGANZ, Electric Kiwi, 2degrees, emhTrade, Marex
Conditionally agree (7)	Octopus, Mercury, Meridian, Contact, Genesis, BEC
Disagree (1)	Mercuria
No response (9)	Entrust, NZ Steel, Oji Fibre Solutions, Fonterra, Pulse, MEUG, Icehouse Capital, Haast, Vivienne Court

3.25 Submitters who agreed with the settings considered that they provide a sound basis for orderly trading, price information, and transparency. Concentrating liquidity within defined trading windows was viewed as appropriate for supporting price discovery in a low-frequency market. They emphasised the importance of flexibility in designing the settings. Marex mentioned that:

> *"the framework should remain flexible to enable a continuous-pricing environment as the market develops."*

3.26 Those who conditionally agreed emphasised the need for early and iterative reviews of the settings, reflecting the volatile and low-frequency nature of the super-peak product. Some submitters suggested a more pragmatic approach to presence and exemption requirements. Meridian suggested:

> *"allowing a limited number of exempt sessions per rolling 12-month period."*

3.27 Contact suggested aligning the exemption requirements with baseload market making arrangements (ie, 4 or 5 exemptions to full trading events over the course of the year) while noting that:

> *"There can be technical reasons why we may not be able to participate in any given period, which may cross multiple 5-minute periods and result in a breach."*

3.28 Mercuria disagreed with the proposed settings, arguing that they risk encouraging trading behaviours that remove liquidity and that market making obligations should focus on trades that add liquidity.

Extending baseload market making to longer-dated futures

3.29 Submitters had mixed views on the proposal to extend longer-dated baseload futures contracts from three to five years.

Table 7: Summary of responses to *Q10. Do you support the Authority's proposal to extend the baseload futures horizon from three to five years?*

Response	Submitters
Agree (4)	Octopus, Mercury, emhTrade, Mercuria
Conditionally agree (8)	Electric Kiwi, Vivienne Court, 2degrees, Meridian, Icehouse Capital, Contact, Marex, Haast
Disagree (8)	MEUG, NZ Steel, erganz, Genesis, Oji Fibre solutions, Fonterra, BEC
No response (2)	Entrust, Pulse

Table 8: Summary of responses to *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?*

Response	Submitters
Agree (6)	Octopus, Mercury, Icehouse Capital, Mercuria, Marex
Conditionally agree (1)	emhTrade
Disagree (5)	Vivienne Court, NZ Steel, Oji Fibre, Fonterra
No response (10)	Entrust, Pulse, ergnaz, Electric Kiwi, 2degrees, Meridian, MEUG, Contact, BEC, Haast

3.30 Some participants, including some market makers, financial intermediaries and several independent retailers, either agreed or conditionally agreed with the proposal. They considered that extending the forward horizon would provide stronger long-term price signals and better enable monitoring the alignment between electricity prices and the levelised cost of energy (LCOE)[4]. In general, long-term forward prices and the LCOE should converge in a competitive market.

3.31 Mercuria viewed the proposal as a positive step and noted they expect to use longer dated futures to support pricing for power purchase agreements for renewables (increasing the financing available for independent developers), and retail hedging (offering extended fixed price contracts for budget certainty). They stated that:

> "*benefits will be derived from de-risked forward revenue. This will allow project financing to occur at higher debt levels and thus bring lower cost generation into the market.*"

3.32 Supporters emphasised that maintaining liquidity as the primary objective, with no reduction in existing volume requirements, is necessary for the proposal to succeed. They also stressed the importance of dynamic settings to manage costs, careful sequencing of changes across baseload and super-peak products, and allowing sufficient lead time for participants to adjust trading algorithms and positions. Electric Kiwi supported the proposal:

> "*recognising that access to longer-dated price signals can support investment planning and potentially benefit market participants seeking certainty for new generation project."*

3.33 However, they also asserted that "*the greatest need for liquidity remains at the front of the curve.*"

Meridian argued that:

> "*a commercial tender should be used to reveal the additional costs of the longer forward window before any decision.*"

3.34 Contact supported the proposal but highlighted that introducing longer-dated futures would increase market making costs. They proposed a range of options to reduce these costs, including dynamic obligations that maintain the current volume requirements for the first three years, retain higher volumes for the front two or three quarters but reduce obligations during stressed periods, or apply smaller obligations for years four and five. For example, offering yearly rather than quarterly products.

[4] LCOE compares lifetime costs and generation output across different technologies, like wind, solar, geothermal, hydro and thermal sourced generation.

3.35 Marex supported the proposal in principle, acknowledging its potential to improve revenue visibility and support financing. However, they stressed that sequencing is critical, noting that:

> "*longer-dated futures are only meaningful if the nearer dated shaped products are liquid and trusted*."

3.36 Some submitters, mainly large industrial users and Genesis, did not support the proposal to market make longer dated futures on the basis that they thought the cost–benefit balance was uncertain and that the benefits of extending the baseload horizon alone would be limited.

3.37 These submitters were also concerned about low liquidity in longer-dated futures and favoured a more cautious approach. Large industrial users were particularly concerned that extending the curve could entrench already elevated risk premiums into future years. MEUG acknowledged that a reliable longer duration curve would ideally be useful for informing longer duration OTC contracts but was strongly of the view that:

> "*realisation of these benefits will not be possible until the Authority addresses the underlying risk premium incorporated into current ASX prices.*"

They also suggested that:

> "*the futures contracts appear to be pricing dry year risk (and overall fuel scarcity) into every upcoming quarter, regardless of history showing the low probability of two consecutive dry years*."

3.38 The Authority acknowledges MEUG's concerns but does not consider that these are justified as we have not found evidence of systematic over pricing of baseload futures contracts.

3.39 This is made clear in the Infometrics report published with the consultation paper which assessed the relationship between ASX futures prices and realised spot prices from June 2018 to March 2025. Infometrics' analysis shows that, after the 2018 Pohokura gas outage, ASX futures tended to understate spot prices early in the trading cycle and become unbiased over time. In other words, long-dated contracts have generally been sold below the spot prices eventually realised. This evidence does not support concerns that long-dated futures prices reflect excessive risk premiums or that extending the forward curve would lock in any premium into futures prices.

3.40 Pricing futures contracts necessarily involves consideration of the various risk premia associated with holding and exercising hedge positions over time. It is therefore important that participants have sufficient information to price and manage risks efficiently. Reducing uncertainty is key to producing a more efficient futures market. The Authority is working to improve information about expected futures prices to assist participants to mitigate and manage price risk. An example of this is our recent Eye on Electricity article[5] which provides an explanation of recent trends in ASX prices. This analysis is also discussed further below in section 4.

Reducing total baseload offer volume from 12 MW to 10 MW

3.41 There was limited support for reducing the baseload market making volume from 12 MW to 10 MW. 13 submitters, primarily independent retailers, major electricity users, and financial intermediaries, opposed the proposal. In contrast, most market makers and industry bodies, including BEC and ERGANZ, supported the change.

[5] Are ASX futures prices too high? | Electricity Authority

Table 9: Summary of responses to *Q13. Do you agree with the proposed reduced volume requirements for market making baseload contracts?*

Response	Submitters
Agree (6)	Vivienne Court, ERGANZ, Meridian, Contact, Genesis, BEC
Conditionally agree (1)	Marex
Disagree (13)	Octopus, NZ Steel, Mercury, Oji Fibre Solution, Electric Kiwi, 2degrees, Pulse, MEUG, Icehouse Capital, emhTrade, Mercuria, Haast
No response (2)	Entrust, Fonterra

3.42 Most market makers, ERGANZ and BEC supported the reduction in volume requirements on the basis that current volumes may exceed demand and the goal of not imposing costs on the system beyond what is necessary to achieve price discovery and liquidity outcomes.

3.43 Marex conditionally supported the reduction, stating that:

> "*the change is modest and unlikely to materially affect overall liquidity. If market makers view 12 MW as overstating true demand, testing a lower requirement poses little risk*."

3.44 Many submitters opposed the proposal, raising concerns that reducing volumes could undermine market confidence, weaken price discovery, and reduce both current and future hedging demand. They also argued that the rationale for change was weak and that insufficient evidence has been provided.

3.45 Octopus noted that

> "*excess volume allows buyers and sellers to transact more easily and frequently, and reducing volume, particularly during periods of market stress, may compromise the strength of price signals*."

3.46 Mercury similarly raised concerns about the impact on price signals, stating that reducing volumes would heighten price volatility, particularly in stressed market conditions.

3.47 Electric Kiwi also opposed the reduction, noting that

> "*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*."

3.48 MEUG, NZ Steel and Oji Fibre Solutions agreed that current demand for baseload futures is low, but they argued this reflects a lack of confidence in the forward price curve. MEUG stated that:

> "*We consider that demand for ASX baseload contracts is constrained, and the volume traded currently low, due to the factors we have discussed above – that market participants do not have confidence in the pricing of ASX baseload contracts, due to the inclusion of an excessive risk premium.*"

3.49 2degrees also agreed that demand is low but suggested this may be due to:

> *"(i) the poor state of the retail electricity market and the stunted growth of independent retailers over the last several years; and (ii) if the Authority succeeds in creating a level playing field and promoting a stronger, more effective competitive retail market then substantially higher volumes will be needed*."

Haast also noted that:

"*we consider this position lacks ambition or confidence in any significant or material increase in competition.*"

3.50 Two submitters argued that the benefits of any reduction in baseload trading volumes do not outweigh the cost and it would undermine liquidity and weaken price discovery.

3.51 Submitters had similar views on whether reducing the volume to 8 MW would be sufficient for price discovery, with the majority considering that 8 MW would be inadequate.

Table 10: Summary of responses to Q14. *Do you consider an 8 MW volume requirement per contract for baseload futures would be sufficient to enable robust price discovery?*

Response	Submitters
Agree (2)	ERGANZ, Genesis
Conditionally agree (2)	Marex, Contact
Disagree (12)	Octopus, Vivenne Court, NZ Steel, Mercury, Electric Kiwi, 2degrees, Pulse, Icehouse Capital, emhTrade, Mercuria, Haast
No response (6)	entrust, Oji Fibre Solution, Fonterra, Meridian, MEUG, BEC

Other minor amendments

3.52 Submitters broadly agreed with the other minor proposed amendments.

Table 11: Summary of feedback on other minor amendments

Proposals	Agree	Conditionally agree	Disagree	No response
Modify compliance algorithm	9	0	2	11
Permitted circumstances	11	0	1	10
Continue with hybrid model for baseload	9	3	2	8
Impact of market making policy changes	7	4	2	9

3.53 **Modify compliance algorithm:** many submitters agreed that rounding up failure assessments to the nearest second instead of millisecond would reduce noise from minor technical interruptions without affecting real liquidity. They considered that this approach would maintain the integrity of exemptions for genuine stress events.

3.54 However, two submitters disagreed. They argued that the current settings provide a reasonable balance and that marginal failures reflect commercial decisions about investment in people and processes. These submitters believed the proposed change would weaken discipline and reduce the robustness of the market making framework.

3.55 **Permitted circumstances:** many submitters supported amending the permitted circumstances exemption (which allows a market maker to be exempt from trading where doing so would breach an applicable law) to clarify that it is not intended to apply where reasonable steps could have been taken by a participant to avoid a breach of the law while continuing to trade. They noted that clearer expectations would support liquidity and strengthen the integrity of market making. Haast disagreed, arguing that the requirements should either be significantly tightened or that permitted circumstances should be removed entirely.

3.56 **Hybrid market making model:** many submitters supported the current hybrid model of four regulated market makers and one commercial market maker. They considered the model to

enhance trust, transparency and liquidity. Some submitters conditionally agreed but noted that having more than one commercial market maker could improve the balance between generator-retailer participation and independent market making. They also suggested that the Authority should move towards a more incentive-based scheme rather than relying indefinitely on regulated market makers. Some recommended maintaining the hybrid model but reverting volume requirements back to levels in place prior to the commercial market maker (3 MW per market maker).

3.57 Electric Kiwi and Haast did not support the hybrid model. They argued that it does not deliver additional liquidity, has not contributed to efficient price discovery, makes market making arrangements less stable and offers poor value, as the provider is incentivised to minimise costs to itself.

3.58 Some submitters also highlighted that the levy is significant relative to the size of the New Zealand market. They questioned whether these funds could better support smaller participants through alternative mechanisms. They requested clear performance safeguards for the commercial market maker and more active monitoring and enforcement of the contract to maximise its value. The Authority notes that the contract with the commercial market maker includes enforcement clauses to ensure service levels are met or exceeded, and the Authority regularly monitors market making performance of the commercial market maker and regulated market makers.

3.59 **Refresh:** many submitters agreed that the changes to market making policy settings in 2022 (mandatory backstop, commercial market maker and the price refresh mechanism) have improved price discovery and liquidity. However, views were mixed on the impact of the refresh mechanism. Mercuria and Bold agreed that the refresh had achieved its main objective, ensuring volume remains available after initial trades, but noted that it had also created unintended consequences. In their view, the refresh has reduced liquidity and increased volatility.

3.60 Mercuria and Bold's feedback on the refresh mechanism also highlighted a broader concern with the way that the baseload market making obligation threshold is met. They consider that current settings allow surface level compliance rather than effective risk warehousing and provision of liquidity. They noted that trades initiated by market makers count toward meeting market making obligations even though these trades may remove volume from the market. These submitters suggested changing the settings to only count market making trades (ie, resting orders that add liquidity) towards the obligation threshold. They consider this would lead to tighter spreads, better price discovery and more stable hedge access. This issue (and the Authority's response) is discussed further in section 5.

3.61 Some submitters disagreed with the findings or provided conditional agreement. They noted that observed improvements might not be due to market making policy but rather related to structural changes in forward and physical markets.

4 The Authority has decided to make the proposed Code amendments, with some changes

4.1 Having considered the information and views provided in submissions, the Authority has decided to make the Code amendments as consulted on, with some changes to incorporate submitter feedback. A summary of the final Code amendments, and how they compare to the proposals consulted on, is provided in Table 12 and discussed below. The final changes to the Code (including changes proposed in the consultation paper and subsequent changes) are detailed in Appendix A. Appendix B sets out a 'clean' version of subpart 5B of Part 13 of the Code with all changes applied.

Table 12 – Summary of the proposed changes and final decision

Market making settings	Proposed	Decision
Standardised super-peak		
Volume offered per contract	6 MW (1.5 MW per regulated market maker)	No change
Spread	5%	No change
Monthly contracts	For three quarters ahead, starting from the following month (6-8 months)	No change
Quarterly contracts (total length)	For the following 9 quarters (3 years horizon)	No change
Contract specifications	CfD, 0.1 MW per hour, Benmore and Otahuhu Trading periods: 7-10:30 am and 5-9 pm	No change
Frequency	Fortnightly on OTC platform	No change
Presence	5 mins presence without a bid/offer	No change
Exemption	--	5 trading events in a rolling 12-month period
Time	Set by the platform and participants, avoid overlap with ASX baseload market making sessions	No change
Baseload		
ASX horizon	Extend from 3 to 5 years	No change
Volume requirement	10 MW (2 MW per regulated market maker) across the curve	12 MW – monthly and quarterly contracts current year and 1, 2 years ahead 8 MW – quarterly contracts 3, 4, 5 years ahead
Binary pass/fail settings	Round up failure assessments to the nearest second rather than millisecond	No change
Permitted circumstances	Require the participant to be satisfied on a reasonable basis that trading is likely to cause it to breach an applicable law and that it has taken all reasonable steps to avoid the likely breach of the law while continuing to trade.	No change

Mandatory market making for standardised super-peak contracts

4.2 The Authority has decided to introduce mandatory market making for standardised super-peak contracts. Regulated market makers will each be required to quote 1.5 MW per contract (6 MW per contract in total) at a 5% spread. We consider these settings are sufficient to strengthen price discovery for super-peak contracts.

Market making obligations are an effective mechanism to support price discovery

4.3 Market making the standardised super-peak contracts will provide a regular and reliable price signal and improved liquidity for shaped products, giving participants greater certainty and confidence to trade. The need for stronger price signals for shaped products is increasing as the generation mix includes more intermittent renewable generation, driven by greater

volatility. This requirement will also support efficient investment in flexible generation, storage and other new technologies.

4.4 This decision aligns with feedback received through the *Issues and Options Paper* that voluntary market making arrangements do not provide sufficient consistency and reliability. Without firm obligations, participation is likely to be variable, creating unreliable trading volume and weakening price discovery. Mandatory requirements will ensure that liquidity and price signals are maintained when they are most needed, especially during periods of market stress.

4.5 The Authority acknowledges submitters' feedback about the readiness of the OTC platform to support mandatory market making. To address these concerns, the Authority has facilitated an industry led process to select an enhanced OTC platform with the necessary functionality to support efficient trading[6]. The requirements for this process were informed by feedback on the *Issues and Options Paper* and include features such as real-time visibility of bids, offers and trades, to support transparency and confidence in the market. The approved platform is announced on the Authority's website.

4.6 The approved OTC platform will be an industry participant[7], and will be required to comply with the standardised super-peak hedge contract trading data notice[8] and provide the Authority with information on all actions taken during each trading event by 9am the following day. We have made some minor changes to the proposed Code amendment to clarify the status of the OTC platform as a participant, and to align the description of the super-peak market making period with the settings to be provided by the approved OTC platform.

4.7 We also wish to recognise the contribution of Aotearoa Energy, the current platform provider, in establishing regular fortnightly trading events and supporting early market development.

Our preferred market making settings strike a balance between benefits and costs

4.8 The Authority has considered the market making settings (spread, volume and exemption) for standardised super-peak contracts as a package. We sought to calibrate these settings in a way that takes account of the maturity of the market for standardised super-peak contracts, and current and evolving demand for peak products. We have also been mindful to not impede innovation, the development of new products or trading activity in other parts of the forward market.

Volume requirements

4.9 Some submitters suggested higher volume requirements of 10 MW. However, analysis undertaken for the consultation, including external advice from Concept, indicates that a 6 MW requirement is sufficient to support effective price discovery and enable participants to manage price risk.

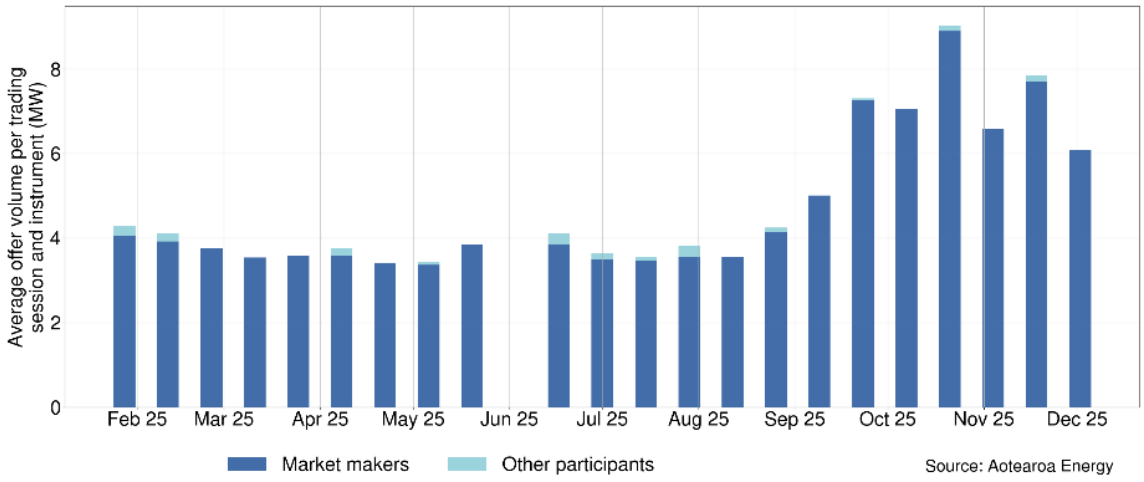
4.10 The volume offered by market makers under voluntary trading arrangements has increased since January 2025 and is now sitting around 6 MW per trading session for the contracts that each market maker has offered. This does not include all listed contracts.

[6] Proposals invited from OTC platform providers | Electricity Authority

[7] The OTC platform is considered an 'exchange' for the purposes of the definition of 'trader in electricity' in section 5 of the Electricity Industry Act.

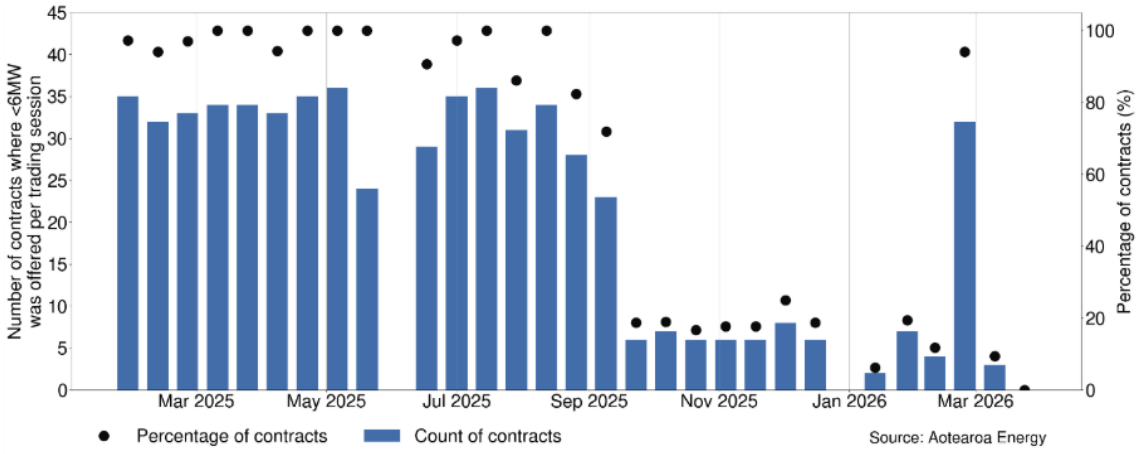
[8] Standardised super-peak hedge contract: clause 2.16 information notice.

Figure 1 – Average offer volume per trading session and contract by market makers



4.11 At the outset of voluntary trading, total offers equal to and above 6 MW were only made on around 10% of the listed contracts. Although this has now increased to around 85%, market making requirements will be a step up because they will apply to all listed contracts.

Figure 2 – Share of contracts with total offer volume is below 6 MW



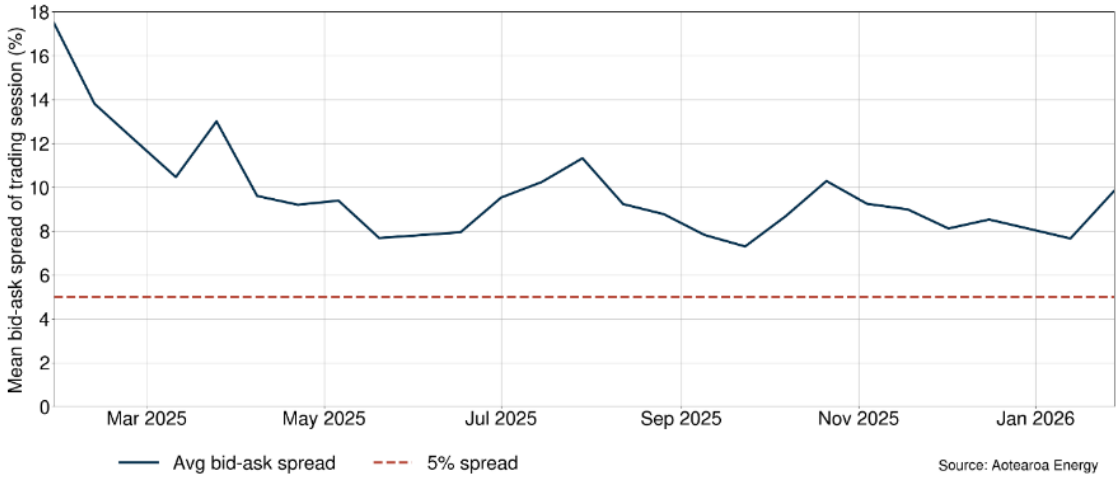
4.12 Overall, we consider that a 6 MW volume requirement per contract sets an appropriate stretch target to the volumes offered under current voluntary arrangements. We also consider it aligns with market needs, and is sufficient to support effective price discovery.

Bid-ask spread

4.13 Some submitters, particularly market makers, considered a wider spread than 5% was appropriate to better manage risk during periods of high price volatility, especially given the lower trading frequency of the standardised super-peak contract. Although super-peak contracts have at times traded at spreads wider than 5% under the existing voluntary arrangements, the Authority notes that spreads have narrowed significantly since the introduction of voluntary trading. Spreads currently sit around 12% for short duration and 7% for long duration contracts.

4.14 The Authority considers that a 5% spread, when combined with volume and exemption settings, represents a balanced and sustainable approach in the current market context. These settings provide confidence that prices are competitive, while appropriately managing market making transaction costs and risks.

Figure 3 – Average bid-ask spread of all contracts



Exemption settings

4.15 To complement the spread and volume settings and to ensure obligations remain workable in practice, the Authority has decided to introduce exemptions from participation in trading events, similar to those currently available for baseload market making. The consultation paper proposed that market makers could be present for five minutes out of the 30-minute market making session without making a bid or offer to gauge prices.

4.16 In response to submitter feedback, the Authority has decided to provide exemptions from participating in a trading event, similar to the exemptions available for baseload market making. Market makers will be able to take up to five exemptions from a trading event within any rolling 12-month period (in addition to the five-minute window). These exemptions may be used where human error or a technical problem prevents compliance with market making obligations, or where a market maker needs to take time out of the market during periods of stress. Together, these settings are intended to provide market makers with greater flexibility to manage risk, while preserving the integrity and reliability of market making arrangements.

4.17 We have amended the Code to give effect to our decision, reflecting changes from the proposals consulted on in response to submitter feedback. Changes to the Code amendment since consultation are outlined in Appendix A and include minor changes to align the exemption provisions for base load and super-peak contracts, and to clarify the market making obligation in any super-peak market making period ends once the market maker has met the volume requirements for that period.

We are retaining the original product and market specifications

4.18 The Authority has decided to retain the original product and market settings for standardised super-peak contracts on the OTC platform. These specifications were developed by the industry co-design group and were designed to meet the needs of buyers and sellers and concentrating liquidity. Feedback from submitters did not present a strong consensus in support of changing these specifications at this time.

4.19 The super-peak contract is still a relatively new product. Frequent adjustments at this stage could undermine confidence and reduce participation. For this reason, we consider it appropriate for market makers to continue providing fortnightly quotes on an approved OTC platform, using current contract specifications.

The Authority will monitor performance and review super peak market making settings after 12 months

4.20 These settings are the initial configuration of market making requirements. We recognise that some submitters opposed or conditionally agreed with aspects of the proposal, and we also acknowledge the importance of monitoring the impact of these changes on the market.

4.21 Submitters also emphasised the importance of providing a transparent methodology for any recalibration of volumes and spreads. The Authority intends to publish regular information on the performance of the super-peak market and market making activity. The Authority will also conduct a review after 12 months of introducing these changes to assess their effectiveness and make adjustments if required. We will publish the analysis and assumptions used in the review.

Extending the forward price curve for baseload contracts

4.22 The Authority has decided to extend the baseload forward price curve by two years, requiring market makers to quote quarterly contracts for years four and five. A number of submitters agreed with the Authority's assessment in the consultation paper, that longer-dated futures can support price discovery and provide better insights into the extent to which prices are converging to LCOE. We consider that this extension can be implemented in a way that ensures the new obligations remain proportionate in terms of market making costs and market needs.

4.23 Under the current settings, market makers are required to provide quotes for the current month, the following five months, and every listed quarterly contract (March, June, September, December) up to three years ahead[9]. Table 13 below shows the additional contracts that will be available under the new settings.

Table 13 – Illustration of required duration and baseload volume before and after the Authority's decision for April 2026

Position on the curve	Contracts available[1]	Current volume available	After decision
Monthly contracts	Apr-Sep 2026	12 MW	12 MW
Quarterly contracts – current year and years 1-2	Q2 2026 to Q4 2028	12 MW	12 MW
Quarterly contracts – year 3	Q1 2029 to Q4 2029	12 MW	8 MW
Quarterly contracts – years 4-5	Q1 2030 to Q4 2031		8 MW

[1] This table illustrates the contracts available for trade as at April 2026. The specific contracts available change over time as contracts expire and new contracts are listed.

There is no evidence that extending the forward curve would lock in high risk premiums

4.24 Some submitters were concerned that a longer forward horizon might lock in elevated risk premiums into future years. The Authority considers that these concerns are not well founded and refers to the analysis undertaken by Infometrics in their August 2025 report titled "*Exploration of the relationship between ASX prices and Spot prices*", as discussed above in paragraph 3.38.

[9] new-zealand-electricity-fact-sheet.pdf

4.25 The Authority has recently undertaken a further examination of futures prices relative to underlying fuel and generation costs. This is published in a recent *Eye on Electricity* article[10]. While long-dated futures prices have increased compared to historical levels, they remain consistent with the market conditions, historic spot prices, the generation pipeline, demand forecast, and the cost of different generation types.

4.26 Thermal generation is expected to remain the primary firming source as more intermittent renewable generation enters the system. This means gas and coal prices will continue to influence futures pricing. Based on current gas prices, long-dated futures are broadly aligned with the estimated cost of operating most thermal generation.

4.27 We acknowledge submitters' comments that long-dated contract prices can also be observed in the OTC market. OTC data, which we publish in monthly hedge reports[11], is useful but not a reliable substitute for exchange-traded futures because OTC contracts are bespoke and traded infrequently. These characteristics make them unsuitable for building a robust forward price curve.

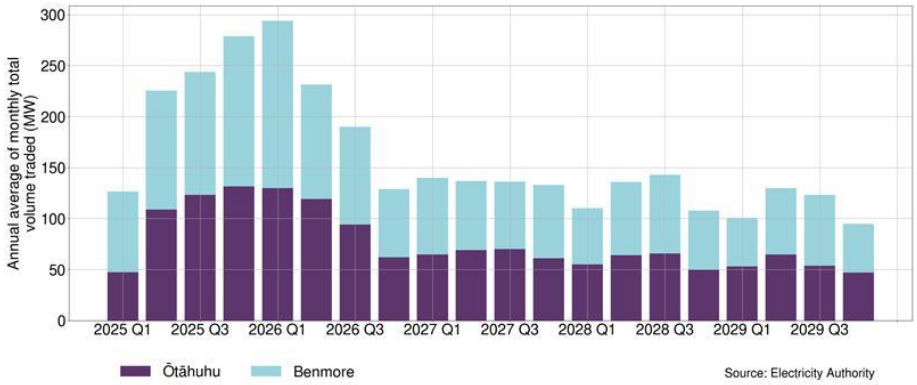
Introducing dynamic volume requirements

4.28 In the consultation paper we proposed a uniform volume requirement of 10 MW per contract (reduced from 12 MW) across all contracts, including proposed new quarterly contracts for 4 and 5 years out. We also sought views on a lower baseload volume of 8 MW.

4.29 Many submitters, highlighted the importance of maintaining volumes at the front end of the curve to provide strong liquidity for the first few years where trading activity and hedging demand are greatest. Some submitters suggested that the Authority consider different volume requirements for different contract terms.

4.30 In response to submitters' concerns, we undertook further analysis of traded volumes across different contract horizons (Appendix C). This analysis confirmed that near-dated contracts trade materially more than longer-dated ones, underlining the importance of maintaining liquidity at the front of the curve as it delivers the greatest price discovery benefit to the market.

Figure 4- Average monthly total volume traded for quarterly baseload contracts traded in 2025 across the curve



4.31 The analysis also showed that near-dated contracts are traded more frequently, whereas trading volumes are much lower for longer-dated contracts. Over 2017 to February 2026,

[10] Are ASX futures prices too high? | Electricity Authority

[11] Hedge market summaries | Electricity Authority

around 4% of longer-dated contracts were traded above the 12 MW offer volume requirements. This figure was around 10% for near-dated contracts. Given this, the Authority now considers that a dynamic approach to volume requirements would better reflect differences in trading activity and market needs across the forward curve, whilst balancing market making costs.

4.32 Consistent with this approach, we have decided to retain a 12 MW volume requirement at the front of the curve, covering monthly contracts and for quarterly contracts in the current year and the next two years (year 1 and 2).

4.33 For longer-dated contracts (3 to 5 years ahead), we have decided to reduce volume requirements from what was consulted on to 8 MW. We consider that this volume will provide sufficient price discovery while not materially impacting market depth.

4.34 Our assessment is also supported by comparing changes in open interest values (ie, trading positions that participants hold) over the price curve relative to market making offer requirements. Open interest declines steeply further out the curve[12] from 7,500 GWh for one year ahead to 3,260 GWh two years ahead, and then drops again to just 1,418 GWh three years ahead. That means that by year three, open interest is less than half of that for two years ahead. In contrast, the market making offer volume will reduce by one third from 12 MW to 8 MW ensuring that there is proportionally more offer volume available relative to open interest.

4.35 This approach also aligns with the policy intent as the provision of contracts by market makers is not intended to meet the full hedging needs of the market or to replace other risk management tools such as bilateral contracting and internal physical hedging. Market making should therefore be targeted to where it most effectively supports liquidity and reliable price discovery, rather than providing hedge volume to meet peak or stress-period demand.

The new volume requirements are sufficient for future demand growth

4.36 Some submitters argued that the 10 MW volume proposal did not adequately account for future electricity demand growth and the potential need for more hedging. We do not consider that increased hedging demand in future would necessarily translate into higher demand for baseload hedges. As the generation mix evolves towards a higher share of renewable generation, participants are likely to seek a wider range of contract shapes and terms to manage risk. The market making requirements should remain focused on promoting effective price discovery, rather than matching total expected hedge demand. Nevertheless, we have decided to retain 12 MW for the front of the curve to ensure there is sufficient liquidity.

4.37 Our analysis shows for longer-dated contracts, 8 MW offered volume is above the actual traded volume around 80% of the time (Appendix C). This analysis also shows that even under the MBIE's growth scenario the 8 MW requirement covers around 85% of the estimated traded volumes across the curve during the market making window. This assumes trading activity grows in line with electricity demand over the next 5 years and all new demand is for baseload contracts. Traded volume tends to be lower for longer-dated futures relative to short-dated contracts.

4.38 Requiring market makers to quote volumes that are materially higher than actual traded sizes can misdirect market making effort, potentially diverting liquidity provision away from the products and horizons that participants use most. The revised settings therefore target

[12] The open interest is measured as at 17 April 2026.and accessed at Electricity Authority - EMI (market statistics and tools)

liquidity provision where it delivers the greatest benefit to the market, at the front of the curve, while maintaining proportionate obligations for longer-dated contracts.

Volume is not the main driver of price stability

4.39 Some submitters were concerned that reducing baseload volumes would weaken price discovery or increase price volatility. We do not expect the reduction in longer-dated volume requirements to have a material impact on volatility. Price volatility is largely driven by underlying market conditions such as hydro storage levels and fuel constraints, and these factors tend to impact price volatility at the front end of the curve more than the back end.

4.40 On balance, we consider that retaining higher volume requirements at the front of the curve, while reducing volume for longer-dated contracts, strikes an appropriate balance between liquidity, price discovery and market making costs. We will review the impact of these settings a year after their introduction and make adjustments if necessary.

4.41 We have amended the Code to give effect to our decision, reflecting changes from the proposals consulted on in response to submitter feedback. This has required greater specificity in the Code for baseload contracts, to ensure the variable volume requirements for different years are clear. These changes are set out in Appendix A.

Other minor amendments

4.42 The Authority has decided to implement its proposals to modify **the compliance algorithm**. We consider that rounding the compliance requirements to the nearest second appropriately addresses minor, immaterial lapses that arise from operational realities. The change is likely to reduce unnecessary use of exemptions, while preserving market making obligations and robustness of the market making framework. We do not consider that alternative options (such as forfeiting exemptions on a per-mis basis or adopting contract by contract model) would materially improve outcomes relative to added complexity they would introduce. This change does not require a Code amendment.

4.43 For **permitted circumstances**, we consider the amendment clarifying when a participant is exempt from quoting obligations provides clear expectations and greater certainty for market makers, while maintaining safeguards against inappropriate use. We do not agree that exemptions should be significantly tightened or removed entirely. The change keeps the rules credible and not open to misuse, while still making it easier for market makers to keep providing liquidity.

4.44 The Authority has decided to continue with the **hybrid market making model**. We consider that a commercial market maker has provided improvements in quote continuity and importantly also provides greater transparency of market making costs. The Authority considers that the market currently functions more effectively with both regulated and commercial market makers in place. Removing either component at this stage would be likely to undermine liquidity, reliability, and participant confidence.

4.45 In response to concerns about the levy size and value for money, the Authority agrees that the cost of a commercial market maker is significant. We undertake periodic procurement of the commercial market maker which allows the market to test pricing, promote competition, and ensure the services procured remain appropriate and cost-effective. This approach also enables the Authority to refine service expectations and contractual terms over time in light of market conditions and observed performance.

4.46 We are not currently considering procuring commercial market making for the super-peak contract. We explored indicative pricing as part of the recent Request for Information (RFI) for baseload commercial market making to inform our decision on market making

requirements. It showed that the cost of market making standardised super-peak under the proposed settings is almost half of the cost for baseload contracts.

5 Submissions raised other points that require consideration, but do not change our decisions

5.1 This section sets out issues raised in submissions that warrant further discussion. However, our view is that they do not change the decisions outlined in this paper, including the decision to mandate market making of standardised super-peak contracts and extend the forward price curve horizon.

Market maker/taker concerns

5.2 Market making obligations are intended to support reliable price discovery and access to risk management contracts by ensuring that obligated volumes are available within the 3% bid-ask spread for baseload contracts during trading windows.

5.3 Some financial intermediaries and independent retailers raised concerns that the current obligation design allows for surface level compliance with these obligations without effective risk transfer. This is because all traded volume counts towards meeting market making obligations, without distinguishing between “maker trades” (where existing orders that remain on the exchange are taken, which aid liquidity) and “taker trades” (where market makers initiate trades and remove liquidity). This means that if a market maker buys back volume that it has sold, the second trade will still count towards its market making obligations even though the two trades cancel out in terms of additional liquidity provision. Submitters considered that although market makers should be allowed to manage risk, these trades should not count towards their obligations, and they should be required to requote.

5.4 These submitters argued that counting “taker trades” toward obligations may reduce the volume available to other participants.

Our response

5.5 This issue relates to how liquidity is delivered within trading windows, rather than the appropriate level of mandated volume or the length of the forward curve. Based on the evidence available, it does not alter our decisions on market making volumes or the extension of the forward price curve.

5.6 While “taker trading” can reduce the volume available to other participants and may, in some circumstances, increase short-term volatility or margin requirements, this does not necessarily indicate that market making settings are not effective. The relevance of this behaviour depends on its scale, persistence, and impact on market outcomes such as depth, spreads and access.

5.7 The Authority has decided to undertake some further work on this issue and will seek industry feedback on:

(a) the extent to which market taker trading is impacting offered volume, and

(b) the potential effectiveness and efficiency of proposed options to mitigate this behaviour.

5.8 Any future changes will be guided by evidence of sustained impacts on price discovery or access, rather than trading activity alone and we will continue to monitor resting volume, spreads, and access for smaller participants as part of our ongoing market making monitoring.

6 We consider our approach, as amended, is preferable to alternatives and the benefits outweigh the costs

6.1 In the consultation paper we published the results of a cost benefit analysis (CBA) undertaken by Concept on the alternative market making arrangements in Appendix D[13]. The purpose of the analysis was to assess how different suites of product and contract specifications could better meet the needs of an evolving electricity system.

Costs and benefits of alternative market making arrangements

Economic modelling

6.2 Concept analysed the economic costs and benefits of alternative market making arrangements using four anchor scenarios (baseload, baseload + peak, baseload + super-peak, baseload + peak + super-peak). The analysis evaluated how different contracts, volumes, and bid-ask spread influence earnings volatility and risk for market participants, specifically independent retailers and solar generators, as well as for market makers. The objective was to help us determine the most appropriate suite of products and market making settings.

6.3 The results suggested that baseload contracts significantly reduce risk and provide a strong price signal, but do not distinguish between energy and capacity risks. Adding a super-peak product delivers the most improvement in risk management and price discovery by revealing capacity-related exposure and solar variability. The peak product has limited value as an addition to baseload contracts.

6.4 Overall, Concept concluded that focusing market making obligations on baseload and super-peak products would enhance liquidity and transparency while keeping obligations manageable under stressed conditions.

6.5 Their analysis estimated that improved price discovery and access from market making in super-peak alongside baseload, could generate annual benefits of up to $10 million per year by 2032. These benefits include $3 million from enhanced retail competition, $1.2 million from improved generator financing, and around $6 million from reduced shortage and fuel costs.

6.6 Market makers' earnings at risk increased modestly under the scenarios that include both baseload (10 MW volume requirement and 3% spread) and super-peak (10 MW volume requirement at 5% spread) market making, reflecting the additional volume and risk exposure. These impacts varied depending on the trading platform (OTC or ASX) and the specific settings applied.

6.7 Concept's analysis also indicated that the net benefit of extending the forward horizon could be modest. In the absence of clearer evidence on likely buyers and sellers of longer-dated contracts, it was uncertain whether the benefits of extending the horizon would outweigh the additional costs.

6.8 They noted that for market makers with physical assets, the incremental cost could arguably just be the financing and operational costs associated with daily exchange trading, as they may be a natural counterparty to these trades if they were to otherwise occur OTC. Concept estimated these costs at around $5,000 per MW held per year.

6.9 In the consultation paper we agreed with Concept's conclusion that the increase in market makers' earnings at risk under the proposed settings is unlikely to outweigh the market-wide

[13] Market making CBA report - 12 Sept 25

benefits. Market makers are well equipped to manage the majority of these risks, primarily through pricing and spread strategies that were not fully captured in the modelling.

6.10 On this basis, the consultation paper proposed mandatory market making for standardised super-peak contacts (6 MW, 5% spread), alongside extending baseload market making obligations to 5 years ahead with a uniform volume requirement of 10 MW at 3% spread.

6.11 The Concept CBA did not assess the precise configuration of volume requirements ultimately adopted in this decision paper. However, because the Authority has reverted to existing volume requirements at the front of the curve and reduced volumes for longer-dated contracts, the final settings are expected to have similar or lower costs than those modelled, while preserving the benefits identified in the analysis.

Commercial tender

6.12 Some submitters requested greater transparency of the potential costs of the proposed market making settings. In response, and to further test our assessment of proportional costs, we sought indicative pricing information from commercial market makers through an RFI. This was used to provide additional context on relative cost impacts across different settings. Table 14 summarises the indicative cost impacts reported through the RFI, expressed relative to the current commercial market maker contract.

Table 14: Indicative cost of proposals through RFI

Scenarios	RFI estimated average costs relative to the current commercial market maker contract
(a) Baseload contracts under existing settings (12 MW, 3% spread)	up to 19% higher
(b) Baseload contracts with reduced volume (10 MW, 3% spread)	around 17% lower
(c) Baseload contracts with an extended horizon to 5 years (12 MW, 3% spread)	up to 25% higher
(d) Baseload contracts with both reduced volume and extended horizon to 5 years (10 MW, 3% spread)	up to 22% higher (reduced volume and extended horizon costs offset)
(e) Standardised super-peak with a 6 MW volume requirement at a 5% spread	Around 50% of the cost for market making baseload (if the settings include one refresh)

6.13 The RFI responses indicate that reducing baseload volume requirements lowers market making costs and can partially offset the additional costs associated with extending the forward price curve by two years.

6.14 Responses also indicated that the cost of market making standardised super-peak contracts on an OTC platform under the proposed settings is, on average, around half the cost of market making baseload contracts under current settings. This cost reflects the lower required volume, wider spread, lower trading frequency, and additional OTC platform costs. This cost also assumes one refresh event, consistent with baseload arrangements.

6.15 Overall, the RFI responses are consistent with Concept's findings that the proposed changes involve moderate costs, and that the cost profile differs materially across products and contract horizons.

Our assessment

The benefits of market making standardised super-peak contracts outweigh the costs

6.16 Having weighed up submitters' feedback along with Concept's CBA and the indicative cost information from the RFI, the Authority still considers that the benefits of market making the standardised super-peak contracts outweigh the costs. Key benefits include improved price discovery and access to flexibility contracts and stronger investment signals.

6.17 Market making super-peak contracts will improve price discovery and liquidity by providing a standardised, tradable instrument that reflects the true value of flexibility, including in periods of market stress when spot prices are most volatile.

6.18 By supporting continuous two-way pricing, super-peak market making will provide wholesale buyers and sellers better tools to manage spot price exposure. It supports retail competition by better enabling independent retailers to manage risk and offer competitive pricing.

6.19 For intermittent generators, more reliable access to super-peak hedges will increase confidence to offer baseload contracts by mitigating low-output price risk, while investors in flexibility assets (such as batteries, demand response, green thermal or pumped hydro) will benefit from clearer price signals and more stable revenue opportunities. Overall, deeper liquidity in super-peak products enhances competition for flexibility, supports investment decisions, and helps sustain effective risk management as fossil-fuelled generation exits the system.

Benefits of changes to baseload requirements outweigh the costs

6.20 The Authority's view also remains that extending the baseload forward price curve to five years ahead delivers net benefits. As discussed in the consultation paper, we estimated that extending baseload market making by two additional years could increase total costs to market makers by approximately $2.5 million per year, based on existing open interest and trading patterns. The RFI responses broadly confirmed this magnitude of cost increase.

6.21 While it is difficult to put a specific number on the benefits of a more accurate price signal, the additional costs of these changes are relatively small when assessed against the total value of the electricity futures market ($16 billion in 2025[14]). A better price signal that improves price discovery is likely to have a benefit for participants.

6.22 However, in response to submissions and informed by both trading evidence and cost information, we have revised the volume requirements for longer-dated baseload contracts. Rather than applying a uniform 10 MW requirements across the curve, we have reduced the required volume to 8 MW for contracts three to five years ahead.

6.23 This change better aligns obligations with observed trading activity at the back of the curve and is expected to reduce the cost of extending the forward price curve, while maintaining sufficient volume to support price discovery. We consider that this revised approach improves the overall cost-benefit balance of the decision without undermining the objectives of market making.

[14] This number is derived from settlement prices across the BEN and OTA nodes for all contract types traded in 2025.

7 Our decision supports our statutory objectives

7.1 The Authority's main statutory objective under section 15(1) of the Act is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.

7.2 After considering all submissions on the Code amendment proposal, the Authority considers the final Code amendment is consistent with our main statutory objective, and with section 32(1) of the Act, for the reasons set out in sections 7.29 to 7.32 of the *Consultation Paper*.

7.3 Submissions largely considered that the proposed Code amendments to market making arrangements satisfied the requirements of section 32(1) of the Act, including that the amendments are consistent with our statutory objective. The Bold trading submission indicated a different view. They suggested that considering multiple proposals together risks including amendments that do not deliver net benefit and may not comply with sections 32(1) and 39(2) of the Act.

7.4 The Authority does not agree. Each element of proposed changes to the market making settings has been assessed on its own merits, informed by consultation feedback, the Concept CBA, and our own analysis. While the proposals are related and interact in practice, none have been adopted as a trade-off for another. We have amended some of our proposals following considerations of submitters' feedback that particular settings would not deliver net benefit as proposed. We are satisfied that the final Code amendments, individually and as a package, are consistent with sections 32(1), and that our analysis for the purposes of section 39(2) of the Act was, and is, sound.

7.5 The Authority also considers that the proposed amendment provides an overall net benefit for New Zealand electricity consumers, for the reasons outlined in sections 7.3 to 7.13 of the consultation paper. Where submitters commented they broadly supported the Authority's cost benefit analysis.

8 Next steps and implementation

8.1 The Authority will amend the Code to give effect to this decision. The Code amendment will apply to subpart 5B of Part 13 of the Code. The Authority will implement these changes in phases to align with the commercial market maker procurement process and to allow the impacts of each policy change to be monitored and assessed before subsequent changes take effect.

Phased implementation

8.2 Mandatory market making obligations for standardised super-peak contracts will take effect from 31 July 2026. Prior to this:

(a) An approved OTC platform must be in place, with at least two auction events conducted under voluntary trading arrangements to support market familiarisation and operational testing.

(b) The Authority will establish a market making dashboard to monitor compliance with Code obligations by market makers.

8.3 Some changes to baseload market making settings also take effect from 31 July 2026. This includes refinement of the Authority's existing binary pass/fail compliance settings and clarification of the definition and application of exemptions from quoting obligations.

8.4 The revised baseload market making requirements, reflecting the reduced volume obligation and extended forward price curve horizon, will come into effect on 1 March 2027. This timing is aligned with the commencement of the new commercial market maker contract.

8.5 Market making requirements for baseload contracts in years four and five of the forward curve will take effect from March 2027. This timing allows:

(a) alignment with the commercial market maker contract

(b) ASX to make the necessary changes to its agreements

(c) sufficient time for ASX processes to list the new quarterly contracts.

Review and further work

8.6 The Authority will undertake ongoing monitoring of market outcomes following each implementation milestone. Monitoring will focus on liquidity, price discovery, market access, and compliance with market making obligations. We intend to review the standardised super-peak market making settings a year after their introduction and will also review broader market making settings again in mid-2028.

8.7 The Authority also intends to consult separately on “market taker” trading behaviour, including the implications for how liquidity is delivered during the market making session. This work will be informed by an independent cost and benefit analysis and the cost of any proposals will be investigated as part of the commercial market maker request for proposals.

9 Attachments

9.1 The following appendices are attached to this paper:

- **Appendix A** Approved changes to Code (mark up version)
- **Appendix B** Approved Code amendment
- **Appendix C** Trade volume and demand analysis

Appendix A Approved changes to Code (mark up version)

A.1 A1. This appendix sets out the Code amendment the Authority has decided to make following our consideration of submitter feedback and in accordance with the decisions set out in the main body of this document.

A.2 Code amendments are displayed as follows:

(a) text or formatting is black underlined if it is to be added to the Code and neither subparagraph (c) or (d) applies

(b) text is shown in ~~black strikethrough~~ if it is to be deleted from the Code and neither subparagraph (c) or (d) applies

(c) text or formatting is red underlined if it is to be added to the Code and it was not shown as such in the consultation paper

(d) deleted text is ~~red strikethrough~~ if it is to be deleted from the Code and it was not shown as such in the consultation paper, and ~~red strikethrough and underlined~~ if it was proposed in the consultation paper and is no longer being progressed

(e) amendments that will take effect on 1 March 2027 are indicated with grey shading; all other amendments will take effect on 31 July 2026.

Part 1 – Interpretation

1.1 Interpretation

(1) In this Code, unless the context otherwise requires,—

…

base load ~~NZ~~ electricity future means a New Zealand electricity 0.1 **MW** base load equivalent futures contract in respect of the Otahuhu reference **node** or the Benmore reference **node** available for trade on an **exchange**

base load ~~NZEF~~ market-making agreement means an agreement between a **participant** and an **exchange** that imposes obligations on the **participant** in relation to the **exchange's** daily settlement market-making scheme for **base load ~~NZ~~ electricity futures,** in the form of agreement used on the **exchange** for this purpose that is satisfactory to the **Authority**, having regard to its inclusion of the requirements set out in clause 13.236L and of the permitted exemptions from the performance of market-making services

base load ~~NZEF~~ market-making period means from 1530 to 1600 New Zealand time on each **business day** on which ~~**NZ**~~ **base load electricity futures** are traded

…

bid-ask spread means—

(a) if expressed as a dollar value, the dollar value that represents the difference in price between a **quote** to buy a **forward contract ~~NZ electricity future~~** and a **quote** to sell a **forward contract ~~NZ electricity future~~** of the same type on the same ~~**forward market**~~ **exchange**; or

(b) if expressed as a percentage, the percentage calculated by dividing the difference between the price of a **quote** to buy a **forward contract** ~~**NZ electricity future**~~ and the price of a **quote** to sell a **forward contract** ~~**NZ electricity future**~~ of the same type on the same ~~**forward market**~~ **exchange** by the price of the **quote** to sell a **forward contract** ~~**NZ electricity future**~~.

…

evening peak trading period means a **trading period** between 1700 to 2100 hours New Zealand time

…

exchange means an exchange included in a list **published** by the **Authority** on which **forward contracts** ~~New Zealand electricity base load futures contracts~~ are available for trade

…

forward contract means a **base load electricity future** or a **super-peak electricity contract**

~~**forward market** means an **exchange** or **OTC platform**~~

…

market-making period means the **base load market-making period** or **super-peak market-making period**, whichever is applicable

…

morning peak trading period means a **trading period** between 0700 hours and 1030 hours New Zealand time

…

~~**OTC platform** means a platform included in a list **published** by the **Authority** on which **super-peak electricity contracts** are available for trade~~

…

order, for the purposes of subpart 5B of Part 13, means a **quote**, or a bundle of **quotes** (at the same price) in relation to a particular month or calendar quarter, and particular reference **node** simultaneously~~,~~ placed on an **exchange** ~~**a forward market**~~ by a **participant** referred to in clause 13.236K(1)

…

quote means an offer to buy or sell a **forward contract** ~~**NZ electricity future**~~ on an **exchange** ~~**forward market**~~

…

super-peak electricity contract means a **contract for differences** relating to 0.1 **MW** of **electricity** for all **morning peak trading periods** and **evening peak trading periods** in the contract term in respect of the Otahuhu reference **node** or the Benmore reference **node** available for trade on an **exchange** ~~**OTC platform**~~

super-peak market-making period means the 3060-minute period each fortnight specified by an **exchange ~~OTC platform~~**, when **super-peak electricity contracts** are traded on that **exchange ~~OTC platform~~**, but which must exclude 1530~~1430~~ to 1600 New Zealand time

…

total required base load volume~~, for the purposes of subpart 5B of Part 13,~~ means, ~~2~~.4 ~~**MW** base load equivalent of **NZ** **base load electricity futures**,~~ taking into account traded ~~**NZ**~~ **base load electricity futures** across both buy **quotes** and sell **quotes**,~~—~~

(a) 2.4 **MW** equivalent of **base load electricity futures** for each month and quarter and at each **node** referred to in clause 13.236L(1)(a) and (b):

(b) 1.6 **MW** equivalent of **base load electricity futures** for each quarter and at each **node** referred to in clause 13.236L(1)(c)

total required super-peak volume means 1.5 **MW** equivalent of **super-peak electricity contracts**, taking into account traded **super-peak electricity contracts** across both buy **quotes** and sell **quotes**

total traded volume ~~**base load electricity future NZEF**, for the purposes of subpart 5B of Part 13,~~ means the cumulative total amount of buy **quotes** and sell **quotes** traded by that **participant** as **base load** ~~**NZ**~~ **electricity futures** up to the start of the current **volume refresh period** in that **base load** ~~**NZEF**~~ **market-making period** in relation to the applicable reference **node** (Benmore or Otahuhu) and for the particular month or calendar quarter referred to in clause 13.236L(1) ~~for the **participant** to which the total traded NZEF is being applied~~

…

volume refresh~~, for the purposes of subpart 5B of Part 13,~~ means the requirement in accordance with clause 13.236L(3)(b) to refresh the number of **quotes** provided by that **participant**

volume refresh period~~, for the purposes of subpart 5B of Part 13,~~ means, for a particular **volume refresh**, the time period from the time the most recent buy or sell quotes were traded as **base load** ~~**NZ**~~ **electricity futures** until the time the **volume refresh** is completed

Part 13 – Trading arrangements

Subpart 5B—Market making ~~Hedge market~~ arrangements

13.236J Contents of this subpart

This subpart provides for an active market for trading financial hedge contracts for **electricity** by specifying requirements for certain **participants**.

13.236K Application of subpart

(1) Subject to subclause (2), this subpart applies to the following **participants**:
- (a) Contact Energy Limited;
- (b) Genesis Energy Limited;
- (c) Mercury NZ Limited;
- (d) Meridian Energy Limited.

(2) Clause 13.236L only ~~This subpart~~ applies to a **participant** specified in subclause (1) if that **participant**—
- (a) is not a party to a **base load** ~~**NZEF**~~ **market-making agreement** that includes the requirements set out in clause 13.236L; or

(b) does not perform market-making services in accordance with the **base load ~~NZEF~~ market-making agreement** on three or more separate occasions in a period of 90 days, and that non-performance is not permitted by an exemption or otherwise under the **base load ~~NZEF~~ market-making agreement**.

(3) A **participant** to whom subclause (2) applies is relieved of its obligations under clause 13.236L ~~this subpart~~ when the **Authority**—

(a) is satisfied that the **participant** has complied with its obligations under clause 13.236L ~~this subpart~~ for a period of 90 days; and

(b) has given written notice to that effect to the **participant**, which the **Authority** must do within **5 business days** of being satisfied as to compliance.

13.236L Requirement to quote base load electricity futures

(1) ~~Subject to subclauses (2) to (5), the~~ A **participant** to whom this clause applies under clause 13.236K must, for a minimum of 25 minutes in every ~~**NZEF**~~ **base load market making period**, provide **quotes** for a minimum of—

(a) ~~20~~24 monthly ~~**NZ**~~ **base load electricity futures** for each of the Otahuhu reference **node** and the Benmore reference **node** (being ~~20~~24 buy **quotes** and ~~20~~24 sell **quotes** for each reference **node**) for the current month and each of the five months following the current month; and

(b) ~~20~~24 quarterly ~~**NZ**~~ **base load electricity futures** for each of the Otahuhu reference **node** and the Benmore reference **node** (being ~~20~~24 buy **quotes** and ~~20~~24 sell **quotes** for each reference **node**) for each quarter in the current calendar year (including the current quarter and excluding any previous quarters) and the following 8 calendar quarters ~~calendar quarter that is available for trade on an **exchange**.~~; and

(c) 16 quarterly **base load electricity futures** for each of the Otahuhu reference **node** and the Benmore reference **node** (being 16 buy **quotes** and 16 sell **quotes** for each reference **node**) for each of the 12 calendar quarters following the last calendar quarter referred to in paragraph (b).

(2) The **participant** must not provide a quote under subclause (1) with a **bid-ask spread** that exceeds the greater of 3% or NZ$2. For the avoidance of doubt, where there are multiple buy **orders** and sell **orders** for a **particular** reference **node** for a particular month or calendar quarter in a **base load ~~NZEF~~ market-making period**, the requirement in this subclause means the **bid-ask spread** between the lowest priced buy **order** and the highest priced sell **order** (across those multiple **orders**) must not exceed the greater of 3% or NZ$2.

(3) When providing **quotes** ~~U~~under subclause (1), ~~for each **NZEF market-making period**,~~ the **participant** must: ~~provide a quantity of initial **quotes** and (as applicable) **volume refresh** its **quotes** until it has traded the **total required volume** for each of the Otahuhu reference **node** and the Benmore reference **node** in relation to each particular month and calendar quarter as follows:~~

(a) ~~when first placing **orders** at or after the start of the **NZEF market-making period**, the **participant** is required to~~ place an initial buy **order** ~~of at least 1012 **quotes** in total~~ and an initial sell **order**, each of which must be for at least half the number of **quotes** required under subclause (1), ~~of at least 1012 **quotes** in total~~ at or after the start of the **base load market-making period**:

(b) if either initial buy **order** or sell **order** is fully traded during the **base load market-making period** then that **participant** must (as applicable) ~~**volume refresh**~~ refresh its **order(s)** so ~~such~~ that, ~~where the amount of the **total traded NZEF** up to that point in time in the **NZEF market-making period** is—~~

~~(i) 1012, then at the end of the **volume refresh period** the buy **order** must comprise at least 12 **quotes** and the sell **order** must comprise at least 12 **quotes**:~~

~~(ii) greater than 1012, then~~ at the end of the **volume refresh period**, ~~that **participant** must ensure that~~ the number of **quotes** comprising each of the buy **order** and sell **order** respectively are a minimum of *X*, where—

X = *number of ~~2024~~ **quotes** required under subclause (1)* – ***total traded volume ~~baseload electricity future NZEF~~***

(c) once the **participant** has traded the **total required base load volume** it may withdraw any remaining **quotes**.

(4) A **participant** required to **volume refresh** in accordance with clause 13.236L(3)(b) may also carry out any other changes not inconsistent with their obligations under this subpart that the **participant** chooses to make to any other **order(s)** for the particular month or calendar quarter and particular reference **node** that is the subject of the **volume refresh**.

(5) For the purpose of determining whether a **participant** has met the minimum time requirement of 25 minutes under clause 13.236L(1), a **quote** will not be treated as being provided during a **volume refresh period**.

13.236LA ***[Expired]***

13.236LB Requirement to quote super-peak electricity contracts

(1) A **participant** to whom this clause applies under clause 13.236K must, for a minimum of 25 minutes in every **super-peak market-making period**, provide **quotes** for a minimum of—

(a) 15 monthly **super-peak electricity contracts** for each of the Otahuhu reference **node** and the Benmore reference **node** (being 15 buy **quotes** and 15 sell **quotes** for each reference **node**) for each month in the current calendar quarter (excluding the current month and any previous months), and for each month in the following 2 ~~two~~ calendar quarters; and

(b) 15 quarterly **super-peak electricity contracts** for each of the Otahuhu reference **node** and the Benmore reference **node** (being 15 buy **quotes** and 15 sell **quotes** for each reference **node**) for each of the 9 ~~nine~~ calendar quarters following the last calendar quarter referred to in paragraph (a).

(2) Once the **participant** has traded the **total required super-peak volume** it may withdraw any remaining **quotes** in that **super-peak market making period**.

(3~~2~~) The **participant** must not provide a **quote** under subclause (1) with a **bid-ask spread** that exceeds the greater of 5% or NZ$2. For the avoidance of doubt, where there are multiple buy **orders** and sell **orders** for a particular reference **node** for a particular month or calendar quarter in a **super-peak market-making period**, the requirement in this subclause means the **bid-ask spread** between the lowest priced buy **order** and the highest priced sell **order** (across those multiple orders) must not exceed the greater of 5%.

~~(3) The **participant** is exempt from the requirements in this clause for a **super-peak market-making period** if—~~

~~(a) the **participant** cannot comply with a requirement in this clause in that **super-peak market-making period** because an **OTC platform** is disrupted or unavailable; or~~

~~(b) in the reasonable opinion of the **participant**—~~

~~(i) entering into a contract for a **super-peak electricity future** in that **super-peak market-making period** is likely to cause the **participant** to breach an applicable law; and~~

~~(ii) the **participant** has taken all reasonable steps that would have enabled it to enter into the contract for a **super-peak electricity future** in that **super-peak market making period** while avoiding the likely breach of an applicable law.~~

~~(5) If a **participant** relies on an exemption under subclause (3), the participant must notify the **Authority** of the exemption it has relied on and the basis for the exemption as soon as practicable.~~

13.236M ***[Revoked]***

13.236N Exemptions from requirement to quote ~~base load electricity futures~~

(1) The **participant** is exempt from the requirements in clause 13.236L or clause 13.236LB in the following circumstances:

(a) for a ~~**base load NZEF**~~ **market-making period** if—

(i) the **participant** cannot comply with a requirement in clause 13.236L or clause 13.236LB (as applicable) in that ~~**base load NZEF**~~ **market-making period** because the relevant ~~an~~ **exchange** ~~trading platform~~ is disrupted or unavailable; or

(ii) in the reasonable opinion of the **participant**—~~,~~

(A) entering into a **forward contract** ~~contract for a **base load NZ electricity future**~~ in that ~~**base load NZEF**~~ **market-making period** ~~may~~ is likely to cause the **participant** to breach an applicable law; and

(B) the **participant** has taken all reasonable steps that would have enabled it to enter into ~~the~~ a **forward contract** ~~contract for a **base load electricity future**~~ in that ~~**base load**~~ **market-making period** while avoiding the likely breach of an applicable law;

(b) in addition to the exemptions in paragraph (a), for up to:

(i) 2 ~~two~~ **base load** ~~**NZEF**~~ **market-making periods** within any 20 consecutive **base load** ~~**NZEF**~~ **market-making periods** at the **participant**'s discretion:

(ii) 5 **super-peak market-making periods** within any 26 consecutive **super-peak market-making periods** at the **participant's** discretion.

(2) To avoid doubt, if the **participant** meets the criteria for exemption in subclause (1)(a)(i) or (1)(a)(ii) in relation to a ~~**base load NZEF**~~ **market-making period**, that ~~**base load NZEF**~~ **market-making period** will not count towards the **participant's** ~~two~~ exemptions in subclause (1)(b).

(3) If the **participant** relies on an exemption under this clause ~~13.236N~~ from the requirement to **quote**, the **participant** must notify the **Authority** of the exemption it has relied on and the basis for the exemption as soon as practicable but in any case no later than 1700 New Zealand time on the same **business day** that an exemption is relied on.

Appendix B Approved Code amendment

B.1. This appendix shows how the Code will be amended by the approved Code amendment, incorporating changes that will come into force on 31 July 2026 and 1 March 2027.

Part 1 – Interpretation

1.1 Interpretation

(1) In this Code, unless the context otherwise requires,—

…

base load electricity future means a New Zealand electricity 0.1 **MW** base load equivalent futures contract in respect of the Otahuhu reference **node** or the Benmore reference **node** available for trade on an **exchange**

base load market-making agreement means an agreement between a **participant** and an **exchange** that imposes obligations on the **participant** in relation to the **exchange's** daily settlement market-making scheme for **base load electricity futures,** in the form of agreement used on the **exchange** for this purpose that is satisfactory to the **Authority**, having regard to its inclusion of the requirements set out in clause 13.236L and of the permitted exemptions from the performance of market-making services

base load market-making period means from 1530 to 1600 New Zealand time on each **business day** on which **base load electricity futures** are traded

…

bid-ask spread means—

(a) if expressed as a dollar value, the dollar value that represents the difference in price between a **quote** to buy a **forward contract** and a **quote** to sell a **forward contract** of the same type on the same **exchange**; or

(b) if expressed as a percentage, the percentage calculated by dividing the difference between the price of a **quote** to buy a **forward contract** and the price of a **quote** to sell a **forward contract** of the same type on the same **exchange** by the price of the **quote** to sell a **forward contract**

…

evening peak trading period means a **trading period** between 1700 to 2100 hours New Zealand time

…

exchange means an exchange included in a list **published** by the **Authority** on which **forward contracts** are available for trade

…

forward contract means a **base load electricity future** or a **super-peak electricity contract**

…

market-making period means the **base load market-making period** or **super-peak market-making period**, whichever is applicable

…

morning peak trading period means a **trading period** between 0700 hours and 1030 hours New Zealand time

…

order, for the purposes of subpart 5B of Part 13, means a **quote**, or a bundle of **quotes** (at the same price) in relation to a particular month or calendar quarter, and particular reference **node** simultaneously~~,~~ placed on an **exchange** by a **participant** referred to in clause 13.236K(1)

…

quote means an offer to buy or sell a **forward contract** on an **exchange**

…

super-peak electricity contract means a **contract for differences** relating to 0.1 **MW** of **electricity** for all **morning peak trading periods** and **evening peak trading periods** in the contract term in respect of the Otahuhu reference **node** or the Benmore reference **node** available for trade on an **exchange**

super-peak market-making period means the 30-minute period each fortnight specified by an **exchange**, when **super-peak electricity contracts** are traded on that **exchange**, but which must exclude 1530 to 1600 New Zealand time

…

total required base load volume means, taking into account traded **base load electricity futures** across both buy **quotes** and sell **quotes**,—

(a) 2.4 **MW** equivalent of **base load electricity futures** for each month and quarter and at each **node** referred to in clause 13.236L(1)(a) and (b):

(b) 1.6 **MW** equivalent of **base load electricity futures** for each quarter and at each **node** referred to in clause 13.236L(1)(c)

total required super-peak volume means 1.5 **MW** equivalent of **super-peak electricity contracts**, taking into account traded **super-peak electricity contracts** across both buy **quotes** and sell **quotes**

total traded volume means the cumulative total amount of buy **quotes** and sell **quotes** traded by that **participant** as **base load electricity futures** up to the start of the current **volume refresh period** in that **base load market-making period** in relation to the applicable reference **node** (Benmore or Otahuhu) and for the particular month or calendar quarter referred to in clause 13.236L(1)

…

volume refresh means the requirement in accordance with clause 13.236L(3)(b) to refresh the number of **quotes** provided by that **participant**

volume refresh period means, for a particular **volume refresh**, the time period from the time the most recent buy or sell quotes were traded as **base load electricity futures** until the time the **volume refresh** is completed

Part 13 – Trading arrangements

Subpart 5B—Market making arrangements

13.236J Contents of this subpart

This subpart provides for an active market for trading financial hedge contracts for **electricity** by specifying requirements for certain **participants**.

13.236K Application of subpart

(1) Subject to subclause (2), this subpart applies to the following **participant**s:
   (e) Contact Energy Limited;
   (f) Genesis Energy Limited;
   (g) Mercury NZ Limited;
   (h) Meridian Energy Limited.

(2) Clause 13.236L only applies to a **participant** specified in subclause (1) if that **participant**—
   (a) is not a party to a **base load market-making agreement** that includes the requirements set out in clause 13.236L; or
   (b) does not perform market-making services in accordance with the **base load market-making agreement** on three or more separate occasions in a period of 90 days, and that non-performance is not permitted by an exemption or otherwise under the **base load market-making agreement**.

(3) A **participant** to whom subclause (2) applies is relieved of its obligations under clause 13.236L when the **Authority**—
   (a) is satisfied that the **participant** has complied with its obligations under clause 13.236L for a period of 90 days; and
   (b) has given written notice to that effect to the **participant**, which the **Authority** must do within **5 business days** of being satisfied as to compliance.

13.236L Requirement to quote base load electricity futures

(1) A **participant** to whom this clause applies under clause 13.236K must, for a minimum of 25 minutes in every **base load market making period**, provide **quotes** for a minimum of—
   (a) 24 monthly **base load electricity futures** for each of the Otahuhu reference **node** and the Benmore reference **node** (being 24 buy **quotes** and 24 sell **quotes** for each reference **node**) for the current month and each of the five months following the current month; and
   (b) 24 quarterly **base load electricity futures** for each of the Otahuhu reference **node** and the Benmore reference **node** (being 24 buy **quotes** and 24 sell **quotes** for each reference **node**) for each quarter in the current calendar year (including the current quarter and excluding any previous quarters) and the following 8 calendar quarters; and
   (c) 16 quarterly **base load electricity futures** for each of the Otahuhu reference **node** and the Benmore reference **node** (being 16 buy **quotes** and 16 sell **quotes** for each reference **node**) for each of the 12 calendar quarters following the last calendar quarter referred to in paragraph (b).

(2) The **participant** must not provide a quote under subclause (1) with a **bid-ask spread** that exceeds the greater of 3% or NZ$2. For the avoidance of doubt, where there are multiple buy **orders** and sell **orders** for a **particular** reference **node** for a particular month or calendar quarter in a **base load market-making period**, the requirement in this subclause means the **bid-ask spread** between the lowest priced buy **order** and the highest priced sell **order** (across those multiple **orders**) must not exceed the greater of 3% or NZ$2.

(3) When providing **quotes** under subclause (1), the **participant** must:

(a) place an initial buy **order** and an initial sell **order**, each of which must be for at least half the number of **quotes** required under subclause (1), at or after the start of the **base load market-making period**:

(b) if either initial buy **order** or sell **order** is fully traded during the **base load market-making period** then that **participant** must (as applicable) refresh its **order(s)** so that, at the end of the **volume refresh period**, the number of **quotes** comprising each of the buy **order** and sell **order** respectively are a minimum of *X*, where—

*X = number of **quotes** required under subclause (1) – **total traded volume***

(c) once the **participant** has traded the **total required base load volume** it may withdraw any remaining **quotes**.

(4) A **participant** required to **volume refresh** in accordance with clause 13.236L(3)(b) may also carry out any other changes not inconsistent with their obligations under this subpart that the **participant** chooses to make to any other **order(s)** for the particular month or calendar quarter and particular reference **node** that is the subject of the **volume refresh**.

(5) For the purpose of determining whether a **participant** has met the minimum time requirement of 25 minutes under clause 13.236L(1), a **quote** will not be treated as being provided during a **volume refresh period**.

13.236LA *[Expired]*

13.236LB Requirement to quote super-peak electricity contracts

(1) A **participant** to whom this clause applies under clause 13.236K must, for a minimum of 25 minutes in every **super-peak market-making period**, provide **quotes** for a minimum of—

(a) 15 monthly **super-peak electricity contracts** for each of the Otahuhu reference **node** and the Benmore reference **node** (being 15 buy **quotes** and 15 sell **quotes** for each reference **node**) for each month in the current calendar quarter (excluding the current month and any previous months), and for each month in the following 2 calendar quarters; and

(b) 15 quarterly **super-peak electricity contracts** for each of the Otahuhu reference **node** and the Benmore reference **node** (being 15 buy **quotes** and 15 sell **quotes** for each reference **node**) for each of the 9 calendar quarters following the last calendar quarter referred to in paragraph (a).

(2) Once the **participant** has traded the **total required super-peak volume** it may withdraw any remaining **quotes** in that **super-peak market making period**.

(3) The **participant** must not provide a **quote** under subclause (1) with a **bid-ask spread** that exceeds the greater of 5% or NZ$2. For the avoidance of doubt, where there are multiple buy **orders** and sell **orders** for a particular reference **node** for a particular month or calendar quarter in a **super-peak market-making period**, the requirement in this subclause means the **bid-ask spread** between the lowest priced buy **order** and the highest priced sell **order** (across those multiple orders) must not exceed the greater of 5%.

13.236M *[Revoked]*

13.236N Exemptions from requirement to quote

(1) The **participant** is exempt from the requirements in clause 13.236L or clause 13.236LB in the following circumstances:

(a) for a **market-making period** if—

(i) the **participant** cannot comply with a requirement in clause 13.236L or clause 13.236LB (as applicable) in that **market-making period** because the relevant **exchange** is disrupted or unavailable; or

(iii) in the reasonable opinion of the **participant**—;

(A) entering into a **forward contract** in that **market-making period** is likely to cause the **participant** to breach an applicable law; and

(B) the **participant** has taken all reasonable steps that would have enabled it to enter into a **forward contract** in that **market-making period** while avoiding the likely breach of an applicable law;

(b) in addition to the exemptions in paragraph (a), for up to:

(i) 2 **base load market-making periods** within any 20 consecutive **base load market-making periods** at the **participant**'s discretion:

(ii) 5 **super-peak market-making periods** within any 26 consecutive **super-peak market-making periods** at the **participant's** discretion.

(2) To avoid doubt, if the **participant** meets the criteria for exemption in subclause (1)(a)(i) or (1)(a)(ii) in relation to a **market-making period**, that **market-making period** will not count towards the **participant's** exemptions in subclause (1)(b).

(3) If the **participant** relies on an exemption under this clause from the requirement to **quote**, the **participant** must notify the **Authority** of the exemption it has relied on and the basis for the exemption as soon as practicable but in any case no later than 1700 New Zealand time on the same **business day** that an exemption is relied on.

Appendix C Trade volume and demand analysis

Summary

This appendix presents additional analysis undertaken to support the market making review decision paper and to address feedback received through consultation. It examines trading activity across the forward curve and the implications of future demand growth for offer volume requirements for baseload contracts.

Analysis of ASX baseload trading volume indicates that longer-dated contracts trade at materially lower volumes than nearer-dated contracts, exceeding an 8MW volume requirement only around a quarter of the time. This indicates limited reliance on higher mandated volumes in these parts of the curve.

Analysis of demand growth scenarios suggests that, even under probable growth in electricity demand, average daily trading of ASX baseload contracts is likely to utilise only around half of the required market making volume. This indicates that demand growth alone is unlikely to place material pressure on existing volume requirements.

Volume traded across the forward price curve

Overview

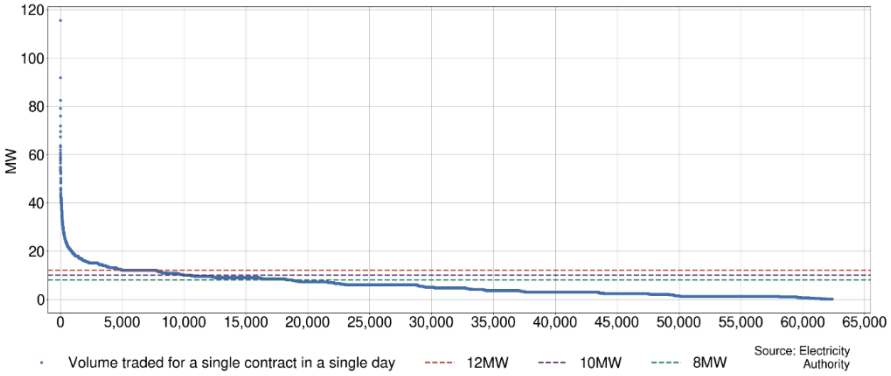
To inform consideration of potential reduction in market making volume requirements, we assessed how frequently daily trading volumes exceeded different volume thresholds across contract types. This analysis examines the potential impacts of lower mandated volumes.

The results show that longer-dated contracts trade at materially lower volumes than nearer-dated contracts. In particular, longer-dated contracts exceeded an 8MW volume requirement in only a quarter of the time, indicating that a reduction in volume requirements to 8MW would be unlikely to have a significant impact on market outcomes.

Analysis

As published in our consultation paper, we analysed how often the amount traded in a day for each contract exceeded 12, 10 and 8 MW (Figure 1).

Figure 1: Daily MW traded per contract, where x-axis is the index of the volume traded each day and each contract, in order of most trading volume to least, with ASX data between Nov 2017 and Feb 2026



We extended this analysis to explore what proportion of contracts each day were trading above these thresholds for different types of contracts (Table 1). This shows that longer-

dated contracts (traded more than a year in advance) generally traded less than near-dated contracts. It also confirms the importance of maintaining liquidity at the front of the curve.

Table 1: What proportion of contracts traded above 12MW, 10MW and 8MW for different contract types, with ASX data between Nov 2017 and Feb 2026

	12+MW	10+MW	8+MW
Monthly	9.9%	18.1%	33.4%
Quarterly – near term	11.3%	19.6%	32.5%
Quarterly – 1 year ahead	6.2%	13.8%	26.1%
Quarterly – 2 years ahead	4.9%	12.1%	24.1%
Quarterly – 3 years ahead	3.5%	10.5%	22.0%

Approximate impact of growing demand

Overview

While current trading levels for baseload contracts indicate that market making volume requirements are infrequently exceeded, electricity demand is expected to grow in the coming years. Higher demand is likely to increase participants' hedging needs. To assess how this could affect the adequacy of existing volume requirements, we scaled observed trading volume using forecast demand growth and compared the resulting volumes against the market making requirements.

The analysis indicates that depending on the demand growth scenario applied, the average percentage of the 12MW market making volume traded may increase from around 37% in 2025 to between 41-53% over the next five years. Even after accounting for demand growth, the average proportion of the baseload volume requirement traded remains relatively low, suggesting limited pressure on existing volume requirements.

Analysis

Demand models

To estimate how demand may increase in the next 5-10 years, we used the demand growth from the system operator's security of supply assessment 2025 (SOSA 2025)[15] and the demand scenarios from the Ministry of Business, Innovation & Employment (MBIE) Electricity Demand and Generation Scenarios 2024 (EDGS 2024)[16]. SOSA 2025 has a low, medium and high demand scenario while EDGS 2024 has reference, constraint, environmental, growth and innovation demand scenarios.

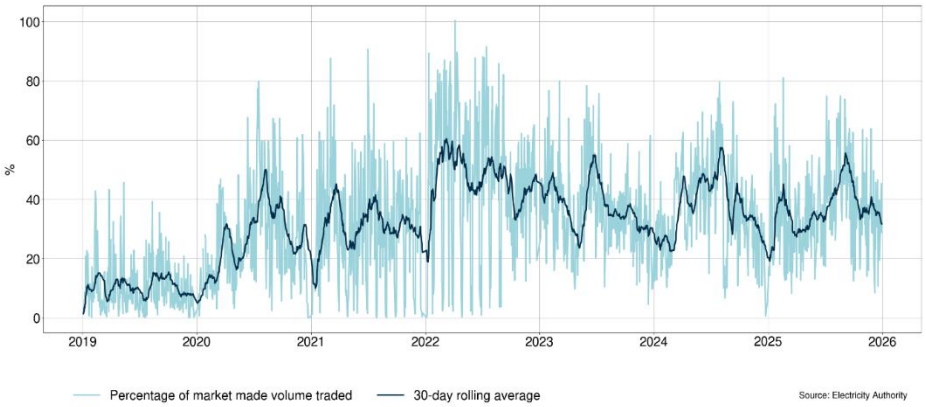
Baseload volume requirements considering demand growth

In 2025, an average of 37% of the 12 MW market made volume on offer was traded per day (Figure 2).

[15] https://www.transpower.co.nz/system-operator/planning-future/security-supply-assessment

[16] https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-modelling/electricity-demand-and-generation-scenarios

Figure 2: Proportion of total market made volume traded of total available volume requirement, 2019-25



To account for growing demand, the average daily volume traded in 2025 was scaled using SOSA 2025 and EDGS 2024 demand forecast scenarios. This new demand-growth-scaled average daily trading was then compared to the current offer volume requirement of 12MW per contract as well as 10MW.

Assumptions of this analysis:

- The amount participants currently trade is enough to hedge the demand they want to hedge using the ASX market.
- The amount participants want to hedge on the ASX will increase proportionally to electricity demand.
- The mandated 3% bid-ask spread means that all the market made volume is similarly priced such that participants would be comfortable trading any of it and not just the best bid or ask orders.
- The market making requirements are working as intended such that the required volume is generally available to trade over the course of the market making session.
- The potential extra 2 years of contracts were not factored into this analysis due to the assumption that they would increase trading and increase available volume in the same manner as existing long-term contracts.
- Rather than using gradual demand growth factors for the next three years of available contracts, the maximum demand growth after 9-10 years was used as a conservative estimate to show how the ASX market may look in 5 years.

Table 2 and Table 3 show the proportion of the volume requirement that would trade on average if trading volume increased proportionally to demand for different demand growth estimates.

Table 2: Average percentage of total MM volume that would be traded for different demand growth scenarios using SOSA 2025 demand growth to 2034.

SOSA 2025 Scenario	Avg percentage of MM volume used up (8MW requirement)	Avg percentage of MM volume used up (10MW requirement)	Avg percentage of MM volume used up (12MW requirement)
Low demand	66%	49%	41%
Medium demand	72%	56%	47%
High demand	76%	61%	51%

Table 3: Average percentage of total MM volume that would be traded for different demand growth scenarios using EDGS 2024 demand growth to 2035.

EDGS 2024 Scenario	Avg percentage of MM volume used up (8MW requirement)	Avg percentage of MM volume used up (10MW requirement)	Avg percentage of MM volume used up (12MW requirement)
Reference	78%	54%	45%
Constraint	72%	51%	42%
Environmental	86%	61%	51%
Growth	85%	59%	49%
Innovation	88%	64%	53%

In the next five years, demand growth estimates show that the average percentage of market made volume traded for baseload contracts could be between 49-64% if the required volume is decreased to 10MW. If the requirement remained at 12MW then the average proportion traded would be between 41-53% compared to the 2025 average of 37%.

As demand grows, there may be some days in the future when close to all of the available 12 MW offered volume could be traded, but on average trading is likely be reasonably below the required market making volume.