

# CLAIM OF UNDESIRABLE TRADING SITUATION (UTS)

## CONTACT DETAILS

Reporting Participant:	<u>Cynotech Holdings Ltd, and subsidiaries (Consumer)</u>
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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. The unscheduled spike if allowed to be repeated undermines electricity supply within NZ, and would create chaos, indicating the current auction system is not a device that works in providing orderly power rates to consumers and businesses in NZ such that we can plan our business around electricity supply. Such a failure had had a significant economic impact on businesses as Retailers (Mercury) have indicated they intend to pass this cost directly onto their consumers (businesses that are trying to create wealth on which NZ earns tax) Inconsistent and abnormal useage rates will create ‘informal and black market distribution offtakes’ that are not metered to avoid such ridiculous prices, undermining the electrical generation, reticulation and supply industry, thus potentially compromising safety of retail distribution networks buildings they supply into, and the staff employed there.

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

2. Please see my letter attached regarding the proposed solution, which solution is not to the best of my limited knowledge a mechanism which would in all likelihood be an outcome that would occur under the code
3. Further, the code Generators and Retail suppliers have simply passed the full cost of the auction price onto consumers, and we submit this is grossly unfair when either
  - a) the code doesn't make provision to mitigate such extremes in the power supply charging arrangements, or
  - b) the Generators and Retailers (and sometimes gentailers) simply think they can pass on all their costs to consumers irrespective of the justification for doing so, even if this event occurred because of their poor, or mis-management. Accordingly the Authority needs to protect the interests of consumers as Generators, and Suppliers have not.

## **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. The current situation can be resolved by the Board in terms of making a determination that

- a) The generators must price all electricity generated on that day as zero dollars per MWh.

This acts as a penalty for their either

- i) Not having managed the spinning reserve better, and/or
- ii) Poor management and scheduling of the outage, and/or
- iii) Poor management that created circumstances that this event occurred
- iv) Not having advised Retailers of the possible problem, and/or
- v) Not having advised retailers in time that Consumers can manage their business activities

around the outage/price spike

2. The Board make a determination that Retailers must price all electricity consumed/used on that day/s be charged to consumers at \$zero/unit, including the daily supply charge (but not line charges) as a penalty for not

- i) being sufficiently aligned to Generators to be aware of the impending situation such they they could advise Consumers in a timely fashion
- ii) If they are sufficiently aligned (eg gentailers) they should be penalized for not advsing their customers of the impending situation so that we can manage our businesses accordingly

**WHEN CLAIMED UTS OCCURRED**

Date: March 26<sup>th</sup>, 2011 and April 2<sup>nd</sup>, 2011

Time: 10:30 am to 5:30pm at 10:30 am to 5:30pm

**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.*

The circumstances are a poorly managed outage event with no public warning. The consequence of this has been the receipt of an advice of an impending additional invoice costs based on average daily useage of \$■ for March 26<sup>th</sup>, with no advise of the April 2<sup>nd</sup> additional expense.

The impact is being faced with unrecoverable costs to our business, and no opportunity to ameliorate the situation.

Please send completed form to [compliance@ea.govt.nz](mailto:compliance@ea.govt.nz)