

5 November 2019

Submissions
Electricity Authority
By email: submissions@ea.govt.nz

Code Review Programme September 2019

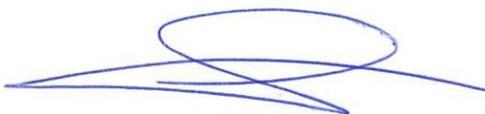
Meridian appreciates the opportunity to provide feedback on the Electricity Authority's September 2019 Code Review Programme.

Meridian has reviewed the thirteen Code change proposals in Appendix B of the consultation paper. Attached to this submission are Meridian's comments on proposals 2019-01 and 2019-03. Of note is Meridian's concern with proposal 2019-03, which we consider would lead to inefficient outcomes and would therefore not be consistent with the Authority's statutory objective.

Meridian is broadly comfortable with the remaining changes proposed by the Authority and we have therefore not provided any comments.

Please contact me if you have any queries regarding this submission.

Yours sincerely



Sam Fleming
Regulatory Counsel

Appendix: Response to consultation questions for certain proposals

Reference	2019 - 01
Question 1: Do you agree with the Authority's problem definition? If not, why not?	
<p>Yes.</p> <p>Meridian notes that there may be a wider problem. There are various Code obligations on participants requiring updates of the Registry in a specified timeframe coupled with the requirement in clause 11.2 for Registry information to be complete and accurate. For example, clause 10 (2) of Schedule 11.1 requires traders to update the Registry within five business days of any changes to an ICP. Any correction of this information, that needs to be backdated more than five business days to ensure it is accurate is a breach of this clause and if not backdated to the correct date would be a breach of clause 11.2.</p> <p>The above is one of several instances where participants may be in breach of the Code through backdated correction of Registry information, even when the cause of that information being incorrect may be outside the participant's control. If participants do not backdate they are in breach of the accuracy clause. However, if they do backdate they are in breach of the timeframe clause.</p> <p>Meridian questions why the Authority has only identified this as a problem in respect of changes to a price category code under clause 8(1) and 8(2)(b) of Schedule 11.1. We suggest the Authority review Code obligations generally to identify and address all situations where participants have obligations to both correct Registry information and to provide information to the Registry within a set timeframe.</p>	
Question 2: Do you agree with the Authority's proposed solution? If not, why not?	
Yes.	
Question 3: Do you have any comments on the Authority's proposed Code drafting?	
No comments.	
Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?	
Yes.	
Question 5: Do you agree the benefits of the proposed amendment outweigh its costs? If not, why not?	
Yes.	
Question 6: Do you agree the proposed amendment is preferable to the other options? If not, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.	
The Authority has not considered other options.	

Reference	2019 - 03
Question 1: Do you agree with the Authority's problem definition? If not, why not?	
<p>The Authority has not provided any evidence of a problem. In fact, in identifying the costs of the proposal the Authority acknowledges that “typically, participants currently act in a reasonable and responsible manner when it comes to providing information under Part 8, which includes:</p> <ol style="list-style-type: none"> 1) a provider of erroneous information informing the recipient of the error 2) the information provider correcting the error and resubmitting the information to the recipient 3) the recipient checking the resubmitted information and advising the provider if the information is correct.” <p>In the absence of evidence that participants are providing incomplete or inaccurate information or failing to act reasonably to inform others of a change in the information provided, Meridian does not consider a Code change is warranted.</p>	
Question 2: Do you agree with the Authority's proposed solution? If not, why not?	
<p>No. A blanket requirement covering all of Part 8 of the Code risks unintended consequences. Meridian considers it likely that clause 8.1A of the Code was deliberately drafted to apply the obligation to revise information exclusively to information provided to the extended reserve manager rather than a more generic obligation. Throughout Part 8 there are different obligations regarding the provision of information along with different obligations with respect to accuracy and revisions. Many clauses in Part 8 require the provision of information to certain participants, at certain times, for certain purposes, and to meet certain standards of accuracy (i.e. something other than absolute accuracy). The proposed change to clause 8.1A will sit awkwardly with these provisions and lead to ambiguity, interpretation issues, and inefficiency. For example:</p> <ul style="list-style-type: none"> • The proposal will require revision of information “as soon as practicable” if a participant becomes aware of inaccuracy. This is a potentially onerous, ongoing requirement to revise in perpetuity information that was previously provided and was accurate at a point in time and for a specific purpose. For example, clauses 8.42A and 8.43A require the system operator to submit any draft procurement plan to the Authority together with a list of supporting information, including an evaluation of the costs and benefits of the proposed change and alternatives. While one would expect the evaluation of costs and benefits to be accurate at the point in time of the application and prior to an Authority decision, the proposed Code change would suggest that the system operator will forever have an obligation to inform the Authority any time it becomes aware of a change to any of the inputs for historic cost benefit evaluations – long after the Authority has made a decision on a draft procurement plan. • Clause 9 of Schedule 8.3, Technical Code C provides that each asset owner must provide measurements to the system operator in accordance with Schedule 8.3, Technical Code C, Appendix A. The table of measurements to be provided 	

under Schedule 8.3, Technical Code C, Appendix A includes acceptable margins of accuracy, i.e. some measurements can be inaccurate by up to $\pm 2\%$. Under the proposed Code change, these acceptable margins of error would be contradictory to the general accuracy requirement and in the worst-case scenario could be interpreted as reduced to zero, i.e. absolute accuracy. This could make compliance difficult and significantly increasing costs of compliance for participants. Furthermore, clause 9 of Schedule 8.3, Technical Code C states that asset owner must use reasonable endeavours to ensure the accuracy of the measurements provided to the system operator – the proposed Code change has no such allowance for “reasonable endeavours”.

- Some clauses already include a process for keeping information complete and up to date. For example, see clause 2(5) of Schedule 8.3, Technical Code A which requires asset capability statements to:
 - include “information reasonably requested by the system operator”; and
 - “be complete and up to date before the commissioning of the asset; and ... at all times while the asset is connected to, or forms part of, the grid.”

The proposed Code change would create duplication with clause 2(5) of Schedule 8.3, Technical Code A. Furthermore, clause 2(5) of Schedule 8.3, Technical Code A ensures that information is complete, timely and relevant to meet the purposes for which the information is provided and not to achieve pointless and untimely accuracy i.e. by keeping an asset capability statement complete and up to date when an asset is no longer connected to the grid (as the proposed Code change could require, at least on one reading of the ambiguity between the proposed clause 8.1A and clause 2(5) of Schedule 8.3, Technical Code A).

- Clause 8.25(6) allows the system operator to apply to the Authority to gain the power to compel an embedded generator to provide information regarding the intended output of a group of embedded generating stations. If the Authority approves the application, the embedded generator must then provide the information to the system operator *in a form and manner determined by the Authority*. The Authority in this case may require a certain degree of completeness or accuracy and at a certain point or points in time rather than an ongoing obligation to revise the information as soon as practicable. The Authority has the discretion to set these parameters under clause 8.25(6) and in doing so manage the costs of compliance for an embedded generator. However, under the proposed Code change the Authority’s discretion could be limited by or inconsistent with the absolute and ongoing requirement for revisions of information to ensure it is complete and accurate.

Further analysis is required from the Authority to understand the existing requirements, the nature of the information provided in each situation, the purpose of the information provided, the timeframes within which the information is provided and remains relevant, the level of completeness and accuracy (and whether this is less than desirable currently), and whether a reasonable requirement to maintain accuracy and completeness over time would lead to better outcomes in each instance (the benefits of which exceed any compliance costs). As far as we can tell, this analysis has not been undertaken, nor have participants been properly informed of the costs and benefits of the proposal. Therefore, the proposal should not proceed at this time.

Question 3: Do you have any comments on the Authority's proposed Code drafting?

As stated above, Meridian does not support the proposal as drafted.

If the Authority identifies a problem here that needs addressing then clause by clause drafting for specific situations might be more appropriate and avoid ambiguity and unintended consequences.

Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?

Yes.

Meridian agrees that there is merit in the objective to facilitate complete and accurate information.

Question 5: Do you agree the benefits of the proposed amendment outweigh its costs? If not, why not?

No.

As stated above the proposal would lead to internal inconsistencies in the Code and inefficiencies attributable to the ambiguity and uncertainty. Meridian is also not satisfied that the Authority has properly understood the potential impact of the proposal in terms of compliance costs for participants.

Question 6: Do you agree the proposed amendment is preferable to the other options? If not, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.

No.

The obvious alternative option is to do nothing. Meridian considers this preferable in the absence of evidence of a problem with the completeness and accuracy of information provided under Part 8.

If the Authority does identify problems with the completeness and accuracy of information provided under Part 8 then Meridian considers the best option to be a clause specific solution depending on the existing requirements, the nature of the information provided, the purpose of the information provided, the timeframes within which the information is provided and remains relevant, the desired level of completeness and accuracy, and any reasonable requirements to maintain that accuracy and completeness over time.

Any proposal should address a specific problem using a specific solution and ensure the internal coherency of the Code. This is far preferable to a blunt generic rule that will lead to ambiguity, uncertainty, inefficiency and costs.