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Inter-island financial transmission rights (FTR) market

The introduction of a market for inter-island financial transmission rights (FTR) is one of a number of priority projects the Government requires the Authority to progress for the purpose of improving the performance of the electricity market.

Following industry consultation, the Authority has finalised its FTR initiative and intends to have the inter-island FTR market operating by October 2012. The initiative addresses volatility caused by locational price risk.

To provide for the introduction of FTRs, the Authority intends to gazette the Code amendment in August 2011. This Amendment includes some changes to the draft Code released for consultation in April 2011.

The main changes are designed to:

- Improve the likelihood that FTRs provide full coverage of relevant locational price risk;
- Modify arrangements for determining how many FTRs can be offered and how much revenue is available to fund FTRs;
- Clarify requirements for secondary trading of FTRs and calculations in relation to ensuring parties have sufficient funds to cover their FTR bids; and
- Limit participation to parties that meet prudential security requirements; are resident of, or have a registered office in, New Zealand, unless otherwise approved by the FTR manager and provided any overseas party complies with all relevant local and international laws; and that meet the requirements for a “sophisticated investor” under New Zealand securities law.

Subsequent to the publication of the Gazette notice, the Authority will conduct a tender process for the appointment of an FTR manager, who will be responsible for auctioning FTRs.

An information paper on the FTR initiative is being finalised for publication.



An overview of the FTR initiative is available at:

- <http://www.ea.govt.nz/our-work/programmes/priority-projects/locational-hedges/>

A Response to submissions on the FTR initiative is available at:

- <http://www.ea.govt.nz/our-work/consultations/priority-projects/lpr-proposed-amendments/submissions/>

FTR Manager RFP

The Authority will release a Request for Proposals (RFP) in mid August seeking tenders from interested parties for the role of FTR Manager, to establish and operate a market for inter-island financial transmission rights (FTR).

The market is being developed to assist in managing locational price risk and is one of the priority projects the Authority is required to progress under section 42 of the Electricity Industry Act 2010.

The RFP will be advertised on the Government Electronic Tenders Service (GETS) and interested parties are encouraged to register with GETS at:

- www.gets.govt.nz

Consultation paper on hedge-market arrangements

The Authority has published a consultation paper on its proposal aimed at improving the opportunities to use financial hedge contracts to manage price risks in the New Zealand electricity spot market. The proposal does not involve Code amendments, although draft Code amendments have been set out as a possible alternative to the proposal.

The consultation paper is available at:

- <http://www.ea.govt.nz/our-work/consultations/priority-projects/-improving-opportunities-hedge-electricity-prices/>

Submissions close on Wednesday 29 August 2011.

Futures market: Correspondence with major generators and ASX

On 24 June 2011, the Chief Executive of the Authority wrote to the five major generators and ASX. The letter noted the progress in developing the ASX futures market, and requested information, including an indicative timeline, on the following measures being considered to develop more active trading in that market:

- Development by ASX of a standardised market-making agreement, including certain specified characteristics, and
- Increased transparency on the virtual asset swap contracts and, in particular, the price indexation to ASX futures prices.

The responses from the five major generators and ASX indicated a substantial commitment to making the futures market work. The Authority's letter and the response letters are available at:

<http://www.ea.govt.nz/our-work/programmes/market/hedge-market-development/>



Upcoming electricity market survey

The Authority is undertaking a survey of electricity consumers and other interested parties to obtain information on the electricity market in New Zealand. The Authority has appointed UMR Research Limited to conduct the survey in two parts, both of which will take place over the next few weeks.

A survey of consumers will be undertaken as part of a regular omnibus survey carried out by UMR.

A sample of sector stakeholders will also be contacted to participate in an online survey that should take 10-20 minutes. If you are contacted to participate, we hope you will take the time to provide your views.

The results of the surveys will be used as part of the development of a long term strategy for market development work. The development of the strategy will also involve workshops, which are likely to take place in late September this year.

The Authority is planning to develop a draft strategy to include as part of the annual consultation on proposed appropriations, which usually starts in late November.

Standing Data Formats Group (SDFG): Vacancy

The Authority is calling for nominations for a metering equipment owner to fill a vacancy in the SDFG.

The SDFG is the Authority technical group which manages changes to the electricity information exchange protocols (EIEPs) that enable low-cost exchange of standardised and reliable information between participants.

Further information on the SDFG is available at:

- <http://www.ea.govt.nz/our-work/advisory-working-groups/sdfg/>

Nominations with 'Nomination for SDFG' in the subject-line should be emailed to info@ea.govt.nz by 4.00pm Monday, 15 August 2011.

Part 10 review project

After considering consultation responses on the third and fourth consultation on the proposed Part 10 and related changes to Parts 1, 11 and 15 (metering rules), the Authority has decided that further time is required to consider data access arrangements and the nomination of metering equipment providers (MEPs).

To avoid further delaying finalisation of the new metering rules, the Authority has decided to split off the data access and MEP nomination issues and proceed with consulting on all other parts of the metering rules in September/October this year.


The Authority will continue to analyse the data access and MEP nomination issues in light of ongoing developments in that part of the industry.

Further information on the Part 10 review project is available at:

- <http://www.ea.govt.nz/our-work/programmes/priority-projects/part-10-review/>

Standardisation: Consultation

The Authority intends to publish its second consultation paper on more standardisation of distribution arrangements in the next two weeks.



The consultation paper will contain proposed interposed and conveyance model use-of-system agreements, a proposed approach to a model use-of-system agreement for embedded networks, arrangements for liability and load management, and draft Code amendments on some matters.

The consultation period will be four weeks.

Scarcity Pricing: Explanatory paper

The Authority has released a summary of the consultation paper on scarcity pricing and related measures which was published last Tuesday.

It is available at;

- <http://www.ea.govt.nz/our-work/consultations/priority-projects/scarcity-pricing-proposed-code-amendments/>

TPAG meeting papers

Meeting papers for the meeting of the Transmission Pricing Advisory Group (TPAG) held on 1 August are available at:

- <http://www.ea.govt.nz/our-work/advisory-working-groups/tpag/1Aug11/>

Independent Review of TPAG Discussion Paper

An independent review of the TPAG Discussion Paper prepared for the Board by Melbourne-based Economic Consultant, Dr Darryl Biggar, has been provided to TPAG for its consideration. The Board has also provided TPAG with guidance on which aspects of this report are relevant to its considerations.

The Authority decided at the time TPAG was established to commission an independent review of TPAG's work to provide a robust process for the Board's decision-making on transmission pricing.

The Independent Review of the TPAG Discussion Paper is also available at:

- <http://www.ea.govt.nz/our-work/advisory-working-groups/tpag/1Aug11/>

Current consultations

- Dispatchable demand
The Authority is consulting on its dispatchable demand proposal, including proposed Code amendments.
The paper is available at:
<http://www.ea.govt.nz/our-work/consultations/priority-projects/dispatchable-demand/>
Starting: 13/07/2011, Ending: 10/08/2011 5:00pm
- Scarcity pricing arrangements – proposed Code amendments
The Authority has published a second consultation paper containing its revised proposal for scarcity pricing measures, including proposed Code amendments.
The paper is available at:
<http://www.ea.govt.nz/our-work/consultations/priority-projects/scarcity-pricing-proposed-code-amendments/>
Starting: 26/07/2011, Ending: 26/08/2011 4:00pm

Subscription

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