



7 April 2014

Submissions
Electricity Authority
By email: submissions@ea.govt.nz

Proposed Code amendment for FTR reconfiguration auctions

Meridian welcomes the opportunity to provide feedback on the Electricity Authority's working paper 'Proposed Code amendment for FTR reconfiguration auctions'.

We support the introduction of FTR reconfiguration auctions as a means of increasing the tradability of FTRs. We consider FTR reconfiguration auctions will improve the liquidity, operation and efficiency of the FTR market.

Our responses to the Authority's specific consultation questions are attached as Appendix A.

We have also set out proposed amendments to the Authority's Code drafting in Appendix B.

Please contact me if you have any questions regarding this submission.

Yours sincerely,

Matthew Hall
Regulatory Analyst

DDI 04 382 7516
Mobile 021 820 422
Email matthew.hall@meridianenergy.co.nz

Appendix A: Meridian responses to consultation questions

	Question	Meridian Response
1.	Do you agree with the Authority's assessment that an amendment to the Code is necessary for the proper functioning of FTR reconfiguration auctions?	Yes.
2.	Do you consider that the Authority has correctly assessed the costs and benefits of the proposed Code amendment?	<p>Meridian considers the Authority's estimate of costs for participants may be low.</p> <p>We appreciate the Authority's attempt to quantify the benefits of the proposal, although we agree with the Authority's statement that the accuracy of this assessment may be limited.</p> <p>In general, however, we agree there are likely to be net benefits from the proposal.</p>
3.	Do you agree that the proposed Code amendment will have positive net benefits?	Yes.
4.	Do you consider that the Authority has considered an appropriate range of alternatives?	Yes.
5.	Do you agree with the Authority's assessment of the apparent alternatives?	Yes.
6.	Are there other alternative approaches that you consider should have been assessed in this section?	No.
7.	Do you agree that with the Authority's assessment that the proposed Code amendment meets the requirements of Section 32 of the Act?	Yes, subject to our suggested amendments in Appendix B.

Appendix B: Meridian suggested amendments to Code drafting

FTR acquisition cost means—

(a) the amount a **participant** must pay or be paid in respect of the acquisition of an **FTR** in an **FTR auction**; or

(b) if an **FTR** has been assigned by the first holder of the **FTR**, the amount that becomes payable under clause 13.249(3); or

(c) if an **FTR** has been sold in an **FTR reconfiguration auction**, the amount of the existing **FTR acquisition cost** minus the **FTR reconfiguration amount**.

FTR reconfiguration auction means an **FTR auction** that allows a holder of an **FTR** to offer all or part of the **FTR** for sale

FTR reconfiguration amount means the amount the **participant**, who ~~offered~~ sold an ~~offered~~ reconfigured **FTR** in the **FTR reconfiguration auction**—

(a) is entitled to be paid for the **reconfigured FTR**, if the amount is positive;

(b) is obligated to pay for disposing of the **reconfigured FTR**, if the amount is negative