

## **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 8 May 2019, the Authority appointed an investigator under regulation 12 of the Regulations to investigate the self-reported breach by Transpower New Zealand Limited as the system operator of clause 13.69A.

The investigation concerned the system operator's failure to correctly model reserve requirements in its Reserve Management Tool (RMT).

Due to a software input error in 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.

Between 18 January 2018 and 17 January 2019, Whirinaki was dispatched to provide fast instantaneous reserve for 78 trading periods across 14 trading days.

The error had a significant financial impact on the energy and reserve markets, and inflated total generation revenue and total load costs paid by load purchasers.

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 a potential shortage. For that outage, Transpower made a decision to return the HVDC earlier than planned for security reasons.

On 17 January 2019, the system operator updated the RMT solver to correctly model Whirinaki.

Meridian Energy Limited and Transpower New Zealand Limited as the grid owner joined the investigation. The parties had no settlement requirements.

On 3 October 2019, the Authority received and considered a report and a recommendation from the investigator to discontinue the investigation and to issue a strong warning letter.

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

On 3 October 2019, the Authority decided under regulation 23(3)(a) of the Regulations to discontinue the investigation. In making its decision the Authority decided that the system operator had breached clause 13.69A and issued a strong warning letter.

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

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

- The system operator commissioned an independent audit and is currently implementing four recommendations to ensure robustness of the RMT change process.
- Meridian and the grid owner as parties to the investigation had no settlement requirements because they were satisfied with the system operator's actions to prevent recurrence.
- The Authority will monitor the system operator's progress on implementing the process changes with a completion date by June 2020.

The reasons for the strong warning letter were that:

- The impact was significant.
- The error was not identified for one year.