

Developing measures of system operator performance

7 June 2016

Note: This paper has been prepared for the purpose of the Security and Reliability Council (SRC). Content should not be interpreted as representing the views or policy of the Electricity Authority.

Background

The Security and Reliability Council (SRC) functions under the Electricity Industry Act 2010 (Act) include providing advice to the Electricity Authority (Authority) on the performance of the system operator.

The SRC has a long-standing action for the “Secretariat to work with the system operator to develop a set of integrated and prioritised performance measures.” This has been on hold pending the Authority and the system operator agreeing a new system operator service provider agreement (SOSPA).

A new SOSPA was signed in February 2016 with an effective date of 1 July 2016. The Authority and the system operator are currently negotiating performance incentives on a couple of system operator activities in the 2016/17 year. These incentives are of a relatively modest nature, to support the transition to the new SOSPA arrangements. A more enduring set of performance measures, and possibly performance incentives, is expected to be developed under the new contract.

A verbal update will be provided

Authority staff will provide a verbal update at the meeting. The extent to which Authority and Transpower staff will be able to discuss details with certainty will be limited by whether or not the parties have agreed on the performance incentives in the 2016/17 year.

A paper will be presented to the 19 October 2016 SRC meeting

The secretariat will prepare a paper for the 19 October 2016 SRC meeting that explains the relevant aspects of the SOSPA and what they mean for the longer-term development of measures of system operator performance. This paper is expected to provide context for a discussion with the SRC on the performance measures it considers should be applied to the system operator.

The SRC may wish to consider the following questions.

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| Q1. | What further information, if any, does the SRC wish to have provided to it by the secretariat? |
| Q2. | What advice, if any, does the SRC wish to provide to the Authority? |