

24 November 2020

Doug Watt
UTS Team
Electricity Authority
By email to UTS@ea.govt.nz

Dear Doug

**Preliminary decision on 12 December 2019 claim of an undesirable trading situation—
Supplementary consultation**

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority (EA) consultation paper "Preliminary decision on claim of an undesirable trading situation: Supplementary consultation," 6th November 2020.¹ The UTS claim was lodged by Haast Energy Trading, Ecotricity, Electric Kiwi, Flick Electric, Oji Fibre, Pulse Energy Alliance, and Vocus on 12th December 2019.
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may make separate submissions.
3. The following sections are headed with the four questions in the consultation paper.

Q1. Do you have any further comments on the Authority's analysis that the confluence of factors identified led to reduced competition?

4. Nothing to add on the analysis of available objective data. Data on some important factors such as confidence in the market and the longer-term impact on hedge markets and new entry are not available. MEUG assumes the EA in reaching a decision on the UTS will weigh the empirical evidence that has been calculable with an informed view on material subjective factors also.

Q2. Do you have any further comments on whether the resulting reduced competition led to outcomes that were different from what could reasonably be expected as normal for the market?

5. No comments on the empirical analysis in the consultation paper other than observing they reinforce MEUG's view this event was a UTS.

¹ Document URL <https://www.ea.govt.nz/assets/dms-assets/27/UTS-preliminary-decision-supplementary-consultation.pdf> at <https://www.ea.govt.nz/code-and-compliance/uts/undesirable-trading-situations-decisions/10-november-2019/>.

Q3. Do you have any comments on our refined empirical analysis?

6. See views on Q2 above.
7. In addition, though outside the consideration of the UTS claim, MEUG suggests it might be useful for the EA to monitor and publish the day-after real-time some or all of the correlations used for the refined empirical analysis. With that information market participants and the Authority could decide if any material deviation in correlation trends were emerging and what further analysis or action they should take. The correlations considered for the UTS claim might only be relevant for similar events. There might be other correlations that could be published the day-after that would have greater value for the market. Therefore, a first step might be to consider at a broad view what are the most important correlations to monitor and to trial a few first.

Q4. Do you have any comments on whether our analysis supports the timeframe for any UTS which may be found being 3-27 December and the reasons for this?

8. Table 2 reports correlations using observed daily outcomes to 6th January 2020 (the UTS investigation period). Is it possible to repeat table 2 using the Preliminary Decision Paper (PDP) proposed start of the UTS event on 3rd December 2019 and both the PDP proposed cut-off of 18th December 2019 and the proposed new date of 27th December 2019? From those analysis the correlations for the proposed increase of nine days, 18th to 27th December, can be deduced. If the correlation for those nine days is statistically different from the observed prior years June 2011 to June 2019, then this is evidence to support increasing the length of the UTS. That evidence should not be taken as irrefutable as discussed in paragraph 4 of this submission, i.e. we recommend the Authority use judgement in deciding if an event was a UTS after considering both empirical and material subjective factors.

Yours sincerely



Ralph Matthes
Executive Director