

Market Governance Update

June 2009

Important message from EGR Committee

The Committee is concerned that participants ensure they have appropriate quality assurance systems in place in relation to contractors and maintenance, upgrades, and everyday operational processes.

Recently, the Committee considered several cases where alleged breaches had been caused by quality issues with the work performed by contractors and agents. While we know that many participants have good systems in place and many contractors perform work to the highest standards, it appears that some participants' quality assurance systems are not adequately covering the contractors' work and the participants are relying too heavily on the contractors' systems. When rule breaches arise in these situations, liability for the rule breaches rests with the participant and not the contractors.

The Committee expects and encourages participants to have systems in place that would assure that the quality of the maintenance work performed by contractors and agents ensures participant's ongoing compliance with the Rule requirements. This is particularly important when the electricity system faces constraints and is under pressure when non-compliance would have serious consequences.

Market Governance exceeding performance standards

The Commission's market governance team continues to exceed the performance measures for processing rule breach notifications in a timely manner.

The Commission's Statement of Intent sets performance measures against which the team's performance is measured. The requirements and the team's actual performance for the 08/09 financial year are:

	Statement of Intent Requirement	Actual performance
Rule breach notifications closed within 3 months	50%	72%
Rule breach notifications closed within 6 months	85%	93%
Total rule breach notifications closed	170-230	268 (136 "early closures")

These results have been achieved by adhering to the Commission's compliance philosophy of allocating resources where they are most needed, and fast-tracking minor breaches, freeing up resources for the more serious cases.

Compliance Framework Review

The Commission received 6 submissions on the Compliance Framework review update document.

At its meeting the Committee considered the submissions and decided that it would like to meet with submitters to hear and discuss their comments. A workshop, to be held at the Commission on Tuesday 18 August, is being arranged and all submitters should have received their invitation. In addition to meeting with the authors of each submission, the Committee would like to meet with the compliance staff that deal with the Commission on a day to day basis.

All submissions, together with a summary of the submissions have been published on the Commission's website. They are available here:

<http://www.electricitycommission.govt.nz/submissions/compliance/compliance-framework09>

For any questions about the workshop on the Compliance Framework Review Submissions please contact one of the market governance team.

Stream Information Limited invoiced \$50,000

In line with a settlement agreement reached in 2008, the Commission has this month invoiced Stream Information Limited \$50,000 (the maximum penalty available under the agreement) for non-compliant metering installations identified during an audit undertaken as part of the settlement agreement.

The \$50,000 will be paid to the Crown.

Reconciliation Participant and Distributor Audits 2008

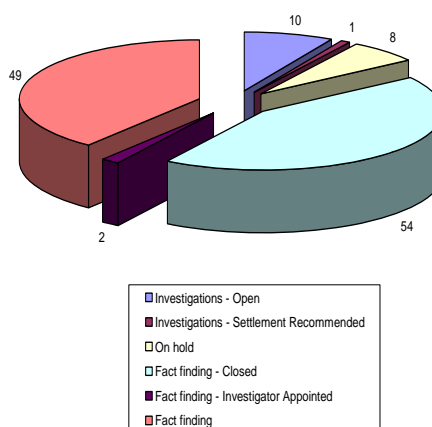
At this month's meeting the Committee made decisions on the rule breach notifications that arose following the Reconciliation Participant and Distributor Audits of 2008.

In our April update we reported that the Committee asked that staff deal with the breach allegations in an efficient and a pragmatic way. Since then the Committee has begun considering the cases using a streamlined process where resources are apportioned appropriately. The Committee expects participants will seek to rectify any corrective actions arising from audits as soon as possible.

Open breach files

As at 8 June 2009 the market governance team had 124 open breach notifications files. Progress on those breach files is summarised in the chart below.

Open Breach Notifications including decisions at
16 June 2009 EGR Meeting



More on Commission's monitoring of compliance with the Rules

In our April update we reported that the Commission is monitoring the events that led to the Penrose outage on 3 February and the Otahuhu outage on 13 February.

The Committee wrote to Transpower asking for information on the events surrounding the outage. Since then the Committee has appointed an investigator to investigate Contact Energy's failure to have correct protection settings in place at Otahuhu power station on 13 February (see the appointment of investigator article below for more information on this).

The Committee has also received advice from Transpower that the events of 13 February are currently the subject of an inquiry. The Committee is now awaiting further information from Transpower.

The Committee received information on the 3 February Penrose incident in which 74,000 customers were disconnected. From information provided by the Grid Owner there does not appear to be any breach of the Rules in relation to that incident.

Appointment of investigators

Investigators were appointed to investigate the following 2 breaches:

- Contact Energy: a self-reported breach which was also notified by the System Operator concerning Contact's failure to have the correct protection settings in place at Otahuhu power station on 13 February 2009. The settings are required to support the System Operator in achieving its principal performance obligations. More details are available here: <http://www.electricitycommission.govt.nz/pdfs/rulesandregs/compliance/in-progress/invest-76.pdf>
- Trust Power: a self-reported breach concerning TrustPower's failure to provide the dispatched fast instantaneous reserve at Matahina power station during an under-frequency event. More details are available here: <http://www.electricitycommission.govt.nz/pdfs/rulesandregs/compliance/in-progress/invest-77.pdf>

Looking forward

The next EGR Committee meeting is scheduled for 18 August 2009.

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



Rule breached	Self Reported	Action taken
Part C		
Rule 2.2.5 of section II	Y	Declined to pursue but issued warning letter – no market and no security impact but Committee considers this breach as potentially serious.
Rule 11.7.2 of section IV	Y	Declined to pursue but issued warning letter – impact only administrative time but warning letter warranted as the breach occurred over a long period.
Rule 4.4.1 of technical code A of schedule C3	Y	Investigator appointed due to the seriousness of the event.
Rule 4.4.1.2 of technical code A of schedule C3	Y	Declined to pursue but issued warning letter – no market or security impact but the potential for market impact and potential lack of proper testing warranted a warning letter.
Clause 20 of schedule C4	Y	Declined to pursue but issued warning letter – although no market and no security impact the breach was caused by a preventable human error.
Clause 22.5 of schedule C4	Y but later denied	Declined to pursue – no market and no security impact, caused by human error.
Paragraph 116 of appendix A of schedule C5	Y	Declined to pursue – no market and no security impact.
Part G		
Rule 2.13 of section IV	Y	Declined to pursue but issued warning letter – a new system implemented and performing properly but a series of breaches warranted a warning letter.
Rule 4.3	Y	Declined to pursue – no prima facie case for the alleged breach was established.
Rule 4.9.3 of section III	Y	Declined to pursue but issued warning letter – no market impact but had potential for security and operation impact.
Rule 4.1 of section III	Y	Declined to pursue – no market and no security impact, caused by human error and quickly corrected.
Rule 4.11	N	Declined to pursue – failed to establish a prima facie case for the alleged breach.
Rule 4.11	Y	Declined to pursue but issued warning letter – minimal market and security impact but the deviation was entirely preventable.
Rule 4.11	Y	Declined to pursue – no market and security impact.
Rule 4.11 of section III	Y	Appointed an investigator – a serious breach with potential for security impact, 16 previous breaches.
Rule 4.11.1	N	Declined to pursue but issued warning letter – by failing to comply with the obligation to immediately advise the System Operator under rule 4.11.

Rule 1.3.1.3 of schedule G6	Y	Decline to pursue – negligible, if any market impact.
Rule 1.3.1.3 of schedule G6	Y	Declined to pursue but issued warning letter - minimal impact and security impact but concerning lack of check procedures.
Rule 1.3.4.6 of schedule G6	Y	Declined to pursue but issued warning letter – no market and security impact and no previous breaches.
Rule 1.3.4.7 of schedule G6	Y	Decline to pursue but issued warning letter – minimal impact and security impact but concerning lack of check procedures.
Rule 1.3.4.7 of schedule G6	Y	Declined to pursue but issued warning letter about importance of correct modelling.
Rule 1.3.4.7 of schedule G6	Y	Declined to pursue but issued warning letter – no market or operational impact although potential for impact warrants warning letter.
Rule 1.3.4.7 of schedule G6	Y	Declined to pursue – no market and security impact and caused by an emergency situation.

Part J

Rule 1.2	N	Decline to pursue but issued warning letter – breach had no market impact but was a material error that could potentially have had a material impact.
Rule 10.4	N	Declined to pursue – no prima facie case for the alleged breach.
Rule 4.1 of Schedule J3	N	Decline to pursue – changes to systems will resolve any market impact, additional checks added to processes.
Rule 4.2 of Schedule J3	N	

Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004

Regulation 9	Y	Noted non-compliance with regulation 9, received plan for achieving compliance, asked to be informed of future compliance, file remains open.
--------------	---	---