

4 February 2024

Andrew Millar
General Manager, Market Policy
Electricity Authority
PO Box 10041
WELLINGTON 6143

Sent via email: WholesaleConsultation@ea.govt.nz

Dear Andrew

Improving Hedge Disclosure Obligations

1. This is a submission from the Major Electricity Users' Group (MEUG) on the Electricity Authority's (Authority) consultation paper "*Improving Hedge Disclosure Obligations – Preferred options*"¹ ("Issues Paper") published for consultation on 12 December 2023.
2. MEUG members have been consulted on the approach to this submission. Members may lodge separate submissions. This submission does not contain any confidential information and can be published on the Authority's website unaltered.

Support for changes but focus must remain on reducing compliance costs and ensuring security of data

3. Risk management contracts are an important tool for MEUG's members, both now and into the future, enabling them to manage their exposure to volatility in the wholesale electricity market, and to ensure a secure, competitively priced supply of electricity to operate their businesses. We have reviewed the Authority's consultation paper and are generally comfortable with the proposed changes. MEUG has the following comments:
 - We support the Authority's decision not to seek Requests for Proposals (RfPs) or the pre-negotiation offers and bids. As we noted in our submission² and as summarised in the consultation paper,³ this could hamper productive negotiations between participants.
 - We support the Authority following sound regulatory principles, and not retrospectively applying the changes to contracts entered into before the implementation of any resulting Code amendments.⁴

¹ <https://www.ea.govt.nz/projects/all/otc/consultation/options-to-improve-hedge-disclosure-obligations/>

² <http://www.meug.co.nz/node/1306>

³ Paragraph 4.75 of the consultation paper.

⁴ Paragraph 4.4 of the consultation paper.

- We encourage the Authority to monitor the compliance costs of this new requirement on market participants. It would be detrimental if the compliance costs from this amendment deters parties from pursuing Power Purchase Agreements (PPAs) or other types of risk management contracts. We believe that PPAs will be a key tool in supporting more renewable energy projects, particularly from independent generators.
- As the scope of information collected will increase, MEUG wishes to reiterate our prior comments about the importance of data security and best practice data governance. This information is commercially sensitive and should be used solely for the purpose that it is collected for.

Next steps

4. If you have any questions regarding our submission, please contact MEUG on 027 472 7798 or via email at karen@meug.co.nz.

Yours sincerely

A handwritten signature in black ink, appearing to read "K Boyes", with a long horizontal flourish extending to the right.

Karen Boyes
Major Electricity Users' Group