

Consultation Paper

Proposed actions of the Electricity Authority under Part 5 of the Electricity Industry Participation Code to correct an Undesirable Trading Situation that occurred on 26 March 2011

Prepared by the Electricity Authority
15 June 2011

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1. Introduction and purpose of this paper

1.1 Introduction

1.1.1 Under Part 5 of the Electricity Industry Participation Code 2010 (Code), the Electricity Authority (Authority) is responsible for investigating a suspected or anticipated undesirable trading situation (UTS). If the Authority finds that a UTS is developing or has developed, it may take steps in regard to that UTS.

1.1.2 The Authority has reached a final decision that the situation existing on 26 March 2011 constitutes a UTS. The reasons for the Authority's decision are set out in the decision document at appendix A of this consultation paper.

1.1.3 The decision document also sets out the proposed actions that the Authority intends to take to correct the UTS.

1.2 Purpose of this paper

1.2.1 Clause 5.4 of the Code provides:

Authority must consult with participants

If the Authority finds that an undesirable trading situation is developing or has developed, the Authority must—

(a) immediately advise all registered participants of its findings and of any actions that the Authority intends to take, or has taken, to correct the undesirable trading situation; and

(b) unless the Authority considers that it is impractical to do so, consult with affected participants before taking the action.

1.2.2 The purpose of this paper is to consult with participants regarding the proposed actions that the Authority intends to take to correct the UTS.

1.2.3 To avoid doubt, the Authority is **not** consulting on its final decision.

1.3 Submissions

The Authority's preference is to receive submissions in electronic format (Microsoft Word). It is not necessary to send hard copies of submissions to the Authority, unless it is not possible to do so electronically. Submissions in electronic form should be emailed to submissions@ea.govt.nz with 'Consultation Paper—Proposed actions to correct 26 March 2011 UTS' in the subject line.

If submitters do not wish to send their submission electronically, they should post one hard copy of their submission to the address below.

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

Submissions
Electricity Authority
Level 7, ASB Bank Tower
2 Hunter Street
Wellington

Tel: 0-4-460 8860

Fax: 0-4-460 8879

- 1.3.1 Submissions must be received by 5.00pm on Tuesday, 21 June 2011. Please note that late submissions are unlikely to be considered.
- 1.3.2 The Authority will acknowledge receipt of all submissions electronically. Please contact the Submissions' Administrator if you do not receive electronic acknowledgement of your submission within two business days.
- 1.3.3 If possible, submissions should be provided in the format shown in Appendix B. Your submission is likely to be made available to the general public on the Authority's website. Submitters should indicate any documents attached, in support of the submission, in a covering letter and clearly indicate any information that is provided to the Authority on a confidential basis. However, all information provided to the Authority is subject to the Official Information Act 1982.

2. Proposed actions

- 2.1.1 The proposed actions that the Authority intends to take to correct the UTS that occurred on 26 March 2011 are set out in the decision document at appendix A of this consultation paper.
- 2.1.2 In summary, the Authority proposes that interim prices for trading periods 1 to 21 and 36 to 48 on 26 March 2011 become the final prices for those trading periods. The UTS Committee proposes that final prices for trading periods 22 to 35 on 26 March 2011 be determined as follows:
- (a) the scheduling, pricing and dispatch (SPD) market-clearing software be re-run to calculate a new set of final prices (and final reserve prices) with the following revisions made to the SPD inputs:
 - (i) for Genesis Energy's Huntly generation, all offer tranches with prices exceeding \$3,000/MWh during trading periods 22 to 35 on 26 March 2011 be priced at \$3,000/MWh; and
 - (ii) for Genesis Energy's Tokaanu, Rangipo and Tuai generation, and Mighty River Power's Waikato generation, all offer prices and quantities be restored to the offer structure in the weekly dispatch schedule published at 09:00 hours on 25 March 2011 for trading periods 22 to 35 on 26 March 2011; and
 - (b) calculation of constrained on amounts under Part 13 of the Code for trading periods 22 to 35 on 26 March 2011 be curtailed, so that no constrained on compensation will be paid in respect of generation plant in the North Island.

3. Summary of questions

Question No.	Question:
1	Do you agree with the proposed actions that the Authority intends to take to correct the UTS? Please give reasons for your answer.
2	Are there any other actions that the Authority should take to correct the UTS? If so, please detail the other actions.

Appendices

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Appendix A Proposed actions of the Electricity Authority under Part 5 of the Electricity Industry Participation Code to correct an Undesirable Trading Situation that occurred on 26 March 2011

Appendix B Format for submissions

Question No.	General comments in regards to the question:	Response
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