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Mr Andy Doube
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By email: Andy.Doube@ea.govt.nz

Dear Andy,

I wish to comment on Gentailer trader behavior which results in the spot price. While I appreciate that the Gentailers have a commercial imperative and therefore no incentive to minimize prices, the Electricity Authority has a duty to encourage the lowest reasonable energy costs for NZ as a whole.

I have not seen in the wholesale price review documents any analysis of Trader offers. As an example of results that are hard to explain I submit a couple of examples. (Taken from the daily wholesale market statistics distributed by the Authority). These are current examples but there will be many similar older examples.

A. On Monday **6 Dec.** there was plenty of water in the South Island (NZ Storage 128% of average for the time of year) however in the early hours of the morning energy was going North to South on the HVDC. Surely the dams in the South island didn't need more water so the possibility exists that Meridian was offering in well above SRMC.

B. On Friday **6 Nov**, The average price for the day was \$81/MWh and the Demand 107 GWh for that day. (National storage was ~123%). However on Saturday **7 Nov**, the demand dropped to 97GWh, but the average price increased to 91\$/MWh.

C. On Monday **1 Nov**, Price was \$81/MWh and demand 105GWh but on Tuesday **2 Nov** the demand increased to 108GWh but the average price dropped to \$61/MWh.

D. On Tuesday **7 Dec**, Demand was 106GWh but Price suddenly went to \$126/MWh, and that was after inflows of 162% on **6 Nov** and 136% on **7 Nov**. (I note that in this example the Peaker station was operating on the 6th but not on the 7th. So what is on the margin?)

While there may be some sound reasons for these disparate variations, from a consumer's viewpoint it looks more like traders just experimenting to get better prices, and occasionally getting caught out, rather than the offers to the market working on SRMC's and justifiable water values.

I hope this is interesting and will be considered in your Wholesale Market Pricing review.

Regards
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Managing Director

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