

CLAIM OF UNDESIRABLE TRADING SITUATION (UTS)

CONTACT DETAILS

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BASIS OF CLAIM

Definition of “undesirable trading situation”, clause 1.1 of the Code

Specify relevant paragraphs under which Participant claims a UTS - refer to the full definition set out 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. Television New Zealand (“TVNZ”) submits that the event that occurred on March 26 meets the definition of an undesirable trading situation under Clause 1.1 of the code as follows:

- manipulative or attempted manipulative trading activity
- unwarranted speculation or an undesirable practice
- exceptional or unforeseen circumstance that is at variance with, or that threatens or may threaten, generally accepted principles of trading or the public interest

TVNZ believes the market events of the 26th of March 2011 have disadvantaged themselves and many other customers, and that the event should have been better managed by the generators. It appears to be a generator premeditated situation for commercial gain, basically exploiting a market situation beyond fair practice. TVNZ incurred significant costs from its exposure to the ACLF component of the electricity rates.

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

2. The code does not appear to address this issue, and needs amendment.

SOLUTION SOUGHT BY APPLICANT

Clause 5.2 of the Code

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 the Code, any regulations, the Act, or any other law) that will, in the Board's opinion, correct or assist in overcoming the undesirable trading situation:

1. **Investigate and determine causes, then the Authority must determine whether a UTS has occurred and what is an acceptable outcome for affected parties. If a UTS is determined then the Authority must direct that interim prices shall not be final prices, and direct that appropriate pricing be put in place for the period of the event and customers then be provided with amended billings. The Authority must put in place suitable code amendments to prevent a future event of a similar nature.**

WHEN CLAIMED UTS OCCURRED

Date: 26 March 2011

Time: 10.00am to 5.40pm

DESCRIPTION CIRCUMSTANCES AND IMPACT

Please provide description of the circumstances surrounding the claim and include a detailed description of the impact the notifying participant suffered as a result of the claimed UTS.

Planned maintenance to transmission circuits in the upper North Island on the 26th of March, resulted in a temporary monopoly situation for a single generator, thereby exploiting a market situation where supply prices went extremely high.

The financial impact to TVNZ is very significant, in the order of \$■ (confidential).

Had TVNZ been adequately warned or advised of the situation prior to the event the organisations key sites could have switched to on-site emergency generators and reduced the impact. The communication around the event has been very poor. The event raises concerns about the integrity of the market and the key generators. It is not acceptable for New Zealand's businesses to be exposed as occurred in the event, actions need to be taken to control and prevent future market events to provide improved stability around market pricing.