

Via email: wholesaleconsultation@ea.govt.nz

Consultation – Review of the application of LCE to the settlement of FTRs

Mercury appreciates the opportunity to comment on the Electricity Authority's consultation 'Review of the application of loss and constraint excess to the settlement of Financial Transmission Rights'.

We support the Authority's proposal. We agree it will be more efficient to remove the requirement for the FTR manager to calculate the amount of loss and constraint excess (LCE) to be allocated to the settlement of FTRs and instead make all LCE available to settle the FTR market. We also consider the proposal will support the revenue adequacy of the FTR market (while noting that it is rare for the FTR market to be revenue inadequate) which will enhance the utility of FTRs as locational price hedges.

Responses to the Authority's individual consultation questions are attached in Appendix One.

Yours sincerely



Craig Parker
Portfolio Manager

Appendix One: Responses to the Authority's consultation questions

Question	Mercury Response
1. Do you agree that Authority should ensure the Code arrangements enable the FTR hub network to develop?	Yes.
2. Do you support the allocation of all available LCE to the settlement of the FTR market? Why/why not?	Yes.
3. Do you agree with the objectives of the proposed amendment? If not, why not?	Yes.
4. 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.
5. Do you agree with the costs identified by the Authority? Are there additional costs we have not considered?	We agree with the costs identified.
6. Do you agree with the benefits identified by the Authority? Are there additional benefits we have not considered?	We agree with the benefits identified.
7. Do you agree the benefits of the proposed amendment outweigh its costs?	Yes.
8. 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.
9. Do you have any comments on the drafting of the proposed amendment?	No.

