

## CLAIM OF UNDESIRABLE TRADING SITUATION (UTS)

### **CONTACT DETAILS**

Reporting Participant: TrustPower Ltd

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## **BASIS OF CLAIM**

### **(Regulations 55(1) and (2))**

*Specify relevant Regulation/s under which Participant claims a UTS - refer to the relevant Regulations 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. Part J of the Rules changes the reconciliation Process from reconciliation on the basis of differencing to global reconciliation, which in turn changes how non half hour metered volumes are allocated to participant between months. There would be a misallocation of volumes for the transitional revision and new rules period if the process in the rules are followed, because this transition is not accounted for in the requirements relating to seasonal adjustment shapes.

The EC has attempted to resolve this with the issuing of Exemption 90, but this has only delayed correct settlement, now the EC under the published “**Notice of intention to Grant exemptions and revoke Exemption No. 90**” intends to issue a further exemption for every reconciliation Participant to be exempted from the requirements in Rule 2.2 of Part J, rule 4.1.2 of Part J and also exempt the reconciliation manager from processing the data that will no longer be submitted by the participants. rules 8.3.1 and 11.1 of part J.

If this exemption is granted, or the market is required to run under the current rules, settlement of both Transition months and revisions from the 1<sup>st</sup> May will be incorrect.

By giving participants an exemption not to submit revisions, the reconciliation process is then forced to continue to use initial NHH submission for settlement. With the May 08 R3 due on day 13 of August 2008, most participants would expect this Revision to be a good reflection of where the market will finally settle, but this is unlikely to happen if all participants do not, or are unable to submit the most accurate data into the process.

If participants are to abide by the process outlined in the rules, then large volume of consumption would be shifted from earlier months into May 08 as a result of the large stepped change in the shape.

Factors such as Year end accruals, high market prices, and several issues arising from the implementation of the new system, mean it is critical the process is seen to work and provide a reasonable result sooner rather than later

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

2. The Exemption process being used to attempt to resolve this issue is only endeavouring to exclude participants from submitting data calculated using the shapes, and therefore would rely on a participants initial submissions for the new rules period. Any earlier month transition month revisions also rely on these shapes and will also be negatively affected i.e reads that transition the 7 month revision and 1 may 08 period will have consumption moved out of that month into May.

TrustPower, along with the rest of the industry have a desire to ensure settlement of energy as accurately and as quickly as possible, and to see the new processes delivering the accuracy intended under the new Rules. TrustPower believes that the rules as they stand, as well as Exemption 90 and its proposed successor are acting as a barrier to this happening and are contributing to an improper settlement of trades.

Since the introduction of the new Rules on the 1<sup>st</sup> of May the market as yet to see a successful and accurate revision completed for the following revision

- 3 month Revisions (R3)
  - o Feb 08,
  - o March 08,
  - o April 08
- - 1 month Revisions (R1)
  - o April 08,
  - o May 08,
  - o June 08.
- With the May 08 R3 and July 08 R1 due to be completed and submitted to the RM by 19<sup>th</sup> August 2008.

With no successful revisions completed participants are still unable to determine if the new rules and RM processes are delivering as required and that data provided for settlement purposes is known to have considerable errors.

## **SOLUTION SOUGHT BY APPLICANT**

### **(Regulation 56)**

*Specify relevant Regulation/s under which Participant claims a UTS - refer to the relevant Regulations below*

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

TrustPower believe that the actions the EC has available to it, could quickly resolve this issue, in particular (Clause 56 Subclause (2) (a) of Part 3 of the Regulations) by *giving directions to any participant to act in a manner (not inconsistent with these regulations, the rules, or any other law) that will, in the Commission's opinion, correct or assist in overcoming the undesirable trading situation.*

Rather than exempting participants to not submit data and the RM not to process it, we believe it is in the industry's best interest the EC provide an exemption to allow the RM to provide new shapes (already calculated) for the transition months, based on the new balancing areas, and that all participants be required to submit based on those shapes.

1. **Require** the RM to make the transition period (balance Area) shapes available to all participants as "Estimated" Shapes
2. **Require** All Participants to provide NHH revision Data, and make it clear that all participants will submit using either the "Estimated" shapes provided by the RM or their own estimated shapes in any HE calculation.
  - any estimated shape should reflect the seasonal changes and have no steps in data to cause incorrect calculation of NHH Consumption
  - this should cover any revision for any month until such time as the Rules allow the use of balancing area shapes for the transition period
  - (to ensure reads that span the transition and new rule period are correctly accounted for)
3. **Require** the RM **not** to publish revised seasonal shapes for any revision months in the transition period.
  - This would effectively lock down the *new balancing* areas based "estimate" seasonal adjustment shapes until the rule changes are in place
4. The RM be **required** to process revision cycles with all revised data be received from a participant.
  - if Retailers submit revised data for May 08 using the estimate shape files then the RM must process May 08

**WHEN CLAIMED UTS OCCURRED**

Date: All Revision Months since the implementation of the new Rules on 1 May 08

- 3 month Revisions (R3)
  - o Feb 08,
  - o March 08,
  - o April 08
- - 1 month Revisions (R1)
  - o April 08,
  - o May 08,
  - o June 08.

If not resolved by 19<sup>th</sup> August will also include

- May 08 R3 and
- July 08 R1

Time: N/A

**DESCRIPTION CIRCUMSTANCES AND IMPACT**

*Please provide description of the circumstances surrounding the claim and include a detailed description of the impact you have suffered as a result of the claimed UTS which must be supported by a statement from the CEO of your company.*

TrustPower has yet to be able to determine if the new rules are providing a more accurate reconciliation or if any of the large volumes of UFE being attributed to different participants are real and therefore what the costs are that the participant will finally end up bearing

TrustPower is seeing extreme swings and volumes associated with UFE and as an example if participants are once again exempted from processing May-08 TrustPower must then wear the cost of extreme levels of UFE until the R7 can be completed in December 08 (assuming the Rule change and process have been resolved by then)

UFE

RecMonth	0	1	3
01-Feb-08			7,619,259
01-Mar-08			- 415,740
01-Apr-08	14,806,870	1,561,947	- 6,919,382
01-May-08	17,551,704	19,401,648	
01-Jun-08	2,330,060	2,923,317	
01-Jul-08	4,649,124		

*CEO Statement:*

The inability of the market reconciliation system to competently settle trades three months after the new reconciliation process was established is unacceptable. It would seem that the Board is unable to resolve these issues in a timely manner by the other mechanisms available to it. Given the materiality of the amounts settled, it would appear that the Board requires the powers given to it under the undesirable trading rules to enable a satisfactory resolution of the situation.

I request that the Board ensure that the May reconciliation volumes are settled in the correct manner. The impact on the company is in excess of \$5 million.

Keith Tempest CEO

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