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FTR Manager
By email: ftmanager@ems.co.nz

FTR Allocation Plan 2017

Genesis Energy Limited (**Genesis**) welcomes the opportunity to provide a submission to the FTR Manager on the consultation paper 'FTR Allocation Plan 2017' (**consultation paper**).

We support the addition of new financial transmission right (**FTR**) hubs at Kikiwa, Redclyffe and Whakamaru on the basis they were subject to an agreed, transparent process involving all participants - including cost benefit analyses and voting - that is designed to achieve the overall purpose of the FTR market.¹ We also support the proposed criteria for removing one or more FTR hubs in the future.

Clear benefits needed to offset costs of complexity

Our comments below are provided with a view to ensuring any further development of FTRs focusses on delivering net benefits to consumers as per the purpose of the FTR market. We believe this requires striking the right balance between optimising FTR products to increase competition among retailers and avoiding driving additional complexity into the FTR market.

Genesis notes there are already 40 possible combinations of FTR sources and sinks at Benmore and Otahuhu - with the addition of Kikiwa, Redclyffe and Whakamaru this will increase to 116; and it will increase in order of magnitude the more FTRs that are offered in the future. The consultation paper also notes complexity may increase for some traders if FTR hubs are removed.

We have said in previous submissions that complexity has the tendency to bring on costs and inefficiencies that act as a deterrent to existing and new market

¹ In *FTR Market – an explanatory document* it is stated, 'The Electricity Authority's objective in introducing a market in FTRs is to promote competition in the electricity industry for the long-term benefit of consumers. FTRs are a solution to a key concern that competition in the retail electricity market is inhibited by locational price risk in the wholesale market.'

participants, and that this should be avoided in absence of demonstrable benefits to consumers.

To Genesis this means evidence an FTR hub will manage locational price risk, which will facilitate competition among retailers, which will benefit consumers because they are provided greater access to a range of innovative products and services. We consider following the agreed process to add or remove FTR hubs, including consultation with electricity market participants, will ensure benefits to consumers can be proven.

Please find our responses to the consultation questions attached as Appendix A. If you would like to discuss any of these matters further, please contact me by email: margie.mccrone@genesiseenergy.co.nz or by phone: 09 951 9272.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. McCrone'.

Margie McCrone
Regulatory Advisor

Appendix A: Responses to Consultation Questions

QUESTION	COMMENT
<p>Q1: Do you agree with the long-list of options listed in Error! Reference source not found. as sufficient for consideration for the FTR Allocation Plan 2017?</p> <p>If not, can you suggest other options that should be considered, and why?</p>	<p>Yes.</p>
<p>Q2: Do you agree that this short-list of two options – Criteria for removing hubs and adding hubs as per the FTR Managers Hub Consultation – are sufficient for consideration for the FTR Allocation Plan 2017?</p> <p>If not, can you suggest other options that should be considered, and what they should be a greater priority than?</p>	<p>Yes.</p>
<p>Q3: Do you agree with the FTR Allocation Plan 2017 taking effect immediately on the Authority's approval, rather than at a future date?</p> <p>If not, what approach would you recommend, and why?</p>	<p>Yes.</p>
<p>Q4: Do you agree that the current boundary between the level of detail in the FTR Allocation Plan and that in FTR Policies is appropriate?</p> <p>If not, what parts currently in policies do you believe should be shifted to the FTR Allocation Plan, and/or what parts currently in the FTR Allocation Plan do you believe should be shifted to policies? Why?</p>	<p>Yes.</p>
<p>Q5: Do you agree with the FTR Managers recommendation to add WKM, KIK and RDF as additional nodes through the Allocation Plan 2017 process?</p> <p>Do you believe a different combination of the nodes (none, 1, 2 or 3) as identified in the cost-benefit analysis (Error! Reference source not found.) should be added instead? Is so, why?</p>	<p>Yes. As per the cover letter, we wish to note that any addition of FTR hubs must foster greater competition among retailers for the benefit of consumers.</p> <p>We do not believe a different combination of nodes should be added at this time.</p>
<p>Q6: Do you agree that the variation to the FTR Allocation Plan described in section</p>	<p>Yes.</p>

<p>Error! Reference source not found. is the appropriate means to introduce additional FTR hubs for Allocation Plan 2017?</p> <p>If not, why not?</p>	
<p>Q7: Do you support the extension of nodes from the lower rated electrical network (33kV, 66kV and 110kV) to be included within the scope of the FTR Managers interconnection and capacity analysis as per section 4.10 of the Allocation Plan?</p> <p>If implemented, to you support the application of Schedule 14.3 of the Code to include those networks as within scope of the FTR Information system?</p> <p>If not, why not?</p>	<p>No. Genesis does not support the extension of nodes as per section 4.10 of the consultation paper because capacity constraints will introduce a degree of complexity that would outweigh the benefits.</p>
<p>Q8: Do you agree that the FTR Manager should not recommend hubs to be removed from the FTR market, but rather consider hubs as suggested by participants as being no longer desirable as part of managing their perception of risk?</p> <p>If not, on what basis should the FTR Manager recommend hubs to be removed?</p>	<p>Yes.</p>
<p>Q9: Should the FTR Manager periodically request nominations for hubs to be removed in that round?</p> <p>If not, on what basis should the FTR Manager determine when existing hubs should be removed in a round?</p> <p>If not, why not?</p>	<p>Yes.</p>
<p>Q10: Should the FTR Manager review the short list of nominated hubs for removal from the market with market power implications in mind? The implication is that the consolidated shortlist would then move forward for voting.</p> <p>If not, why not?</p>	<p>Yes.</p>
<p>Q11: Do you agree that a voting approach should be adopted for removing existing FTR Hubs from the market?</p> <p>If not, what alternative approach do you think should be adopted, and why?</p>	<p>Yes.</p>

<p>Q12: Do you agree with proposed variation 4 to the FTR Allocation Plan for removing hubs?</p> <p>If not, what approach and variation to the FTR Allocation Plan for removing hubs should be adopted, and why?</p>	<p>Yes.</p>
<p>Q13: Do you agree that the removal of existing hubs process should be conducted 'at least once every two years'?</p> <p>If not, what frequency do you recommend, and why?</p>	<p>Yes.</p>