

Before our response Paua to the People would like to reiterate our disappointment that risk management within the paper did not cover the needs of small, micro and community retailers, of whom there are very few largely because we cannot access appropriate risk management options. Without access to appropriate risk management products, we will never enter or survive the market which is the point I suppose.

#### Access to Options to Manage Risk

- Paua to the People do not agree that all retailers have access to a different range of options for managing wholesale price risk.
- We have a single supplier (ASX) willing to offer us OTC hedging contracts. Unfortunately, however these contracts do not offset against prudential so given the high volatility of the wholesale market we cannot take use them as they do not offer us risk management against Prudential exposure.
- Small retailers are not attractive partners for PPA.
- My customers are residential with a normal consumption curve well known to the industry. Additional shapes for OTC hedges mean diddly squat to us. We need the Authority to start thinking and ensuring access to products for standard patterns rather than accommodating end users with unusual consumption.
- Therefore, small retailers need standard hedge products (preferably FPVV so that we can get on with business) that offset prudential (so that we can manage our cashflow) and are freely available. Also, if it is not too much to ask, we would like the hedges to be competitive but frankly price certainty is more important.

#### Market Power is impacting on Risk Management.

- Not all retailers use a portfolio of Risk Management products as we are unable to source any appropriate products even though we only supply residential customers.
- Gentailers are the sole source of appropriate risk products and refuse to supply them to more than a few selected independent retailers.

#### Transfer Pricing

- The number of customers and plethora of tariffs of gentailers make Transfer pricing meaningless as the tariffs the Gentailer offer to customers unable, unwilling or not understanding they can get cheaper prices offsets customers

seeking competitive tariffs. Independent retailers only supply customers who are seeking competitive tariffs.

- Market Power of gentailers needs to be at a tariff level. Paua to the People believe that retailers should before launching a tariff be required to disclose to the Authority a cost breakdown of their tariffs including the generation rate they are using and expected retail costs for the service offered. Given this is information the retailer should have already calculated they should have no difficulty reporting it to the Authority. This would effectively isolate any predatory pricing being supplemented by other high margin tariffs