



Trustpower Limited
Head Office
 108 Durham Street
 Tauranga
 Postal Address:
 Private Bag 12023
 Tauranga Mail Centre
 Tauranga 3143
F 0800 32 93 02
Offices in
 Auckland
 Wellington
 Christchurch
 Oamaru
Freephone
 0800 87 87 87
trustpower.co.nz

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Submissions
 Electricity Authority
 Level 7, ASB Bank Tower
 2 Hunter Street
 P O Box 10041
 WELLINGTON

By email: submissions@ea.govt.nz

TRUSTPOWER SUBMISSION: SUPPLEMENTARY CONSULTATION ON UTS PRELIMINARY DECISION PAPER (PDP)

- 1.1.1. Trustpower Limited (**Trustpower**) welcomes the opportunity to provide a submission to the Electricity Authority (**Authority**) on its *Preliminary decision on claim of an undesirable trading situation: Supplementary consultation paper*] paper (**the Consultation Paper**).
- 1.1.2. The Authority is seeking feedback on whether it is appropriate to extend the period of the alleged undesirable trading situation (**UTS**) from 3 to 18 December 2019 in the PDP to the period of 6 to 27 December 2019 in the Consultation Paper.
- 1.1.3. It has also re-framed its grounds for finding a UTS from the alleged problematic behaviour of Meridian Energy to a focus on a “confluence of factors” which led to reduced competition. It has asked if submitters agree with its updated analysis.
- 1.1.4. Trustpower agrees with the Authority that a “confluence of factors” could constitute a UTS. We also note that a “confluence of factors” also generally results in the determination of market prices.
- 1.1.5. A core issue in the current case is the boundary line of the UTS jurisdiction. Does the Code provision operate as a last resort measure for exceptional circumstances or a tool for inquiry and intervention whenever there are price outcomes which do not match the regulator’s, or claimants’, expectations of what might reasonably be expected to occur with levels of normal competition?
- 1.1.6. Most of the focus of the Consultation Paper is on the presentation of new evidence for a finding of reduced competition. The Authority finds that:

SI generation normally increases with SI hydro storage	BUT during the alleged UTS more SI storage led to either no change or slightly less generation
Thermal generation usually increases/decreases as SI generation storage decreases/increases	BUT during the alleged UTS SI generation did not displace NI generation

Spot prices usually decrease with increasing SI storage but has no relationship with SI hydro generation	BUT during the alleged UTS prices increased when SI hydro generation increased
Northwards flow over HVDC normally increases when SI storage increases	BUT during the alleged UTS northwards flow over HVDC decreased even though storage increased
NI generation usually increases with NI storage	BUT during the alleged UTS NI generators were endeavouring to conserve water to the extent they could for the notified HVDC outage
Price separation (between islands and between upper and lower SI) generally increases as SI storage increases	BUT during the alleged UTS the opposite occurred between islands and between Invercargill and Benmore.

1.1.7. Trustpower accepts that this is evidence that the market was operating differently from usual during the period in question and that there may have been a lessening of competition.

1.1.8. We agree that the most likely reasons for this occurring are those identified by the Authority:

- a) There was a series of very large inflow events;
- b) Contact was trying to avoid being the marginal generator as it was using its automated spill gates for the first time during a flood event;
- c) Mercury was trying to conserve water in anticipation of future high prices during the planned HVDC outage;
- d) Genesis was operating as a price-taker in the South Island; and
- e) Meridian may have been withholding generation to avoid the HVDC binding (although there appears to be contradictory evidence on this point).

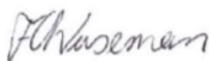
1.1.9. We are not however sure if this period of potentially reduced competition is sufficient to form the basis for a claim that the statutory test in the Code for a UTS is met.

1.1.10. This requires a situation that threatens confidence or integrity in the wholesale market, has serious consequences for the wholesale market, is not able to be resolved by other means such as normal responses of the market, and otherwise justifies the use of the Authority's extensive corrective powers. In short, it is a high threshold.

1.1.11. We note the period in question may simply be a situation where generators are bidding at the prices at which they are willing to supply.

For any questions relating to the material in this submission, please contact me directly on 027 549 9330.

Regards,



Fiona Wiseman
Senior Advisor, Strategy and Regulation