

Submission by



to the

Electricity Authority

on the consultation

**Regulating the standardised super-peak hedge
contract: issues and options**

30 September 2025

Regulating the standardised super-peak hedge contract: issues and options

– SUBMISSION BY BUSINESSNZ ENERGY COUNCIL–

Introduction

1. BusinessNZ Energy Council (BEC)¹ is pleased to have the opportunity to provide feedback on the Electricity Authorities (EAs) consultation document titled 'Regulating the standardised super-peak hedge contract: issues and options.'
2. BEC represents a diverse array of leading energy-sector businesses, government bodies, and research organisations dedicated to creating a sustainable, equitable, and secure energy future.
3. As a brand of BusinessNZ, New Zealand's largest business advocacy organisation, we represent the World Energy Council in New Zealand, aiming to shape better outcomes for our wider energy system both locally and globally.
4. With this work the EA is seeking feedback on its proposed approach to regulating the standardised super-peak product which is a hedge contract for morning and evening periods.
5. The proposed regulation is aimed at improving the liquidity and price discovery within the market for the super-peak product. This would make it easier for participants to buy and sell the product to protect against high prices during peaks, while ensuring that those prices reflect market expectations.
6. BEC supports the use of the super-peak product as a way for participants to better manage their risk, which helps to improve competition within the wider market.
7. But BEC advises to give more time for the market to develop naturally. As the proposals laid out in this consultation currently stand, the EA could move into regulation within 18 months of the creation of the super-peak product and the associated market. As the market has been trending towards the expectations laid out by the EA naturally, BEC would like to see more time given before considering regulation.

Key Recommendations for the EA and the Government

- BEC strongly recommends allowing more time for the voluntary market to develop naturally. We would like to see 6-month assessment periods over 2026 rather than quarterly assessments.
- BEC recommends that if the EA decides to move forward with market making then it should do so through option 2 – market making on the OTC market.

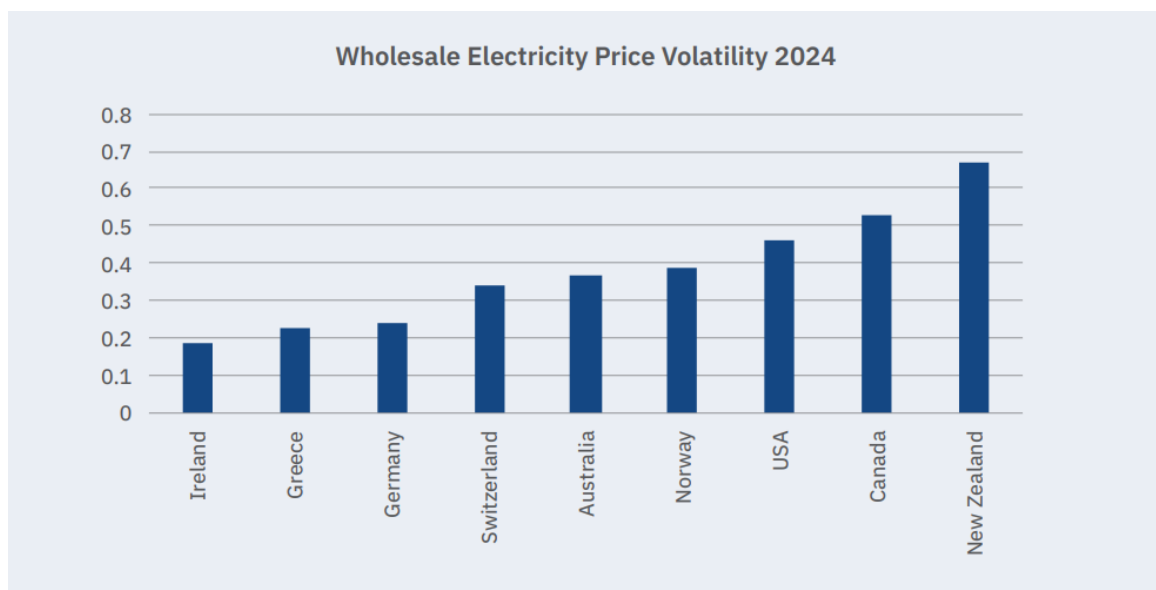
¹ More about BEC in APPENDIX One

This option is expected to have lower access costs, faster implementation and greater flexibility – which is needed as there is significant likelihood that the product will need to be adjusted.

- BEC recommends that if urgent Code amendments are necessary then move forward with option A which will require obligated participants to offer a minimum volume of contracts. Although option A could have a greater risk of uncompetitive prices this is preferable to the risks under option B which could undermine the stability and natural price discovery of the market.

General discussion

8. The standardised super-peak hedge contract was introduced in January 2025 to provide buyers with protection against high prices in morning and evening peaks. This protection helps participants manage risk, improving competition as independent generators and retailers can offer sustained electricity at stable prices.
9. As the share of intermittent generation in New Zealand continues to grow the importance of these shaped hedge contracts will increase as wholesale volatility grows. As seen in BECs recent benchmarking report '[New Zealand in a changing energy world](#)' New Zealand already faces significant volatility, ranking the most volatile of the countries looked at based on the coefficient of variation over monthly periods.



10. This indicates that moving forward the importance of the super-peak hedge contract will continue to grow. Thus, BEC agrees with the EAs two core objectives for trading the super-peak product of:

- A) Increasing liquidity in the market for super-peak hedges.
- B) Increasing transparency in the form of robust price discovery for flexible resources.

And the intended outcomes of effective risk management, increased competition and greater investment in new flexible and renewable generation capacity.

11. However, offering super-peak hedges transfers supply and price risk to the suppliers of contracts, who must possess or secure adequate flexible generation during peak periods. The regulations proposed in this consultation suggest, among other things, mandating those with substantial flexible resources to offer minimum contract volumes.
12. While such regulation could and likely would broaden access to risk management to new entrants and independent participants, it also risks compromising the risk management capacity of major participants. If regulatory obligations are not carefully balanced, they may overburden the very parties whose resilience underpins the entire market.
13. It is due to this reason that BEC would like to see the EA give more time for the market to deepen and develop naturally. We have already seen that the introduction of the super-peak product has improved the availability and pricing of super-peak hedges and that the market is trending towards the expectations laid out in this consultation.

Framework for assessing liquidity and expectations

14. The EA has outlined its framework for assessing liquidity and their expectations for determining adequate liquidity. They are as follows:
 - A) The volume traded must trend up over time.
 - B) At every trading event and over the whole forward price curve the total volume of both offers and bids should be at least 6MW.
 - C) At every trading event and over the whole forward price curve the spread between the highest bid and lowest offer price should not exceed 8% across all contracts for the first assessment period (Q1 2026) before narrowing further to 5% for the second assessment (Q2 2026) and beyond.
15. On the first and second expectations of the volume trending up overtime and total volumes increasing to 6MW, BEC questions whether this is achievable within the first two assessment periods. As the EA points out, the risk management review suggests that the evidence points to fuel or capacity scarcity, often being the driver behind the thin and illiquid market for shaped hedge covers. If this is the case, then volume traded will not be able to materially increase overtime without significant investment into flexible generation, which will likely take more than the 6-month window provided by the EA.
16. If not met within the 6-month window then moving into the proposed regulation (i.e. market making) will not resolve underlying capacity scarcity, which appears to be the key driver of high prices, although it could improve price discovery and ensure that standing offers are available. This would help with the EAs second objective of increasing transparency and allow market participants to better manage risk, even if prices remain high due to scarcity.
17. If the current illiquidity is not due to scarcity, then it is much more realistic to expect volumes of trades to trend up over time.
18. On the third expectation of the bid-ask spread being at 8% for the first assessment period and 5% for the second assessment and beyond, BEC believes that this is too low. There are structural differences between the 4 major market participants which mean that each

has differing generation profiles and risk appetites. BEC believes that a 10% bid-ask spread is to account for this is more in line with the realities of the super-peak market.

19. The bid-ask spread for the super-peak product should fall as the market matures. However, this may not happen as fast enough to meet Q2 2026, which is the soonest the EA could assess the need for regulation.
20. The EA has had the first two assessments for the super-peak product which cover 6 months each meaning that 2025 will have two total assessments. From January the EA wishes to move into quarterly assessments.
21. With the current plan to investigate whether it is necessary to implement and endure regulatory solutions if expectations are not met within two assessment periods BEC does not support the move to quarterly assessments. Instead, we would like to see 6-month assessments over 2026 as well. This would provide the market with more time to mature and if expectations are still not met then investigate regulation for 2027.
22. As the EA states, metrics have been trending down, and it is too soon to draw firm conclusions around how successful the product has been in providing additional liquidity and price discovery. Thus, before moving into market making regulation, we should give it more time to develop.

Options for regulating trade in the super-peak product

23. The EA is considering two options for regulating trade in the super-peak product. Both options involve obligated participants to engage in market making.
24. The first option is for this market making to occur on the Australian Securities Exchange (ASX). Market making on the ASX would require obligated participants to provide bids and offers for the product. They also must comply with requirements relating to:
 - A) A minimum total volume offered and bid which is suggested to be 10MW.
 - B) A single bid-ask spread of 5%.
 - C) Daily trading on the ASX to help deliver high quality price discovery.
 - D) A forward time horizon in line with ASX baseload products which is three financial years.
25. The second option is for market making to occur in the over the counter (OTC) market. Again, obligated participants would be required to provide both offers and bid on the super-peak product. With compliance with similar requirements of:
 - A) A minimum total volume offered and bid of 10MW.
 - B) A single bid-ask spread of 5%.
 - C) Fortnightly or twice monthly trading as increased frequency would increase administrative burdens on smaller participants, thus the EA believes it is preferable to increase volume available at each trading event instead.
 - D) A forward time horizon of three financial years.
 - E) The EA is agnostic as to who provides the OTC platform.

26. In table four of the consultation document the EA outlines its criteria for assessing the options for regulating the super-peak product. BEC supports the use of the criteria outlined.
27. BEC also agrees with the summary of assessment of the market making options against the criteria, with the exceptions of costs and risks.
28. BEC does not believe that the EA has taken into account the significant costs that would be put onto obligated parties if it is the case that fuel or capacity scarcity, is often the driver behind the thin and illiquid market. In this case then in order to comply with regulation obligated parties would have to invest significant capital into greater flexible generation in order to supply the required hedge contracts.
29. Within the assessment for option two BEC would like to see risks associated with the absence of central clearing included. This includes, critically, the fact that each participant is exposed directly to their counterparty – which the EA does acknowledge elsewhere in the consultation.
30. BEC agrees with the wider advantages and disadvantages presented for each option by the EA on the basis that the additional risks and costs mentioned in paragraphs 28 and 29 are included.
31. BEC agrees with the EA that market making on the OTC market should be the preferred option due to lower access costs, faster implementation and greater flexibility – as there is significant likelihood that the product will need to be adjusted. However, BEC again stresses that the voluntary market should be given time to mature first.

Considering the circumstances that could warrant an urgent code response

32. The EA outlines that an urgent Code amendment may be necessary or desirable where there is a sudden or material reduction in the offers or trades of shaped hedges, including the super-peak product.
33. BEC agrees with this assessment. As the EA points out this would help ensure liquidity, forward price discovery, support competition and mitigate the risk of a sudden market collapse.
34. However, it is worth noting that urgent Code amendments run the risk of distorting the market and creating unnecessary increases in uncertainty for market participants. Thus, it should only be considered in times of serious stress.
35. Of the two options presented for temporary, urgent regulation BEC recommends option A, requiring a minimum volume of offers, over option B, requirement to offer and sell hedges OTC.
36. Option B would require obligated participants to offer and sell a minimum volume of OTC contracts, which presents a lower risk of uncompetitive prices than option A, which only

requires a minimum volume of offers. However, option B risks giving buyers an unjustified influence over prices. Additionally, arbitrage risks would be high due to potential price misalignments between the mandated OTC contracts and other trading options.

37. BEC therefore believes that although option A could have a greater risk of uncompetitive prices this is preferable to the risks under option B which could undermine the stability and natural price discovery of the market.
38. BEC acknowledges that sudden or material reductions in offers or trades of shaped hedge contracts, including the super-peak product, could indicate a genuine fuel or capacity shortage limiting obligated participants' ability to meet Code requirements. While the urgent Code amendments impose obligations, Section 11 of the Electricity Industry Act 2010 provides a formal mechanism for participants to seek exemptions from compliance where physical or operational constraints make fulfilment impossible or impractical. We believe that this approach balances the need to maintain market liquidity and risk management tools with the practical realities faced by participants during system stress or shortages.

APPENDIX ONE – BACKGROUND INFORMATION ON THE BUSINESSNZ ENERGY COUNCIL

The [BusinessNZ Energy Council \(BEC\)](#) is a group of leading energy-sector business, government and research organisations taking a leading role in creating a sustainable, equitable and secure energy future.

BEC is a brand of BusinessNZ and represents the [World Energy Council](#) in New Zealand. Together with its members, BEC is shaping the energy agenda for New Zealand and globally.



[BusinessNZ](#) is New Zealand's largest business advocacy body, representing:

- Regional business groups: [EMA](#), [Business Central](#), [Canterbury Employers' Chamber of Commerce](#), and [Business South](#)
- [Major Companies Group](#) of New Zealand's largest businesses
- [Gold Group](#) of medium sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) representing producers, retailers, consumers of NZ-made goods

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and the Business and Industry Advisory Council ([BIAC](#)) to the Organisation for Economic Cooperation and Development ([OECD](#)).

