

Notification of the Commission's Decision Pursuant to Regulation 91(1)

Under regulation 91(1) of the Electricity Governance Regulations 2003 (Regulations), the Electricity Commission (Commission) must publicise every decision made under regulation 86(2) or regulation 90(2) or regulation 90(3), together with the reasons for the Commission's decision. This notice relates to a decision made under regulation 90(2) not to lay a formal complaint against the System Operator.

Investigation

On 17 May 2006, the Commission appointed an investigator under regulation 69 of the Regulations to investigate the following breaches of the Electricity Governance Rules 2003 (Rules) by Transpower Limited in its role as System Operator:

- Rule 22 of schedule C4 (Policy Statement effective prior to 25 August 2005) of part C of the Rules (rule 22), alleged by the Commission for the period 11 February to 24 August 2005.
- Rule 20.5 of schedule C4 (Policy Statement effective from 25 August 2005) of part C of the Rules (rule 20.5), self reported by the System Operator for the period 25 August to 22 December 2005. (in relation to an incorrect constraint applied in the Scheduling, Pricing and Dispatch software model (SPD model) for the Wairakei-Whakamaru circuit for the period 9 March to 22 December 2005)

The System Operator denied a breach of rule 22 for the period 11 February to 9 March 2005, when no constraint was applied in the SPD Model for the Wairakei-Whakamaru circuit.

The System Operator admitted a breach of rule 22 for the period 9 March to 24 August 2005, when an incorrect constraint was applied in the SPD model for the Wairakei-Whakamaru circuit. The System Operator also admitted a breach of rule 20.5 for the period 25 August to 22 December 2005 of an incorrect constraint applied in the SPD model for the Wairakei-Whakamaru circuit.

Settlement of certain matters

A settlement was able to be achieved for the admitted breaches of rule 22 for the period 9 March to 24 August 2005 and of rule 20.5 for the period 25 August to 22 December 2005.

A settlement could not be achieved for the breach alleged by the Commission and denied by the System Operator of rule 22 for the period 11 February 2005 to 9 March 2005.

In relation to matters where settlement could be achieved, the Investigator provided the Commission with a proposed copy of the settlement and a report recommending that the Commission approve the proposed settlement. In accordance with

regulation 84, that settlement was approved by the Commission on 27 June 2007 and is published on the Commission's website.

Matters Considered by the Commission

On 13 June 2007, the Investigator provided the Commission with a report in relation to the allegations of breach of rule 22 for the period 11 February 2005 to 9 March 2005, which were denied by the System Operator and for which a settlement could not be achieved.

The Commission considered the Investigator's report, which contained additional information that was provided by the System Operator in the course of the investigation.

For the period 11 February to 9 March 2005, where no constraint was in place, the Investigator's report advised the Commission that, based on additional information supplied by the System Operator, the Investigator came to the view that there was no breach of rule 22.

The Commission's Decision

In respect of the alleged breach of rule 22 for the period 11 February to 9 March 2005, the Commission decided, in accordance with regulation 90, that no formal complaint should be laid.

Reasons for the Commission's Decision

The Commission decided that a formal complaint should not be laid because, based on further information supplied by the System Operator as part of the investigation, there did not appear to be a breach of rule 22 for the period 11 February to 9 March 2005.