

Competition Taskforce
Electricity Authority Te Mana Hiko
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Via email: TaskForce@ea.govt.nz

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To whom it may concern,

Octopus Energy New Zealand appreciates the opportunity to provide feedback on the Electricity Authority's Code Amendment Omnibus #5. As an independent retailer committed to delivering sustainable energy solutions in the New Zealand market, we recognize the importance of effective regulatory frameworks that balance market efficiency with consumer protection.

While we broadly support many of the proposed amendments, we have identified several areas where refinements could better accommodate the needs of market participants while still achieving the Authority's objectives.

We have answered proposal questions below:

Q1.1. Do you have any comments on the omnibus format or suggestions to improve the omnibus format?

We appreciate the Authority's use of the omnibus format as it enables more efficient consultation on multiple discrete proposals. However, we would suggest longer consultation periods for future omnibus consultations.

Updating the stress test regime to reduce risks to consumers and security of supply

Q2.1. Do you support the Authority's proposal to insert the purpose of subpart 5A before existing clause 13.236A?

Yes, we support adding a clear purpose statement. This brings clarity regarding the intent of the stress testing regime. It is good to reinforce the responsibility of individual participants to manage their own risk and most seek to.

Q2.2. Do you support the Authority's description of the proposed purpose of subpart 5A in a new clause 13.236AB?

Yes, we support the proposed purpose description.

Q2.3. Do you support the Authority's proposal to amend clause 13.236A of the Code to extend the horizon of the stress test regime from 1 quarter to 12 quarters?

We broadly support extending the horizon to 12 quarters. Generation in New Zealand has not kept up with demand and this is leading to significant issues with security of supply. However there are more variables further out and it is typical that the proportion of unhedged load will be greater, the position for these periods will evolve over time.

Q2.4. Do you support the Authority's proposal to introduce a simplified and separate methodology for quarters beyond the next quarter?

Yes, the simplified methodology for quarters 2-12 strikes an appropriate balance between providing useful information about longer-term risks while not imposing excessive compliance burden on market participants. However there are some commercial sensitivity concerns, as this information could potentially be used by competitors to deduce trading strategies, even with anonymisation. We do not support publication of this information as it would facilitate predation.

Q2.5. Do you support the Authority's proposal to require the registrar to send disclosing participants 'you are here' reports?

Yes, we support this proposal. Having visibility of risk positions relative to the market is valuable information that should help participants make more informed risk management decisions. However again, we are concerned that the information provided could reflect parties trading policies.

Q2.6. Do you support the Authority's proposal to change the EMI reporting to provide additional information?

The additional sector identification enables more meaningful benchmarking. But again we have the same concerns as our responses as 2.4 and 2.5, plus there is potential for exploitation if you could see that for example, an independent retailer is only 50 percent hedged in XYZ quarter, parties may be motivated to sell at a higher price if they can see a participant is exposed.

Q2.7. Do you support the Authority's proposal to amend clause 13.236F(1) of the Code to require the board of the disclosing participant to certify that the disclosing participant has complied with clause 13.236E(1)?

On principle board-level oversight of compliance is appropriate, although we would note that this could require adjustments to internal governance processes for market participants.

Q2.8. Do you support the Authority's proposal to amend clause 13.236F(1) to require a disclosing participant to certify that it has complied with the requirement to submit spot price risk disclosure statements in clauses 13.236A and 13.236E as part of the Certificate of spot price risk disclosure statement?

Yes, we support this proposal as it reinforces the importance of compliance with the spot price risk disclosure regime.

Q2.9. Do you support the Authority's proposed changes to the stress test methodologies?

Yes, we support simplifying the stress test methodologies. The information is extremely valuable but current methodology is complex. Simplification should allow market participants to focus more resources on managing risk rather than navigating complex regulatory requirements.

Q2.10. Do you support the Authority's proposal to require disclosing participants to provide target and actual cover ratios and for the Authority to publish this information anonymously?

We support this in principle, but again this raises concerns about commercial sensitivity for market participants, especially further out.

Q2.11. Do you agree with the transition plan and a quarter-long transition period?

The transition period should be sufficient enough to allow market participants time to implement the necessary changes to systems and processes.

Q2.12. Do you agree the proposed amendment is preferable to the alternative options?

Yes, we agree the proposed amendment is preferable to the alternatives considered or to maintaining the status quo.

Q2.13. Do you agree with the analysis presented in this Regulatory Statement?

Yes, we generally agree with the regulatory statement analysis. However we want to emphasise that forecasts will constantly change the near term, and this should be the biggest focus of market risk as this is realistically where the risk lies

Extending the trader default provisions to all retailers to protect all consumers

Q3.1. Do you support the Authority's proposal to extend the trader default regime to all retailers and prohibit disconnecting consumers during the process?

Yes, we strongly support this proposal. We believe this change provides important protections for consumers and reduces financial risk when operating as a type 1 retailer.

Q3.2. If you think there is a preferable alternative the Authority ought to consider, please explain that alternative.

We do not propose an alternative approach.

Q3.3. Do you agree with the analysis presented in this Regulatory Statement?

Yes, we agree with the analysis presented. The proposal strikes an appropriate balance between consumer protection and managing commercial risk between market participants.

Introducing a back-up means of calculating wholesale prices to improve market confidence

Q4.1. Do you support the Authority's proposal?

Yes, we support the Authority's proposal to introduce a back-up means of calculating wholesale prices. Having predictable wholesale prices during extreme events is essential for stability.

Q4.2 Do you agree the proposed amendment is preferable to the alternative options?

We can see how the proposed approach of using equivalent trading periods from previous weeks is simple, transparent, and would provide reasonable price certainty in extreme circumstances.

Q4.3. Do you agree with the analysis presented in this Regulatory Statement?

Yes, we agree with the analysis presented. The introduction of a back-up pricing mechanism improves market confidence and reduces uncertainty for all participants.

We would welcome the opportunity to discuss these concerns further and work with the Authority to develop more proportionate approaches.

Yours sincerely,

Pearl Little