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Submissions
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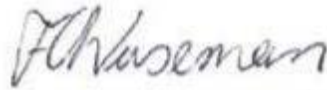
TRUSTPOWER'S CROSS-SUBMISSION ON PROPOSED ACTIONS TO CORRECT 2019 UTS

- 1.1 Trustpower thanks the Electricity Authority (**Authority**) for the opportunity to provide a cross-submission on the matters raised in other parties' submissions on its Proposed Actions to Correct Undesirable Trading Situation 2019 Consultation paper (**the Consultation Paper**).
- 1.2 Our cross submission focuses on whether or not it is appropriate to resettle the hedge markets. This was a key issue in the submissions received by the Authority in this consultation.
- 1.3 It is clear from submissions that a number of stakeholders are concerned about the decoupling of the hedge and spot markets which occurs as a result of the Authority's decision.
- 1.4 The ASX submission highlighted the prospect that an ex post regulated decision to change final prices would undermine the confidence in the hedge market.
- 1.5 Trustpower agrees with this observation. Changing the basis of arrangements that parties formally agreed to ex-post would introduce additional uncertainty for participants. It would also undermine the independence and stability of the market's operating arrangements and result in a reduction in confidence of participants using the financial derivative markets. This will ultimately undermine the financial derivative market as a tool for managing risk in the NZ electricity market.
- 1.6 There appears to be a mixed understanding across the submissions of the Authority's jurisdictional limitations in relation to the resettlement of some hedges. This suggests that it would be helpful if this was further explained in the Authority's final decision.
- 1.7 If so, we think that we need to change the regulatory framework to ensure that parties do not again face the position where balanced trading positions become unbalanced as a result of the regulator's actions to address the behaviour of a third party.
- 1.8 We continue to consider that one option for addressing this issue could be the Authority facilitating the development of a default contract terms with a clause requiring resettlement in the event of a similar UTS remedy. This could be used by the industry in the future (with the appropriate third-party agreements) and would appear to address the issues presented by all submitters. There may be alternative solutions which could also be explored, and we encourage the Authority to further consider this matter.

1.9 We would be pleased to elaborate on the points set out in this cross-submission and look forward to participating in any further discussions of these issues.

1.10 For any questions relating to the material in this submission, please contact Peter on 027 205 7347

Regards,

A handwritten signature in black ink that reads "F. Wiseman". The signature is written in a cursive, flowing style.

Fiona Wiseman
Senior Advisor - Strategy and Regulation