

Notification 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 9 April 2014, the Authority appointed an investigator to investigate alleged breaches of clause 13.135(b) and clause 15(d)(ii) of Schedule 13.3 of the Electricity Industry Participation Code 2010 (Code), by NZX Limited, as the pricing manager (pricing manager).

Transpower New Zealand Limited as the system operator (system operator) claimed a pricing error in relation to trading period 24 on 20 September 2013. The Authority as the market administrator alleged that the pricing error was caused by the pricing manager not following the correct methodology for calculating interim prices by not weighting by time any changes about the HVDC capacity over trading period 24.

The system operator and Norske Skog Tasman Limited joined the investigation as affected parties. All parties submitted settlement requirements. During the settlement meeting held on 5 June 2014, the parties agreed that the issue is related to a problem with the Code drafting rather than a compliance issue.

On 27 June 2014, the Authority received and considered the investigator's report and recommendation to discontinue the investigation.

The Authority's decision

On 27 June 2014, the Authority decided under regulation 23(3)(a) of the Regulations to discontinue the investigation. The Authority also requested that its Market Design team liaise with the system operator and pricing manager to review and clarify the input required into final pricing and propose a Code change to resolve the issue.

Reason for the Authority's decision

The reason for the Authority's decision was that the investigator was not able to establish a breach of the Code by the pricing manager or any other participant because the relevant Code provisions are unclear and leave room for various interpretations. As a result, the Authority's view is that the matter is not a compliance issue.