



22 August 2016

Electricity Authority  
Level 7, ASB Bank Tower  
2 Hunter Street  
Wellington

By email

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

As a buyer of electricity and more specifically upper North Island financial hedges, Switch Utilities is concerned at the availability of electricity hedge contracts at Otahuhu despite there being a willingness by a number of generators to sell at nodes located in the Central North Island (CNI).

This situation will likely have an undue financial impact upon us so it is crucial we be able to manage our risks in this market.

Accordingly, Switch Utilities is of the opinion that an additional FTR hub in the CNI, as proposed by Mercury, would create the opportunity for us (or our seller counterparty) to cover this basis risk by "moving" the generation from the CNI to Otahuhu.

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.

Finally, given a well-functioning hedge market is crucial to manage risk and underpin competitive outcomes in the energy market, Switch Utilities supports Mercury's recommendation and urges the Authority to make the proposed changes now rather than wait for FTR Allocation Plan Consultation process to be completed.

Yours sincerely,

Daniel Crawford  
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Switch Utilities Limited