

Michael Boddy
PO Box 90399
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New Zealand

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Dear Mr Boddy

I am writing on behalf of OMF in support of Mercury Energy's proposal for an additional FTR node at WKM2201. OMF is of the view the FTR market needs additional North Island nodes to aid in risk management and to further the development of the wholesale hedge market. Whakamaru is a major point of generation in the North Island and its inclusion as a tradeable FTR node is a necessary addition to increase the efficiency of the hedge market.

We are increasingly seeing sell side interest to write both short and long term hedges at WKM2201. In contrast, buy side participants are increasingly opposed to accept any location risk when hedging their retail exposure at major grid exit points. Recent thermal plant closures have increased the North Island's dependence on the residual installed capacity. In the event of a dry year or when generation/transmission failures occur, the expectation is that price separation will be extreme. As a result we have facilitated very few over the counter deals at WKM2201 in recent times.

The introduction of a WKM2201 FTR will enable wholesale market participants to manage their price risks and lead to a more efficient wholesale market.

We are aware the FTR manager plans to consult on introduction of new FTR nodes. In our view the demand for this hedge development product is critical and therefore should be adopted as soon as possible.

We are happy to discuss in more detail at your convenience.

Kind Regards,

Karl Arns