

## Memorandum

To: Market Participants  
From: Electricity Commission  
Date: 23 July 2004

### Re: Claimed Undesirable Trading Situation

This notification updates market participants on the Commission's consideration of claims made by two market participants that an Undesirable Trading Situation (UTS), concerning the North Island reserve market, exists.

The market participants have claimed that they, and other market participants, have been adversely affected by the System Operator's non-dispatch of instantaneous reserves, for certain trading periods, during a grid emergency on 29 June 2004.

The Commission notified the market, on 30 June 2004;

- of the existence of these UTS claims,
- that it had considered but declined a request by one of the market participants to delay the publication of final energy prices and final reserve prices for the affected trading periods, and
- that it had requested Commission staff to investigate the UTS claims and report back to the Commission.

Having now considered the UTS claims, the Commission does not consider that the issues raised satisfy the Electricity Governance Regulation 55(1) test for determining that a UTS exists.

The full decision of the Commission will be released in due course and will be available on the Commission's website.

The Commission recognises that the substantive issues raised by the UTS claims (concerning the operation of the reserve market, the non-dispatch of instantaneous reserves and the co-optimisation of the reserve market with the energy market) indicate less than ideal outcomes for the energy and reserve markets and for market participants. In particular, the Commission has concerns regarding the impact of these circumstances on the utilisation of reserves and on market prices.

The Commission intends to review these issues using the expertise of advisory groups. It considers the review will be a major task, given the

complex technical and policy issues involved. At this stage, the Commission does not consider that any of the possible solutions, discussed during its consideration of the UTS claims, have been sufficiently developed to be introduced as an immediate solution.

Should you require any further information, please contact Tim Street.

For the Electricity Commission Board

  
Roy Hemmingway  
Chair