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Introduction of financial transmission rights: Code amendment

The Authority has notified a Code amendment in the Gazette, which provides for the introduction of financial transmission rights (FTRs). A copy of the Gazette notice and the Code amendment are available at:

- <http://www.ea.govt.nz/act-code-regs/code-regs/code-changes/2011/>

The Code amendment comes into force on 1 October 2011 and the Authority intends the FTR market to be operating from 1 October 2012. Further information about the FTR market is available at:

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

Standardisation consultation paper: Published

The Authority has published a consultation paper on more standardisation of distribution arrangements.

The consultation paper contains proposed interposed and conveyance model use-of-system agreements, an approach to a model use-of-system agreement for embedded networks, and Code amendments on a range of matters.

It is available at:

- <http://www.ea.govt.nz/our-work/consultations/priority-projects/standardisation-muosa-and-proposed-code/>

The consultation period will be four weeks, closing on Thursday 8 September 2011.


Clean copies of the interposed and conveyance model use-of-system agreements, as well as copies showing 'strikethroughs' are available from info@ea.govt.nz.

A companion paper containing a brief background and summary of the proposals in the consultation paper will be published shortly. This paper is not part of the formal consultation on more standardisation.

A summary of submissions to the May 2011 consultation has been published and is available at:

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

Appendix B of this document will also be published shortly.



Transmission Pricing Advisory Group: 10 August 2011

Meeting papers for the meeting of the Transmission Pricing Advisory group (TPAG) held on 10 August are available at:

- <http://www.ea.govt.nz/our-work/advisory-working-groups/tpag/10Aug11/>

Wholesale Advisory Group: 18 August 2011

A meeting of the Wholesale Advisory Group (WAG) will be held on Thursday 18 August. An agenda and meeting papers are available at:

- <http://www.ea.govt.nz/our-work/advisory-working-groups/wag/18Aug11/>

July 2011 retail statistics published

Retail statistics for July have been published. These include consumer switching data to July, which is available at:

- <http://www.ea.govt.nz/industry/market/statistics-reports/icps-changing-electricity-supplier/>

Market information: New snapshot series

Development of the Authority's market monitoring capability has resulted in a number of new datasets becoming available and the analysis of this material is generating output of general stakeholder interest. Access to much of this material will be made available to stakeholders via the release of the Authority's data access package later in the year, as part of its market information and monitoring function.

In the meantime, with this edition of Market Brief, the Authority is launching *Information on the Market* to provide timely graphical snapshots of market data. Rather than wait until the Authority has compiled comprehensive sets of data, analysis and explanation on a matter, *Information on the Market* items will appear as and when the Authority has interesting material that stakeholders may be interested in.

The first of the graphical snapshots looks at data from the Hedge Disclosure website and can be found at the end of this Market Brief.

Current consultations

- 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
- Consultation on improving the opportunities to hedge New Zealand electricity prices
This consultation paper presents and seeks feedback on the Authority's proposals aimed at improving the opportunities to use financial hedge contracts to manage the price risks of movements in New Zealand electricity prices.
The paper is available at:
<http://www.ea.govt.nz/our-work/consultations/priority-projects/-improving-opportunities-hedge-electricity-prices/>
Starting: 01/08/2011, Ending: 29/08/2011 5:00pm

Developments in hedge market trading patterns

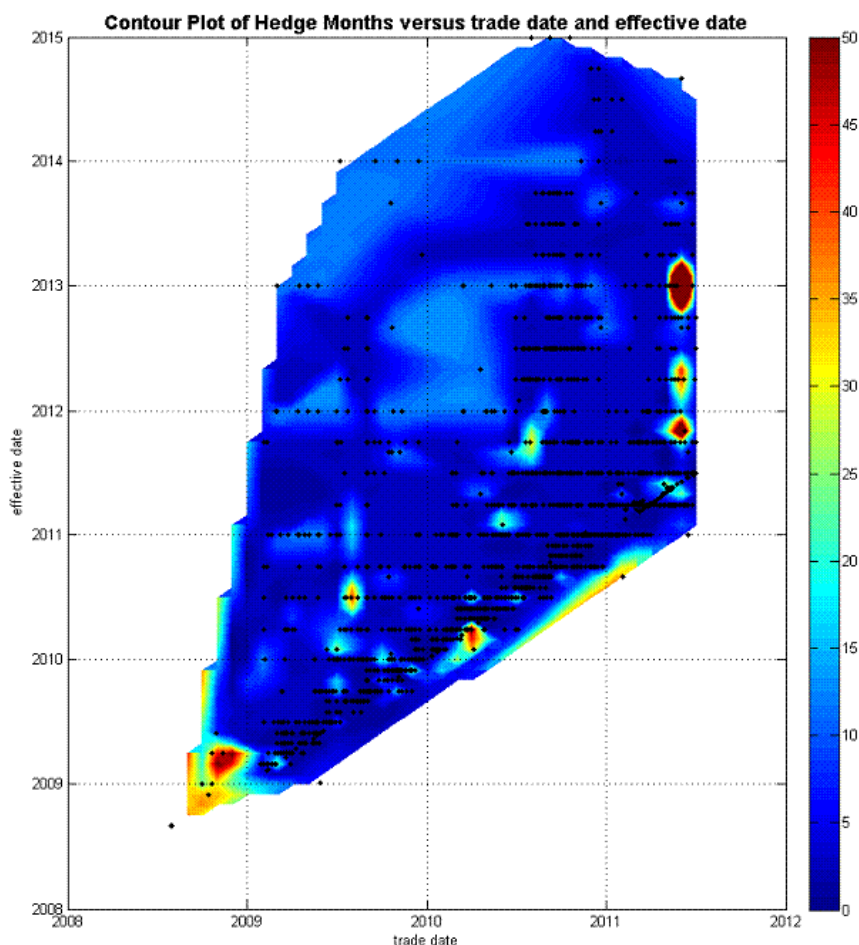
As mentioned above, the Authority is increasingly producing graphs and analysis utilising various industry datasets available to it. Where they may be of interest to participants, the Authority will publish those graphs in an *Information on the Market* addition to *Market Brief*.

This week, the first *Information on the Market* looks at some of the data that can be mined from the Hedge Disclosures website.

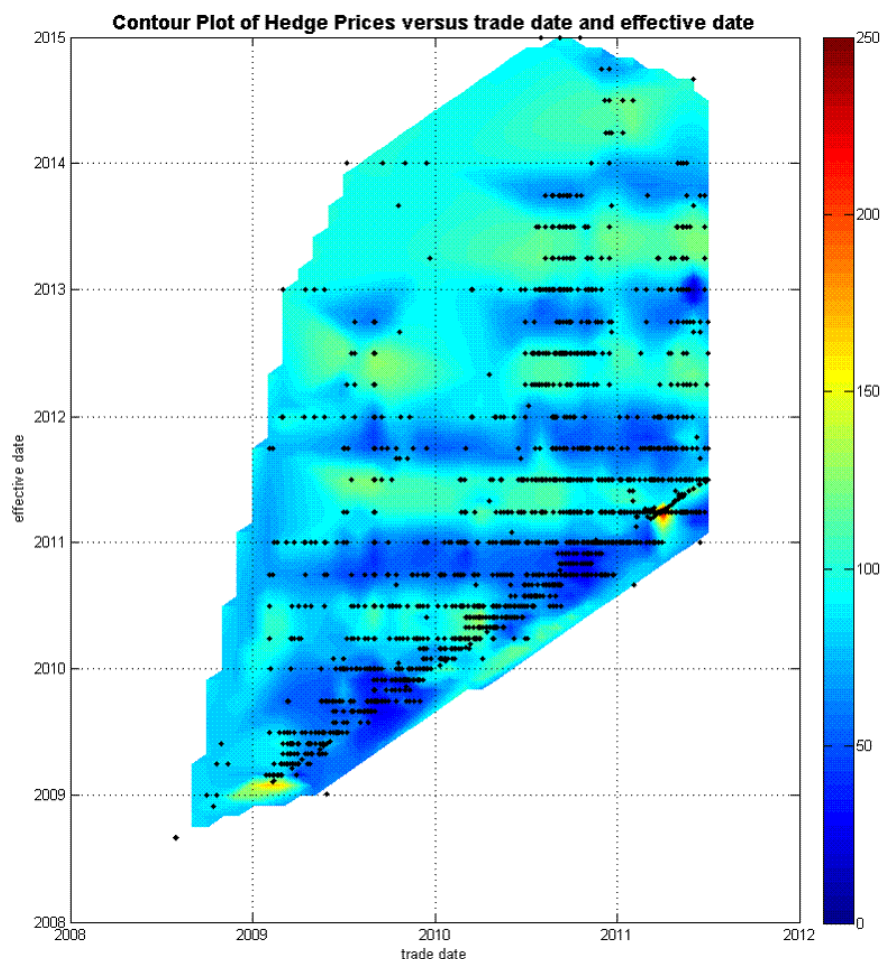
- <http://www.electricitycontract.co.nz/>

The following analysis looks at the trade date (the date the contract was formed), the effective date (the start of the contract), contract duration, and contract price for contracts-for-differences (CFDs) aggregated over all three hedge platforms (over the counter, energy hedge, and ASX).

The first figure is a visualisation of three related quantities, in a heat map of effective date, start date, and duration in months. The colour bar represents the contract duration in months. The colouring in the figure indicates that most contracts are for relatively short durations of a year or less. There are, however, isolated pockets of very long duration contracts, particularly in the second quarter of 2011. The black crosses in the figure indicate a pronounced increase in forward contracting, with participants appearing to lock-in prices further ahead, particularly in the second half of 2010. This increase does seem to carry through to the first half of 2011, to some extent.



The next graph is a heat map of colour-coded contract price versus trade date and effective date. Here we see a clear seasonality in contract price with effective date (the horizontal banding), and high prices for contracts at the end of March 2011. Arguably, there is a tendency for a greater number of contracts to be formed in the later half of each year. These graphs should be interpreted with some caution, as volumes and market concentration are not shown.



The Authority will generally place datasets, scripts and *Information on the Market* documentation on its website to provide interested parties the opportunity for further investigation.

This material will be available at:

<http://www.ea.govt.nz/industry/monitoring/models-and-tools/i-on-the-market/1-hedge-market-trading-patterns/>

Subscription

To subscribe or unsubscribe to *Market Brief* please email:

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