

RTP changes to the system operator Policy Statement

Decision

25 October 2022



Executive summary

The policy statement is a document prepared by the system operator and incorporated by reference into the Electricity Industry Participation Code 2010 (Code) by the Electricity Authority (Authority) under section 64 of the Legislation Act 2019. The policy statement sets out the policies and means by which the system operator will fulfil some of its core functions such as security and dispatch, and important associated policies such as compliance and conflicts of interest.

Clause 8.11A(2) of the Code allows the Authority or a participant to request that the system operator proposes a change to the policy statement under clause 8.11A(1). The Authority has requested the system operator propose a change to the policy statement to align with the decision to implement the RTP changes to the wholesale market, and the accompanying Code amendments.

To align the policy statement with the intent of the real time pricing Code amendment, the proposed amendments seek to:

- further detail the circumstances in which adjustments are made to the forecast and dispatch schedules, as provided for under Clause 12 of Schedule 13.3 of the Code,
- reform the Dispatch Policy to incorporate the production of Dispatch prices in the dispatch process
- describe the criteria the system operator will use to assess eligibility of market participants as Dispatch Notified participants.

The Authority reviewed and consulted upon the requested changes and has decided to approve this revised version because:

- the amendments to the policy statement promote the Authority's statutory objective of greater competition, reliability and efficiency in the wholesale electricity market for the long-term benefit of consumers.
- the process set out under the Code has been followed
- the revised policy statement meets the requirements under the Code.

The new policy statement (Appendix A) will take effect on 1 November 2022.

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1 Background to the Authority's decision

The policy statement is prepared by the system operator

- 1.1 The policy statement is a document prepared by the system operator and incorporated into the Code by the Authority. It sets out the policies and means that the system operator considers are appropriate for it to observe in complying with its principal performance obligations under the Code. This includes how it will fulfil some of its core functions like security and dispatch, and important associated policies like compliance and conflicts of interest. Clause 8.11 of the Code sets out what the policy statement must contain.
- 1.2 Under clause 8.8 of the Code, the system operator must comply with the policy statement. This is subject to clause 8.14, which sets out that the system operator may depart from the policies set out in the policy statement when a system security situation arises, and such departure is required for the system operator to comply with clause 7.1A (the reasonable and prudent system operator standard).
- 1.3 Clause 8.11A(2) of the Code allows the Authority or a participant to request that the system operator proposes a change to the policy statement under clause 8.11A(1).
- 1.4 The Authority has requested the system operator propose a change to the policy statement to align with the decision to implement the RTP changes to the wholesale market, and the accompanying Code amendments.
- 1.5 The policy statement is available on the Authority's website.¹

The system operator submitted a draft policy statement

- 1.6 In June 2022, the system operator submitted a draft policy statement to the Authority.
- 1.7 The system operator's key proposed changes to the policy statement include:
 - (a) further detail the circumstances in which adjustments are made to the forecast and dispatch schedules, as provided for under Clause 12 of Schedule 13.3 of the Code,
 - (b) reform the Dispatch Policy to incorporate the production of Dispatch prices in the dispatch process
 - (c) describe the criteria the system operator will use to assess eligibility of market participants as Dispatch Notified participants.
- 1.8 The system operator also proposed several minor amendments to improve clarity.

The Authority consulted on the draft policy statement the system operator submitted

- 1.9 The Authority consulted on the draft policy statement, following the process set out in clause 8.12 of the Code.
- 1.10 The Authority's consultation paper was published on 2 August 2022 and is available on the Authority's website.² The consultation paper included a copy of the draft policy

¹ <http://www.ea.govt.nz/code-and-compliance/the-code/documents-incorporated-into-the-code-by-reference/>

² <https://www.ea.govt.nz/development/work-programme/operational-efficiencies/system-operator-documents-incorporated-into-the-code-by-reference/consultations/#c19212>

statement and an explanation by the system operator of the rationale for its proposed changes.

- 1.11 The objectives of the proposed changes were to:
- (a) further detail the circumstances in which adjustments are made to the forecast and dispatch schedules, as provided for under Clause 12 of Schedule 13.3 of the Code
 - (b) reform the Dispatch Policy to incorporate the production of Dispatch prices in the dispatch process
 - (c) describe the criteria the system operator will use to assess eligibility of market participants as Dispatch Notified participants, and
 - (d) make a number of minor clarifications to the policy statement text.
- 1.12 The Authority's consultation paper sought feedback on the system operator's proposed changes to the policy statement.

The Authority received no submissions

- 1.13 The Authority received no submissions on the system operator's proposed changes.
- 1.14 This was not unexpected given significant industry engagement had been undertaken as part of the RTP project implementation. A series of webinars³ produced as a part of this engagement activity discussed the operational changes being driven by the RTP project. These changes were reflected in this proposed Policy Statement.

The revised draft policy statement meets the requirements of the Code

- 1.15 Appendix B sets out how the revised draft policy statement meets the requirements of clause 8.11 of the Code.

The Authority may approve the revised draft policy statement

- 1.16 Under clause 8.12(7) of the Code, the Authority may approve the draft policy statement subject to the system operator making any changes that the Authority considers appropriate.
- 1.17 The Authority has not requested any further changes.
- 1.18 The Code does not explicitly set out any matters that the Authority must consider in deciding whether to approve the revised draft policy statement. The Authority is therefore guided by its statutory objective, which is "to promote competition in, reliable supply by, and the efficient operation of the electricity industry for the long-term benefit of consumers".⁴
- 1.19 If the Authority approves the revised draft policy statement, then, under clause 8.12B of the Code, the Authority must:
- (a) incorporate the new policy statement by reference into the Code
 - (b) publish the new policy statement and the date on which it takes effect.

³ <https://www.ea.govt.nz/development/work-programme/pricing-cost-allocation/spot-market-settlement-on-real-time-pricing/events/real-time-pricing-industry-engagement-sessions/>

⁴ Section 15 of the Electricity Industry Act 2010.

2 The proposed changes are approved because they promote the Authority's statutory objective

Net gains in competition, reliability and efficiency are expected

- 2.1 The Authority has decided to approve the revised draft policy statement (Appendix A), under clause 8.12(7) of the Code, because this will promote its statutory objective.
- 2.2 The proposed changes to the policy statement are expected to yield competition, reliability and efficiency benefits, as set out in the Authority's 2019 consultation on implementing RTP⁵.

⁵ <https://www.ea.govt.nz/development/work-programme/pricing-cost-allocation/spot-market-settlement-on-real-timepricing/consultations/#c17972>

Appendix A Revised draft policy statement (with changes marked-up)

Appendix B The revised draft policy statement meets the requirements in the Code

Table 1 sets out how the revised draft policy statement meets the requirements in clause 8.11 of the Code.

Table 1: The revised draft policy statement meets the requirements in the Code

Clause	Requirement	How the revised draft policy statement meets the requirement
8.11(3a)	“The draft policy statement must include... the policies and means that the system operator considers appropriate for the system operator to observe in complying with its principal performance obligations.”	Through Chapter 1, the Security Policy, and Chapter 2, the Dispatch Policy (broken down as set out in paras 3-9 of the policy statement), and Chapter 3, the Compliance Policy
8.11(3b)	“The draft policy statement must include... the policies and means by which scheduling and dispatch are adjusted to meet the dispatch objective and must include the provision of a dispatch process statement. The dispatch process statement must contain the details of the processes that enable the system operator to meet the dispatch objective, including the methodologies to be used by the system operator for planning to meet the dispatch objective during the period leading up to real time and meeting the dispatch objective in real time.”	Through Chapter 2, the Dispatch Policy, and Chapter 3, the Compliance Policy
8.11(3c)	“The draft policy statement must include... a policy setting out how the system operator will manage any conflict of interest that arises in the performance of its obligations under this Code.”	Through Chapter 4 – the Conflict of Interest Policy
8.11(3d)	“The draft policy statement must include... a statement of the reasons for adopting the policies and means set out in the policy statement (which statement must be regarded as an explanatory note only and does not form part of the policies itself).”	Through Chapter 6 – the Statement of Reasons for Adopting Policies and Means
8.11(3e)	“The draft policy statement must include... a statement of how future policies and means might be formulated and implemented.”	Through Chapter 5 – the Future Formulation and Implementation Policy