

## CLAIM OF UNDESIRABLE TRADING SITUATION (UTS)

### **CONTACT DETAILS**

Reporting Participant: Genesis Power Limited, trading as Genesis Energy

Contact Name: Gary Pemberton

E-mail: gary.pemberton@genesisenergy.co.nz

Phone: 09 580 4872

Mobile: 021 424 084

Fax: 09 580 4884

## **BASIS OF CLAIM**

### **(Regulations 55(1) and (2))**

*Specify relevant Regulation/s under which Participant claims a UTS - refer to the relevant Regulations 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. Genesis Energy may have been in a position to assist with mitigating the grid emergency declared between 18:00 hours until 18:40 hours on 24 June 2008. However, as an upper north island participant, Genesis Energy was not informed of the grid emergency until 23:25 hours on 24 June 2008. As a result, orderly trading on the wholesale market for electricity may have been threatened.

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

2. There do not appear to be Rules that could resolve the UTS claimed

## **SOLUTION SOUGHT BY APPLICANT**

### **(Regulation 56)**

*Specify relevant Regulation/s under which Participant claims a UTS - refer to the relevant Regulations below*

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 these regulations, the rules, or any other law) that will, in the Board's opinion, correct or assist in overcoming the undesirable trading situation:

Genesis Energy seeks the Board's postponement of publishing final prices for 24 June 2008 until this UTS claim can be assessed.

Genesis Energy requests that final prices be calculated from a modelled solution capturing the response to the Grid Emergency that could be anticipated from Huntly

Genesis Energy considers the details around the issuing of the Grid Emergency Notice (GEN) should be investigated. This includes the time it was issued, to whom it was issued and whether it was issued verbally or in writing.

Whether system conditions prior to the GEN being issued should have been notified to market participants should also be investigated.

## **WHEN CLAIMED UTS OCCURRED**

Date: 24 June 2008

Time: 17:30 to 18:40

## **DESCRIPTION CIRCUMSTANCES AND IMPACT**

Please provide description of the circumstances surrounding the claim and include a detailed description of the impact you have suffered as a result of the claimed UTS which must be supported by a statement from the CEO of your company.

### **Impact**

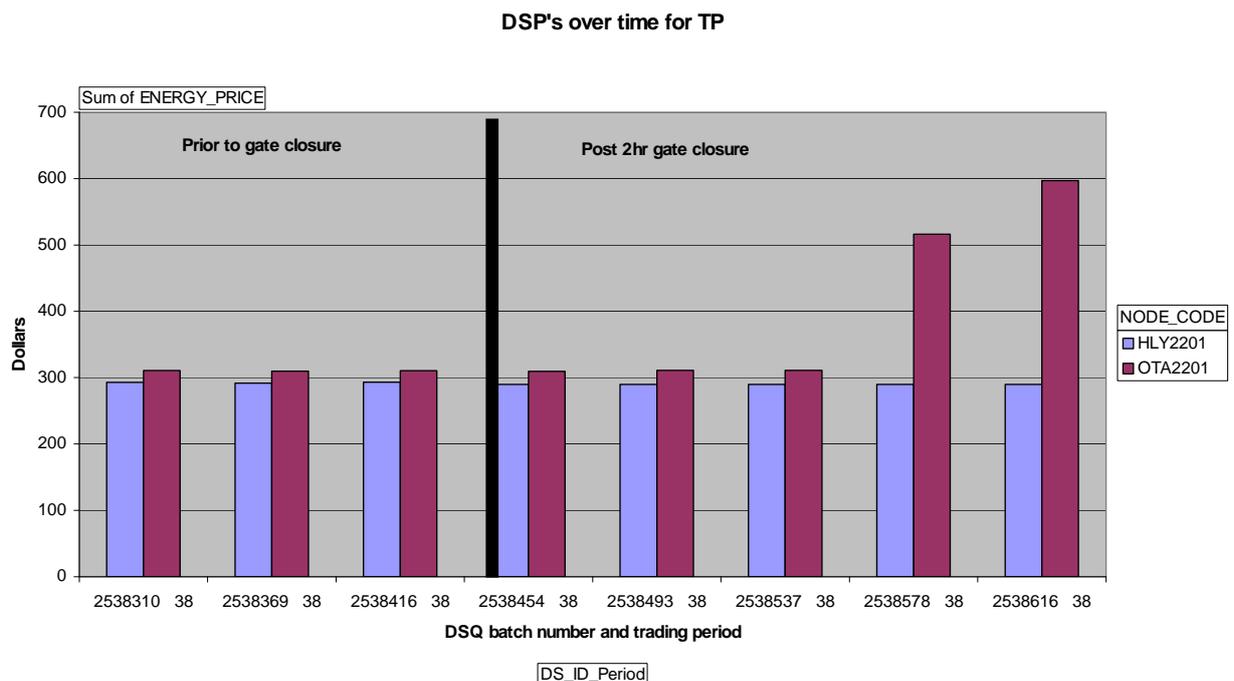
Genesis Energy contends that the real-time dispatch of plant and demand over the periods in question was sub optimal to all participants. On investigation of the transmission conditions prevailing at the time, we expect that the ideal system operator intervention would have been to invite Genesis Energy to respond to the grid emergency by re-offering Huntly station output. Under better informed circumstances, this would have allowed for an orderly traded solution to the Grid Emergency, rather than the distortionary intervention of load curtailment.

### **Circumstances surrounding the claim**

Leading up to the Grid Emergency the Grid Owner appeared to be offering the HLY-OTA cct1 out of service on a rolling basis. The short horizon of the offer revisions and the timing of the constraints applied to SPD as a result of the circuit offer changes meant that participants, including Genesis Energy, did not have a clear view either in the PDS or SDP&Q of the transmission constraints, and in particular for Genesis Energy, purchase and sales risks that Genesis Energy was ultimately exposed to i.e. the SPDP&Q data did not show circuit constraints outside of the 2hr gate closure.

Graph 1 below shows the HLY2201 and OTA2201 nodal price as published for each DSP for TP38, showing that at gate close normal dispatch conditions were expected, and that these deteriorated rapidly just prior to dispatch.

PERIOD 38



## **Detailed description of the impact**

Genesis Energy alleges that being excluded from the advice of the Grid emergency ultimately caused the spring washer pricing effect between the Waikato and Auckland areas. Genesis Energy consequently suffered unexpected financial losses in the order of \$612k (based on provisional prices and forecast purchase volumes) or \$1.497m (based on 5 minute prices) due to reduced nodal price at HLY for our sales and increased nodal prices for our purchases in AKL.

According to the CAN published at 23:24 on the 24<sup>th</sup> June by the System Operator, the grid emergency was declared to cover the contingent loss of the 220kV HLY\_OTA cct2 which would have caused overloading on the 110kV BOB\_HAM cct2. The impact in the market of this constraint was to lower the price at HLY2201, while increasing the prices in the AKL area.

Nodal pricing theory contends that in these situations, clear market signals be given to participants to alleviate constraints, in this case line loadings, and react in such a way as to mitigate their exposures. In this case, on the down stream side of the constraint, generators should price up their volume to reduce dispatch, which will reduce line loadings and/or on the upstream side of the constraint, load should be curtailed or generation should price down to clear more volume.

Genesis Energy believes that if the System Operator had advised all affected parties including Genesis Energy of the grid emergency that we would have been able to reduce output from HLY, unload the HLY\_OTA cct2 and therefore **NOT** overload the BOB\_HAM cct2 in the event of a failure on BOB\_HAM cct2. As a consequence Genesis Energy would also have better managed our purchase and sales exposure.

The fundamental basis for a Grid Emergency is to encourage response from market participants that have exposure and may eliminate the cause of the emergency. Genesis Energy was denied that opportunity.

## **Requested outcome from UTS**

Genesis Energy believe the suboptimal dispatch has distorted the prices that are currently provisional, and would suggest that a fair and equitable approach to forming a set of final prices to resolve the UTS would be to model backing off HLY generation volume by 1MW at a time until the constraint relaxes. This would mimic the response Genesis Energy would have taken had we been advised of the Grid Emergency.

Genesis Energy would accept the volume calculated at HLY under this approach as our generation submission for that trading period i.e. we would only be paid for the calculated volume not our actual injection.

Please send completed form to [compliance@electricitycommission.govt.nz](mailto:compliance@electricitycommission.govt.nz)

## **Regulation 55(1) and (2) Meaning of undesirable trading situation—**

- (1) An undesirable trading situation means any contingency or event—
  - (a) 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; and
  - (b) that, in the reasonable opinion of the Board, cannot satisfactorily be resolved by any other mechanism available under the rules.

- (2) Without limiting subclause (1), an "undesirable trading situation" includes—
- (a) manipulative or attempted manipulative trading activity;
  - (b) conduct in relation to trading that is misleading or deceptive, or likely to mislead or deceive;
  - (c) unwarranted speculation or an undesirable practice;
  - (d) material breach of any law;
  - (e) any exceptional or unforeseen circumstance that is at variance with, or that threatens or may threaten, generally accepted principles of trading or the public interest.

**Regulation 56 Actions Board may take to correct undesirable trading situation—**

(1) If the Board finds that an undesirable trading situation is developing or has developed, it may take any of the steps listed in subclause (2) in relation to the wholesale market for electricity that the Board considers are necessary to correct the undesirable trading situation.

(2) The steps that the Board may take include any 1 or more of the following:

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

(3) The participant must comply promptly with any direction given to it in writing.

(4) Neither a participant nor the Board is liable to any other participant in relation to the taking of any action, or any omission, that is reasonably necessary for compliance with a Board direction under this regulation.