

SETTLEMENT AGREEMENT

Regulation 24(1) Electricity Industry (Enforcement) Regulations 2010

DATED: 6 May 2020

BETWEEN:

- (1) Transpower New Zealand Limited as the grid owner of 22 Boulcott Street, Wellington (grid owner);
- (2) Transpower New Zealand Limited as the system operator of 22 Boulcott Street, Wellington (system operator)

(Collectively the **parties**).

BACKGROUND:

- (A) On 20 February 2019, the grid owner reported to the Authority that it had breached clauses 9(1) and 9(3) of Technical Code C of Schedule 8.3 of the Code.
- (B) The grid owner failed to provide the system operator with an updated actual operational status of the Roxburgh special protection scheme (ROX SPS).
- (C) On 14 May 2019 the Authority appointed an investigator under regulation 12 of the Regulations, to investigate the Alleged Breaches by the grid owner.
- (D) The system operator joined the investigation as an affected participant.
- (E) The parties have agreed to settle the Alleged Breaches on the terms contained in this Agreement.

IT IS AGREED:

1. Interpretation

1.1 In this Agreement, unless the context requires otherwise:

- (a) **Agreement** means this Settlement Agreement;
- (b) **Alleged Breaches** means the alleged breaches of the Code arising from the Circumstances and described in clause 2;
- (c) **Approval Date** means the date the parties to this Agreement are notified that the Electricity Authority has approved this Agreement under regulation 24(4) of the Regulations;
- (d) **Circumstances** means the circumstances set out in clause 3;

- (e) **Code** means the Electricity Industry Participation Code 2010;
- (f) **Regulations** means the Electricity Industry (Enforcement) Regulations 2010

2. Alleged Breaches

- 2.1 Clause 9(1) of Technical Code C of Schedule 8.3 requires all asset owners (including the grid owner) to provide indications and measurements to the system operator.
- 2.2 Clause 9(3) of Technical Code C of Schedule 8.3 requires the grid owner to provide the updated indications and measurements every eight seconds to the system operator when using the primary means of data transmission communication.

3. Circumstances of the Breaches

- 3.1 On 13 June 2017, the grid owner commissioned a new substation management system (SMS) at Roxburgh. The grid owner found during commissioning that some protection relays had not been configured to provide the required indication outputs for the ROX SPS.
- 3.2 The grid owner commissioned the SMS without indications from the ROX SPS and tagged the ROX SPS indications as “not in service” (NIS).
- 3.3 The grid owner, on the basis that the ROX SPS is normally enabled, manually altered the SCADA screens to show the ROX SPS indications in the normal/in-service state. Accordingly the SCADA indications for the ROX SPS, as seen by the system operator, were not updating and the system operator was unable to see that the indications had been manually set.
- 3.4 The grid owner, sometime after the SMS was commissioned, re-configured the protection relays to include indication outputs for the ROX SPS. The grid owner did not communicate this re-configuration to the grid owner’s SCADA modelling team and so the ROX SPS continued to operate without the required indications.
- 3.5 On 1 August 2018, the grid owner identified the “NIS” SCADA points which the grid owner recommissioned correctly on 9 August 2018.

4. Impact of the Breaches

- 4.1 The breaches meant that the system operator had no visibility of the actual operational status of the ROX SPS.
- 4.2 The parties agreed there was a high potential market and security impact had the ROX SPS not been operational when the system operator was relying on the ROX SPS to operate. Fortunately, there was no market, operation, or security impact as the SPS was working correctly. However, the system operator had no visibility of any change in state of the SPS, had there been such a change.

5. Guiding Principles

5.1 The parties agree the following guiding principles in relation to this Agreement:

- (a) Managing processes and procedures for the design, commissioning, maintenance, and application of protection systems are important requirements to assure reliable and efficient operation of the electricity industry.

6. Settlement

6.1 The parties have agreed the following grid owner settlement actions:

- a. The grid owner has updated its “SCADA Pre-commission Testing” process document to require:
 - the real time systems engineer (SCADA modeller) carrying out the modelling to formally communicate in writing to the project manager and field technician any issues that arise with the installation.
 - the SCADA modeller is to generate a service call with the service desk to track the status of any issues.
- b. The SCADA modelling team were notified of the new requirement in the updated document. The grid owner reminded all remote systems engineers of this requirement.
- c. The grid owner instructed SCADA modellers that it was not acceptable practice to *manually dress* or *replace* device points to make them look in service when they are not. On 8 November 2019, the grid owner further reminded SCADA modellers of this instruction.
- d. The grid owner reviewed the Roxburgh import export special protection scheme to ensure it was correctly modelled and functioning correctly.
- e. The grid owner confirmed all special protection scheme control box indications are set up with the correct display pictures so that status of the data quality is displayed to operations (SCADA).
- f. The grid owner investigated the seasonal indications for all schemes to identify any that do not meet the required standard. This resulted in the grid owner implementing changes to displays at Manapouri and Tiwai.
- g. The grid owner agrees to maintain and improve the settlement requirements, where relevant, on an ongoing basis.

7. Agreement Subject to Approval

7.1 Subject to clause 9.2, this Agreement will come into effect on the Approval Date.

7.2 Clause 8 is binding on the parties as from the date of this Agreement. Pending the Authority's approval of this Agreement under regulation 24(4) of the Regulations, clause 8 will apply as if the Authority has decided under regulation 25(2) of the Regulations not to publicise any part of this Agreement or the existence of this Agreement.

8. Settled Breaches

8.1 This Agreement is in full and final settlement of all claims, actions and demands against any party (under the Regulations, the Code or otherwise) in relation to:

- (a) the Alleged Breaches; and
- (b) any other breaches of the Regulations or Code involved in or arising from the Circumstances that the claiming party ought reasonably to have known about at the date of this Agreement,

(the Alleged Breaches and such other breaches, together the **Settled Breaches**).

8.2 Subject to regulation 26 of the Regulations, this Agreement is also binding on the Authority and all participants who are not a party to this Agreement to the effect that:

- (a) the Authority may not on its own initiative instigate a further breach investigation, or take any enforcement action in respect of, the Settled Breaches; and
- (b) a participant who is not a party to this Agreement may, in accordance with regulation 26 of the Regulations, make a further notification under regulation 7 or 8 of the Regulations in relation to a Settled Breach, and the Authority may then take all or any of the steps provided for in the Regulations despite this Agreement.

9. General

9.1 Each party will execute all documents and do, or refrain from doing, all other reasonable things necessary or desirable to give full effect to the provisions of this Agreement, including to secure the Authority's approval of this Agreement under regulation 24(4)(a) of the Regulations.

9.2 This Agreement is the whole and only agreement between the parties relating to the settlement of claims, actions and demands arising from the Circumstances. Each party acknowledges that it has not been induced to enter into this Agreement by any representation made by or on behalf of the other party that is not repeated in this Agreement.

9.3 This Agreement may be signed in any number of counterparts.

SIGNED:

For Transpower New Zealand Limited as the
system operator

Name:

Position:

SIGNED:

For Transpower New Zealand Limited as the
grid owner

Name:

Position: