

29 July 2013

Jeremy Stevenson-Wright
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By Email

Dear Jeremy

Response to comments on Market performance enquiry of increased electricity wholesale spot and hedge prices – February 2013 to March 2013

Thank you for the comments on the Authority's draft market performance enquiry on increased electricity wholesale spot and hedge prices during February 2013 and March 2013.


The Authority requested comments related to factual errors and omissions or misinterpretation of the information you have given to us. However some of the comments received extend beyond these and better suited to the appropriate forum such as the Pivotal Pricing project. As such we have restricted our response to your comments related to issues with the analysis undertaken in the enquiry.

In its comments, Genesis stated that "the IRDE analysis is not compelling" and pointed to instances in the study period when the IRDE indicated the potential to affect prices which were not coincident with increased energy offer prices from Genesis for its Huntly generation.

The Authority would like to clarify the application of the IRDE analysis in this enquiry. The IRDE measure is just an index of the structural potential to raise prices. It is a necessary but not sufficient condition. However it is still useful from a regulatory point of view as a measure of potential. It need never be known to the regulator how good a participant is at spotting opportunities to influence price, nor to understand their techniques for doing so. But if they do increase offer prices at times of increased ability to influence price, then that is a relevant conduct measure and IRDE is a good tool for spotting that conduct. The Authority has included a summary of this clarification in its report.

The Authority will publish the final version of its report together with a copy of your comments and the Authority's response on its website. The release of the report will be announced in its Market Brief.

Yours sincerely



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