

19 May 2021

Submissions
Electricity Authority
P O Box 10041
Wellington 6143

By email: uts@ea.govt.nz

Dear UTS team,

Re: Proposed Actions to Correct 2019 UTS—Cross Submission

Pioneer Energy (Pioneer) welcomes the opportunity to make this cross submission on the Electricity Authority's (Authority's) proposed actions to correct the 2019 UTS.

Pioneer has reviewed the feedback provided by submitters on the Authority's proposal to not resettle the derivatives market which Pioneer does not support.

Of those that commented on this aspect of the actions to correct the UTS, the submitters that supported some form of resettling the derivatives market emphasised the negative impact on confidence in the hedge market if the correction of the UTS decouples the spot and hedge components of the wholesale market. Mercury summarises this well:

"With prices settling at incorrect values sellers will have less confidence in providing volume to this sales channel and may be less likely to maintain or increase liquidity in future if their positions are not corrected. Restoring confidence to the entire market, which is the EA's primary goal, must include derivatives and we encourage the EA and the ASX to revisit the decision to not re-settle UTS impacted contracts."

Those that submitted in support of the Authority's proposal emphasised the administrative burden or "practical impediments" of resettling this market.

Again, Pioneer submits that the Code obliges the Authority to attempt to correct an UTS. Pioneer does not believe that participants can have confidence in the entire wholesale market when "practical impediments" mean a large part of the market is not subject to correction when it has been determined a UTS occurred. Not to correct the derivatives market leaves prices in one part of the wholesale market determined by a situation where there was reduced competition and trading behaviour which has been determined has negatively impacted the integrity of the market (ie a UTS occurred).

Pioneer believes the approach to actions to correct the UTS should be principles based. The Authority's proposal to exclude derivatives is not consistent with a principles-based approach.

The Authority's remedy must be balanced / equitable. It is not appropriate for a participant to incur lower revenue on spot sales due to the reset but benefit from settlement of derivatives at the escalated prices that the Authority has proven to have occurred during a UTS (ie consistent with market power and reduced competition in generation).

We would welcome the opportunity to discuss this submission with you in more detail.

Yours truly

A handwritten signature in blue ink, appearing to be 'Fraser Jonker', written over a horizontal line.

Fraser Jonker
Chief Executive