

Notification of the Authority's decision pursuant to regulation 29(1)

Under regulation 29(1) of the Electricity Industry (Enforcement) Regulations 2010 (regulations) the Electricity Authority (Authority) must publicise every decision made under regulation 27(1), together with the reasons for the Authority's decision.

Decision to lay a formal complaint with the Rulings Panel

On 26 May 2011, the Authority appointed an investigator to investigate the following self-reported and alleged breaches:

- a) self-reported breach of clause 1.3.1.3(a) of schedule G6 of part G of the Electricity Governance Rules 2003 (Rules) by the System Operator (initially self-reported by the System Operator and later alleged by Carter Holt Harvey Pulp & Paper Ltd (CHH));
- b) alleged breaches against the System Operator of:
 - (i) clauses 1.3.2.4(a) and 1.3.4.7(a) of schedule G6 of part G of the Rules (alleged by the Authority);
 - (ii) rule 4.1 of section III of part C of the Rules (alleged by CHH);
 - (iii) clause 3.1 of technical code A of schedule C3 of part C of the Rules (alleged by CHH);
 - (iv) clause 2 of technical code B of schedule C3 of part C of the Rules (alleged by CHH); and
 - (v) rule 5 of section VI of part F of the Rules (alleged by CHH).

In respect of these self-reported and alleged breaches, the Authority received and considered a report and recommendation from the investigator prepared under regulation 19.

On 2 May 2012, the Authority decided, under regulation 27(2) of the regulations, to lay a formal complaint with the Rulings Panel under regulation 30 of the regulations, in respect of the following breaches of the Rules:

- the admitted breaches of clauses 1.3.1.3(a), 1.3.2.4(a) and 1.3.4.7(a) of schedule G6 of part G of the Rules (Admitted Breaches) by the System Operator, and in the alternative, in relation to breaches of rules 3.3 and 4.2 of section III of part G of the Rules, by way of a breach of clauses 1.3.1.3(a), 1.3.2.4(a) and 1.3.4.7(a) of schedule G6 of part G of the Rules; and
- the alleged breach of rule 5 of section VI of part F of the Rules (Alleged Breach).

Reasons for the Authority's decision

In reaching its decision, the Authority considered the report and the recommendation from the investigator. The Authority considered that a formal complaint should be laid with the Rulings Panel given that:

- In relation to the Alleged Breach, rule 5 of section VI of part F applies to Transpower.

- The Admitted Breaches and the Alleged Breach caused significant market impact, and resulted in a total loss of supply for at least 30 minutes to Carter Holt Harvey Pulp & Paper Limited's (CHH) Kinleith Paper Mill, and the wider Tokoroa area.
- The underlying issue that caused this to happen was systemic. This event demonstrated that the System Operator's information assessment and peer review process was in this case deficient.
- No settlement was reached between the parties to the investigation. CHH wanted compensation to be paid under any settlement. The System Operator would not agree to any compensation on principle.
- Under the Authority's breach assessment guidelines and breach criteria matrix, the Admitted Breaches and the Alleged Breach have been assessed as being of high severity. In particular, the Admitted Breaches and the Alleged Breach met the following high severity criteria:
 - wide spread security impact;
 - high operational impact;
 - significant to severe market impact; and
 - systemic (deficient procedures).