

Market Governance Update

October 2008

Since our last update in September, the EGR Committee has met once, on 1 October, and staff have been busy with breach notifications.

As you'll see from the update this month the Commission Board has approved a settlement agreement, the Committee has appointed an investigator to investigate a breach of Rule 4.11 and another case study has been prepared.

Settlement Approved – Stream Information Limited

This month the EGR Committee recommended that the Board approve a settlement agreement between Stream Information Limited (Stream) and 8 other parties. This week the Board approved the settlement.

Stream is a metering equipment owner. Commission staff commenced an investigation after it was alleged that Stream had breached a number of Rules by failing to:

- inspect metering installations at intervals required by the Rules;
- notify affected parties of their non-compliant metering installations; and
- ensure it held relevant documents for its metering installations.

Investigations revealed 257 non-compliant meters.

The settlement agreement is extensive. It contains many provisions including ones that:

- require Stream to complete a programme to ensure compliance with certification obligations;
- establish a new role in the organisation to manage compliance;
- undergo an audit of its metering equipment processes; and
- pay financial penalties where audits identify non-compliance metering equipment.

The full settlement agreement will be available on the Commission's website shortly.

Investigator appointed to investigate breach by Genesis Energy

The Committee appointed Senior Investigator Peter Wakefield to investigate a breach of rule 4.11 of section III of part G of the Rules by Genesis Energy Limited (Genesis).

Genesis self-reported the breach which occurred when Genesis acknowledged that for 35 minutes it did not comply with the System Operator's dispatch instructions at its Huntly station.

The Commission's notice of investigation can be found here:
<http://www.electricitycommission.govt.nz/rulesandregs/compliance/decisions2#current>

New rule breach notifications

After its October meeting the Committee had 43 open files. Since the close-off date for that meeting 23 new notifications have been received.

Report on the EGR Committee's October meeting

At its meeting on 1 October the Committee considered and took action on 20 Rule breach notifications, some of which involved breaches or alleged breaches of multiple Rules. A table summarising which rules were breached and whether the breaches were self-reported is included below.

Rule breached	Self Reported
Part C <ul style="list-style-type: none"> Rule 5.2 of technical code C of Schedule C3 	Y
Part D <ul style="list-style-type: none"> 3.4 of part D Rule 7.2 of code of Practice D3 of Schedule D1 (two breaches) 	N Y
Part E <ul style="list-style-type: none"> Rule 5.3 of Schedule E1 Rule 6 of schedule E1 Rule 8.2.1 of Schedule E1 	N Y N
Part G <ul style="list-style-type: none"> Rule 3.19 of section II Rule 4.11 of section III (three breaches) Rule 1.3.4.7 of Schedule G6 (two breaches) 	Y Y Y
Part H <ul style="list-style-type: none"> 7.2.1 (two breaches) 	N
Part J <ul style="list-style-type: none"> 3 (three breaches) 3 (one breach) 	Y N

New case study to be released

The Committee is concerned at the increasing number of breaches of rule 4.11 of section III of part G of the Rules involving automated control systems in combined cycle thermal power plants.

That concern led the Committee to suggest a case note be prepared on the situation where automated control systems in combined cycle thermal power plants take the control of the generation output and as a result the generator deviates from dispatch instructions.

The Committee considered a breach by Contact Energy that involved such equipment. The events surrounding the breach were typical of breaches that other operators had experienced previously, so the Committee decided that a case study based on the Contact facts would provide useful learnings for all operators of combined cycle thermal stations.

That case study will be released shortly. In the spirit of transparency and openness Contact have agreed to the release of all relevant information for the case study for market education purposes.

More news about the 1 October Committee meeting...

The Committee took decisions on all 20 of the alleged breaches. The circumstances of 4 of the breaches led the Committee to issue warning letters that stressed that the Committee expects strict compliance with the Rules and that future breaches may result in a different response from the Committee. One of the warning letters was sent to the Chief Executive of the breaching party.

Twelve breach notifications were handled as “early closure” files. The breaching parties received letters advising that the Committee considered it important to complete corrective actions and where it was appropriate asked the parties to advise the Committee when the corrective actions had been completed.

In a change from previous months, of the breaches considered by the Committee this month, the most commonly breached rule was Rule 3 of Part J. Market governance will closely monitor reported breaches of the new Part J that came into effect on 1 May this year.

Looking forward

The next EGR Committee meeting is scheduled for 19 November 2008.

Contact us

If you would like to contact us please email us at Compliance@electricitycommission.govt.nz

