

To: The Commissioners, Commerce Commission

By email: registrar@comcom.govt.nz

13 August 2025

Subject: Submission on Proposed Authorisation of the Huntly Firming Option (Genesis–Meridian–Mercury–Contact)

Dear Commissioners,

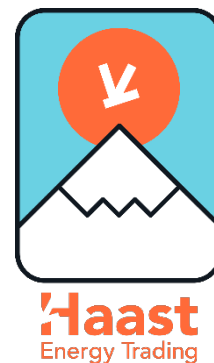
Haast Energy Trading ("Haast") appreciates the opportunity to comment on the application by Genesis Energy, Meridian Energy, Mercury NZ, and Contact Energy (the "gentailers") for authorisation of their proposed 10-year Huntly Firming Option (HFO) arrangements. Haast is an independent electricity trader with a strong interest in competitive and transparent electricity markets. We have consistently advocated for level-playing-field measures in generation and hedging, and we are concerned that the proposed HFO arrangement, as currently structured, risks undermining competition and harming consumers. We urge the Commission to scrutinise this arrangement closely against the public benefit test and consider imposing strict conditions if any authorisation is granted.

We structure our submission around five issues: (1) the lack of a competitive process; (2) unreliable consumer benefit claims; (3) insider advantage and transparency risks; (4) the need for liquidity and hedge obligations; and (5) proposed market-making conditions to mitigate detriments.

1. Lack of a Competitive Process

Haast is concerned that the HFO deal was negotiated privately among the four gentailers without any competitive tender that allowed non-gentailer market participants to be involved. Genesis has in recent years run public auctions for capacity contracts including the Market Security Options (MSOs) in 2022 and the Huntly Firming Options (HFOs) in 2024. By Genesis's own reporting they auctioned 85 MW of HFO capacity to market participants. ^{[1][2][3]} In August 2024 Genesis confirmed that 85 MW of HFOs had been secured by multiple market participants, following an open offer process to all market participants. ^[4] These statements are inconsistent with any implication that only gentailers engaged with MSO/HFO processes.

In Haast's understanding of the market, financial players did in fact purchase contracts in both the MSO and HFO auctions, and these intermediaries are active in repackaging risk for others, including



independent retailers, generators, and large users. Trading houses and financial intermediaries routinely use the ASX and OTC markets to repackage and distribute risk, improving access and lowering hedge costs for other participants even if those other participants don't independently have the expertise to trade complex products such as MSOs or HFOs directly. The implied suggestion that excluding non-gentailer parties from the present HFO arrangement would not harm independent retailers or large users does not hold water: it removes the very intermediaries who translate firming capacity into usable and competitively priced risk products for the rest of the market.

We consider it regrettable that Genesis has signaled that Unit 2 will close absent authorisation, effectively presenting the Commission with an ultimatum. A transparent competitive solicitation for long-term firming (potentially with industry-wide participation) would have been far preferable to a closed arrangement among the four incumbents. The Commission's Statement of Preliminary Issues also contemplates counterfactuals in which Genesis continues offering firming capacity more broadly (eg, via bilateral arrangements), underlining that alternatives to the proposed closed deal exist. ^[5]

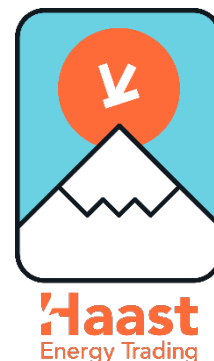
2. Consumer Benefit Claims Are Unreliable

The gentailers assert that authorising the HFO will yield significant consumer benefits, but these claims are contingent on the gentailers' willingness to pass through savings. The Applicants' own estimates indicate that if one Rankine unit were removed, wholesale prices would increase by approximately 10–12% in 2026–2028 and about 6% in the long term. ^[5] This underscores the pivotal influence of Unit 2 on price formation and the ability of large players to affect prices by withholding or retiring supply. Avoiding these modeled price rises via an HFO will only benefit consumers if the gentailers actually pass through cost savings in their retail pricing and hedge offerings.

We note the economic analysis filed with the application suggests a very large gross consumer benefit primarily arising from wealth transfers (lower generator revenues) rather than pure efficiency gains. ^[6] Transfers will not materialise for end consumers without effective competitive pressure or enforceable conditions. Simply authorising the arrangement provides no guarantee that gentailers will expand hedge supply or reduce prices for others; the Commission itself has asked how any lower wholesale costs would flow through to retail prices and affect relative market power. ^[5] If the Commission considers authorisation necessary, it should impose conditions that directly ensure benefits are passed on and that market power is not increased.

3. Insider Advantage and Transparency Risk

Under the proposed arrangement, the gentailers will have aligned contracts granting access to a pivotal swing asset. Common knowledge of option pricing and fuel cost arrangements reduces



competitive uncertainty and risks facilitating coordinated behaviour. The Commission has already flagged the real chance that transparency of pricing under the HFO could lessen competition, since Genesis and each counterparty would know the option pricing and contract structures that each of the other large gentailers sees.^[5] This insider information advantage is problematic where Unit 2 can materially influence price formation during dry or peak periods.

If the Commission authorises the HFO, conditions should require full and ongoing transparency of the underpinning contracts to the wider market, including strike and fee formulas, fuel cost sharing, dispatch conditions, any side agreements. Crucially ongoing reporting should also include any commonly shared fuel inventories or fuel costs where the parties have visibility on the current cost and availability of dispatch other parties are incentivized by. These measures would help mitigate information asymmetries and enable monitoring for any coordination or trading advantages arising from the arrangement.

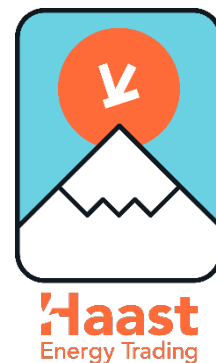
4. Need for Firm Liquidity and Hedge Obligations

As proposed, the HFO contains no mechanism to ensure broader market liquidity or fair pricing for firming services and hedge contracts. Concentrating long-term firming capability among the four gentailers for a decade risks further entrenching control over flexible generation and limiting access for independent retailers, generators, and other new entrants. The Electricity Authority's Level Playing Field work recognises the competition risks arising from gentailers' control of flexible generation, and the importance of hedge availability to support retail competition.^[7] Without binding conditions, there is a real risk that the gentailers could offer firming to others only at supracompetitive margins, undermining the stated consumer benefits.

If the HFO is authorised, Haast recommends enforceable liquidity obligations requiring each HFO counterparty (including Genesis) to offer standardised hedge products to non-affiliated parties on an ongoing and non-discriminatory basis. This should be complemented by specific market-making obligations (outlined below) to deliver transparent, tradable firming products usable by independents.

5. Proposed Market-Making Conditions on ASX

To ensure the benefits of Unit 2's firming capacity reach the wider market, the Commission should require the gentailers to market-make listed quarterly call options across the front 3 years on the ASX at the Benmore and Otahuhu nodes with strike of \$250 /MWh. Quotes should be maintained within a maximum 5% bid-ask spread, with volumes of 5 MW and a 5 MW reload, during a fortnightly trading window.



The \$250 /MWh quarterly call option is chosen as it approximates the economic profile of unit 2 and it is already available on the ASX. Using the ASX platform ensures standardised credit risk management and trading anonymity, enabling independent retailers, generators, large users, and financial intermediaries to access firming in standardised, transparent products. This approach dovetails with the Electricity Authority's level-playing-field objectives by ensuring liquidity and access in the firming market for the duration of any authorisation.

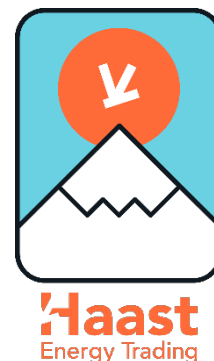
Conclusion

Haast remains unconvinced that the proposed HFO, as structured, is in the long-term interests of competition or consumers. The lack of a competitive process and the heavy reliance on gentailers' discretion to pass through benefits are material shortcomings. If the Commission finds that net public benefits warrant authorisation, approval should be conditional on robust transparency and market-making obligations to ensure benefits are realised by consumers and to mitigate competition risks. We appreciate the Commission's consideration and are available to discuss these views in more detail.

Yours sincerely,

Phillip Anderson, Managing Director

Haast Energy Trading



References

[1] Genesis Energy Interim Report FY25 – confirms auction of 85 MW of HFOs between May and July 2024:

https://media.genesisenergy.co.nz/genesis/investor/2025/fy25_genesis_interim_report.pdf

[2] Genesis Energy – Huntly Firming Options (May 2024) background paper:

https://media.genesisenergy.co.nz/genesis/investor/2024/genesis_huntly_firming_options.pdf

[3] ASX/NZX market release (13 May 2024): HFOs offered to wholesale investors only:

<https://company-announcements.afr.com/asx/gne/6f5094b9-10aa-11ef-a474-6a6ce2286ef8.pdf>

[4] Genesis market release/NZX (12 Aug 2024): 85 MW of HFOs secured by multiple market participants, offered to all market participants: <https://www.nzx.com/announcements/436000>

[5] Commerce Commission, Statement of Preliminary Issues – Genesis Authorisation (6 Aug 2025)

[6] Applicants' economic analysis (NERA) – Appendix to Authorisation Application (4 Aug 2025)

[7] Electricity Authority – Level Playing Field measures: Options Paper (27 Feb 2025):

https://www.ea.govt.nz/documents/6605/Level_playing_field_measures_options_paper.pdf