

CLAIM OF UNDESIRABLE TRADING SITUATION (UTS)

CONTACT DETAILS

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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.

Electricity Governance Regulation (EGR) 55(1)(a) - Genesis Energy considers that there may have been an error in the SPD model used for the calculation of final price for 28-April-2006 which will result in the improper settlement of trades. In particular Genesis Energy would like to draw to the attention of the Board the final prices for trading period 35 at Wilton, Haywards, and Greytown and surrounding areas.

Genesis Energy considers that this error may also have had an effect on;

- *price schedules (PDS, DSP and Five Minute),*
- *final prices, and*
- *provisional prices*

in other trading periods on subsequent days also.

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

2.

As Regulation 116 of the EGR precludes the Board from ordering compensation in these circumstances the only avenue for full and proper redress would seem to be the claim of a UTS.

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 considers that as final price has already been published for trading period 35 on 28-april-2006 which may contain errors, the Board should direct that any trades affected by this error for that trading period and any other trading periods the Board considers appropriate be closed out or settled at a specified price, as per EGR 56 (2) (c).

Furthermore, considering that price anomalies seem to be continuing around the Wilton area in the various published schedules, that until it can be confirmed that the cause of the error has been removed or resolved to the satisfaction of the Board, the Board orders the delay in the calculation of subsequent final prices as per rule 3.28 of Part G Section V.

WHEN CLAIMED UTS OCCURRED

Date: 28 April-2006 to ?

Time: _____

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.

In Genesis' opinion, this situation appears to have arisen out of a binding constraint at Wilton, specifically WIL_T8, and it appears there has been a power flow error caused by a failure of the Scheduler to move an adjacent constraint when modelling the WIL_T8 outage. The Scheduler explained via a recorded phone to the Genesis duty trader that there is usually warnings associated with adjacent constraints when modelling the power flow but for some reason no warnings were raised.

This problem first came about on Friday 28-April-2006 when a spring washer took effect in TP 35, forcing Wilton price down and GYT & HAY etc up in five minute prices. Unfortunately the Scheduler's error was only discovered Saturday 29-April-2006 at around 15:30, this error was confirmed on recorded telephone at the same time, so has only been remedied for Saturday afternoon onwards.

Final prices for 28th April have been published and contain the error. WIL shows a price of negative \$369 while the surrounding nodes spike to around \$1,500-\$2,000. Genesis Energy has been affected by a loss of approximately \$130,000 in that trading period.

We understand that the scheduler will be referring the error and the matter of incorrectly modelled power flows making its way into final prices to Market Services

Please send completed form to 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.