

Notice of the Electricity Industry Participation Code Amendment (Changed Requirements for Regulated Market-makers) 2024

1. Under sections 38 and 40 of the Electricity Industry Act 2010 (“Act”), the Electricity Authority (“Authority”) gives notice of making the Electricity Industry Participation Code Amendment (Changed requirements for regulated market-makers) 2024 (“amendment”).
2. The amendment is made urgently under section 40 of the Act.
3. The amendment comes into force on **12 September 2024**.
4. The amendment amends Subpart 5B of Part 13 of the Electricity Industry Participation Code 2010 (“Code”) (relating to market-making arrangements in the hedge market) to introduce a new threshold daily settlement price. Where that threshold daily settlement price is exceeded, the amendment provides for changes to the bid-ask spread which participants subject to this Subpart must comply with when providing quotes during a market-making period.
5. Pursuant to section 40 of the Act, the Authority considers that it is necessary or desirable in the public interest that the amendment be made urgently because:
 - a. The presence of a reliable and robust electricity futures market is critical to the performance of the electricity market, including as it provides indications to participants as to future prices and provides an avenue for wholesale market participants to manage price risk. Market-making services provide essential liquidity in the futures market - if this is not available, then participants may not be able to appropriately hedge against spot price volatility, causing material financial stress and potentially preventing them from operating in such conditions.
 - b. There were significant increases in price and volatility in the futures market in August 2024, as a result of extremely high spot prices caused by gas scarcity, low hydro lake storage and unfavourable conditions for wind generation. The Authority considers there to be a real risk that such conditions may recur, with little warning, in the short to medium term.
 - c. Such circumstances place significant stress on the regulated market-makers and the commercial market-maker, to the point that some market-makers may be at risk of failing to perform their required functions.
 - d. The amendment will protect the functioning of the futures market through stressed market conditions, as well as providing regulatory certainty. It will therefore promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.
6. The amendment is secondary legislation for the purpose of the Legislation Act 2019 and is administered by the Authority.
7. A copy of the amendment and the Code is available on the Authority’s website at: <http://www.ea.govt.nz/code-and-compliance/the-code/>.
8. A copy of the amendment and the Code may also be inspected free of charge or purchased from the Authority, Level 7, Aon Centre, 1 Willis Street, Wellington.

Dated at Wellington this 10th day of September 2024.

ANNA KOMINIK, Chair, Electricity Authority.