

## **Notification of the Authority's decision under regulation 29 of the Electricity Industry (Enforcement) Regulations 2010**

Under regulation 29(1) of the Electricity Industry (Enforcement) Regulations 2010 (Regulations), the Electricity Authority (Authority) must publicise every decision made under regulation 23(3) of the Regulations, together with the reasons for the Authority's decision.

### **Investigation**

On 8 December 2016, Mercury NZ Limited (Mercury) decided to conduct a 'trial' to understand how other participants would respond to Mercury's reduction of reserves supplied in the context of a national reserve market. Mercury decided to do this because, from time to time, the system operator asks generators to increase energy offers during periods of tight supply.

Although Mercury had carefully planned the trial, unexpected changes in energy and reserve offers by other participants increased the stress on the market, resulting in high final prices for energy and reserves in the North Island, especially during trading period 27.

On 26 May 2017, the Authority alleged that Mercury's trading behaviour on 8 December 2016 was not compliant with the high standard of trading conduct requirement under clause 13.5A(1) of the Electricity Industry Participation Code 2010 (Code).

Mercury denied the alleged breach, claiming that its trading conduct was of a high standard.

On 27 June 2017, the Authority appointed an investigator to investigate the alleged breach of clause 13.5A(1) of the Code, by Mercury on 8 December 2016.

Transpower New Zealand Limited as the system operator, EnerNoc New Zealand Limited, Genesis Energy Limited, Meridian Energy Limited and Trustpower Limited joined the investigation as affected parties.

### **The Authority's decision**

On 31 October 2017, the Authority considered the investigator's report on the investigation. The Authority decided under regulation 23(3)(a) of the Regulations to discontinue the investigation.

### **Reason for the Authority's decision**

The Authority investigated whether this behaviour was consistent with the high standard of trading conduct required under clause 13.5A of the Code, but the parties were unable to reach a settlement agreement.

In all the circumstances of the matter, the Authority decided not to lay a formal complaint with the Rulings Panel.

The parties to the investigation requested that the Authority and the industry review the trading conduct provisions.

The Authority noted that, at its 30 August 2017 meeting, the Board directed the Authority's Chief Executive to request the Market Development Advisory Group to include a review of trading conduct provisions in its work plan.