

Notice Under Regulation 17 of the Electricity Industry (Enforcement) Regulations 2010

Investigation of alleged breach of the Electricity Industry Participation Code 2010 by Transpower New Zealand Limited - System Operator

On 29 May 2023, Transpower New Zealand Limited - System Operator reported to the Authority that it had breached clause 30.1B of the Policy Statement incorporated by reference into the Electricity Industry Participation Code 2010 (Code).

On 24 November 2023, the Authority appointed an investigator to investigate the alleged breach under Regulation 12 of the Electricity Industry (Enforcement) Regulations 2010 (Regulations).

Under Regulation 16, the investigator must promptly notify the industry participant alleged to have breached the Code of the allegation that is being investigated. On 10 January 2024, the investigator gave Transpower New Zealand Limited - System Operator such notice.

Under Regulation 17, at the same time as the investigator sends a notice under Regulation 16, the investigator must publicise the information about the matter under investigation, including the content of the notice given under that Regulation. This notice publicises the information about the matter under investigation, and a copy of the notice given under regulation 16 is attached.

Any participant that considers it is affected by the matter being investigated and that wishes to become a party to this investigation, should notify the investigator within 10 working days after the date on which this notice is published (by 5pm, 25 January 2024).

The investigator can be contacted, citing the reference **2305NZSO1** in the subject line, by email at compliance@ea.govt.nz, or at:

Compliance Investigator
Electricity Authority - Te Mana Hiko
Level 7, AON Centre
1 Willis Street
PO Box 10041
Wellington 6011

NOTICE UNDER REGULATION 16 OF THE ELECTRICITY INDUSTRY (ENFORCEMENT) REGULATIONS 2010

Date	10 January 2024
Addressee	Transpower New Zealand Limited - System Operator
Subject	The system operator self-reported a breach of the Code by failing to correctly apply security constraints for 102 trading periods between 7 February 2022 and 13 April 2022.
Investigator	Investigator appointed under Regulation 12 of the Electricity Industry (Enforcement) Regulations 2010 (Regulations)
Notifying industry participant	Transpower New Zealand Limited - System Operator
Clauses allegedly breached	clause 30.1B of the Policy Statement incorporated by reference into the Electricity Industry Participation Code 2010 (Code).
Circumstances of alleged breaches	<ol style="list-style-type: none"> 1. On 29 May 2023, the system operator self-reported a breach of clause 30.1B of the Policy Statement when it failed to correctly apply security constraints in its voltage stability assessment tool (VSAT) for 102 trading periods between 7 February 2022 and 13 April 2022. 2. On 28 January 2022, the system operator developed a new constrained scenario (GZ14_IMPORT_STABILITY_T_1) to address a low hydro level situation in the Southland region. 3. During the process, the system operator modified a file (node breaker file) resulting in the renumbering of Tiwai loads. 4. As a result, VSAT did not recognise Tiwai loads during its simulations. 5. The system operator's usual assumption is that the Tiwai load remains constant. 6. In this event, VSAT scaled up the Tiwai load with other loads in Southland grid zone 14 in its simulations since it did not identify the Tiwai load correctly. 7. Therefore, in VSAT the voltage stability constraint was set lower than it should have been. 8. On 13 April 2022, the system operator identified the error and created a new VSAT model which rectified the error.

9. This incorrect constraint bound in 102 trading periods between 7 February 2022 to 13 April 2022.
10. The system operator reported that during the event purchasers paid \$ 3.35 million more and generators were paid \$ 0.79 million more than they should have.
11. In August 2022, the system operator upgraded its simulation software enabling it to assign fixed loads by name rather than a bus number which mitigates the risk of recurrence.

Date and time of alleged breaches

from 7/02/2022 10:01 AM - 13/04/2022 10:01 AM

Please note, under Regulation 16 of the Regulations, you are obliged to 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 to this allegation, or request a longer period to respond, via the Authority's Compliance portal by clicking [here](#).

Include the following in your response:

- 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 that should not be included in the investigator's report under Regulation 19 of the Regulations (Regulation 15(2) of the Regulations). If your response includes confidential information, please provide a second copy where the confidential information has been redacted in case your response needs to be shared with any other parties.