



Guidelines for generator audits

21 February 2025

Executive summary

The Electricity Authority Te Mana Hiko (Authority) provides these guidelines to promote a better understanding of, and to encourage consistency in, the methodology and processes for generator audits. These guidelines are intended to provide a structured approach to audits for auditors and participants that is fair and consistent. They outline generators' Electricity Industry Participation Code 2010 (Code) obligations, and auditors' requirements when carrying out generator audits.

These guidelines describe what generators and auditors should do when carrying out audits under the Code, and the obligations of generators under the Code that they must be audited against. However, the information in these guidelines does not replace the requirement for participants to know and comply with their obligations under the Code. These guidelines reflect the Authority's view of best practice.

The information in these guidelines is not definitive of the obligations of generators and auditors under the Code, and the responsibilities of auditors when undertaking an audit. It should not be used instead of legal advice. If there is any inconsistency between this information and the Code, the Code takes precedence. The Code is updated regularly, so participants must be aware of Code changes that may affect them and take action to ensure compliance.

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1. Purpose

- 1.1. These guidelines are intended to provide a structured approach to audits for auditors and participants that is fair and consistent. They outline generators' Code obligations, and auditors' requirements when carrying out generator audits.

2. Introduction

- 2.1. Generators that are not also reconciliation participants must be certified under Schedule 15.1 clause 2A(3) of the Code to carry out certain functions under the Code.
- 2.2. “Generator” is defined in Part 1 of the Code as someone who owns generating units connected to a network. It includes any person who acts on behalf¹ of any person who owns such generating units, as well as embedded generators, intermittent generators, type A co-generators, and type B co-generators. Note that, for the purposes of your review of the Code, this definition does not apply to Part 6A.
- 2.3. A “generating unit” means equipment functioning together as a single entity to produce electricity.
- 2.4. A generator that is not a reconciliation participant must be certified to provide half-hour metering information to the grid owner. Clauses 13.136 to 13.138 of the Code set out the requirements for how and when to provide the information to the grid owner. If a participant is certified as a reconciliation participant, it does not also need to complete generator audits. This is because a generator that is also a reconciliation participant has its compliance with these obligations audited as part of its reconciliation participant audit.
- 2.5. Each generator with obligations under clauses 13.136 to 13.138 of the Code must arrange for regular audits in respect of its obligations. The requirement to arrange audits is in clause 13.138C of the Code.
- 2.6. The initial audit must be completed no later than four months after the date the generator first performs an obligation under clauses 13.136 to 13.138. An audit must be submitted two months before certification is required. This includes if the generator uses an agent to perform the obligation. An audit is completed when the final audit report and compliance plan (if any) is sent to the Authority. If the auditor does not find any noncompliance, then there will not be a compliance plan.
- 2.7. After the initial audit, further audits must be completed as specified by the Authority under clauses 16A.14 or 16A.14A of the Code.
- 2.8. In addition, the Authority may at any time decide to carry out an audit regarding a generator’s obligations under the Code. The Authority may also carry out an audit at the request of another participant.

¹ In respect of Parts 13, 14 and 15.

- 2.9. Clause 16A.3 requires each participant to ensure its audit is conducted by the Authority or an approved auditor from the list of auditors published by the Authority. A list of approved auditors is published on the Authority's website.
- 2.10. Generators must give the Authority or an auditor full access to all information required for the audit within 15 business days after receiving a request, at no charge.²
- 2.11. An auditor must carry out regular audits of a generator's compliance with the relevant parts of the Code within set periods specified by the Authority. The time between each audit must be no earlier than three months, and no more than 36 months, after the completion date of the audit report for the generator's previous audit. The completion date is published on the front page of the audit.
- 2.12. Generator audits cover certain functions, which include, but are not limited to:
- (a) **Function 1:** Administrative tasks – obligations regarding arranging for and submitting applications for approval.
 - (b) **Function 2:** Providing information to relevant grid owners, including loss adjustment of the information.
- 2.13. The audit requirements for each of the above functions and relevant Code provisions are in the appendices to this document.

3. The Authority's audit programme

- 3.1. The participant audit regime uses a risk-based approach to planning audits. The following three documents are integral to this approach and are published on our website:
- (a) *Risk and materiality guideline*

This sets out how to assess risk, the process for applying risk to focus audit effort, and how to assess the materiality and likelihood of a risk.
 - (b) *Auditor protocol*

This sets out audit standards and the Authority's expectations of auditors when performing audits.
 - (c) *Inherent risk register*

This sets out the risks inherent in a participant's functions and processes that are audited. The auditor uses these inherent risks as a starting point for determining an audited participant's residual risk. Residual risk is used by the auditors to determine audit priority and effort.
- 3.2. If a generator is required to carry out an audit for one or more roles as an industry participant, that generator must arrange for a separate audit report to be completed in respect of obligations for each of those roles.³ For example, where the participant

² Clause 16A.4

³ Clause 16A.8

is also a distributor, or where that participant is responsible for metering as a metering equipment provider. Then the participant would be required to have a separate audit for each role, generator, distributor and/or metering equipment provider.

- 3.3. If a generator uses an agent to perform any of its obligations under the Code, the generator is still responsible for those obligations. Generators are responsible for their agents' and contractors' compliance and obligations.

Appendix A Functions and processes

Function 1 – Administrative tasks

Pre-Audit

Code reference	Description	Notes
Part 16A	<p>The generator who is required to be audited must appoint an auditor. The auditor should be clear on the scope and reporting of the audit with the generator, including the:</p> <ul style="list-style-type: none">• process and procedures to be audited• Code obligations to be audited• specific emphasis or scope that has been determined by the Authority• the reason(s) for the audit. <p>The auditor may request the following types of supporting information from the generator:</p> <ul style="list-style-type: none">• a copy of its last two audit reports• a copy of any agent's audit report where an agent is engaged, if there is a separate report, that is relative to the functions to be audited• correspondence supporting its last two audit reports• information regarding the generator's company structure, and the names of contractors and service providers that assist with, or are used in, the functions to be audited• a list of manufacturers of hardware and software that assist or are used in the process that is being audited. <p>The auditor obtains a letter from the generator authorising the collection of information from other parties agreed in the audit scope and requests the necessary information for the audit from those parties.</p> <p>The auditor must obtain from the Authority copies of any alleged, under investigation, or closed breaches that have occurred in the past twelve months that relate to the processes being audited.</p>	Refer to audit obligations under Part 16A.

Clause 13.138C(a)	Each generator with one or more obligations under clauses 13.136 to 13.138 of the Code must obtain and maintain certification under Schedule 15.1	
Clause 13.138C(b)	Each generator with one or more obligations under clauses 13.136 to 13.138 of the Code must arrange to be audited regularly under Part 16A.	

Post Audit

Code reference	Description	Notes
Clause 16A.12(1)(b)	The auditor must send a draft audit report setting out the provisional findings of the audit to the generator and give the generator a reasonable opportunity to comment on the draft audit report.	More detailed processes and requirements for auditors are included in the document “ <i>Auditor Protocol</i> ”.
Clause 16A.12(1)(c) & (d)	The auditor must produce a final audit report and provide that report to the generator after considering any comments from the generator on the draft audit report.	
Clause 16A.12(1)(e)	The final audit report must specify the following: <ul style="list-style-type: none"> • the extent to which the generator has failed to comply with the provisions of the Code • any conditions that the auditor considers the generator must satisfy in order to comply with the Code • any areas for improvement • any action that the generator has taken in respect of those conditions • a recommended date for the next audit • any of the generator’s comments on the draft audit report that the auditor considers relevant. 	
Clause 16A.13	The dispatchable load purchaser must give the final audit report to the Authority no later than the date by which the audit is due. If the final audit report identifies any breach or potential breach of the Code, the generator must provide a compliance plan to the Authority when it submits the final audit report. The compliance plan must specify the actions the generator intends to take to address any breach (or	

	potential breach) of the Code and time frames within which the generator intends to complete those actions.	
Clause 16A.14	An audit is complete when the participant that is subject to the audit gives the Authority the final audit report and a compliance plan (if any).	The prescribed form to submit the final audit report and compliance plan is through the Compliance Portal.
Clause 16A.15	The Authority must publish the final audit, compliance plan, and the date by which the next audit must be completed no later than 20 business days after advising the participant the date of the next audit.	

Function 2 – Providing information to relevant grid owners, including loss adjustment of the information

A.1. This table describes the Code obligation of participants (including generators) in respect of operational infrastructure. The participant is responsible for the quality of metering information transmitted or transferred to other participants. This includes the maintenance of audit trails and communication logs.

Relevant provisions of the Code

Code reference	Description	Notes
Clause 13.2	<p>A generator must not disclose to any person any information under Part 13 that, at the time the information was disclosed, was misleading or deceptive or likely to mislead or deceive when taken in the context of activities under Part 13.</p> <p>When assessing whether information is misleading or deceptive or is likely to mislead or deceive, a generator must act reasonably and prudently. (Applies at the time the information was disclosed)</p> <p>If a generator discovers that information previously disclosed by it under Part 13 was misleading, deceptive or incorrect, the generator must, as soon as reasonably practicable, either:</p> <p>(a) disclose further information so that the person is not misled or deceived by the information</p>	

	(b) disclose corrected information to the person.	
Clause 13.136(1)	Offered embedded generators must provide half-hour metering information to the grid owner using an approved system or by written notice.	Applies to generation that injects electricity directly into a local network or an embedded network. Also applies if the meter configuration is such that the electricity flows into a local network without first passing through a grid injection point or grid exit point metering installation.
Clauses 13.137(1) and 13.137(2)	Unoffered grid-connected generators and grid-connected type B industrial co-generation must provide half-hour metering information to the grid owner using an approved system or by written notice.	Applies to unoffered generation from a generating station with a point of connection to the grid. Also applies to electricity supplied from a type B industrial co-generating station with a point of connection to the grid.
Clause 13.137(3)	If half-hour metering information is not available, the generator must give the relevant grid owner a reasonable estimate of such data using an approved system or by written notice.	
Clause 13.137A(1)	Offered grid-connected intermittent generators to provide half-hour metering information to the grid owner using an approved system or by written notice.	
Clause 13.137A(4)	If half-hour metering information provided is not available, the intermittent generator must give the relevant grid owner a reasonable estimate of such data.	
Clauses 13.138(1)(a), 13.138(1)(b) and 13.138(1)(c)	Each generator must provide the information required by clauses 13.136, 13.137, and 13.137A adjusted for losses (if any) relative to the grid injection point or, for embedded generators the grid exit point, at which it offered the electricity. The information must be in the manner and form that the relevant grid owner stipulates and provided by 10am on a trading day, for each trading period of the previous trading day.	

Indicative audit frequency

- A.2. An auditor must recommend a date by which the generator must have completed its next audit and audit report. This provides a range from three months to 36 months between audits. This is to allow for a higher level of surveillance of generators that do not have fully functional processes and a potentially lower level of compliance.
- A.3. In accordance with the risk and materiality guidelines and auditor protocol, each noncompliance identified in the generator's most relevant audit report will be assessed by the auditor and given a breach risk rating in accordance with the risk and materiality guidelines. The sum of the breach risk ratings determines the future risk rating. The future risk rating is used to determine the indicative audit frequency.
- A.4. This “indicative audit frequency” table below has been specifically calculated for generators and is not intended to be applied to other participant types.
- A.5. Auditors should use Table 1 to calculate the indicative audit frequency.

Table 1: Indicative audit frequency

Future risk rating	0	1-3	4-15	16-40	41-55	55+
Indicative audit frequency	36 months	24 months	18 months	12 months	6 months	3 months

- A.6. Auditors will use the indicative audit frequency as the basis for a recommended audit frequency. The recommended audit frequency is the auditor's opinion of when the next audit should occur, and takes into consideration:
- the indicative audit frequency
 - the participant's proposed resolution of breaches (including breaches that have been cleared during the audit)
 - breaches that are outside of the participant's control (either due to needing improvements in the wording of the Code, or are due to the actions of another participant)
 - any instances where there is a risk of future breaches but was not a breach in the audit report.