

Market Governance Update

April 2009

Introduction

This month's EGR meeting was a very busy one, with 45 rule breach notifications considered. Decisions included the appointment of an investigator, a recommendation that the Commission Board approve a settlement, and decisions not to lay complaints with the Rulings Panel on two breaches that the Market Governance team have investigated.

The Committee has also been preparing for the release of several publications; the Commission's update on the Compliance Framework Review and its revised operating procedures.

The update covers what the Commission has done to implement changes following the Compliance Framework Review and gives participants an opportunity to comment on those changes.

The operating procedures record the operational steps that the Commission follows in processing alleged breaches of the Rules and Regulations including the Low Fixed Charge Tariff Regulations, the Security of Supply Regulations, and the Connection of Distributed Generation Regulations.

Both documents are now available on the Commission's website.

Commission monitoring

One of the Commission's roles is to monitor compliance with the Electricity Governance Regulations and Rules. The EGR Committee and the Market Governance team's activities give them an overview of compliance issues, but sometimes particular incidents lead them to seek more information. The well-publicised power outages that affected some Auckland suburbs in February are such an incident.

The Committee has written to Transpower asking for information on the events surrounding the Penrose outages on 3 February and the outage that occurred on 13 February. There have not been any allegations of Rule breaches by any party at this time but if the Commission's enquiries result in any breach allegations, the Commission's usual procedures will be implemented.

Breaches from distribution and rules audits

135 Rule breaches were identified during recently completed audits of distributors' processes and procedures. These audits, which are required by Rule 10 of Part E have to be conducted at regular intervals and provided to the Commission. The most recent batch of audit reports had to be with the Board by 1 November 2008.

At its March meeting the Committee discussed the fact that a very large number of breach allegations had been brought to light from the audit, and how these might be assessed in an efficient manner. The Committee asked that Market Governance staff deal with the breach allegations in an efficient and a pragmatic way.

Report on the EGR Committee's March meeting

At its meeting on 17 March the Committee considered and took action on 45 rule breach notifications. Some of those notifications alleged breaches of multiple Rules. To give you an indication of which Parts of the Rulebook, and which Rules the Committee considered, and also the patterns of self-reporting and reporting by others, the table on the last page of this update gives some stats on the breaches considered in March.

UFE identified in distributor audits

The distributor audits identified an interesting issue of unmetered load from under verandah lighting. The audit identified that for some under verandah lighting covered by the audit, daily kWh information was not being collected in some installation control points (ICP).

The Committee, in discussing the extent and impact of this breach heard that often the breach related to one or two light bulbs, the amount of unmetered load was very small and the market impact negligible. The under verandah lighting problem appeared to be a historical one, perpetuated when ICP records were not updated over time. The retailers involved had already taken, or were taking steps to update Registry records to reflect the unmetered load.

The Committee regards it as important that the unaccounted for electricity (UFE) rules are complied with. It noted that the rules were intended to identify and reconcile serious levels of UFE, rather than the trivial amounts in these breaches, but it was still important that retailers properly meter load and use their best efforts to keep such breaches at a minimum. Retailers can expect to receive a letter to this effect shortly.

Must-run dispatch auction

This month the Committee considered a case involving a generator's failure to comply with the must-run dispatch auction (MRDA) process. Rule 2.13 permits a generator to offer electricity to the clearing manager at \$0, but usually only after the generator has authorisation from the auction.

The Committee is concerned to see a number of generators not complying with the MRDA process, which is required under the Rules in section IV of Part G.

Failing to comply with the process has a number of impacts – in addition to not paying the due fees for the MRDA, the parties offering at \$0 without authorisation may potentially displace generation that lawfully obtained rights to offer at \$0 in a time of low load/excess generation. It's suggested that generators ensure that staff be kept familiar with the must-run dispatch auction requirement.

Appointment of investigator

An investigator has been appointed to investigate Transpower's breach of Rule 1.3.4.7 of Schedule G6 of Part G. The breach occurred when Pole 1 of the HVDC link was reintroduced to service. Instead of modelling the maximum rated values for Pole 1 at the zero value that the Grid Owner's standing offer stated, Transpower modelled Pole 1 at its maximum rated value.

The System Operator self-reported the breach and asserted that it had no operational impact. A preliminary market impact assessment by the Pricing Manager indicated that the North and South Island prices were affected differently.

More details on the breach are available in the notice of investigation which is available here:

<http://www.electricitycommission.govt.nz/pdfs/rulesandregs/compliance/pdfsbreaches/notice-alleged-breach-SO-7Jan09.pdf>

Contact us

If you would like to contact us please email the Market Governance team at compliance@electricitycommission.govt.nz or contact

Chavdar Petkov or Peter Wakefield directly at:

Chavdar.Petkov@electricitycommission.govt.nz

Peter.Wakefield@electricitycommission.govt.nz

Decisions not to lay formal complaints following investigations

The EGR Committee has decided not to lay a formal complaint with the Rulings Panel in relation to two breach allegations:

- a breach by Transpower which failed to incorporate in the dispatch schedule information from the Grid Owner concerning the Kikiwa transformer;
- a breach by Meridian Energy which used incorrect consumption figures for meter registers in calculating reconciliation data.

The reasons for the Committee's decisions not to lay formal complaints in these cases included:

- the breaching party having taken steps that would reduce the likelihood of such breaches recurring;
- the software problem that led to the breach having been corrected and no further breaches having occurred;
- the breaching party and the affected party having reached an off market agreement over the breach.

Full details of the decisions not to lay formal complaints are available here:

<http://www.electricitycommission.govt.nz/rulesandregs/compliance/decisions>

Compliance Framework review

Participants are being asked for their feedback on the changes the Commission has made following the Compliance Framework review.

A report summarising the key issues raised by industry, and the changes the Commission has made as a result has been published on the Commission's website. The report includes a questionnaire seeking feedback on the changes so far, and the need for further changes.

The report is available here:

<http://www.electricitycommission.govt.nz/consultation/compliance-framework-review/view>

Market Governance Internal Operating Procedures

In the interest of transparency and to assist participants' understanding of how Market Governance processes Rule and Regulation breach notifications, Market Governance's internal operation procedures are available on the Commission's website.

The procedures assist the Commission when exercising judgment in its decision-making process on breaches. In the event of any conflict with the Rules or Regulations, the Rules and Regulations will apply

Looking forward

The next EGR Committee meeting is scheduled for 30 April 2009.

but otherwise the procedures are not prescriptive. The procedures are available here:

<http://www.electricitycommission.govt.nz/rulesandregs/compliance/MG-internal-operating-procedures>



Rule breached	Self Reported	Action taken
Part C		
Rule 5.2 of technical code C of Schedule C3	Y	Declined to pursue
Rule 6.1 of technical code A of Schedule C3	Y	Declined to pursue
Clause 13.1 of Schedule C4	Y	Deferred decision
Part E		
Rule 6	Y	Declined to pursue
Rule 7	Y	Declined to pursue
Rule 10	Y	Declined to pursue
Rule 12	Y	Declined to pursue
Rule 3.6.1 of Schedule E1	N	Declined to pursue
Rule 3.7 of Schedule E1	N	Declined to pursue
Rule 4.7 of Schedule E1	Y	Declined to pursue
Rule 3.3 of Schedule E2	N	Declined to pursue
Rule 3.4 of Schedule E2	N	Declined to pursue
Part G		
Rule 5.6 of section II	Y	Decline to pursue
Rule 4.11 of section III (2)	Y	Decline to pursue-2 warnings
Rule 4.9.3 of section III	Y	Decline to pursue
Rule 10.2 of section III (2 breaches)	Y	Decline to pursue- 1 warning
Rule 2.13 of section IV (3 breaches)	Y	Decline to pursue-2 warnings
Rule 3.6.1 of section V	Y	Decline to pursue – 1 warning
Rule 1.3.1.3 of Schedule G6 (3 breaches)	Y	Decline to pursue – 1 warning
Rule 1.3.4.7 of Schedule G6 (6 breaches)	Y	Decline to pursue – 2 warnings
Part J		
Rule 3 (3 breaches)	Y (2 breaches) N (1 breach)	Decline to pursue
Rule 11 (2 breaches)	Y	Decline to pursue
Rule 8.1 of Schedule J4	Y	Decline to pursue- warning
Rule 15 of Schedule J4	Y	Decline to pursue
Rule 15.3 of Schedule J4	Y	Decline to pursue- warning
Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations		
Regulations 5 and 6	N	Decline to pursue
Regulation 9	N	Decline to pursue – warning
Regulation 22(1)(b (2 breaches)	N (1 breach) Y (1 breach)	Decline to pursue