

Market Notice

To: Market Participants
From: Electricity Commission
Date: 3 August 2005

Claimed Undesirable Trading Situation (UTS)

This notice advises market participants of a claim, made to the Electricity Commission (Commission) by the Major Electricity Users' Group (MEUG), which alleges an undesirable trading situation currently exists in that every purchaser of electricity in New Zealand is theoretically exposed to an unlimited liability as a result of spiralling frequency keeping and associated constrained on and off charges. MEUG has requested that the Commission:

- initiate an urgent rule change to remove this unlimited liability; and
- consider introduction of a new rule to deal with constrained on and off payments to frequency keeping service providers and allow disclosure of information about current frequency keeping prices.

Having now considered the UTS claim, the Commission considers that the circumstances do not satisfy the test for a UTS under the Electricity Governance Regulations.

In reaching this decision, the Commission notes that there are no indications of a situation that poses an immediate threat to the wholesale market. There is no evidence of a pattern of undesirable behaviour or circumstance related to recent frequency keeping and related constrained on and off charges.

In addition, the Commission notes that the Common Quality Advisory Group (CQAG) has in its development plan a number of items relating to the frequency keeping market. The Board has recently agreed, in principle, to an investigation into a national frequency keeping market in the short term, and to a more strategic study of frequency related issues.

A handwritten signature in black ink, appearing to read "Roy Hemmingway". The signature is fluid and cursive, with a large loop at the end.

For the Electricity Commission Board
Roy Hemmingway (Chair)