

CLAIM OF UNDESIRABLE TRADING SITUATION (UTS)

CONTACT DETAILS

Reporting Participant:	The New Zealand Refining Company Limited
Contact Name:	David Martin, Energy Manager
E-mail:	david.martin@nzrc.co.nz
Phone:	09 4328311
Mobile:	
Fax:	09 4328035

BASIS OF CLAIM

Definition of “undesirable trading situation”, clause 1.1 of the Code

Specify relevant paragraphs under which Participant claims a UTS - refer to the full definition set out below

This UTS is claimed on the basis of the following paragraphs of the definition of ‘undesirable trading situation’ in clause 1.1 of Part 1 of the code:

- a) An event that threatens, or may threaten, trading on the wholesale market for electricity and that would, or would be likely to, preclude the maintenance of orderly trading or proper settlement of trades*
- c)(i) manipulative or attempted manipulative trading activity*
- c)(iii) unwarranted speculation or an undesirable practice and*
- c)(v) an exceptional or unforeseen circumstance that is at variance with, or that threatens or may threaten, generally accepted principles of trading or the public interest.*

Describe why in your view the claimed UTS is a contingency or event that threatens, or may threaten, trading on the wholesale market for electricity and that would, or would be likely to, preclude the maintenance of orderly trading or proper settlement of trades.

We believe that the market events of 26 March 2011 led to unreasonable spot electricity pricing during this period. This will potentially result in a significant financial penalty for our company and is in danger of setting a new precedent for pricing within the market place.

Describe why, in your view, the claimed UTS could not be satisfactorily resolved by any other mechanism available under the Code.

We are not aware of any other mechanism under the code that can satisfactorily resolve this issue.

SOLUTION SOUGHT BY APPLICANT

Clause 5.2 of the Code

Describe how in your view the claimed UTS could be resolved by the Board, bearing in mind the following powers of the Board should it find that a UTS does exist

- *suspending, or limiting or curtailing, an activity on the wholesale market for electricity, either generally or for a specified period:*
- *deferring completion of trades for a specified period:*
- *directing that any trades be closed out or settled at a specified price:*
- *giving directions to any participant to act in a manner (not inconsistent with the Code, any regulations, the Act, or any other law) that will, in the Board's opinion, correct or assist in overcoming the undesirable trading situation:*

Should the Authority find that a UTS exists, NZRC requests that the authority:

- Conducts an investigation into this event as soon as possible.
- Does not set final pricing for this period until such time as its investigations have been concluded.
- Considers appropriate measures to prevent recurrence of similar incidents in the future.

WHEN CLAIMED UTS OCCURRED

Date: 26 March 2011

Time: 10:30 to 17:30

DESCRIPTION CIRCUMSTANCES AND IMPACT

Please provide description of the circumstances surrounding the claim and include a detailed description of the impact the notifying participant suffered as a result of the claimed UTS.

It is our understanding that on March 26th maintenance was being carried out on transmission circuits between Waikato and Auckland. During this period we experienced spot electricity pricing at what we consider to be unreasonable and unprecedented levels, and beyond what we would reasonably expect to pay within a competitive electricity market.

On Monday March 28th we were contacted by our spot supplier and notified of the event and impact on prices.

The full extent of the financial impact on our business due to this event is estimated to be in the order of [\$■] based on preliminary market pricing. To put this in perspective this one day cost equates to approximately [■%] of our total expected annual electricity cost. **NZRC requests that the figures quoted in this paragraph be treated as confidential and commercially sensitive by the Electricity Authority.**

Please send completed form to compliance@ea.govt.nz