

## Decision to discontinue investigation

On 14 April 2011, the Compliance Committee decided to discontinue the investigation of self-reported and alleged breaches of the Code by the System Operator. The breaches concerned the incorrect modelling of the HVDC resulting in a binding constraint and real time price separation between the North Island and South Island.

Details of the decision are available at:

<http://www.ea.govt.nz/act-code-regs/compliance/investigations-settlements-decisions/closed-with-no-settlement/>

## Appointment of investigators

On 14 April 2011, the Compliance Committee appointed investigators to investigate the following alleged breaches:

- a self reported breach by Meridian Energy Limited, who failed to submit to the Authority an audit report confirming that it would continue to meet the requirements specified in clause 5 of schedule 15.1 after the implementation of an upgrade of its Gentrack customer billing system. The system upgrade caused major problems in the switching process.
- a self-reported breach by Winstone Pulp International Limited, who failed to submit revised bids for bids and offers for reserves.

Further information about these investigations is available at:

<http://www.ea.govt.nz/act-code-regs/compliance/investigations-settlements-decisions/in-progress/>

## Payment of cleared funds

The Compliance Committee expressed its concern regarding an increased number of breaches of Part 14 relating to settlement and clearing. In the recent months, a number of participants have been late with their payments or have failed to pay the whole amounts according to the invoices.

The Compliance Committee wishes to remind all participants that clause 14.37(1) of the Code governs the payment of invoices properly issued by the Clearing Manager to wholesale market participants. Payment must be made by each payer in full cleared funds into the operating account by 14:00 on the 20<sup>th</sup> calendar day of the month following the billing period in respect of which the invoice was issued.

Some participants have asked for clarification about the meaning of “same day cleared funds”. A very simple and clear definition of “cleared funds” is provided in Part 1 of the Code:

**“cleared funds**, in relation to a **business day**, means funds that are immediately available for disbursement on that day”

The Compliance Committee considers that every market participant must ensure that the funds reach the designated account of the Clearing Manager before the deadline. The funds must be non-reversible and immediately available for the Clearing Manager to use.

The Compliance Committee wishes to remind the market participants that, although they use banks as agents for processing their payments, the market participants are still liable for compliance with the Code, including timely payments in same day cleared funds. In other words, a market participant’s payment is completed and successful not when the payment instruction is given to the bank, but when the funds are cleared and available in the Clearing Manager’s account.

## Current work load

The Compliance team is currently managing 50 open files categorised as follows:

|                                      |    |
|--------------------------------------|----|
| Investigations                       | 16 |
| On hold                              | 9  |
| Fact finding                         | 25 |
| Total open files as at 28 April 2011 | 50 |

## Summary of key decisions from the 14 April 2011 Compliance Committee Meeting

| Details   | Explanation   |
|---|---|
| <b>Electricity Industry Participation Code 2010</b> |   |
| Clauses 14.10 and 14.17 by the Clearing Manager     | Related to delayed payments to participants due to a bank error. The Committee decided to decline to pursue the breach notification and issued a strong warning letter.   |
| Clauses 13.9(b) and 13.19(1)(a)                     | A market participant offered generation exceeding the reasonable estimate of the quantity of electricity capable of being supplied. The Committee decided to decline to pursue the breach notification and issued a warning letter.   |
| Clause 8.23(1)(c)                                   | A market participant failed to provide continuous voltage support due to a technical glitch with one of the control units. The Committee decided to decline to pursue the breach notification.  |
| Clause 14.37(1)                                     | A participant paid the Clearing Manager 19 minutes past the 14:00 deadline. The error was caused when the wrong payment date was inadvertently entered because the payment date of 20 February 2011 fell on a weekend. When the error was realised at approximately 12:55, the participant contacted its bank and arranged for the payment to be fast tracked. To prevent recurrence, the participant has an extra check on the payment date and will confirm with the Clearing Manager at 11:00 on the payment date to ensure the payment has been received. The participant had not previously breached this provision. The Committee declined to pursue. |
| Clauses 13.19(1)(a) and 13.116(1)                   | The participant offered generation in excess of the level authorised by the must run dispatch auction and breached clause 13.116(1). When the error was realised, the offer was corrected within two hours of the trading period and breached clause 13.19(1) (a) (1). The breaches caused no market impact and steps have been taken to prevent recurrence. The Committee declined to pursue.  |
| Clauses 13.13(b), 13.19(1) and 13.21(1)             | The participant breached clause 13.13(b) by failing to use reasonable endeavours to predict the quantity of electricity that would be demanded at each grid exit point where it was a purchaser. The participant did not breach clause 13.19(1) when it changed offers without a bona fide physical reason within two hours of the commencement of the trading periods. In making the changes, the participant was complying with clause 13.18(1)(a) by immediately submitting revised bid quantities. Compliance with clause 13.18(1) takes precedence over clause 13.19. Clause 13.18(1) states that it applies despite the requirements of               |

| Details   | Explanation   |
|---|---|
|   | <p>clause 13.19.</p> <p>The participant breached clause 13.21(1) because it failed to report to the Authority that it had made bid revisions within two hours of the relevant trading periods. The report should have been reported to the Authority by 1700 hours on the next business day after the revision was made.</p> <p>The Committee decided to issue a warning because the breaches were caused by trading staff who had signed off checklists indicating checks and tasks had been performed when in fact they had not been completed.</p> |
| <b>Electricity Governance Rules 2003</b>                |   |
| Breach of various clauses of the Code - cases "on hold" | <p>The Committee considered a status update on cases "on hold" and noted the progress towards compliance made by various market participants under the agreed Compliance Plans. The Committee will consider a further update in 12 months time.</p> <p>The Committee noted that some participants do not have an agreed process for disconnection of demand for points of connection. The Committee instructed the Compliance team to discuss the matter with the System Operator and market participants and to report back in three months.</p>     |

## Compliance Conference

The Compliance team will be hosting a conference on Friday, 25 November 2011 at Te Papa. If there is anything that participants wish to discuss at the meeting, please email the suggestion to [compliance@ea.govt.nz](mailto:compliance@ea.govt.nz)

The Compliance team will provide more information and ask for participants to register closer to the date.

## Compliance Committee meeting

The next Compliance Committee meeting is scheduled for 26 May 2011.

## If you have any question please contact us

If you would like to contact us, please email the Compliance team at: [compliance@ea.govt.nz](mailto:compliance@ea.govt.nz) or contact Alex, Chavdar or Peter at:

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