

20 December 2024



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## Risk Management Options for Electricity Retailers

Thank you for the opportunity to provide feedback on the Electricity Authority's issues paper "*Risk Management Options for Electricity Retailers*".

Genesis welcomes the Authority's:

- Findings that:
  - Prices offered for OTC baseload and peak hedge contracts are competitive.
  - There is no evidence of unjustifiable discrimination in the pricing of OTC contracts or the exercise of co-ordinated market power.
- Recognition of the effort which Genesis (and other participants) has made to increase the supply of risk management and flexibility products, such as the recent Huntly Firming Options. These products, and the Market Security Options that preceded them, demonstrate the development and evolution of market-based solutions. We expect further products will be developed as more grid scale batteries and demand response initiatives enter the market.
- Acknowledgement that gentailer internal transfer prices do not harm competition, and that the related disclosure regime imposes a regulatory burden for little or no benefit. We agree that the disclosure regime should cease and look forward to this being implemented promptly.

In relation to the Authority's observations on super peak products, scarcity strikes us as the principal driver for the thin market for super peak products. As the Authority recognises, there are generally only three gentailers with portfolios that can underwrite these products. However, we disagree with the notion that a gentailer declining to price or participate in an RFP or providing a "non-conforming" response to an RFP, indicates the existence of unilateral substantial market power. Gentailers are not homogenous. They have different portfolios, commercial objectives and risk management considerations. At any one time, one or more of these factors may be particularly relevant for a gentailer, impacting their assessment of an RFP opportunity. Further, it is open to gentailers or any other market participant to reject,

and / or seek to negotiate, the terms of a proposed transaction in pursuit of their legitimate commercial interests.

That said, the new standardised flexibility product recently announced by the Energy Competition Task Force may help improve price discovery, and the competitiveness of prices offered for super peak products. We support the co-design approach used by the Authority for the product, and look forward to engaging with the Authority on it.

Please contact me should you have queries or wish to discuss our feedback further.

Yours sincerely

A handwritten signature in blue ink that reads "Williams". The signature is enclosed in a thin blue rectangular border.

Warwick Williams  
Senior Regulatory Counsel and Group Insurance Manager