



# **Market Operations Annual Service Provider Review**

**July 2006 to June 2007**

This report details information in relation to the information system, clearing manager and pricing manager functions performed by M-co under contract to the Electricity Governance Board.

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## **1. Introduction**

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### **1.1 Purpose**

This report has been prepared for the Board in accordance with section 43 of the Electricity Governance Regulations (2003) and details performance for the year July 2006 to June 2007 of the information system, clearing manager and pricing manager service providers in respect of their performance standards.

The report also summarises findings of a self-review of performance over the year using the guidelines outlined in sections 44 and 46.

## 2. Compliance with Agreed Performance Standards

### 2.1 Information System Manager (COMIT)

Measure	Achieved 2006/07	Standard	
COMIT availability	99.99%	99.72%	✓
COMIT 6-month availability (rolling)	99.99%	99.72%	✓
COMIT file upload availability	100.00%	99.72%	✓
Average time to publish PDS	3 mins 52 secs	7mins	✓
Average time to publish dispatch prices	23 secs	1min	✓
Average time to publish provisional/final prices	19 secs	1 min 30 secs	✓

#### Description

The target level of 99.72% relates to the equivalent of no more than two hours of outages per calendar month. Core functionality denotes all the systems and facilities necessary to fulfil the information system requirements of the EGRs as part of the Information System Service Provider Agreement.

### 2.2 Clearing Manager

Measure	Achieved 2006/07	Standard	
Wash-up notifications distributed to parties by 5th business day of each month	100%	92%	✓
Invoices released by 6pm on 9th business day	100%	92%	✓
Constrained on/off amounts released to System Operator by 9am on 8th business day	100%	92%	✓
Amounts payable to payees sent through to the bank by 5:30pm on settlement day	92%	92%	✓
Number of invoice calculation errors	1	0	✗
Number of security level calculation errors	0	0	✓

### Description

The target level of 92% relates to the equivalent of no more than one instance of missing the deadline within a twelve-month period. The zero percent standards indicate that the Board expects there to be no calculation errors, in either invoices or the establishment of security levels.

The invoice calculation error was a result of incorrect constrained on/off calculations which was rectified through the settlement washup mechanism. This matter is currently subject to a compliance investigation.

## 2.3 Pricing Manager

Measure	Achieved 2006/0	Standard	
Final prices published by 9:30am if no provisional price situation exists	99.17%	97%	✓
Provisional prices published by 10:30am if provisional price situation exists	99.75%	97%	✓
Final prices published within 3 hours of a System Operator/Grid Owner fix to a provisional price situation	99.5%	97%	✓
M-co IT processing time to publish final prices within 5 minutes of sending	100%	97%	✓
Number of price processing errors	0	0	✓

### Description

The target level of 97% relates to the equivalent of no more than one instance of missing a listed deadline within a calendar month. The zero standard indicates that the Board expects there to be no errors caused by the pricing manager in the calculation of prices.

### **3. Self-Review of Performance**

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#### **3.1 Compliance with Regulations and Rules**

As per the requirements stipulated in the regulations, all known rule or regulation breaches by the respective service providers were noted in the monthly service provider reports.

In the 12 month reporting period the clearing manager self-reported 2 rule breaches and the pricing manager 1 rule breach. In April 2007, due to human error the clearing manager failed to pay the loss and constraint excess to the grid owner on settlement day. Payment did not occur until the next business day. In May 2007 the clearing manager reported an error in the calculation of constrained on/off for a six month period. This error was rectified though the wash-up process and is subject to a Commission compliance investigation. In April 2007 the pricing manager reported that it had failed to declare a number of metering situations for the period February to April 2007 in regard to an intermittent generating plant. The EGR Committee found the breach to be the direct result of another party not complying with its rulebook obligations.

The information system service provider had no breaches to self-report.

#### **3.2 Operation of the Regulations and Rules**

During the 12 month reporting period both the clearing manager and the pricing manager identified areas within the rules that required amending to better clarify respective service provider obligations and correct some minor drafting errors. These were forwarded to the Commission for consideration.

#### **3.3 Compliance with Service Provider Agreements**

To the best of our knowledge the information system, clearing manager and pricing manager service providers have complied with their obligations under their respective service provider agreements during the reporting period.

A self-review is attached as Appendix 1.

### 3.4 Rule Change Costs

In accordance with the requirements of the respective service provider agreements, the following costs had been incurred since 1 March 2004 in relation to the implementation of rule changes:

<b>Service Provider</b>	<b>Rule Change Details</b>	<b>Cost (inc GST)</b>
Information system	HVDC Component Flows and Risk Offsets (rule change no. 19)	\$29,250
Information system	Constraint notifications (rule change no. 43)	\$33,750
Information system	Reserve offers publication (rule change no. 50)	\$9,000
Clearing Manager	Voltage support "nominated kvars" (rule change no. 7)	\$11,399
Clearing Manager	Under frequency event charge (rule change no. 30)	\$8,484
Pricing Manager	GXP demand data publication (rule change no. 51)	\$14,400

## 4. Appendix 1

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### Information System Service Provider Obligations

Obligation	Compliance	Commentary
<p>3.2.1</p> <p>The Provider warrants COMIT will be fit for the relevant purposes of the information system under the rules.</p>	Yes	
<p>3.2.2</p> <p>The Provider warrants its employees, contractors and agents have suitable skills, training and experience and are properly supervised.</p>	Yes	
<p>3.4</p> <p>The Provider agrees it will make COMIT available to the system operator on reasonable commercial terms where required to perform its obligations</p>	Yes	
<p>6.2.2</p> <p>The Provider must notify the Commission within 15 business days if it considers a proposed rule change will adversely affect any of its duties, obligations and liabilities or impact on its costs.</p>	Yes	



<p>6.7</p> <p>The Provider will report every three months on any increase or decrease in the cost of providing services due to rule changes.</p>	Yes	
<p>8.2.2 / 8.3</p> <p>The Provider warrants on a continuing basis that it will not breach the intellectual property rights of others and indemnifies the Commission in respect of any breach.</p>	Yes	
<p>9.1.1</p> <p>The Provider must maintain arrangements with its officers employees and agents as are reasonably necessary to protect the confidentiality of confidential data.</p>	Yes	
<p>9.1.2</p> <p>The Provider must ensure limited disclosure of data or processed data on a need to know basis.</p>	Yes	
<p>10.1.</p> <p>The Provider must have disaster recovery plans which will enable it to continue to fulfill its duties with a minimum of practical disruption.</p>	Yes	
<p>10.2</p> <p>A copy of COMIT must be stored at least 100km away.</p>	Yes	

11.1 The Provider must ensure the software: contains all parts of the information system (except those agreed between the parties prior to commencement date); performs in accordance with the specification; and, meets any requirements of the rules and regulations.	Yes	
14.1 The Provider will maintain professional indemnity insurance for \$50k in respect of each event and \$500k in total in any one year. It must be in a form and with an insurer satisfactory to the Commission	Yes	
14.2 The Provider will obtain a certificate annually from the insurer to establish compliance with the requirements under clause 14.1	Yes	
16.1 The Provider may not assign the agreement without the Commissions consent. A change in the beneficial ownership of the Provider by 40% or more shall be a deemed assignment.	Yes	

## Pricing Manager Service Provider Obligations

Obligation	Compliance	Commentary
<p>3.3.1</p> <p>The Pricing Manager warrants its employees, contractors and agents have suitable skills, training and experience for, and are properly supervised in, the provision of the services.</p>	Yes	
<p>6.2.2</p> <p>The Provider must notify the Commission within 10 business days if it considers a proposed rule change will adversely affect any of its duties, obligations and liabilities or impact on its costs.</p>	Yes	
<p>6.7</p> <p>The Provide will report every three months on any increase or decrease in the cost of providing services due to rule changes.</p>	Yes	
<p>8.2.2 / 8.3</p> <p>The Provider warrants on a continuing basis that it will not knowingly breach the intellectual property rights of others and indemnifies the Commission in respect of any breach.</p>	Yes	

<p>9.1.1</p> <p>Pricing manager must maintain arrangements with its officers, employees and agents as are reasonably necessary to protect the confidentiality of confidential data.</p>	Yes	
<p>9.1.2</p> <p>Limited disclosure of data or processed data on a need to know basis.</p>	Yes	
<p>9.1.3</p> <p>Store data for a minimum of 2.5 years from the date of receipt.</p>	Yes	
<p>10.1.2</p> <p>Have disaster recovery plans for all data and processed data which will enable it to continue to fulfill its duties with a minimum of practical disruption</p>	Yes	
<p>10.1.1 &amp; 10.2</p> <p>Data is to be backed up daily and taken offsite weekly and, together with backup software, stored at least 100km away</p>	Yes	

<p>11.4</p> <p>The Provider must obtain a license from the System Operator to use its software to enable the services to be provided. A warranty is required from the System Operator, for the benefit of the Commission, which states that it will enable the Pricing Manager to fulfill its obligations under the Rules and Regulations</p>	Yes	
<p>14</p> <p>Professional indemnity insurance sufficient to meet claims for compensation pursuant to the rules and regulations is required. A certificate from the insurer to that effect is to be provided to the Commission each anniversary of the commencement date</p>	Yes	
<p>16</p> <p>The Provider may not assign the agreement without the Commissions consent. A change in the beneficial ownership of the Provider by 40% or more shall be a deemed assignment.</p>	Yes	

### Clearing Manager Service Provider Obligations

Obligation	Compliance	Commentary
<p>3.3</p> <p>The Clearing Manager (the Provider) and the Guarantor acknowledge the functions of clearing manager are to be performed through a special purpose company. The Provider and the Guarantor acknowledge that the clearing manager's constitution, which the agreement required to be changed prior to the commencement date to a form agreed by the Commission, is not to be amended except as provided in part H of the rules</p>	Yes	
<p>3.4.1</p> <p>The Provider warrants its employees, contractors and agents have suitable skills, training and experience and are properly supervised.</p>	Yes	
<p>3.4.2</p> <p>The Provider warrants that as at the date of commencement it is not aware of anything that might or will adversely affect its ability to perform its obligations.</p>	Yes	
<p>6.2.2</p> <p>The Provider must notify the Commission within 15 business days if it considers a proposed rule change will affect any of its duties, obligations and liabilities or impact on its costs in providing services</p>	Yes	

Obligation	Compliance	Commentary
<p>6.7</p> <p>The Provider will report to the Commission every 3 months on any increase or decrease in its costs in fulfilling its duties, obligations and liabilities as a result of rule changes</p>	Yes	
<p>8.2.2 / 8.3</p> <p>The Provider warrants on a continuing basis that it will not breach the intellectual property rights of others and indemnifies the Commission in respect of any breach.</p>	Yes	
<p>9.1.1</p> <p>The Provider must maintain arrangements with its officers employees and agents as are reasonably necessary to protect the confidentiality of confidential data.</p>	Yes	
<p>9.1.2</p> <p>The Provider must ensure limited disclosure of data or processed data on a need to know basis.</p>	Yes	
<p>9.1.3</p> <p>The Provider must store data and processed data for a minimum period of two and a half years.</p>	Yes	

<p>10.1.2</p> <p>The Provider must have disaster recovery plans which will enable it to continue to fulfill its duties with a minimum of practical disruption.</p>	Yes	
<p>10.1.1 &amp; 10.2</p> <p>Data is to be backed up daily and taken offsite weekly and, together with backup software, stored at least 100km away.</p>	Yes	
<p>11.1</p> <p>The Provider must ensure the software performs in accordance with the specification and meets any requirements in the rules and regulations.</p>	Yes	Note the constrained on/off calculation error.
<p>14.1 / 14.4</p> <p>The Provider will maintain professional indemnity insurance in a form and with an insurer satisfactory to the Commission and will obtain a certificate annually from the insurer to establish compliance.</p>	Yes	
<p>14.2 / 14.4</p> <p>The Provider will maintain fidelity insurance for direct financial loss resulting from fraud in a form, for an amount and with an insurer satisfactory to the Commission. The Provider will obtain a certificate annually from the insurer to establish compliance.</p>	Yes	



14.3  In the month prior to renewing insurance cover the Provider will work with the insurers to satisfy any requests the Commission may have in relation to that cover and will the Commission advised.	Yes	
16  The Provider may not assign the agreement without the Commissions consent. A change in the beneficial ownership of the Provider by 40% or more shall be a deemed assignment.	Yes	