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By email

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### **Addition of a Central North Island FTR Hub**

As a trader of electricity, Nova Energy is concerned at the reducing depth and liquidity of electricity hedge contracts at the Otahuhu GXP since the decommissioning of the Otahuhu and Southdown power stations.

Despite there being a willingness by a number of generators to sell at nodes located in the Central North Island (CNI) there is a reluctance to trade at the Otahuhu GXP via the ASX futures market or through OTC contracts due to CNI based generators having growing concerns about prices separating between the CNI and the Upper North Island (i.e. including Otahuhu) and there being limited options to hedge this risk.

Similarly buyers seeking to hedge Upper NI demand are concerned about price separation risk if they purchase hedges in the CNI.

Accordingly, Nova Energy is of the opinion that an additional FTR hub in the CNI, as proposed by Mercury, would assist in parties being able to trade at their preferred location. This has the added benefit of increasing liquidity at the Otahuhu node which would support greater retail competition generally.

Specifically we recommend the additional FTR hub be located at Whakamaru as, after taking into account transmission capacity, line redundancy and the impacts of line outages, this node is likely to consistently provide more FTR capacity to Otahuhu than the Wairakei node. In addition, the absence of constraints generally means that an FTR hub base on Whakamaru is also likely to be of benefit to generators with capacity in the Taranaki region.

Finally, given a well-functioning hedge market is crucial to manage risk and underpin competitive outcomes in the energy market, we support Mercury's recommendation and urge the Authority to make the proposed changes as soon as reasonably practicable rather than wait for a FTR Allocation Plan Consultation process to be completed.

Yours sincerely,



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