

Investigation of alleged breaches of the Electricity Industry Participation Code 2010 by Genesis Energy Limited

On 29 January 2019, the market administrator reported to the Electricity Authority (Authority) that it believed on reasonable grounds that Genesis Energy Limited (Genesis) had breached clause 13.5A of the Electricity Industry Participation Code 2010.

Under regulation 12 of the Electricity Industry (Enforcement) Regulations 2010, on 8 May 2019, the Authority appointed Alex Ehlert as investigator to investigate the alleged breaches.

Under regulation 16 of the Regulations, the investigator must promptly notify the industry participant alleged to have breached the Code of the allegations that are being investigated. On 14 May 2019, the investigator gave Genesis such notice.

Under regulation 17 of the Regulations, at the same time as the investigator sends any notice under regulation 16, the investigator must publicise the matter under investigation, including the content of the notice given under that regulation. The investigator is hereby publicising the matter under investigation, and a copy of the notice given under regulation 16 is attached.

Any participant who considers that it is affected by the matter being investigated, and who wishes to become a party to this investigation, should notify the investigator within 10 working days after publication of this notice.

The investigator's contact details are:

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Electricity Authority
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NOTICE UNDER REGULATION 16 OF THE ELECTRICITY INDUSTRY (ENFORCEMENT) REGULATIONS 2010

Date:	14 May 2019
Addressee:	Genesis Energy Limited (Genesis)
Subject:	Genesis' trading conduct between 6 and 9 August 2018
Investigator:	Alex Ehler, Senior Investigator, alex.ehler@ea.govt.nz (appointed investigator under regulation 12 of the Electricity Industry (Enforcement) Regulations 2010 (Regulations)).
Notifying industry participant:	The market administrator
Provisions of the Electricity Industry Participation Code 2010 allegedly breached:	<p>1. Clause 13.5A provides:</p> <p>13.5A Conduct in relation to generators' offers and ancillary service agents' reserve offers</p> <p>(1) Each generator and ancillary service agent must ensure that its conduct in relation to offers and reserve offers is consistent with a high standard of trading conduct.</p> <p>(2) Subclause (1) applies when—</p> <p>(a) a generator submits, revises, or cancels an offer; or</p> <p>(b) an ancillary service agent submits, revises, or cancels a reserve offer.</p> <p>2. Clause 13.5B provides:</p> <p>13.5B Safe harbours for clause 13.5A</p> <p>(1) A generator complies with clause 13.5A if—</p> <p>(a) the generator makes offers in respect of all of its generating capacity that is able to operate in a trading period; and</p> <p>(b) when the generator decides to submit, revise, or cancel an offer, it does so as soon as it can; and</p> <p>(c) in the case of a generator that is pivotal,—</p> <p>(i) prices and quantities in the generator's offers do not result in a material increase in the final price at which electricity is supplied in a trading period at any node at which the generator is pivotal, compared with the final price at the node in an immediately preceding trading period or other comparable trading period in which the generator is not pivotal at that node; or</p> <p>(ii) the generator's offers are generally consistent with offers it has made when it has not been pivotal; or</p> <p>(iii) the generator does not benefit financially from an increase in the final price at which electricity is supplied in a trading</p>

- period at a node at which the generator is pivotal.**
- (2) A **generator** does not breach clause 13.5A only because the **generator** does not comply with subclause (1).

Circumstances relating to the alleged breaches

Genesis significantly raised Tekapo A's offer prices on several occasions during a period of islanded operation between 6 and 9 August 2018. Genesis' offer price is the final price at node TKA1.

The market administrator considered Genesis' trading behaviour was not of a high standard of trading conduct because it used its pivotal supplier position to set the final prices well above the level prices would have been in a non-pivotal situation.

Date of alleged breaches:

Between 6 and 9 August 2018

Please note, under regulation 16 of the Regulations, you must respond to these allegations, in writing, to the investigator within 10 working days of receipt of this notice (unless the investigator allows, in writing, a longer period).

Please provide your response by return email to the Investigator.

Your response should include:

Whether you believe you have breached the Code;

Whether there is another provision you consider more accurately describes the nature of the event;

A full explanation of the circumstances surrounding the alleged breaches;

Identification of any information provided in your response that you consider confidential and should not be included in the investigator's report under regulation 19 (regulation 15(2)).