Attachment 1: Chronology

- **26 March 2011** - Genesis UTS decision
  On 26 March 2011 MRP managed basis risk in the same way as Meridian did on 2 June 2016. Authority describes MRP's conduct as a 'logical reaction':

  > *147. By increasing its Waikato generation offer prices, Mighty River Power's offer behaviour was consistent with an attempt to bring about a market squeeze affecting the rest of the North Island. However, in a letter to the Authority on 29 April 2011 Mighty River Power stated:*
  >
  > > *• "Mighty River Power had circa [ ]MW of gross short position north of the transmission constraint, and the binding constraint was preventing Mighty River Power being able to compete in the market north of the constraint. For clarity, these offer modifications were a reactive response to the price separation and would not have been undertaken had the transmission constraint not bound in combination with the offering strategy of Genesis Energy."*
  > > *• "For clarity we were not seeking to leverage the high prices generated north of the constraint to other parts of New Zealand where, on the whole, we are net short. The core purpose was to lift prices in the region of a large proportion of our generation to reduce the price separation across the constraint to the north, and potentially also produce a dynamic response in the market."*
  >
  > *148. The UTS Committee notes that Mighty River Power's explanation is a logical reaction to the high prices brought about by Genesis Energy's high offer prices for its Huntly units. As Genesis Energy reduced its offer prices at Tokaanu, Rangipo and Tuai to manage its overall position, Mighty River Power needed to increase its offer prices in the Waikato to manage its overall position.*

- **4 June 2014** - EA decision to introduce trading conduct rules

- **October 2015** – EA initiates Market Performance Enquiry into high spot prices observed in June and July 2015, notably 23 June 2015 when prices reached $300+ MWh. Meridian advises Authority it adjusted offers to manage risk of price separation between South Island and North Island.

- **2 June 2016** – Spot prices rise to $4,300 in TP 36 and $2,800 in TP 38. Shortly afterwards Electric Kiwi alleges both UTS and breach of high standard of trading conduct by Meridian.

- **16 August 2016** - UTS decision for 2 June 2016
  Authority finds no UTS because there was no evidence that the existing levels of confidence in, or integrity of, the wholesale market were threatened, or may have been threatened. Also, situation on 2 June was within the normal operation of the wholesale market because:
  - Meridian's offer behaviour was not an unusual response for a market participant facing the risk of financial loss as a result of the tight and uncertain market conditions that existed in the North Island over the relevant trading periods.
  - There is evidence that a similar approach is also used by other industry participants to manage the risk of financial loss when faced with similar scenarios of basis (or locational) price risk and has occurred regularly in the past
  - The offering behaviour of other market participants, and an unscheduled generation outage, had equivalent impacts on the market outcomes to Meridian's offer behaviour.

- **4 April 2017** – EA Investigator decides he is not able to establish whether Meridian breached clause 13.5A(1) on 2 June 2016 or whether Meridian was inside or outside the safe harbour provisions and recommends the Board discontinue the investigation AND direct that a project be added to the Authority's 2017/18 work programme to review the trading conduct Code provisions and develop guidelines on what is a high standard of trading conduct.

- **4 May 2017** - EA decides to discontinue investigation of Meridian breach on 2 June 2016
  Authority also expresses opinion that Meridian's trading conduct not of high standard:

  > *Meridian was outside the safe harbour provisions under clause 13.5B(1)(c) for trading periods 36 and 38 of 2 June 2016 because:*
  >
  > > *• In terms of clause 13.5B(1)(c)(i), there were offers Meridian could have made that would have resulted in the prices being lower*
  > >
  > > *• clause 13.5B(1)(c)(ii) did not apply*
  > >
  > > *• Meridian benefited financially from an increase in the final prices - clause 13.5B(1)(c)(iii).*
  >
  > *Meridian used its pivotal position to cover its unhedged North Island risk on 2 June 2016, which essentially resulted in the cost of the risk being met by other parties. The high standard of trading conduct provisions were introduced to improve the efficiency of prices in pivotal supplier situations and the Authority would have expected Meridian to have covered its risk using other available risk management products or if it chose not to do that then bear the cost of the risk if it eventuates.*

  Authority's view inconsistent with its own Investigator who found (4 April) no breach of HSOTC was established and strong argument that Meridian's trading conduct on 2 June 2016 was within safe harbours and Authority expert who found (3 May) that Meridian did not breach the Code because it was within the safe harbours (but recommended rewriting the Code to remove the safe harbours).

- **8 May 2017** – warning letter from EA Chair to Meridian RE 2 June 2016
  Says that on 2 June 2016 "*final prices in the South Island in the range of $3,000 to $4,600 per MWh resulted that had no relation to scarcity.*"

- **9 May 2017** – Meridian chance to comment on draft of Market Performance Review into 2 June 2016 which covers also the winter 2015 events on which Meridian provided initial comments in October / November 2015. Draft Review finds "that the trading behaviour on 2 June was inconsistent with the Authority's statutory objectives." Meridian provides comments to the Authority on the Draft Review on 23 May 2017 with supporting reports from Greg Houston and Daniel Young of HoustonKemp economists and Toby Stevenson of Sapere Research Group.

- **31 October 2017** - EA decision to discontinue investigation of Mercury 8 December 2016 trial or test withdrawal of reserve offers. No reasons given.

- **18 December 2017** - Final Market Performance Review for 2 June 2016
  Review undertakes a qualitative assessment which finds that using offers to link prices across a transmission constraint and thereby raise prices in a region with abundant supply could harm the market in various ways. Acknowledges (at 8.2) that these are primarily long-run impacts that could occur as opposed to observations of what happened on 2 June 2016.

- **8 February 2018** - MDAG papers in particular:
  - Letter from the EA to the MDAG asking them to consider trading conduct rules.