

Via email to [market.making@ea.govt.nz](mailto:market.making@ea.govt.nz)

9 April 2025

## Expiry of urgent code regarding market making under high stress conditions

Mercury welcomes the opportunity to submit on the Electricity Authority's (Authority's) consultation paper, *Expiry of Urgent Code regarding market making under high stress conditions*, 17 March 2025.

The Authority is consulting on options for the upcoming expiration of the September 2024 urgent Code amendment that increased the bid-ask spread from 3% to 5% on contracts where the wholesale spot price exceeds \$500/MWh. The urgent Code amendment is due to expire on 12 June 2025.

As we stressed in our letter, dated 15 August 2024, to the Authority in response to the urgent changes, Mercury makes significant effort to meet our obligations as a Market Maker, including meeting all our contractual and Electricity Industry Participation Code (Code) requirements. To reiterate, we were and continue to be committed to market making in accordance with the Code even when the environment becomes volatile.

We also stated in our letter that we considered that the urgent changes should have been reversed at that time. Our position has not changed, and therefore we support the Authority's recommendation that is to allow the urgent Code amendment to expire.

The Authority's stated aim of the intervention was to maintain liquidity in the forward market because Market Makers were finding it increasingly challenging to fulfil their obligations to the standard specified under their contractual requirements and the Code. Mercury acknowledges that the market was challenging, but as noted above, we were and still are committed to continuing market making in accordance with the Code.

A market that is efficient will be challenging from time to time. It is not necessarily an indicator of a market failure, particularly one that would justify such an urgent intervention. A careful analysis of the market, along with consultation, is required to determine whether there is a problem, and if a problem is identified then an appropriate solution. Otherwise, the Authority risks making hasty decisions that raise the possibility of unintended and detrimental outcomes, as Authority has observed in the consultation paper.

Mercury looks forward to engaging in the Authority's broader review of the role that market making plays in the overall New Zealand electricity market. As an initial comment, we suggest this broader review should aim to increase the number of market making participants in order to promote liquidity, thereby enhancing market performance and efficiency.

Yours sincerely



Tim Thompson  
**Executive GM Wholesale**

Classification: General

