

CLAIM OF UNDESIRABLE TRADING SITUATION

(UTS)

CONTACT DETAILS

Reporting Participant: Norske Skog Tasman Limited _____

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BASIS OF CLAIM

Definition of “undesirable trading situation”, clause 1.1 of the Code

Specify relevant paragraphs under which Participant claims a UTS - refer to the full definition set out below

Describe why in your view the claimed UTS is a contingency or event that threatens, or may threaten, trading on the wholesale market for electricity and that would, or would be likely to, preclude the maintenance of orderly trading or proper settlement of trades.

1. The situation is that over the period 8th March to 12th March 2013 a transmission constraint designed to protect the interconnecting transformers at the Kawerau sub station has been binding (i.e. the equation is equal to the right hand side) in a large number of trading periods in the interim pricing schedules, and in all trading periods on March 13th 2013 in the provisional price schedule. Yet in the NRSS, 5 minute and other ex-post schedules this transmission constraint is not binding very often.
2. The reason it is binding in the ex-ante schedules is because the generation from our TOPP1 embedded generation station has been counted twice.
3. The transmission constraint boils down to the following:
4. $KAG \text{ generation} + NST \text{ export at KAW0112} - \text{Horizon Load at KAW0111} < 101/107$
5. Note that NST export at KAW0112 is equal to the sum of all of the plant loads drawing power from the NST 11 kV distribution system minus all of the generation injecting into the NST distribution system. The generation injecting into the system is the output from TA2, TA3, KA24 and TOPP1.
6. We have been carefully monitoring this constraint in real time and backing off our generation to make sure that the equation does not reach 101.
7. However in the ex-ante schedules a different equation has been used, for reasons that we simply do not understand. This equation is:
8. $KAG \text{ generation} + NST \text{ export at KAW0112} + TOPP1 \text{ generation} - \text{Horizon Load at KAW0111} < 101/107$
9. Clearly TOPP1 generation is added twice in this equation

10. We accept that power flows need to be managed pre-contingency in case either T12 or T13 should trip, and overload the remaining transformer. We have been monitoring the situation carefully in real time and responding to the loads we see on our SCADA, and also the EM6 SCADA system. We have also been responding to price signals (though these have been few).
11. We simply do not know how we can explain to our owners that due to no fault of our own, we are required to pay in excess of \$1 million over the course of a few days due to an error in the electricity market system. We do not know what they will think if we have to tell them that we notified the appropriate authorities of this error before prices were finalised and there was ample opportunity to correct the mistake and calculate correct prices – yet the Code did not allow the authorities to do so. We are very concerned that if this error is not corrected the reputation of the NZ electricity market will be seriously undermined in the eyes of our owners, and their commitment to our mill in NZ may be sorely tested.
12. We consider that this situation will make absolutely no sense to any rational person and only those with an in-depth knowledge of the code will understand why common sense could not prevail. If word gets out about this, we would suggest that the reputation of the electricity market will be damaged.

Describe why, in your view, the claimed UTS could not be satisfactorily resolved by any other mechanism available under the Code.

13. We can't really answer this question. We submitted several claims of a pricing error and explained our view that the prices were incorrect due to TOPP1 being counted twice. As far as we know the Pricing Manager agrees that TOPP1 has been added twice. Yet the Pricing Manager is unable to confirm if the code will allow them to recommend that the prices be corrected.
14. We are very concerned that in the event that the interim prices stand the Authority is only required to provide 2 hours notice before finalising the prices. In our view 2 hours is insufficient time, and there is a significant risk that the prices will be finalised before we are aware of the outcome of the pricing error claim process.
15. The risk of the prices going final is too great for us to accept and thus we feel that we must claim an Undesirable Trading Situation.

SOLUTION SOUGHT BY APPLICANT

Clause 5.2 of the Code

Describe how in your view the claimed UTS could be resolved by the Board, bearing in mind the following powers of the Board should it find that a UTS does exist

- suspending, or limiting or curtailing, an activity on the wholesale market for electricity, either generally or for a specified period:
- deferring completion of trades for a specified period:
- directing that any trades be closed out or settled at a specified price:
- giving directions to any participant to act in a manner (not inconsistent with the Code, any regulations, the Act, or any other law) that will, in the Board's opinion, correct or assist in overcoming the undesirable trading situation:

1. **The Board should order the Pricing Manager to calculate prices with the correct security constraint at Kawerau – in other words the prices must be calculated with the TOPP1 generation (and indeed all generation and load) counted only once.**

WHEN CLAIMED UTS OCCURRED

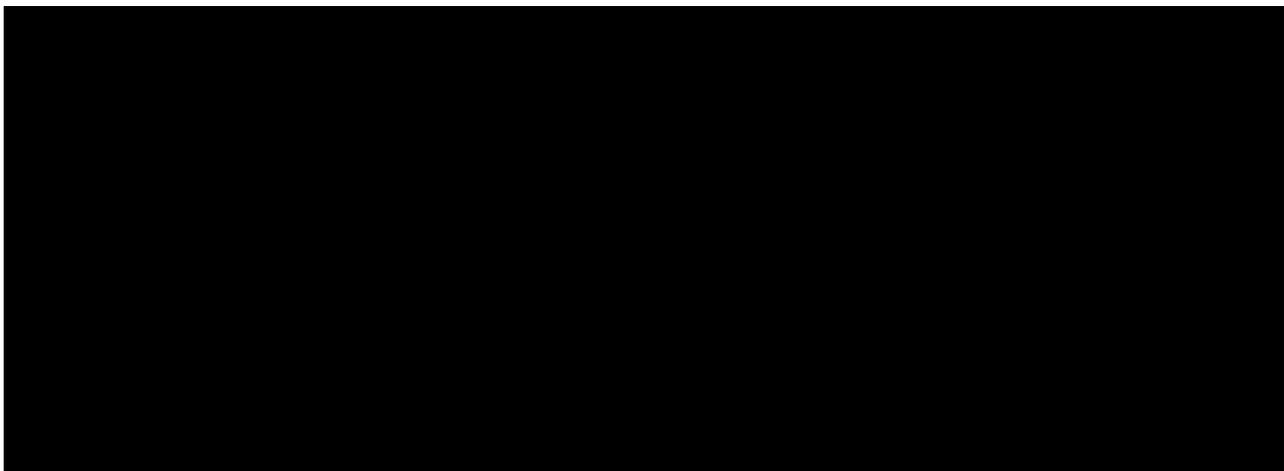
Date: 8th March 2013 to 14th March 2013

Time: All trading periods

DESCRIPTION CIRCUMSTANCES AND IMPACT

Please provide description of the circumstances surrounding the claim and include a detailed description of the impact the notifying participant suffered as a result of the claimed UTS.

The financial information that we provide in this section is confidential, commercially sensitive information and we do not want it to be disclosed to any party for any reason including a request made under the Official Information Act.



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