

## **Investigation of alleged breaches of the Electricity Industry Participation Code 2010 by Transpower New Zealand Limited as the system operator**

On 8 February 2019, Transpower New Zealand Limited, as the system operator, self-reported to the Electricity Authority (Authority) that it had breached clause 13.69A of the Electricity Industry Participation Code 2010 (Code).

Under regulation 12 of the Electricity Industry (Enforcement) Regulations 2010, on 8 May 2019, the Authority appointed Alex Ehlert as investigator to investigate the alleged breaches.

Under regulation 16 of the Regulations, the investigator must promptly notify the industry participant alleged to have breached the Code of the allegations that are being investigated. On 14 May 2019, the investigator gave the system operator such notice.

Under regulation 17 of the Regulations, at the same time as the investigator sends any notice under regulation 16, the investigator must publicise the matter under investigation, including the content of the notice given under that regulation. The investigator is hereby publicising the matter under investigation, and a copy of the notice given under regulation 16 is attached.

Any participant who considers that it is affected by the matter being investigated, and who wishes to become a party to this investigation, should notify the investigator within 10 working days after publication of this notice.

The investigator's contact details are:

Alex Ehlert  
Senior Investigator  
Electricity Authority  
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# NOTICE UNDER REGULATION 16 OF THE ELECTRICITY INDUSTRY (ENFORCEMENT) REGULATIONS 2010

<b>Date:</b>	14 May 2019
<b>Addressee:</b>	Transpower New Zealand Limited as the system operator
<b>Subject:</b>	Over-procurement of instantaneous reserve due to a software input error
<b>Investigator:</b>	Alex Ehlert, Senior Investigator, alex.ehlert@ea.govt.nz (appointed investigator under regulation 12 of the Electricity Industry (Enforcement) Regulations 2010 (Regulations)).
<b>Notifying industry participant:</b>	Transpower New Zealand Limited as the system operator.
<b>Provisions of the Electricity Industry Participation Code 2010 allegedly breached:</b>	<p>Clause 13.69A requires the system operator to prepare a dispatch schedule in accordance with Schedule 13.3.</p> <p>Under clause 12(1) of Schedule 13.3, the system operator's modelling system must calculate the amount of instantaneous reserve to be provided to meet the dispatch objective.</p> <p>The dispatch objective requires the system operator to dispatch in a manner to maximise for each half hour the gross economic benefits to all purchasers of electricity less the cost of supply and reserves.</p>
<b>Circumstances relating to the alleged breaches:</b>	<p>Due to a software input error in the system operator's Reserve Management Tool (RMT), the system operator over-procured instantaneous reserves when Contact Energy Limited's Whirinaki Power Station's (Whirinaki) generation unit was dispatched for instantaneous reserves. The error unnecessarily added reserves when Whirinaki was dispatched for instantaneous reserve.</p> <p>Between 18 January 2018 and 17 January 2019, Whirinaki was dispatched to provide fast instantaneous reserve (FIR) for 78 trading periods across 14 trading days.</p> <p>The error is estimated to have a significant financial impact on the energy and reserve markets, and inflated total generation revenue and total load costs paid by load purchasers.</p> <p>The over-procurement also accounted for up to 70 MW of additional reserve requirements during the planned HVDC outage on 22 and 23 November 2018, indicating there was less energy available than there actually was. For that outage, Transpower made a decision to return the HVDC earlier than planned for security</p>

reasons.

On 17 January 2019, the system operator fixed the error and has taken steps to prevent recurrence.

**Date and time of alleged breaches:**

- For 78 trading periods between 18 January 2018 and 17 January 2019.

*Please note, under regulation 16 of the Regulations, you must respond to this allegation, in writing, to the investigator within 10 working days of receipt of this notice (unless the investigator allows, in writing, a longer period).*

*Please provide your response by return email to the Investigator.*

**Your response should include:**

***Whether you believe you have breached the Code;***

***Whether there is another provision you consider more accurately describes the nature of the event;***

***A full explanation of the circumstances surrounding the alleged breaches;***

***Identification of any information provided in your response that you consider confidential and should not be included in the investigator's report under regulation 19 (regulation 15(2)).***