

Submission response form

Pacific Energy Trading

Please email your submission to wholesaleconsultation@ea.govt.nz by 5pm, Wednesday 22 July 2026

Name	Josh Signal
Organisation	Pacific Energy Trading

Questions	Comments
Q1. Do you agree that Authority should ensure the Code arrangements enable the FTR hub network to develop?	Yes, we agree the Authority should ensure the Code arrangements enable the FTR hub network to develop. The hub network needs to be able to change as the power system changes. As new renewable generation connects in regions outside the current FTR grid, the locations of material price separation and congestion will shift, and the hub network should be able to follow. Under the current arrangements it cannot do so efficiently: as the consultation paper sets out, Schedule 14.3 cannot be efficiently solved with the FTR manager's existing systems beyond nine hubs, and even a ninth hub would be complex and costly to add. This constraint could bind at the next review. The FTR Allocation Plan 2018 provides for a hub review at least every two years in which up to five new hubs may be added, so a single review conducted under the existing plan could exceed what Schedule 14.3 can support. The Code today therefore caps the hub network at a size set by the FTR manager's systems.
Q2. Do you support the allocation of all available LCE to the settlement of the FTR market? Why/why not?	Yes, we support allocating all available LCE to the settlement of the FTR market. First, removing the Schedule 14.3 calculation delivers a direct and measurable saving. On the Authority's figures, the calculation costs approximately \$80,000 to \$90,000 per year to operate, and the FTR manager has advised there is a credible risk of processing delays causing it to breach the Business Day 7 deadline in clause 14.16. This risk increases with any addition to the hub network and cannot be resolved within the FTR manager's existing systems beyond nine hubs. Retaining a process with ongoing costs, operational risk and limited capacity to support the market's likely development is difficult to justify. Second, the current arrangement reduces settlement funding in the circumstances where FTR cover is most relied upon. Settlement scaling is most likely when locational price risk is elevated, which reduces the effectiveness of FTRs as a risk management tool at those times. This can be expected to be reflected in higher risk premia and reduced retail competition in constrained regions. Making all LCE available reduces this limitation. Third, the benefits of the proposal are broader than the quantified operational savings. Firmer FTR settlement improves the quality of locational hedge cover, which particularly benefits smaller retailers and independent participants that lack a generation portfolio to internalise locational risk and depend on FTRs to compete in constrained regions. More effective participation by these parties supports retail competition, and with it the Authority's statutory objective, for the long-term benefit of consumers.
Q3. Do you agree with the objectives of the proposed amendment? If not, why not?	Yes, we agree with both objectives. The primary objective of ensuring the FTR framework remains capable of adapting to future developments in the wholesale electricity market is appropriate. The transition to a renewables-dominant system will shift generation and demand patterns, and with them the locations of congestion and material price separation. The value of the FTR market to participants

	depends on the framework being able to respond to those shifts, so adaptability is properly treated as the primary objective. The additional objective of reducing the cost and complexity of the FTR funding calculations is also appropriate. Settlement processes are market infrastructure, and their costs are ultimately borne by participants and consumers. Where a simpler process can achieve the same function, the Code should provide for it.
Q4. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.	Yes, we agree the proposed amendment is preferable to both alternatives considered. Alternative (a), allocating a fixed percentage of LCE below 100%, retains the main shortcomings of the status quo. The percentage would be calibrated from historical data, which provides a weak basis for setting the figure whenever the hub network changes. It would also increase settlement scaling in the months where all available LCE is required, and any adjustment to the percentage would require a further Code amendment. These features are inconsistent with the primary objective of a framework that can adapt to future developments in the wholesale market. Alternative (b), simplifying the Schedule 14.3 calculation by leveraging Grid Owner data, would retain the calculation and its associated operational cost and complexity in an amended form. On the Authority's assessment it would require additional development time and be costly to implement and operate, without offering material benefits over the proposed amendment. The proposed amendment achieves the stated objectives most directly and at the lowest cost. On that basis we consider it the option most consistent with the Authority's statutory objective in section 15 of the Act.
Q5. Do you agree with the costs identified by the Authority? Are there additional costs we have not considered?	Yes, we agree with the costs identified. The one-off implementation costs for the FTR manager and clearing manager appear reasonable for changes of this nature, and we have not identified material implementation or ongoing costs for participants. We note the proposal is expected to require recalibration of the FTR manager's revenue adequacy settings, including the grid capacity scaling factor. We would expect this work to be accommodated within the FTR manager's existing policy processes at minimal additional cost, but the Authority may wish to confirm this with the FTR manager.
Q6. Do you agree with the benefits identified by the Authority? Are there additional benefits we have not considered?	Yes, we agree with the benefits identified, including the quantified operational savings and the unquantified benefits of future-proofing the framework, lower capital costs for future hub changes and reduced forecasting costs for participants. We consider there are two related benefits the Authority could give greater weight. First, the proposal improves the predictability of settlement funding. Under the current arrangements, participants valuing an FTR must form a view on the FTR rentals amount as well as on LCE itself. Removing the calculation leaves LCE as the single funding variable, which allows auction bids to price expected settlement outcomes more accurately and supports more efficient price discovery in the auctions. Second, firmer settlement improves the quality of FTRs as locational hedge cover, which lowers a barrier to effective participation for smaller retailers and independent participants and supports retail competition in constrained regions. We have described this benefit in our response to Q2.
Q7. Do you agree the benefits of the proposed amendment outweigh its costs?	Yes. On the Authority's quantification the proposal delivers a positive net benefit of at least \$127,000 NPV over 10 years on operational savings alone, with the implementation costs incurred once and the savings recurring annually. The unquantified benefits (future-proofing the framework, lower capital costs for hub changes, more efficient price discovery and improved hedge quality for participants) add further margin to this result. We also note the asymmetry in the counterfactual: retaining Schedule 14.3 would require material expenditure to support any growth of the hub network beyond nine hubs, so the cost of the status quo rises over time while the cost of the proposal is fixed and known.

Q8. Do you agree the proposed amendment would give effect to the Authority's statutory objective and the matters listed in section 32(1) of the Act?	Yes. The amendment promotes competition by improving the quality of locational hedge cover and expanding the volume of FTRs available, which supports participation by retailers and independent parties in constrained regions, as set out in our responses to Q2 and Q6. It promotes the efficient operation of the electricity industry by removing an ongoing operational cost and by enabling the FTR framework to accommodate future changes to the hub network at lower cost. We broadly agree with the Authority that the amendment would have minimal impact on the reliable supply of electricity. On this basis we consider the amendment consistent with the statutory objective in section 15(1) and with section 32(1) of the Act.
Q9. Do you have any comments on the drafting of the proposed amendment?	We support the drafting overall, with one comment. The timing provision for volume disputes in clause 14.16(2)(c) could state the intended deadline more clearly. Paragraph 4.11 of the consultation paper describes the intent as requiring the clearing manager to recalculate the LCE amount as soon as practicable and in any event by 1600 hours on the 18th business day. The drafted words "or otherwise as soon as practicable" could be read as permitting a recalculation later than the 18th business day. We suggest wording that makes the 18th business day a firm outer limit, for example: "as soon as practicable and no later than 1600 hours on the 18th business day following the relevant billing period."