

## Decision to discontinue investigation

On 26 May 2011, the Compliance Committee decided to discontinue the investigation of the alleged breach of clause 33.1 of the Policy Statement by the System Operator.

The breach was alleged by Norske Skog Tasman Limited and concerned the period immediately following an under-frequency event on 11 November 2010 when the System Operator did not dispatch remaining offered instantaneous reserves.

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 investigator

On 26 May 2011, the Compliance Committee appointed investigator to investigate a self reported breach by the System Operator, who failed to use the information from the Grid Owner regarding the AC transmission system configuration, capacity and losses in formulating the pre-dispatch schedule. The breach relates to the loss of supply to Kinleith Mill, Tokoroa and surrounding areas following the operation of the Arapuni - Kinleith Special Protection Scheme on 27 October 2010.

Further information about this investigation is available at:

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

## A breach case in depth

A participant alleged that the System Operator had breached clause 13.57 of the Code by not meeting the dispatch objective in dispatching Stratford Unit 21 in accordance with its commissioning plan on 8 February 2011. The participant estimated that, if Stratford Unit 21 had not been dispatched the HVDC link would have allowed approximately 35 MW more power flow north from the South Island and Huntly Unit 5 and Otahuhu C would also have increased output by approximately 35 MW. It also estimated that the energy and reserve prices would have been considerably lower in the North Island and unchanged in the South Island. North Island consumers would have paid in the vicinity of \$1 to \$2 million less. South Island reservoirs would have avoided approximately 175 MW/h of spill.

The participant believed that the output levels of the commissioning plant should be determined by the System Operator's SPD software. While this is not impossible, waiting for market conditions to achieve 105 MW dispatch of Stratford unit 21 (required to complete commissioning) without increasing energy and reserve prices to conduct the test may lead to an indefinite commissioning period. Quite possibly such market conditions may only emerge in trading periods with low load. On the other hand, the System Operator may have specific requirements for the load level, to provide enough inertia that will guarantee a system ride through any disturbances caused by the test.

Planning a commissioning test requires the System Operator to assess the system security and market conditions prior to the test. The optimisation of the cost of a commissioning test over several trading periods is almost impossible with the constantly changing system and market conditions over periods longer than two hours.

The System Operator analyses the system and market conditions and publish pre-dispatch schedules at least 24 hours ahead of the actual test but there is still a chance that they may change up to two hours prior to the actual test. These conditions change, partly because of the normal operational changes of the

system, and partly because of participants' behaviour, where they may use the opportunity to optimise their market position.

The Compliance Committee was advised that the dispatch objective could have been optimised and met in the timeframe of a single trading period and not over several trading periods while the commissioning tests lasted. The System Operator uses the approved SPD model to optimise the dispatch schedule. The total cost of the reserves procured is not part of this optimisation process although the increased reserves requirements may result in increased reserve prices and energy prices.

This cost allocation issue was raised during the commissioning of Huntly Unit 5 in 2007 as a number of participants were concerned that they would be allocated additional reserve costs as a result of the Huntly Unit 5 commissioning. There was discussion between participants and the Electricity Commission of rule changes to make the liability for reserves purchased for commissioning to fall to the commissioning generator. At the moment, the Electricity Authority is working on a commissioning issues paper addressing these issues.

Following the breach allegation, the System Operator reviewed its communication to the market in respect of the Stratford Unit 21 commissioning tests. This review concluded that it would have been preferable for the market to be advised specifically of the secondary risk level, but there were a large number of unexpected delays in Contact assessing the data and confirming the return to service (ranging from 1 December 2010 to 8 February 2011) that made communication to the market more difficult.

The Compliance Team also questioned if the impact of the test (higher reserve requirements and higher energy prices) was visible to the market via pre-dispatch schedule data. The System Operator advised that the total risk MW per island (which would have included the additional contingent event risk required to cover the Stratford Unit 21 if it was generating above 96 MW) would have been available to the market via the Forecast Aggregate Quantities data published via WITS. However, scheduled reserve information does not stipulate the reason for any increased risk. In addition, the Stratford Unit 21 offers for the System Ride-through Test would not have been visible to the market in accordance with normal offer rules.

The Compliance Committee decided that the participant failed to establish a prima-facie breach and declined to pursue the breach allegations.

## Current work load

The Compliance team is currently managing 56 open files categorised as follows:

Investigations	15
On hold	9
Fact finding	32
Total open files as at 16 June 2011	56

## Summary of key decisions from the 26 May 2011 Compliance Committee Meeting

Details	Explanation
<b>Electricity Industry Participation Code 2010</b>	
Clause 13.82	A participant breached clause 13.82 by not complying with dispatch instructions but the reason for the breach was beyond participant's control as it depended on fuel supply from an industrial process. The Compliance Committee declined to pursue the self-reported breach.
Clauses 14.36, 14.37, 14.40(c) and 14.66	<p>The Clearing Manager was in breach for not issuing separate invoices for the washup information received on 30 November 2010 and for not allowing a participant to pay later than 20 December 2010. The participant believed that it was entitled to pay later because, in its view, the Clearing Manager delayed issuing invoices to the participant. Compliance explained that the process relating to issuing invoices is very complicated and unclear. There is a misalignment between the Code requirements and the established process of the Clearing Manager.</p> <p>The Committee declined to pursue the self-reported breach. The Committee asked the Market Operations Team of the Authority to clarify the alignment of the existing Clearing Manager's processes relating to issuing invoices with the requirements. It was noted that it may be appropriate for the Authority to advise the industry to follow the established process until the Code is clarified.</p>
Clause 14.37(1)	A participant breached clause 14.37(1) of the Code by failing to pay in full by 14:00 on 20 December 2010 as required by the Code due to a dispute. The payment was 25 minutes late. The Compliance Committee declined to pursue the breach and issued a warning letter.
Clause 14.37(1)	The Clearing Manager alleged a participant had breached clause 14.37(1) of the Code by failing to pay in full by 14:00 on 20 January 2011. The Participant paid only part of the amount on time. The second part was received before 16:00. The Compliance Committee declined to pursue the breach and issued a warning letter.
Clause 14.37(1)	The Clearing Manager alleged a participant had breached after receiving a payment 55 minutes after the 1400 hours deadline. The late payment resulted in the Clearing Manager initiating the default process. The Compliance Committee issued a warning and sought assurance from the participant that it was vigilant concerning the performance of its payment processes, including those of its agents.
Clause 13.57	<p>A participant alleged the System Operator had breached clause 13.57 by not meeting the dispatch objective in dispatching Stratford Unit 21 in accordance with its commissioning plan on 8 February 2011.</p> <p>The Compliance Committee decided that the participant failed to establish a prima-facie breach and declined to pursue the breach allegations.</p>
Clause 12(2) of schedule 13.3	Due to a human error the System Operator incorrectly set the risk for the South Island. The Compliance Committee declined to pursue the breach.

Details	Explanation
Clauses 14 of schedule 11.3 and 15.2	A participant backdated a switch. The Compliance Committee declined to pursue the self-reported breach.
Clause 13.34	The Compliance Committee declined to pursue the breach as there was no market or operational impact and steps had been taken to prevent recurrence.
Clauses 15.2(1) and 15.6(1)	The participant submitted an ICP days report that was significantly incorrect and it was apparent there was a lack of checking. The Reconciliation Manager identified the error and corrected information was subsequently submitted after the 1600 hours 4th business day deadline. The participant had since improved its processes. The Compliance Committee declined to pursue and issued a warning.
Clause 11.4	An ICP with a very low consumption was discovered 10 years after the meter was installed. There was no ICP identifier on the Registry. The distributor declined being in breach of clause 11.4. The Compliance Committee declined to pursue the reported breach.
<b>Electricity Governance Rules 2003</b>	
Rule 1.3.1.3(a), 1.3.2.4(a) and 1.3.4.7(a) of schedule G6 of part G	The breach relates to the loss of supply to Kinleith Mill, Tokoroa and surrounding areas following the operation of the Arapuni - Kinleith Special Protection Scheme on 27 October 2010. The Compliance Committee appointed an investigator to formally investigate the alleged breaches.
Rules 2.1, 9.1.1 and 9.1.2 of section VI of part G	The participant failed to upload three contracts for differences within five business days of the trade date and five fixed priced variable volume contracts within 10 business days of the trade date. The Compliance Committee declined to pursue the alleged breach of rule 2.1 on the basis that there was no prima facie case that a breach had occurred as the participant, although late, had provided the required information. The Compliance Committee issued a warning as the breaches arose due to the participant not having adequate administrative processes at the time. The Compliance Committee declined to pursue the breaches of rules 9.1.1 and 9.1.2.
Rule 8 of section II of part C and clause 8.8	The breaches were alleged in relation to constrained on generation. The Compliance Committee declined to pursue the alleged breaches on the basis that no prima facie case was established.

## Compliance Committee meeting

The next Compliance Committee meeting is scheduled for 28 July 2011.

## Compliance Conference

The Compliance team will be hosting a conference on Friday, 25 November 2011 at Te Papa. Please make a mark in your diary. 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.

## Authority Compliance Investigation Database (ACID) update

We have added some new features to the Compliance database and most of these enhancements are based on participants' feedback.

- Participants can choose whether they want to view "all" or "all open" breach events and investigations in their breach event display.
- Participants can now upload multiple documents at the same time when responding to a breach event.
- Double click on a breach event to open the "view and respond" form.
- Fact finding letters to a breach event can now be downloaded for all new breach events.
- The deadline for the response to a fact finding letter is automatically created (10 business days) and is displayed within breach events.
- The deadline to join investigations is displayed.
- In the Investigation there is now a link to the Investigation Notices on the Authority's website and we have removed the Investigation Notice download feature.
- Agent feature added: Participants can report breaches on behalf of another participant (where they act as an agent for another party). These breaches will be also displayed on the agent's dashboard under "Breach Events". Agents have the possibility to view and respond to these breach events using their login details.
- The non-editable fields have been changed to a darker colour to improve readability.
- All results and summaries of cases closed prior to 1 November 2010 have been copied into the database. This means that you can view these details now in your breach events and reports.

We would like to thank all participants who have actively contributed to the improvement by submitting feedback to us and we welcome ongoing feedback.

Please contact Alex Ehlert ([alex.ehlert@ea.govt.nz](mailto:alex.ehlert@ea.govt.nz)) if you have further questions regarding the Compliance database.

## 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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