

26 August 2016

Tim Street
Manager Wholesale Markets
Electricity Authority
P O Box 10 041
Wellington 6143

By email: tim.street@ea.govt.nz

Dear Tim,

Implementation of a Central North Island Financial Transmission Right

Pioneer supports the request by Mercury for an additional Central North Island FTR hub at Whakamaru. We agree with Mercury's rationale for this request and that a new hub should be implemented with urgency.

Pioneer supports initiatives that improve liquidity in the spot and hedge markets as greater liquidity better enables smaller generators and retailers to compete and facilitates effective risk management.

Our view, expressed in prior submissions on hedge market development, is that the number of spot market nodes should be substantially reduced – this would improve liquidity and remove a great deal of complexity from the wholesale market without any noticeable impact on nodal price signals. We also suggest that FTR nodes should match wholesale spot market nodes to maximise the opportunity to manage risk – this could more easily be implemented if the number of spot market nodes was reduced.

In our experience the ability to manage price separation risk into the Upper North Island with the current FTR hubs is limited. This is because both OTA and HAY are too transmissionally disparate from the Central North Island and this is reflected in spot prices. As a result neither of these FTR hubs provides effective or economic risk management for Central North Island commitments.

Please contact Rebecca Osborne if you would like to discuss this letter in more detail (04 974 6417 or rebecca.osborne@pioneerenergy.co.nz).

Yours sincerely

Fraser Jonker
Chief Executive

cc: FTR Manager, Energy Market Services, ftmanager@ems.co.nz