

27 May 2020

Sal Shah
Advisor – Market Design
Electricity Authority
By email to MDAG@ea.govt.nz

Dear Sal

High Standard of Trading Conduct provisions: Cross-submission

1. This is a cross-submission by the Major Electricity Users' Group (MEUG) on the submissions that closed 4th May 2020 on the Market Development Advisory Group (MDAG) consultation paper "High Standard of Trading Conduct (HSOTC) provisions: A review by the MDAG" 25th February 2020.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. The following table explains the abbreviations for the seven submitters used in this cross-submission. Paragraphs referenced are in square brackets.

Submitter	Abbreviation
Contact Energy	CEN
Genesis Energy	GNE
Electric Kiwi and Haast Energy Trading	EK & Haast
Ecotricity, Electric Kiwi, energyclubnz, Flick Electric, Pulse and Vocus (the independent retailers)	Ind-Ret
Mercury Energy	MCY
Meridian Energy	MEL
Trustpower	TPW

4. All submitters agreed there was a need to review the effectiveness of the existing code to manage the risk of a supplier in a pivotal situation exercising market power to extract economic rents. MEUG agrees subject to the caveats that we are unsure if the MDAG

¹ Refer [EA web page](#) and cross-submissions in ZIP file ULR <https://www.ea.govt.nz/zipcontroller/download/0d0836dd42eb84c1ec2787d44053dfd7>.

proposal will lead to better long-term net benefits to consumers or whether there are other options with greater expected benefits and or less risk of detriments.

5. There was no agreement on what a better solution might be. There was also a range of views on whether MDAG's original terms of reference were appropriate or poorly targeted. Some thought MDAG had unjustifiably gone beyond their mandate.
6. Some submitters said the Electricity Authority needed to consider any code change in the normal way with a full CBA undertaken by the Authority after MDAG reports back. MEUG agrees with those submitters.² MEUG does not agree with submitters that supported MDAG's view that the EA should proceed with a Code change without having to undertake any further CBA or having a partial CBA using only a vSPD analysis of SRMC.³
7. Some submissions proposed changes (sometimes termed refinements) to the draft Code proposed by MDAG and others entirely different approaches to addressing the risk of a supplier in a pivotal situation exercising market power to extract economic rents.⁴ MEUG has no view on the merits of those. We recommend MDAG consider those options using an improved CBA approach. MEUG agrees with submissions noting necessary improvements required to the qualitative and quantitative CBA published by MDAG to date.⁵ Depending on the findings of this new CBA it may be appropriate for MDAG to conduct further consultation.
8. In terms of future consultation, MEUG agrees with the views of submitters suggesting further worked examples should be provided and discussed with the sector to assist develop any code changes.⁶

Yours sincerely



Ralph Matthes
Executive Director

² Refer GNE [52] to [61], MEL (p12) and TPW (pp2-3).

³ Refer EK & Haast (p12) and Ind-Ret (p7).

⁴ For example, CEN (p4), GNE [62] to [77], IR (Appendix 2) and MEL (appendix A, p15).

⁵ For example, MCY (pp1-4), MEL (Appendix D, Sapere Research Group report)

⁶ For example, MCY (p4).