



MAJOR ELECTRICITY USERS' GROUP

23rd August 2016

John Hancock
Chair
Wholesale Advisory Group
Electricity Authority
By email to submissions@ea.govt.nz

Dear John

Wholesale Market Information: Review of Disclosure Exclusions

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Wholesale Advisory Group (WAG) discussion paper "Wholesale Market Information: Review of disclosure exclusions" 28th June 2016.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. MEUG welcomes the Electricity Authority requesting WAG to review the disclosure exclusions in cl. 13.2A because at least one of those exclusions, namely (b) "commercially disadvantage", has been questionable for some time. Removal of that clause is supported. Other changes are not supported until quantification of the qualitative views in the paper can either confirm or not that analysis.
4. Responses to questions in the consultation paper follow:

Question	MEUG response
1. What comment do you have on the WAG conclusion that the existing WMI disclosure regime could be enhanced if concerns with exclusions (b) and (g) could be addressed in a cost-effective way?	MEUG welcomes the Electricity Authority requesting WAG to review the disclosure exclusions in cl. 13.2A because at least one of those exclusions, namely (b) "commercially disadvantage", has been questionable for some time.

¹ URL <http://www.ea.govt.nz/dmsdocument/20822> at <http://www.ea.govt.nz/development/work-programme/risk-management/wholesale-market-information-clause-13-2-and-fuel/consultation/#c16099>.

Question	MEUG response
2. What comments do you have on the WAG's assessment of these Code amendment options?	<p>The two step process followed by WAG was useful to refine exclusions to focus on. The use of conceptual figures to rank options relative to risk of unintended consequences versus expected benefits with the estimated scale of implementation costs reflected in the size of the "bubble" representing an option in figures 2 and 6 is also a useful technique to rank options to consider further. However that conceptual illustrative technique gives no information on the relative scale of benefits and costs – that additional analysis is still needed to consider options for other than obvious changes to be implemented.</p> <p>MEUG's preference is for any changes to the Code to be based on quantitative CBA. Therefore relying on the qualitative assessment in the paper of costs and benefits risks making an error on the relative scale and range of benefits and costs of alternatives relative to the status quo. A precautionary approach is preferred until such time as quantitative estimates of the pros and cons can be assessed.</p>
3. What comments do you have on the potential benefits, risks and costs of each option?	See response to Q. 2 above
4. What is your preferred option, and why?	Removal of exclusion (b) "commercially disadvantage" because that has no comparable exclusion in NZX. Parties operating in the NZX continuous disclosure regime will be familiar with not having a "commercially disadvantage" exclusion and therefore this should be a costless option.
5. What comments do you have on the possible market facilitation measures the WAG has identified?	-
6. Are there other market facilitation measures that should be considered?	A review of the wholesale market disclosure requirements and exclusions should be resumed after the just commenced market performance review of the high spot price event on 2 nd June 2016 has been completed. That review is likely to provide quantitative analysis to assist identify any gaps in information provided to the market.

5. We look forward to viewing the WAG advice to the Authority on this topic.

Yours sincerely



Ralph Matthes
Executive Director