

Consultation Paper

2011/2012 System Operator Draft Policy Statement

Prepared by the Electricity Authority

10 May 2011

Executive summary

The System Operator Policy Statement plays a key role in the set of Code provisions, contracts and arrangements that collectively deliver common quality and orderly system operation. It sets out the policies and means that are considered appropriate for the System Operator to observe in complying with its Principal Performance Obligations (PPOs) during the term of the Policy Statement.

Clauses 8.11 and 8.12 of the Electricity Industry Participation Code 2010 (Code) cover the annual review of the Policy Statement, its content, and the consultation process. The System Operator is required to submit a new draft to the Electricity Authority (Authority) no later than 31 March each year. Accordingly, on 31 March 2011, the System Operator submitted a draft Policy Statement to cover the 12 months starting from 1 September 2011.

The key changes proposed by the System Operator are clarifications of the types of actions it will take to manage security constraints following the implementation of the Simultaneous Feasibility Test (SFT) application in the market system. The System Operator has advised the Authority that these and the other miscellaneous changes proposed have already been consulted on with market participants.

If accepted, the proposed draft Policy Statement (including any amendments made as a result of consultation) will replace the existing Policy Statement on 1 September 2011.

The Authority now invites submissions on the published draft Policy Statement, in accordance with clause 8.12(2) of the Code and section 39(1) of the Electricity Industry Act 2010 (Act).

Glossary of abbreviations and terms

Authority	Electricity Authority
Act	Electricity Industry Act 2010
Code	Electricity Industry Participation Code 2010
Code Amendment Principles	Means the Authority's Code Amendment Principles published in its Consultation Charter
Consultation Charter	Means the Authority's published Consultation Charter as required under Section 41 of the Act and available at: http://www.ea.govt.nz/document/5133/download/about-us/documents-publications/foundation-documents/
EGRs	Electricity Governance Rules 2003
PPOs	The System Operator's Principal Performance Obligations as set out in clause 7.2 of the Code
Regulations	Electricity Industry (Enforcement) Regulations 2010
SFT	Simultaneous Feasibility Test

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1. Introduction and purpose of this paper

1.1 Introduction

1.1.1 The System Operator Policy Statement is incorporated by reference in the Code¹ and plays a key role in the set of Code provisions, contracts and other arrangements that collectively deliver common quality and orderly system operation. It sets out the policies and means considered appropriate for the System Operator to follow during the term of that Policy Statement.

1.1.2 On 31 March 2011, the System Operator provided a draft Policy Statement to the Authority for the period 1 September 2011 to 31 August 2012.

1.1.3 The Authority published the draft Policy Statement above on its website on 6 April 2011. The Authority is required by clause 8.12 of the Code to consult on the draft Policy Statement proposed by the System Operator.

1.2 Purpose of this paper

1.2.1 The purpose of this paper is to consult with participants and persons that the Authority thinks are representative of the interests of persons likely to be affected by the adoption of the draft Policy Statement proposed by the System Operator.

1.2.2 Section 39(1)(c) of the Act requires the Authority to consult on any proposed amendment to the Code and the Regulatory Statement. Section 39(2) provides that the Regulatory Statement must include a statement of the objectives of the proposed amendment, an evaluation of the costs and benefits of the proposed amendment, and an evaluation of alternative means of achieving the objectives of the proposed amendment. The Regulatory Statement is set out in part 3 of this paper.

1.2.3 The proposed amendment is attached as Appendix 4.

1.2.4 The Authority invites submissions on the Regulatory Statement and the proposed amendment, including drafting comments.

1.3 Submissions

The Authority's preference is to receive submissions in electronic format (Microsoft Word). It is not necessary to send hard copies of submissions to the Authority, unless it is not possible to do so electronically. Submissions in

¹ Clause 8.10 of the Code.

electronic form should be emailed to submissions@ea.govt.nz with Consultation Paper—2011/2012 System Operator Draft Policy Statement in the subject line.

If submitters do not wish to send their submission electronically, they should post one hard copy of their submission to either of the addresses provided below.

Submissions

Electricity Authority
PO Box 10041
Wellington 6143

Submissions

Electricity Authority
Level 7, ASB Bank Tower
2 Hunter Street
Wellington

Tel: 0-4-460 8860

Fax: 0-4-460 8879

- 1.3.1 Submissions should be received by 4.00pm on 7 June 2011. Please note that late submissions are unlikely to be considered.
- 1.3.2 The Authority will acknowledge receipt of all submissions electronically. Please contact the Submissions' Administrator if you do not receive electronic acknowledgement of your submission within two business days.
- 1.3.3 If possible, submissions should be provided in the format shown in Appendix 1.
- 1.3.4 The Authority is required by clause 8.12(3) of the Code to provide a copy of each submission to the system operator and to publish the submissions. Copies of all submissions are provided to the System Operator at the close of business on the submission expiry date, which marks the start of the cross-submission period for the System Operator.
- 1.3.5 All information provided to the Authority is subject to the Official Information Act 1982.

2. Background

2.1 Introduction

- 2.1.1 Clauses 8.11 and 8.12 of the Code cover the review of the Policy Statement, its content, and the consultation process.
- 2.1.2 Clause 8.11(1) requires the System Operator to submit a new draft for the Policy Statement to the Authority no later than 31 March each year. In accordance with this requirement, the System Operator provided a draft Policy Statement to the Authority on 31 March 2011 for the period 1 September 2011 to 31 August 2012.
- 2.1.3 Rule 8.11(2) requires the System Operator to invite comments from participants as to the content of the draft Policy Statement. The System Operator has advised the Authority that it has consulted with participants on its proposed changes. While the Authority was not a part of this process, it understands that the draft Policy Statement now incorporates changes made as a result of that consultation.
- 2.1.4 Clauses 8.12(1) and 8.12(2) require the Authority to publish the draft Policy Statement and to seek submissions on the draft. The Authority published the draft on its website on 6 April 2010² and is now in this consultation paper inviting submissions from persons and participants affected by the changes proposed.
- 2.1.5 The main changes to the existing Policy Statement stem from the implementation of SFT and the management of automatic generation of constraints, which commenced on 28 March 2011.
- 2.1.6 Some of the changes proposed in this paper are made in accordance with section 39(3)(a) of the Act because the Authority is satisfied that the nature of the amendments are technical and non-controversial. As such, in respect of those proposed minor changes, it is not required to set out a detailed analysis.
- 2.1.7 However, for the proposed changes that are not minor, this paper sets out a detailed statement of the objectives of the proposed amendment, an evaluation of the costs and benefits of the proposed amendment, an evaluation of alternative means of achieving the objectives of the proposed amendment, and any other information the Authority has considered to be relevant.

² See <http://www.ea.govt.nz/industry/psocg/governance/policy-statement/> for details

2.2 Consultation

- 2.2.1 The proposed amendment is different from a standard Code amendment, not only because the process is specifically provided for in the Code as discussed, but because the proposal is, in essence, the System Operator's.
- 2.2.2 Schedule 1 of the Act states that amendments to, or replacement of, material incorporated by reference into the Code can be given legal effect if it is made by the person or organisation that made the original material. The System Operator has proposed the changes to its own Policy Statement. The Authority is now consulting on a proposal to replace the existing Policy Statement, in its entirety, with the System Operator's draft Policy Statement.
- 2.2.3 Section 39(1)(c) of the Act states that the Authority must prepare a Regulatory Statement and consult on any proposed amendment to the Code. This consultation paper on the System Operator's draft Policy Statement, including the Regulatory Statement, has been prepared in accordance with that provision of the Act.

3. Regulatory Statement

3.1 Authority's proposal

3.1.1 The Authority's proposal is to replace the existing Policy Statement, in its entirety, with the draft Policy Statement provided by the System Operator on 31 March 2011.

3.1.2 For the purposes of the Regulatory Statement, the Authority considers that the replacement of the existing Policy Statement with the draft Policy Statement is one Code amendment proposal consisting of an integrated package of changes.

3.2 Changes proposed

3.2.1 The draft Policy Statement is attached as Appendix 4 to this paper. Tables 1 and 2 list what the Authority considers to be the minor and non-minor differences between the existing Policy Statement and the draft.

3.2.2 The key changes proposed by the System Operator are summarised as follows:

- (a) Changes to clarify the System Operator's management of constraints after the introduction of SFT. The proposed changes clarify the types of actions the System Operator will take to manage security constraints now that SFT has been introduced;
- (b) Changes to address industry participant concerns over the provision of constraint information after the introduction of SFT; and
- (c) Minor administrative changes such as replacing references to Rules and the Board with references to the Code and Authority.

3.2.3 Many of the SFT-related changes have their origins in previous Policy Statement review processes where the System Operator proposed changes in advance to accommodate the progressive implementation of its new market systems tools. In particular, in anticipation of the new SFT module being implemented, certain Policy Statement provisions were amended in the 2009/10 Policy Statement to provide for some clauses being deactivated and new clauses activated on the date of SFT going live.

3.2.4 The SFT module went live on 28 March 2011, which resulted in certain provisions in the existing Policy Statement no longer being relevant, and certain latent provisions coming into force. As part of this year's annual review of the Policy Statement, the System Operator proposes to revoke the now inactive provisions.

3.2.5 Several participants have raised an issue with the Authority regarding the prior deactivation of several obligations relating to the provision of asset outage

constraint information by the System Operator (specifically clauses 22.2 and 22.3). The Authority is conscious of the need to develop a solution to this issue. However, the Authority can only propose the System Operator’s draft Policy Statement for consultation and therefore cannot propose any amendments to address the issues until after submissions have been evaluated.

Table 1: List of non-minor changes proposed

Clause(s)	Description of proposed change
18A & 18B	Remove these clauses, as they relate to the implementation date of SFT which has now passed, and SFT information requirements for the System Operator which have now been met.
19-22 inclusive	Remove these clauses, as they relate to processes used prior to the implementation of SFT, so are no longer applicable.
27A	Include a new clause stating that the System Operator may use automated or non-automated processes to develop market system constraints following the implementation of SFT, including some circumstances when non-automated processes may be used.
28 & 162	Clarify the definition of “constraint percentage threshold” and the application of this threshold, to reflect the possibility that it may have different values following the implementation of SFT, depending on whether a constraint was developed using automated or non-automated processes.
29	Clarify the type of actions the System Operator may take in respect of market systems constraints following the implementation of SFT, including that the System Operator may add, remove or exclude market system constraints during trading periods if necessary to meet PPOs.
30.1, 30.1A & 30.1B	Following the implementation of SFT, require the System Operator to publish information on constraints developed using non-automated processes within two weeks of their use, where this is possible.
30.6	Require the System Operator to make a list of historical asset outage constraints on its website for 12 months following the implementation of SFT.

Table 2: List of minor changes proposed

Clause(s)	Description of proposed change
1A	Add a clause stating the date on which the Policy Statement takes effect in order to comply with clause 8.9(2) of the Code.

Various	Replace references to the EGRs with the corresponding Code references, and references to the Board with references to the Authority, following the passage of the Electricity Industry Act 2010.
173A	Include a definition of “Regulations”, consistent with that used in the Act.

Q1: What comments do you have on the proposed drafting of the changes, as set out in Appendix 4?

3.3 Statement of the objectives of the proposed amendment

3.3.1 The objective of the proposed amendment is to replace the existing Policy Statement with a new one that:

- (a) sets out the policies and means considered most appropriate for the System Operator to follow to deliver common quality and orderly system operation during the period 1 September 2011 to 31 August 2012; and
- (b) meets the requirements of the contents of the draft Policy Statement, as set out in clauses 8.8 and 8.11(3) of the Code.

3.4 Evaluation of the costs and benefits of the proposed amendment

3.4.1 The Authority considers that a quantitative analysis of the costs and benefits of the proposed Code amendment is not practical in this case³. A qualitative analysis has hence been used to assess the merits of this proposal.

3.4.2 The three primary benefits of the proposal are considered to be:

- (a) A clearer description of the policies and means to be used by the System Operator in adhering to its PPOs. This is achieved through the removal of clauses that refer to previous practices no longer employed by the System Operator following the implementation of SFT.
- (b) Increased transparency due to greater prescription of the processes to be used by the System Operator.

³ A quantitative assessment would involve, amongst other things, making assumptions about the likely percentage net increase or decrease in market efficiency for each option. The error associated with estimating the quantities involved is likely to exceed the margin between the options.

- (c) Support for participants in planning their operations through changes that provide for further constraint information to be made available to them, as requested during the System Operator's consultation process.

3.4.3 Costs may arise from the proposal in the following ways:

- (a) Changes that require the System Operator to provide additional information may lead to increased compliance costs, though these are expected to be marginal.
- (b) Removal of clauses (that are no longer active) relating to asset outage constraint practices prior to SFT going live has been identified as an issue for some participants. While this change was consulted on several years ago this does not change the fact that some participants found this information valuable and they have indicated this to the Authority. Participants have suggested that losing this information is likely to reduce their ability to assess risk and plan accordingly, potentially leading to overly conservative plant operation, reduced participation in futures markets and reduced system security. The System Operator has suggested that complying with these old practices requires separate consideration and has initiated a project to work with participants in this area.
- (c) Greater prescription of the processes required by the System Operator could potentially lead to a loss of flexibility and/or innovation in its operation.

3.4.4 The Authority's preliminary assessment of the costs and benefits for the individual proposed changes is outlined in the Table in Appendix 3.

3.4.5 The analysis of these costs and benefits is based on the information available to the Authority, in particular the System Operator's commentary of the costs and benefits it provided as supporting material. While the magnitude of the costs and benefits is difficult to assess, the Authority's preliminary view is that, provided the System Operator continues to work with participants to address their concerns about the loss of outage constraint information, the benefits of the proposal would outweigh the otherwise relatively minor costs.

3.4.6 However, the Authority is cautious that, with the implementation of new processes, changes that seem small may have implications for participants that it is not aware of.

3.4.7 The Authority therefore invites stakeholders to comment on the assessment of costs and benefits summarised here and outlined in more detail in Appendix 3. It is particularly interested in whether there are any additional costs or benefits that should be considered in its evaluation.

Q2: Do you agree with the evaluation of the costs and benefits of the proposed amendment? If not, what alternative evaluation would you make, and why?

3.5 Evaluation of alternative means of achieving the objectives of the proposed amendment

3.5.1 The Authority has prepared this assessment on the basis that the draft Policy Statement is one integrated package of changes proposed by the System Operator, in accordance with the requirements under the Code.

3.5.2 In this context, and for the purposes of this consultation, the Authority has considered the alternative of not addressing the issues identified and leaving the Policy Statement un-amended (i.e. the status quo). It does not consider that this is a practical option, as the proposed amendment includes necessary updates to align with current policy and practice, and to reflect the change in the regulatory environment with the Electricity Industry Act 2010.

3.5.3 However, the Authority acknowledges that there may be alternatives to individual changes proposed by the System Operator within the integrated package, and invites stakeholder comment.

Q3: Is there an alternative to any of the individual changes proposed by the System Operator that you consider better meets the objectives of the proposal? If so, please describe the alternative and why you prefer it.

3.6 Assessment under section 32(1)

3.6.1 Section 32(1) of the Act provides that Code provisions must be consistent with the Authority's objective and be necessary or desirable to promote any or all of the following:

- (a) competition in the electricity industry;
- (b) the reliable supply of electricity to consumers;
- (c) the efficient operation of the electricity industry;
- (d) the performance by the Authority of its functions;
- (e) any other matters specifically referred to in this Act as a matter for inclusion in the Code.

3.6.2 Appendix 2 contains a table setting out an assessment of the proposed amendment against the requirements of section 32(1) of the Act.

3.7 Assessment against the code amendment principles

- 3.7.1 When considering amendments to the Code, the Authority is required by its Consultation Charter to have regard to the following Code Amendment Principles, to the extent that the Authority considers that they are applicable.
- 3.7.2 The alignment with the principles for each individual change included in the proposal is outlined in the table in Appendix 3.
- 3.7.3 *Principle 1 – Lawfulness:* The Authority and its advisory groups will only consider amendments to the Code that are lawful and that are consistent with the Act (and therefore consistent with the Authority's statutory objective and its obligations under the Act).
- 3.7.4 The Authority considers that the proposed amendments to the Code are lawful. Section 8 of the Act states that the Code must specify how the System Operator's functions are to be performed, and set requirements relating to transparency and performance. The Policy Statement is incorporated by reference into the Code.
- 3.7.5 The proposed changes to the Policy Statement intend to more accurately and transparently describe the policies that the System Operator must adhere to when undertaking its activities. The proposed amendment therefore aligns with the requirement to include this information in the Code and maintain transparency.
- 3.7.6 In addition, the proposed changes are generally minor in nature and in scope, and do not diminish the System Operator's ability to meet its PPOs or functions specified in Parts 7 and 8 of the Code. It should also be noted that clause 8.14 of the Code states that the System Operator may depart from the policies set out in the Policy Statement when a system security situation arises, and such a departure is required in terms of the System Operator acting as a 'reasonable and prudent system operator'.
- 3.7.7 This proposal also aligns with the Authority's statutory objective to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of customers. This is because the proposal provides greater efficiency in the industry through increased clarity and transparency, and through the requirement for further information to be provided to participants.
- 3.7.8 *Principle 2 – Clearly Identified Efficiency Gain or Market or Regulatory Failure:* Within the legal framework specified in Principle 1, the Authority and its advisory groups will only consider using the Code to regulate market activity when:

- (a) it can be demonstrated that amendments to the Code will improve the efficiency of the electricity⁴ industry for the long-term benefit of consumers;
- (b) market failure is clearly identified, such as may arise from market power, externalities, asymmetric information and prohibitive transaction costs; or
- (c) a problem is created by the existing Code, which either requires an amendment to the Code, or an amendment to the way in which the Code is applied.

- 3.7.9 The Authority considers that the proposed Code amendment improves the efficiency of the electricity industry, although the improvement is relatively minor when considered in the context of the overall costs and benefits of the Policy Statement itself. This is achieved by having a Policy Statement that more accurately reflects the processes currently employed by the System Operator, increasing clarity and transparency.
- 3.7.10 The greater accuracy of the Policy Statement improves its relevance and clarity for the System Operator, and consequently improves the System Operator's ability to plan around and comply with its PPOs in respect of common quality and system operation.
- 3.7.11 The improved clarity and transparency of the Policy Statement, along with the provisions requiring the System Operator to provide additional constraint information to participants, would allow the participants to better plan their operations and prepare for contingent events.
- 3.7.12 *Principle 3 – Quantitative Assessment:* When considering possible amendments to the Code, the Authority and its advisory groups will ensure disclosure of key assumptions and sensitivities, and use quantitative cost-benefit analysis to assess long-term net benefits for consumers, although the Authority recognises that quantitative analysis will not always be possible. This approach means that competition and reliability are assessed solely in regard to their economic efficiency effects. Particular care will be taken to include dynamic efficiency effects in the assessment, and the assessment will include sensitivity analysis when there is uncertainty about key parameters.
- 3.7.13 In view of the relatively minor nature of the proposed amendments, and the difficulty inherent in quantifying the associated effects, the Authority does not consider that a quantitative assessment is warranted. For the same reason, the Authority does not consider tie-breaker principles (which are only to be used when the quantitative cost-benefit analysis of a Code amendment is inconclusive) to be relevant in this context either.

⁴ Where efficiency refers to allocative, productive and dynamic efficiency, and improvements to efficiency include, for example, a reduction in transaction costs or a reduction in the scope for disputes between industry participants.

3.8 Conclusion

- 3.8.1 The Authority has received and published the draft Policy Statement provided by the System Operator. The System Operator has advised the Authority that it has undertaken consultation on the draft, as required by clause 8.11(2) of the Code. The Authority understands that the draft Policy Statement, contained in Appendix 4, incorporates changes made by the System Operator as a result of that consultation.
- 3.8.2 The Authority has prepared this Regulatory Statement based on its understanding of the changes proposed by the System Operator, and material provided by the System Operator, particularly its view of the costs and benefits.
- 3.8.3 The Authority now invites submissions on the draft Policy Statement in accordance with clause 8.12(3) of the Code and section 39 of the Act. In particular it would like to receive views on:
- (a) The nature and drafting of each of the proposed changes;
 - (b) The costs and benefits of the proposed amendment; and
 - (c) Any alternative means of achieving the objectives of the proposed amendments.
- 3.8.4 A suggested format for submissions is set out in Appendix 1.
- 3.8.5 Please note that the Authority is required to provide a copy of all of the submissions it receives to the System Operator, and publish the submissions, which it will do by making them available on the Electricity Authority website

Appendix 1 Format for submissions

Table 3: Key consultation questions

Question No.	Question	Response
1	What comments do you have on the proposed drafting of the changes, as set out in Appendix 4?	
2	Do you agree with the evaluation of the costs and benefits of the proposed amendment? If not, what alternative evaluation would you make, and why?	
3	Is there an alternative to any of the individual changes proposed by the System Operator that you consider better meets the objectives of the proposal? If so, please describe the alternative and why you prefer it.	

Table 4: Drafting comments

Clause	Comment	Proposed alternative drafting

Appendix 2 Assessment under section 32(1) of the Act

Section 32(1) requirements:	Response
The proposed amendment is consistent with the Authority's objective under section 15 of the Act, which is as follows:	
(a) to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers	The Authority considers that the proposed amendment would improve the clarity and transparency of the processes and policies used by the System Operator. The amendment also proposes that additional information be given to participants. This may enhance the ability of participants to successfully plan their operations and react to contingent events.
The proposed amendment is necessary or desirable to promote any or all of the following:	
(a) competition in the electricity industry;	The proposed amendment does not materially affect this aspect of the Authority's objectives.
(b) the reliable supply of electricity to consumers;	The Authority considers that the proposal has the potential to marginally increase efficiency and reliability. This may be achieved by ensuring the policies that the System Operator must observe are clear and relevant to its processes, which may allow the System Operator to more readily comply with its PPOs in respect of common quality and system operation in real time.
(c) the efficient operation of the electricity industry;	The Authority considers that the proposed amendment has the potential to marginally increase efficient operation. This may be achieved through better documentation of the policies and processes used by the System Operator, and by requiring useful information to be provided to participants, which may assist them in planning their operations and responding to contingent events.
(d) the performance by the Authority of its functions;	The proposed amendment does not materially affect this aspect of the Authority's objectives.

<p>(e) any other matter specifically referred to in this Act as a matter for inclusion in the Code.</p>	<p>This proposed amendment does not address any other matters required to be included in the Code.</p>
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Appendix 3 Summary of Changes and Effects

Change	Description	Purpose	Alternatives	Benefits	Costs	Lawfulness	Efficiency gain/Market or regulatory failure
1A	Insertion of clause stating the date on which the Policy Statements takes effect	Clause 8.9(2) of the Code states that "The Policy Statement must state the date on which the Policy Statement takes effect."	n/a	Policy Statement complies with clause 8.9(2) of the Code	No costs arise, change is administrative	Clause 8.9(2) of the Code specifies that the Policy Statement should include a date from which the Policy Statement takes effect.	n/a
Various	Update references to EGR to address change to the Code, EC to EA etc	Update Policy Statement to reflect the change from the EGRs to the Code	status quo - but the Policy Statement will not be representative of the current regulatory regime	Policy Statement is up to date and makes reference to policy with current jurisdiction	No costs arise, change is administrative	Section 140 of the Act states that any reference to the EGRs should be read as a reference to the Code - hence making this change explicit is lawful.	Efficiency is gained by having a Policy Statement that is reflective of current legislation and hence more relevant and easily understood, allowing greater ability to make reference to that legislation and measure compliance of the System Operator.
18A & 18B	Remove clauses	These clauses are no longer relevant as they relate to a past period. Clause 18A is no longer required because the System Operator notified the Authority of the changeover date in	Status quo - but the Policy Statement will contain outdated clauses that are no longer required.	Clarity of the current requirements in the Policy Statement is improved by removing unnecessary reference to a past event.	No costs arise, change is administrative	Change is lawful as section 8(3) of the Act states that the Code must state how the System Operator's functions are to be performed, and set requirements relating to transparency of the System Operator. The Policy Statement is incorporated by reference into the Code.	There are efficiency gains obtained by having a Policy Statement that is reflective of current conditions. This makes the document relevant and more easily understood.

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Change	Description	Purpose	Alternatives	Benefits	Costs	Lawfulness	Efficiency gain/Market or regulatory failure
		<p>January 2011. Clause 18B is no longer required because the requirement has been met.</p>					
<p>19-22 inclusive</p>	<p>Remove clauses</p>	<p>These clauses are no longer applicable because the SFT changeover date has passed.</p>	<p>Status quo - but would refer to processes no longer employed by the System Operator, and could lead to conflicting or confusing messages given subsequent clauses on the new processes employed.</p>	<p>Clarity and relevance of the SO's processes in the Policy Statement is improved</p>	<p>Removal of clause 22.2 and 22.3 reduces the availability of some information desired by industry participants. Participants have suggested that losing this information is likely to reduce their ability to assess risk and plan accordingly, potentially leading to overly conservative plant operation, reduced participation in futures markets and reduced system security. Another proposed change (30.6) partially addresses the removal of 22.3. The SO has suggested that, practically speaking, 22.2 would be difficult to</p>	<p>Change is lawful as section 8(3) of the Act states that the Code must state how the System Operator's functions are to be performed, and set requirements relating to transparency of the System Operator. The Policy Statement is incorporated by reference into the Code.</p>	<p>Efficiency is gained by having a Policy Statement that is reflective of current processes and hence more relevant. Including reference to only one set of processes, instead of previous and current processes, improves efficiency by making the Policy Statement more easily understood.</p>

Change	Description	Purpose	Alternatives	Benefits	Costs	Lawfulness	Efficiency gain/Market or regulatory failure
					continue to comply with under the new system, but that they will work with participants in this area.		
27A	Add a clause clarifying that the System Operator may continue to use non-automated processes to develop market system constraints after the introduction of SFT	To make it clear that the System Operator will continue to develop some constraints manually even though SFT has been introduced.	Status quo - but the System Operator process in respect of market system constraints post-SFT will not be as clear.	Transparency of the process employed by the System Operator in terms of constraints is enhanced	No costs arise as the change reflects current practice	Change is lawful as section 8(3) of the Act states that the Code must state how the System Operator's functions are to be performed, and set requirements relating to transparency of the System Operator. The Policy Statement is incorporated by reference into the Code.	Efficiency is gained by having a Policy Statement that more fully describes the processes employed by the System Operator, providing greater transparency for participants, and hence a greater ability to plan their operations.
28	Insert the word "applicable" before "constraint percentage threshold".	To make it clear that the System Operator may apply a different constraint percentage threshold depending on whether the constraint was developed using SFT or developed manually	Status quo - but the System Operator process in respect of market system constraints post-SFT will not be as clear.	Transparency of the process employed by the System Operator in terms of constraints is enhanced	No costs arise as the change reflects current practice	Change is lawful as section 8(3) of the Act states that the Code must state how the System Operator's functions are to be performed, and set requirements relating to transparency of the System Operator. The Policy Statement is incorporated by reference into the Code.	Efficiency is gained by having a Policy Statement that more fully describes the processes employed by the System Operator, providing greater transparency for participants, and hence a greater ability to plan their operations.
30.6	Require the System Operator to make a historical list of	To require the System Operator to provide participants with	Status quo - but the Policy Statement would technically	Participants benefit from the provision of additional information as requested	Compliance costs for the System Operator may be higher than if they are not	Change is lawful as section 8(3) of the Act states that the Code must state how the System Operator's	Efficiency of the market is improved as participants have access to information

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Change	Description	Purpose	Alternatives	Benefits	Costs	Lawfulness	Efficiency gain/Market or regulatory failure
	asset outage constraints available on its website for 12 months following the implementation of SFT.	historical (static) information about asset outage constraints.	allow for less information to be provided to participants, and would not reflect the System Operator's current practice.	by them during the System Operators consultation process. The System Operator will continue to adhere to their current practice of making this information available.	required to do this, however these are expected to be marginal. There may be a loss of flexibility through greater prescription of processes that may be better tackled in alternative ways.	functions are to be performed, and set requirements relating to transparency of the System Operator. The Policy Statement is incorporated by reference into the Code.	they have indicated as useful to them in planning their operations and reactions to certain events.
162	Revise the definition of "constraint percentage threshold" and create a new definition of "constraint threshold".	To specify that the System Operator may advise separate constraint percentage thresholds for SFT constraints and manually developed constraints.	Status quo - but the System Operator process in respect of market system constraints post-SFT will not be as clear.	Transparency of the process employed by the System Operator in terms of constraints is enhanced	No costs arise	Change is lawful as section 8(3) of the Act states that the Code must state how the System Operator's functions are to be performed, and set requirements relating to transparency of the System Operator. The Policy Statement is incorporated by reference into the Code.	Efficiency is gained by having a Policy Statement that more fully describes the processes employed by the System Operator, providing greater transparency for participants, and hence a greater ability to plan their operations.
173A	Add a definition of "Regulations".	To improve the clarity around use of the term "regulations". Regulations is used as a bolded term within the Policy Statement, however it is undefined.	Status quo - but the Policy Statement will not be as clear	Clarity of Policy Statement is enhanced	No costs arise, change is administrative	Change is lawful as section 8(3) of the Act states that the Code must state how the System Operator's functions are to be performed, and set requirements relating to transparency of the System Operator. The Policy Statement is incorporated by reference into the Code.	Efficiency of the market is improved, as those viewing the policy statement have greater clarity as to the regulations over-seeing the policy statement.

Appendix 4 Proposed Amendment