

## Lisa Rautenbach

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**From:** Stu Innes [REDACTED]  
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**To:** TaskForce  
**Cc:** Bold Capital NZ  
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Hi there,

Apologies for the late response to this, but we think the task force should look into the "Non-Discriminatory Pricing Regime" that is part of the current regulatory framework in Japan.

Japan's market has seen rapid deregulation in recent years and is progressing away from vertically integrated players with regional monopolies. The regime requires vertically integrated generators to auction volume (shaped to a retail load) at regular intervals. The retail arm of the generator must participate in these auctions (on the same terms as any other retailer) to procure the volume that is auctioned. Intermediaries are also able to access these auctions and warehouse inventory for later sale to willing buyers, helping to ensure prices are efficient regardless of the timing of the auctions.

Our understanding is that this framework applies to some but not all generation volume. Our depth of understanding does not extend to the intricacies of how credit is managed on a 'non-discriminatory' basis.

The scheme is managed by the Ministry of Economy, Trade and Industry (METI).

I've recently attended Japan Power Week, and it was apparent from discussion with independent retailers and intermediaries that this regime is critical in their ability to access efficient hedges (or forward physical contracts) on terms that are competitive with those available to incumbent retailers via vertical integration.

From a late start, the Japanese market is making very fast strides (with heavy incentive post-fukushima) towards an efficient and highly competitive deregulated market.

We'd be happy to answer any further questions to the extent that we can, and/or assist in making introductions where possible.

Regards,  
Stu

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