

18 August 2020

Dr Doug Watt  
UTS Team  
Electricity Authority  
By email to [UTS@ea.govt.nz](mailto:UTS@ea.govt.nz)

Dear Doug

### Consultation on UTS preliminary decision

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority (EA) preliminary decision paper titled "The Authority's preliminary decision on claim of an undesirable trading situation" 30<sup>th</sup> June 2020.<sup>1</sup>
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Several members intend making submissions.
3. The EA's technical briefing held 17<sup>th</sup> July, replies to MEUG and members' enquiries by EA staff, and publishing some of the analysis outputs in excel spreadsheets were helpful.
4. MEUG agrees, subject to the caveat in paragraph 4 below, with the following conclusions:
  - "Our preliminary conclusion is that situation threatens, or may threaten, confidence in, or the integrity of, the wholesale market." [paragraph 18.2]
  - The Authority is "... satisfied there are no other means within the Code to resolve this situation other than via the UTS provisions." [18.4]
  - "... and there was an undesirable trading situation between 3 and 18 December 2019" [Executive summary, page v]
5. The caveat is that MEUG's view is subject to considering the submissions of other parties.
6. The scale of the EA's estimate of over-charging for the 16 days of the preliminary UTS period at approximately \$80 million must make the EA's consideration of any action to take as both critical and prompt in order to avoid a repeat of this event.

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<sup>1</sup> URL <https://www.ea.govt.nz/dmsdocument/27018-preliminary-decision-2019-uts-claim> at <https://www.ea.govt.nz/code-and-compliance/uts/undesirable-trading-situations-decisions/10-november-2019/>.

7. Based on the EA’s analysis the table below summarises the percentage over-charging at three representative nodes:

Node	BEN2201	HAY2201	OTA2201
Average prices 3 to 18 December 2019	\$/MWh	\$/MWh	\$/MWh
Actual	72.8	78.6	92.7
EA’s estimated price if no UTS	26.1	39.5	48.1
Over-charging	46.7	39.1	44.6
Over-charged price relative to price if no UTS	179%	99%	93%
Reference EA’s vSPD_UTS_basecase_spotprice.xlsx and vSPD_UTS_LSI_offers_6pt35_spotprice.xlsx.			

8. The magnitude of the estimated average over-charging for spot market purchasers during the alleged UTS period in both islands is staggering. North Island unhedged consumers paid almost twice the unit spot prices had there been no UTS and South Island unhedged consumers almost twice that again, at around 1.8 times the unit price had there been no UTS.
9. Meridian Energy’s offer behaviour during the preliminary UTS decision period is a repeat of prior behaviour the EA has warned the company not to repeat. This is important for two reasons:
- It was an important factor contributing to further erosion by many participants in their confidence in the wholesale market; and
  - If the EA confirms the preliminary decision, then action to avoid a repeat of this event needs to consider the ambivalent approach by Meridian to date to the concerns raised previously by the EA.
10. We look forward to viewing the submissions of other parties.

Yours sincerely



Ralph Matthes  
Executive Director