

## **Notice of the Authority's decision under regulation 29 of the Electricity Industry (Enforcement) Regulations 2010**

Under regulation 29(1) of the Electricity Industry (Enforcement) Regulations 2010 (Regulations) the Electricity Authority (Authority) must publicise every decision made under regulation 23(3) of the Regulations, together with the reasons for the Authority's decision.

### **Investigation**

On 25 January 2022, the Authority appointed an investigator under regulation 12 of the Regulations to investigate the alleged breaches of clauses 13.58A(1)(e)(i), 13.58A(2)(d)(i), 13.69A and 13.88(3) of the Electricity Industry Participation Code 2010 by Transpower New Zealand Limited as the system operator. The system operator self-reported breaches of clauses 13.58A(1)(e)(i) and 13.58A(2)(d)(i). The Authority alleged breaches of clauses 13.69A and 13.88(3).

The alleged breaches occurred during a planned outage as part of a multi-stage project at the Mangahao substation to replace the outdoor bus with an indoor switchboard.

The alleged breaches concerned the system operator's incorrect modelling of the AC transmission system for 20 trading periods on 1 March 2021 which affected non-response schedules, price response schedules, real time price, and real time dispatch and final pricing schedules. These schedules showed zero prices at Mangahao. The market impact assessment concerning final prices indicated purchasers paid approximately \$770,000 less than what they should have and generators being underpaid by approximately \$663,000.

No participants joined the investigation as affected parties.

On 16 June 2022, the Authority received and considered a report and a recommendation from the investigator to discontinue the investigation.

The investigator:

- viewed the alleged breaches as relatively severe in that the issue was not identified in the pre dispatch schedules and consequently carried over into real time until being identified and resolved
- noted the complexity of the market model concerning the process of transitioning AC transmission connectivity and the scheduling pricing and dispatch (SPD) model processing
- considered the alleged breaches were inadvertent
- considered that the actions already taken and planned to be undertaken by the system operator regarding the incident will reduce the likelihood that such breaches will occur in the future
- considered that no participants joining the investigation indicated little interest in the matter.

### **The Authority's decision**

On 16 June 2022, the Authority decided under regulation 23(3)(a) of the Regulations to discontinue the investigation.

### **Reasons for the Authority's decision**

The reasons for the Authority's decision to discontinue the investigation were:

- The system operator has updated the model change process to prevent recurrence and in late 2022 will be implementing a tool that will include a check for zero prices at nodes that are connected to the AC transmission system.
- No parties joined the investigation therefore no settlement was possible. The alleged breaches were investigated because of the market impact, to increase transparency and to give participants who considered they were affected by the alleged breaches an opportunity to join the investigation. With no participants joining the investigation this indicated there was little interest in the matter.