

4 July 2022

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### **ENA submission on Financial Transmission Rights market review**

Dear Tom,

The Electricity Networks Association (ENA) appreciates the opportunity to submit to the Electricity Authority (Authority) on its Financial Transmission Rights (FTR) market observations issues paper. This submission is on behalf of ENA's members (listed in the appendix to this submission), the electricity distribution businesses (EDBs) of New Zealand. This submission is not confidential.

ENA appreciates the frankness of the Authority's examination of the FTR market. It is clear from the Authority's analysis that the FTR market has failed to deliver enhanced competition in either the retail or generation markets. The analysis highlights that the FTR market has delivered profits to participants, including speculators with no exposure to locational pricing risk, at the expense of consumers.

The growing cost of this failed market is borne by transmission customers and end consumers via the enormous amount of Loss and Constraint Excess (LCE) funnelled into the FTR market. ENA believes that serious consideration must be given to whether the FTR market should continue in its current

form. The FTR market must be financially self-sustaining and no longer extract \$60-\$70 million per annum from customers via the LCE<sup>1</sup>.

To deliver FTR market self-sufficiency, ENA recommends that the Authority make the FTR market 100 per cent reliant on funding from those that use it. If the FTR market continues to be funded via LCE, this funding should not be the primary source of funding and should be capped. Reducing the FTR markets reliance on LCE can be achieved through either:

- reducing the amount of LCE available for settlement; or
- reducing the volume of FTRs available until the price at auction reaches parity with the settlement value.

ENA looks forward to the reform of the FTR market and removal of its funding burden from end consumers. The ENA's contact person for this submission is Keith Hutchinson ([keith@electricity.org.nz](mailto:keith@electricity.org.nz) or 04 471 1335).

Regards



Keith Hutchinson  
Regulatory Manager

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<sup>1</sup> Electricity Authority, Financial Transmission Rights market observations, Issues Paper, 2022 paragraph 2.4(c)

## Appendix: Electricity Networks Association members:

Alpine Energy  
Aurora Energy  
Buller Electricity  
Counties Energy  
Centralines  
Eastland Network  
Electra  
EA Networks  
Horizon Energy Distribution  
Mainpower NZ  
Marlborough Lines  
Nelson Electricity  
Network Tasman  
Network Waitaki  
Northpower  
Orion New Zealand  
Powerco  
PowerNet  
Scanpower  
The Lines Company  
Top Energy  
Unison Networks  
Vector  
Waipa Networks  
WEL Networks  
Wellington Electricity Lines  
Westpower