

**13 MAY 2004**

## **ALLEGED UNDESIRABLE TRADING SITUATION**

On 24 April 2004 TrustPower notified the Electricity Commission that it believed an Undesirable Trading Situation (UTS) had occurred at certain nodes in the Tauranga region during trading period 36 on that day.

Having undertaken an initial review of the issues, the Commission (acting through the Commission's UTS Committee) instructed the Pricing Manager to delay the publication of final prices for trading period 36 to allow a full investigation into the alleged UTS. That instruction remains in place.

The Commission has concluded its consideration of the issues involved. The full decision of the Commission has been released and is available on the Commission's website at [www.electricitycommission.govt.nz/govern/uts/index.html](http://www.electricitycommission.govt.nz/govern/uts/index.html).

In summary, the Commission has determined that, in this instance, the cause of the high prices at the effected nodes was due to an error by the System Operator in failing to remove a constraint when it had advised participants it would. The Commission has determined that a UTS does exist in this circumstance.

In order to remedy the UTS, the Commission proposes to require the Pricing Manager to calculate final prices for trading period 36 on the basis that the Tauranga constraint is removed. The Commission proposes to require this to be done shortly and has been advised by the Pricing Manager that such recalculation is feasible and practicable.

The Commission is required, under regulation 59(b) of the Electricity Governance Regulations, unless the Commission considers it is impracticable to do so, to consult with affected parties before taking this action. In the present circumstance the Commission considers it is appropriate to afford participants a short period of time in which to communicate their views to the Commission.

Participants should write to the Commission c/o Lisa White or send an email to [lisa.white@electricitycommission.govt.nz](mailto:lisa.white@electricitycommission.govt.nz). Replies are to be received by 4pm Monday 17 May 2004.

In the meantime participants should note the publication of final prices for period 36 on 24 April 2004 will continue to be delayed and therefore will not be published in time for normal settlement on 20 May 2004.

Participants should note that the Commission has found in these circumstances that the more general matters raised by TrustPower, regarding the modelling and frequency of constraints within SPD do not constitute a UTS. However, these issues do require consideration and accordingly the Commission will convene as a matter of urgency an industry group to be established to consider these matters. The

Commission will communicate with participants regarding the establishment of this group shortly.

For the Electricity Commission Board

Roy Hemmingway  
Chair