

Compliance case study: Authority access to exchange data

This case study discusses a case in which a participant did not take all necessary steps to ensure the Authority could access its exchange data

Background

In 2020 the Authority amended the Code to enable it to gather better-quality data on risk management contracts, as part of its ongoing work to make improvements to the wholesale electricity market.

It is important the Authority has timely and authoritative data on participants' activity in the futures market, to inform its decision-making, enable better monitoring and enhance trust and confidence in the market among participants.

From 29 October 2020, clause 13.236AA came into effect, which requires industry participants trading electricity contracts on the ASX, or any other exchange, to give permission for their de-anonymised trading data to be shared by the exchange with the Authority.

Each organisation that trades electricity contracts on the ASX needs to:

- sign a consent form to share its data with the Authority, and return it to the ASX and the Authority
- ensure it has appropriate arrangements in place with its broker and other market intermediaries including providing its account identifier to the ASX.

More information is available online:

<https://www.ea.govt.nz/operations/wholesale/hedges/authority-access-to-exchange-data/>

In particular, clause 13.236AA(3) requires participants to ensure all necessary arrangements are in place with any other person acting on their behalf, to permit and facilitate the provision of information by the ASX to the Authority.

Circumstances of the case

On 30 April 2021, the Authority considered a breach of clause 13.236AA(3) of the Electricity Industry Participation Code 2010 by a participant in February 2021. The ASX, as part of its regular monitoring of the wholesale market for the Authority, identified this breach and alerted the participant.

The participant traded under an identifier that had not been used for some time and had assumed the ASX would still associate this identifier with its trades. The participant failed to take steps to ensure that was the case.

Because the ASX did not associate the identifier with the participant, it did not provide one of the participant's trades to the Authority.



Authority decision

The Authority found the participant breached clause 13.236AA(3) when it failed to ensure all necessary arrangements were in place to facilitate the provision of information by the ASX to the Authority.

In this case the Authority decided to take no further action on the breach under regulation 11(1)(c) of the Electricity Industry (Enforcement) Regulations 2010 (the alleged breach does not warrant further action being taken) because there was no market impact, and the participant confirmed that the ASX now has all the participant's trading identifiers.

Lessons learned

This case study provides a reminder to all industry participants to ensure they have all the necessary arrangements in place for the ASX to be able to identify and share the participant's data with the Authority – such as ensuring the ASX is aware of all the participant's unique identifiers it uses when trading.

It is the responsibility of the participant to provide all relevant trade identifiers to the ASX. This enables the ASX to link trading data with the relevant participant. Participants should ensure they immediately provide an updated consent form if their trade identifiers or trading arrangements change in future.

Participants are also reminded to ensure extensive planning and due diligence is undertaken when new systems and processes (eg, trading algorithms) are trialled and implemented, to ensure the activity will be Code compliant.

Reporting trades on the Electricity Hedge Disclosure System

When the Authority introduced new clause 13.236AA it stated it would consider reducing participants' reporting obligations through the hedge disclosure website once it was satisfied it had secured access to a comprehensive set of participants' data through the ASX. This case highlights to the Authority that it currently remains appropriate for participants to continue to report all their trades through the hedge disclosure website, though the Authority will keep this under review.

