

Memo

To Reconciliation Participants

Copies Auditors approved by the Electricity Authority (Authority)
Authority Compliance team

From Grant Benvenuti

Date 21 October 2014

Subject Certification period for reconciliation participants

For your information

The purposes of this memo are to:

- remind reconciliation participants that the Authority may certify them for periods of less than 12 months
- set out the reasons why the Authority would certify reconciliation participants for less than 12 months
- describe what a participant can do to help the Authority make better informed decisions on the duration for which it will certify the participant.

Clause 7 of Schedule 15.1 of the Electricity Industry Participation Code 2010 (Code) permits the Authority to certify reconciliation participants for a period of not more than 12 calendar months

Clause 7 of Schedule 15.1 states that:

7 Renewal of certification

- (1) **Certification** must not be granted for a term of more than 12 calendar months.
- (2) The **Authority** must renew a **reconciliation participant's certification** for a further term of not more than 12 calendar months if the **Authority** is satisfied on the basis of an **audit** report provided to the **Authority** under clause 11 that the **reconciliation participant** continues to meet the requirements specified in clause 5.

If a reconciliation participant meets the requirements specified in clause 5 of Schedule 15.1, clause 7 gives the Authority discretion regarding the duration of the period for which it certifies the reconciliation period. This is subject only to the requirement that this period not exceed 12 calendar months.

Certification for less than 12 calendar months provides a mechanism to monitor participants' progress in addressing the issues arising from audits

Compliance with the Code is an on-going obligation that requires attention and, where necessary, action. Participants must address any instances of non-compliance as soon as practicable, rather than leaving such matters until the date on which the next audit is due.

To enable it to better monitor participants' progress in addressing the issues arising from audits, the Authority may certify a reconciliation participant for less than 12 calendar months.

Certification period is based on confidence that the reconciliation participant continues to meet the requirements of the Code

The duration of the period for which the Authority will certify a reconciliation participant will reflect the level of confidence the Authority has that the reconciliation participant meets the requirements specified in clause 5 of Schedule 15.1. One such requirement under clause 5(1)(a) of Schedule 15.1 is that the reconciliation participant's audit satisfies the Authority that the reconciliation participant meets the Code requirements relevant to the functions for which the reconciliation participant seeks certification. In this regard, the reconciliation participant must demonstrate to the Authority that it is actively addressing any compliance issues identified in the audit, and that there is no need for more frequent audits to monitor the participant's progress towards achieving compliance.

As an example, a renewed certification period of 12 calendar months under clause 7(2) of Schedule 15.1 demonstrates that the Authority is satisfied that the reconciliation participant in question continues to meet the requirements specified in clause 5 of Schedule 15.1.

Better information from reconciliation participants leads to more informed decisions

A reconciliation participant can assist the Authority in making its decisions on the duration for which it will certify the participant by providing information that:

- clearly identifies the corrective actions the participant will take to address any breaches outlined in the audit and prevent future recurrences
- includes the participant's estimated timeframes and milestones for achieving compliance, and a description of how the participant will monitor its progress towards achieving compliance if this will take an extended period
- clearly identifies the actions the participant will take to prevent future breaches
- clearly describes what the participant is doing to identify and address potential breaches outside of the audit regime.

The Authority looks forward to reconciliation participants providing this information, both in the 'audited party's response' to instances of non-compliance found during the audit, and in any correspondence with the Authority following submission of the audit.

If you have any questions please e-mail marketoperations@ea.govt.nz.



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