

SRC – System Operator Performance

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System Operator
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SYSTEM OPERATOR

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TABLE OF CONTENTS

1	EXECUTIVE SUMMARY	3
2	PURPOSE	3
3	EXISTING FRAMEWORK FOR ASSESSING PERFORMANCE.....	3
4	ISSUES.....	4
5	ALTERNATIVE PROCESS FOR MEASUREMENT	4
6	POTENTIAL AREAS FOR MEASUREMENT	5
7	CONCLUSION	5
8	ATTACHMENTS.....	5

1 Executive Summary

The Electricity Industry Participation Codes and the System Operator Service Provider Agreement (SOSPA) have established three distinct assessment mechanisms for the System Operator.

The System Operator understands that the Electricity Authority has concerns with the current means of assessing System Operator performance. The System Operator shares some of these concerns and has further issues with these performance assessments. In particular the disjointed approach to assessment and the lack of clear measureable objectives and measures is not seen by the System Operator as providing coherent performance incentives.

The System Operator believes that more consistent performance incentives would be provided by a more focussed approach to assessment through:

- a single set of agreed performance measures representative and appropriate to the System Operator role
- a single assessment process with regular reporting against the agreed measures, regular and active monitoring and review, and annual refinement to build and improve performance.

2 Purpose

This paper describes the existing arrangements for assessing the System Operator's performance and the issues that arise from these. It suggests a framework for future assessments to ensure all aspects of performance are taken into consideration in a consistent and objective manner.

3 Existing Framework for assessing performance

The System Operator is required, under the Electricity Industry Participation Code 2010, to submit an annual self-assessment to the Board of the Electricity Authority.

The same Code requires the Authority to conduct an annual review of the System Operator. The Code specifies compliance with Codes, Regulations, and the System Operator Service Provider Agreement (SOSPA) as a key area for review, as well as any specific performance standards agreed. There have been no specific standards agreed since the provisions came into effect in 2003. The Code also specifies additional matters that must be taken into account when assessing performance. These generally relate to matters of compliance with Codes as well as the requirement to consider performance in the context of real time operations.

The SOSPA fee includes an 'at-risk' component. The current basis for determining the portion of the fee payable is set out in a series of measures. These measures are not subject to agreement but are a result of consultation between the Authority and the System Operator. The current measures are based on 50% business process maintenance and 50% service delivery of the business management aspects of the SOSPA (such as additional consultancy work, query management, and report writing). Operational non-performance is not specifically included or excluded from the 'at-risk' assessment. However, it is stated, as part of the measures, that failure to meet the rules may impact on the at-risk assessment result.

The measurement framework, particularly the at-risk assessment, is established and operating independently of the compliance regime under the Code. The compliance regime operates to monitor and deal with participants (including the System Operator) who are non compliant with the rules. Actions taken under this regime may result in a fine or financial penalty.

4 Issues

The following issues arise with the existing framework for monitoring the System Operator's performance:

- The basis on which a performance assessment is to be conducted is not known in advance and is therefore not transparent. This is an area of potential conflict in the relationship between the Authority and the System Operator.
- The basis on which the System Operator is measured is largely subjective. There are no clear individually agreed performance measures that represent a balanced view of the System Operator role. There is also no consistent weighting of the assessments' content. This means that limited aspects of performance can be considered areas of non-performance and can disproportionately affect the overall performance assessment.
- There is little opportunity or basis throughout the year to discuss performance and performance issues meaning there is little opportunity provided to respond or improve.
- The assessment processes and mechanisms are distinct and separate:
 - There is no mechanism to ensure all aspects of system operator performance are weighted correctly in relation to each other.
 - There is a potential for the System Operator to be financially penalised under both the Code (through the compliance regime) and the at-risk portion of the SOSPA fee.
 - There is a risk that all three reports (SO Self Assessment, EA Assessment and 'At-risk' Component reports) will be at odds with each other giving a confused picture of System Operator performance to the Authority, the Security and Reliability Council, and participants.
 - There is a limited ability to improve performance in key areas over time as the measurement aspects from year to year may vary significantly.

5 Alternative process for measurement

From the System Operator's perspective, it would be desirable to agree the performance requirements and weightings for the following year, in advance, with the Authority. Whilst it is recognised there will always be an element of subjectivity in the assessment, such subjectivity should be kept to a minimum to ensure all aspects of performance have the correct weighting and context and opportunities for improvement and feedback provided. An external party could be engaged to oversee the process and provide a level of benchmarking with other System Operators. The measures should equally apply to the self assessment, the Authority annual assessment, and the 'at-risk' assessment.

Once the performance measures have been agreed, the System Operator can include the measures in its internal and external performance reporting. Quarterly progress meetings between the System Operator and the Authority are recommended to discuss current performance and areas for improvement.

6 Potential areas for measurement

The System Operator suggests the following broad areas on which performance measures could be based:

- Compliance including PPOs
- Operational event management
- Ancillary services and contractual management
- Business planning and management
- Stakeholder satisfaction

7 Conclusion

There are several mechanisms by which the System Operator and the Authority assess the performance of the System Operator. The current framework is disjointed and, in our view, overly subjective. The System Operator believes that defining a consistent set of measures and establishing single assessment process will result in a more consistent, objective, and transparent performance benchmark on which the System operator and the industry can build.

8 Attachments

- System Operator self assessment 2009_10
- Electricity Authority assessment of the System Operator 2009_10
- At-risk assessment 2009_10