

# Market Governance Update

January 2009

Welcome to our first Market Governance update for 2009. After a short break over Christmas our Market Governance team is now straight back into business, with the first Electricity Governance Rules Committee meeting of the year held on 20 January.

So far this year the team has been busy preparing the advice needed for the Committee to make its decisions, and then putting those decisions into action, as well as investigating the 30 plus breaches of the Rules that the Commission has received since 1 January. This update gives you an overview of the decisions the Committee made at its meeting, and the issues that the team thinks would usefully be brought to your attention.

## Ongoing problem of lack of training

This month the Committee considered a case which highlighted the recurring issue of the adequacy of staff training. The case involved a breach of rule 4.11 of section III of part G. The breach happened when a trainee operator was left alone, while the trainer addressed problematic equipment. The trainee failed to communicate the bona fide situation to the System Operator and the company's trading desk and as a result no bona fide was claimed and no revised offer was submitted for quite some time. This resulted in a prolonged breach of rule 4.11 of section III of part G.

The problem of inadequate training is a problem across the market, although it seems to be more of an issue for some participants than others. Inadequate training frequently features in the explanations investigators are given for why rules were breached.

The Committee is concerned, and would like to see:

- adequate training being provided to staff;
- staff under training being supported by fully-trained staff.

The Committee expects every market participant to be proactive and have all arrangements (including the proper information systems) in place to guarantee dispatch instructions will be complied with.

## Use of agents in the electricity market

The Committee has noticed that many market participants appoint other participants as agents to act on their behalf, especially in areas requiring staff actions around the clock. One of these areas is submitting offers and their revisions. Recently, Market Governance received a breach notification when an agent incorrectly changed the offer it submitted on behalf of another participant, but the principal participant was unaware of the change.

In this case the principal, not the agent, was the liable party, despite the principal not being aware of their agent's actions. The Committee recommends that participants appointing agents be aware of their potential liability and consider addressing the issue in the contractual arrangements with their agents.

The Committee asked for an assessment by Commission staff on how widespread the use of agency arrangements is in the electricity market and what problems could be associated with this.

## Market Governance open files

As at the end of 2008 the Market Governance team was working on 79 open files.

Investigator appointed, investigation underway	12
Facts found, recommend EGR close	33
Facts still being found	25
On hold	9

## Report on the EGR Committee's January meeting

At its meeting on 20 January the Committee considered and took action on 33 rule breach notifications. Some of those notifications alleged breaches of multiple rules. The table below provides an indication of which rules the Committee considered, and also the patterns of self-reporting and reporting by others:

Rule breached	Notification status
Part C	
Rule 4.4.1.1 of technical code A of schedule C3	Self-reported
Rule 4.4.1.2 of technical code A of schedule C3	Self-reported
Rule 8.3 of technical code C of schedule C3	Self-reported
Part D	
Rule 3.1 of code of practice D3 of schedule D1	Alleged
Rule 7.2 of code of practice D3 of schedule D1	Self-reported
Rule 7.5.3 of code of practice D2 of schedule D1	Alleged
Rule 6.1.1 of code of practice D3 of schedule D1	Self-reported
Rule 6.1.2 of code of practice D3 of schedule D1	Self-reported

## Committee decisions

The Committee sent two warning letters, and one letter reminding a participant of the importance of the obligations that they had breached.

The Committee declined to pursue a number of notifications but asked that compliance staff contact the parties involved and inform them that the Commission considers it important to complete corrective actions and to ask the parties to advise the Commission when the corrective actions had been taken.

Of the 35 notifications of breaches that the Committee considered, the most commonly breached rule was rule 6.6 of schedule J1 of part J.

## Contact us

If you would like to contact us please email the Market Governance team at [compliance@electricitycommission.govt.nz](mailto:compliance@electricitycommission.govt.nz) or contact

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## Looking forward

The next EGR Committee meeting is scheduled for 17 March 2009.

Part E	
Rule 2.2.1	Alleged
Rule 10	Self-reported
Rule 2.1 of schedule E2 (two breaches)	Alleged
Part G	
Rule 3.14.1.1 of section II	Self-reported
Rule 3.14.3 of section II (two breaches)	Self-reported
Rule 3.17.1 of section II	Self-reported
Rule 3.18 of section II	Self-reported
Rule 3.19 of section II (two breaches)	Self-reported
Rule 6.14.1 of section II	Self-reported
Rule 6.16 of section II	Self-reported
Rule 4.9.3 of section III	Self-reported
Rule 4.11 of section III (three breaches)	Self-reported
Rule 5.6.1 of section VI (now rule 1.2 of part J with minor amendments)	Self-reported
Part J	
Rule 3	Self-reported
Rule 4.1	Alleged
Rule 4.2.2	Self-reported
Rule 4.2.2.1	Alleged
Rule 19	Self-reported
Rule 6.6 of schedule J1 (four breaches)	Self-reported
Rule 3 of schedule J3	Alleged
Rule 2 of schedule J4	Alleged
Rule 14.1.1.3 of schedule J4	Self-reported

