



TRANSPOWER

Transpower House
96 The Terrace
PO Box 1021, Wellington
New Zealand
Telephone +64-4-590 7309
Facsimile: +64-4-495 7100
www.transpower.co.nz
micky.cave@transpower.co.nz

13 September 2016

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

By email: submissions@ea.govt.nz

Dear John

The Authority's changes to the FTR Allocation Plan

We welcome the opportunity to submit to the Authority's consultation *Changes to the FTR allocation plan* published 2nd August 2016.

We are pleased that the Authority agreed with the proposals, submitted to the Authority by the FTR manager under Code 13.238, for changes to the number of FTR periods auctioned each month and the use of a voting mechanism to identify potential new FTR hubs. These proposals were the result of discussion with the Authority, consultation with our FTR user-group (and registered parties¹) and our own understanding of the potential for the FTR market evolution. However the Authority declined the variation plan because it wishes the FTR manager to make changes to it. These changes are:

- To have regard to the Authority's existing work plan and available appropriations
- To consider the hub requirements of potential FTR traders that are not FTR participants.

We respond to each, below, and to the questions at Appendix A.

Having regard to level of EA appropriations

We support the proposal to have the Hub identification process take into account appropriation constraints of the Authority. We consider this will efficiently manage participant expectations on costs of meeting proposals for additional Hubs. For example, in considering the number of new Hubs, were more than five new Hubs introduced in one 'tranche', this would incur additional cost through licence fees.

¹ Registered parties, known as FTR participants, have an account with the FTR manager and access through the FTR portal

Identification process for new Hubs

While we support the proposal for broadening participation to non-FTR-participants we consider it has not been articulated how creating a different process for them is for the long-term benefit of NZ consumers.

The proposal from the FTR manager is to use a voting mechanism on a 'long list' of Hubs to establish a 'short list'. The effect of the Authority's variation is to introduce a different process for non-FTR-participants and itself to propose Hubs, a process that is not defined to the same transparency and testing as via the voting mechanism. This process discriminates between the two groups as to their influence in the selection process in a way that could favour non-participants, with no justification given. It could be straightforward for an FTR participant to become less visible in the identification process by arranging its proposal to be nominated by a non-FTR-participant (for example, a subsidiary or employee).

We consider it more efficient and transparent to have all potential FTR traders identify their interest via the simple step of FTR market registration as an FTR participant, to ensure that the process is the same for everyone and that the voting mechanism applies equally to all. Using the FTR market's current registration mechanism will still enable potential FTR traders to propose nodes without needing to bid at these (or any) Hubs, will streamline the identification process and maintains the relevance and integrity of the voting process. If the Authority is to be a proposer of Hubs, as well as approving the outcome, then it could vote too.

If you have any questions about this submission please don't hesitate to contact me in the first instance

Yours sincerely



Micky Cave

Senior Regulatory Analyst

Appendix A Answers to Questions

Question	Comment
Q1: Do you agree the proposed variation to the FTR Allocation Plan should be changed to address the issues identified by the Authority in paragraphs 2.7 to 2.12?	Not as drafted. We agree with allowing broad participation however consider that the Hub identification process and influence in it should be the same for all.
Q2: Do you agree with the objectives of the proposed changes? If not, why not?	We agree with the intent to broaden participation in the FTR market.
Q3: Do you have any comments on the drafting of the proposed changes?	We suggest inserting the condition that non-participants need to register with the FTR manager to participate in the Hub identification process.
Q4: Do you agree the benefits of the proposed amendment outweigh its costs?	We consider the plan proposed by the FTR manager had net benefit but it is not clear that the amendments have enhanced it.
Q5: Do you agree the proposed amendment is preferable to the other options?	No, for the reason as given in Question 1.