Kia Ora,

We, like most market participants, are directly affected by the both the UTS and the time taken to resolve the claim.
We welcome the opportunity to comment on the latest round of consultation regarding the ongoing UTS claim from August 2021.

We will keep our comments brief on your specific question

- Yes we believe it is appropriate for scarcity pricing to apply to the relevant trading
- periods We believe that the correct price signal is imperative to ensuring that the long term interests of consumers are met
- The price signal is what determines new build and any erosion of this proper functioning of price signals is dangerous
- Scarcity pricing already itself dampens the true price signal
- Even if there was a technical breach of the code, we believe the value of the price signal must be preserved as priority
- In the event that scarcity pricing was removed this would be to the clear detriment of consumers

Further comments

- The priority objective of the EA and the power market generally must be the safe an reliable supply of electricity to its consumers
- This can only be met where sufficient generation is available to cover both energy and capacity risk
- NZ has not had to deal with acute capacity risk historically but is now facing both demand growth and plant retirements which are creating this risk
- The solution to this problem is to support the build if new generation, which cannot happen if the price signal is removed
- To be clear, we are saying that the claim of UTS being for the benefit of consumers is not true. It is simply exchanging short term gain, for long term structural pain.

On UTS generally

- UTS are increasingly being used when some participants simply do not like a price outcome and we believe this needs to stop
- Hedging instruments are readily available for these participants every day using the market-making on the futures
- The investigation and suspension of settlement for August 2021 creates real flow-on cash costs for market participants and therefore consumers
- It is inappropriate to suspend settlement for what will likely be 12 months; this is not the case in other comparable power markets
- The delay causes cash constraints to participants who have to find additional funding while awaiting the delayed settlement

- This cost is passed on to all consumers through a higher cost to serve
- The trend of increasing frequency and duration of UTS investigations also increases the cost of market-making
- Every UTS which alters price increases the basis risk between CFDs and futures contracts, also increasing the cost of market-making
    - Proprietary capital has exited this market specifically because of this reason over the last 5 years
- All of these are counter to the interests of consumers and damage the development of a robust and sustainable market

It is our strong view that the UTS process is being abused by market participants for their gain, at the expense of both the market and consumers.
Furthermore, the time which the EA has taken to investigate is also inappropriate and needs to shorten in future.

There are major structural challenges that must be faced by NZ over the next decade, and we question why capital would invest in peaking capacity with the risk of spurious UTS ever present. If the EA wishes to pursue its mandate to create a robust sustainable market for consumers benefit, then changes must be made to the UTS process in future.

Feel free to contact me if you wish to discuss any of these points further.

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