Proposed extended reserve Code amendments

Consultation paper

Submissions close: 5:00pm, 4 October 2016

22 August 2016

Executive summary

The extended reserve regime is set out in Part 8 of the Electricity Industry Participation Code 2010 (Code) and came into effect on 7 August 2014. Under that regime, parties must comply with obligations set out in the Code, and associated documents created under the Code.[1]

This paper outlines the following 12 operational issues with the extended reserve regime, and proposes Code amendments to resolve these issues.

Issue 1: the extended reserve manager requires access to information from the reconciliation manager

Issue 2: distributors require access to customer class information for ICPs on their networks

Issue 3: the Code does not require asset owners to ensure the information they provide to the extended reserve manager is accurate

Issue 4: the extended reserve manager should be able to rely on information provided by asset owners

Issue 5: the system operator should be able to rely on information provided by the extended reserve manager

Issue 6: the Code should not require grid connected generators to provide information and to be charged for extended reserve

Issue 7: the priority order for the clearing manager to settle general amounts in the case of a payer default can be simplified

Issue 8: the Code does not require the extended reserve manager to re-solve its procurement schedule if there is a significant change to input information

Issue 9: the Code is not clear on what terms and conditions in the extended procurement notice may be amended

Issue 10: the Code does not require regular extended reserve performance reporting

Issue 11: the Code does not provide the clearing manager with access to all the information it needs to invoice connected asset owners.

Issue 12: the Code does not allow the extended reserve manager and system operator, when transitioning from the current AUFLS system to the new extended reserve regime, to require asset owners to provide information for the purpose of that transition.

The paper proposes Code amendments that would correct and clarify these aspects of the extended reserve regime, and prevent unintended consequences in operating it. This would ensure that the extended reserve regime operates correctly and efficiently, which, consistent with the Authority's statutory objective, would promote an efficient level of reliable supply in the electricity industry for the long-term benefit of consumers.

[1] Those documents include the extended reserve technical requirements schedule, extended reserve selection methodology and each asset owner's individual statement of extended reserve obligation.

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1 What you need to know to make a submission

What this consultation paper is about

1.1 The Authority proposes several amendments to aspects of the extended reserve regime under the Code (proposed amendments). The proposed amendments are attached as Appendix A.

1.2 The purpose of this paper is to consult with participants and persons that the Authority thinks are representative of the interests of those likely to be affected by the proposed amendments.

1.3 Section 39(1)(c) of the Electricity Industry Act 2010 (Act) requires the Authority to consult on any proposed amendment to the Code and the corresponding regulatory statement. Section 39(2) of the Act provides that the regulatory statement must include a statement of the objectives of the proposed amendment, an evaluation of the costs and benefits of the proposed amendment, and an evaluation of alternative means of achieving the objectives of the proposed amendment. The regulatory statement for the proposed amendments is set out in section 4 of this paper.

1.4 The Authority invites you to make a submission on the proposed amendments and the regulatory statement.

How to make a submission

1.5 Please note we ordinarily publish all submissions we receive. If there is part of your submission you do not want us to publish, please tell us which part, why we should not publish it, and provide a version we can publish (if we agree not to publish the full submission).

1.6 If you ask us not to publish part of your submission, we will normally talk to you before deciding what we will publish.

1.7 Also note that if a submission is requested under the Official Information Act 1982, we would be required to release it unless good reason exists to withhold it. We will normally consult you before releasing any material that you asked us not to publish.

1.8 We prefer to receive submissions in electronic format (Microsoft Word) in the format shown in Appendix B. Submissions in electronic form should be emailed to submissions@ea.govt.nz with “Consultation Paper—Proposed extended reserve Code amendments” in the subject line.

1.9 Do not send us hard copies of your submission unless it is not possible to do so electronically. If you cannot or do not wish to send your submission electronically, you should post one hard copy of the submission to either of the addresses provided below or you can fax it to 04 460 8879. You can call 04 460 8860 if you have any questions.

Postal address

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

Physical address

Submissions
Electricity Authority
Level 7, ASB Bank Tower
2 Hunter Street
Wellington

Deadline for receiving a submission

1.10 Submissions should be received by 5pm on 4 October 2016. The Authority will acknowledge receipt of all submissions electronically. Please contact the Submissions' Administrator if you do not receive electronic acknowledgement of your submission within two business days.

2 Background to the extended reserve regime

Moderate under-frequency events are met by certain market participants shedding load or generators increasing generation. These services are brought to the market by the system operator procuring instantaneous reserve. However, during a large and rare system under-frequency event, where all the instantaneous reserve has already responded, extended reserve blocks of load trip to manage the fall in frequency. That is, extended reserve is used when the frequency drops beyond the ability of other mechanisms to cope.

2.2 Severe, but rare, under-frequency events may occur at any time. Such events, if extreme, may cause a partial or nationwide cascade failure. The approximate time to reconnect demand in the event of cascade failure cascade failure is unknown, but it is likely to take more than a day to restart and fully restore the electricity grid and networks.

2.3 The national and international cost of cascade failure could be exceedingly high with the loss of reputation, raw materials and production, and the application of contract penalties etc, as well as the potential risk to health and well-being of consumers.

2.4 At its meeting on 27 June 2014, the Authority approved amendments to Parts 1, 8, 13, 14, 14A and 17 of the Code to implement new requirements for the efficient procurement of extended reserve (EPER). The Electricity Industry Participation Code Amendment (Extended Reserve) 2014 came into force on 7 August 2014.

2.5 The extended reserve regime procures automatic under-frequency load shedding (AUFLS)[2] through a process, the objective of which is to:

(a) vary the amount of AUFLS that participants are obliged to provide, according to their relative suitability

(b) provide some 'flexible' AUFLS which the system operator can call upon to arm or disarm to meet changing circumstances as required

(c) change the nature of parties' AUFLS obligation to the following:

(i) make loads available for potential selection via a central selection process

[2] AUFLS are the set of relays that automatically trip blocks of load, following a severe under-frequency event, to restore the system frequency. The AUFLS scheme is made up of two blocks of at least 16% of demand in each island. This means that 32% of customers' load can automatically disconnect to restore stability to the power system following the loss of net injection which drops the system frequency to below 48Hz.

(ii) provide information to the selection process on the different loads to enable the central selection process to identify those loads that are most suitable

(iii) arm any loads that are selected

(iv) provide updated information on selected loads on an annual (or more frequent) basis

(d) establish a new service provider role, the extended reserve manager (ERM), to manage the process of procuring extended reserve, including developing the methodology for selecting extended reserve providers

(e) put in place a transitional approach from the current AUFLS obligations that would enable each asset owner to agree with the system operator an individualised plan to implement that asset owner's obligations arising from the first EPER selection process under the new arrangements.

2.6 Since that time, the Authority has run an appointment process for the role of the ERM. Since the Authority appointed the ERM, it has been developing the processes that need to be in place, including running workshops with participants and preparing to consult on the draft selection methodology and related documents (in conjunction with the system operator). During this implementation process it has been identified that the EPER could be difficult to operate as drafted in the Code. The amendments discussed in this paper would address those difficulties.

3 The extended reserve regime has twelve operational issues that the Authority would like to resolve

3.1 In implementing the extended reserve regime, the Authority has identified twelve operational issues that require amendment to the Code.

3.2 The Authority would like to address these issues to ensure that the extended reserve regime operates correctly and according to the Authority's original policy intent.[3] This in turn would increase the efficiency of the regime should a large under-frequency event occur.

3.3 The Authority considers that the proposed amendments are consistent with its statutory objective under section 15 of the Act. This is because the proposed amendments would promote the efficient operation of the electricity industry for the long-term benefit of consumers.

3.4 Under section 32(1)(c) of the Act, the proposed amendments are desirable to promote the efficient operation of the industry.

Issue 1: The ERM requires access to information from the reconciliation manager

3.5 The ERM requires access to two different sets of data that the reconciliation manager can provide. These are:

(a) changes to the grid

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[3] The Authority's consultation paper of 8 April 2014 for the original extended reserve amendment outlines the Authority's policy intent for the regime. The consultation paper is available at: http://www.ea.govt.nz/dmsdocument/17873 .

(b) reconciliation information.[4]

Changes to the grid

3.6 The ERM needs to know when any changes occur to North Island grid connection points. While the ERM could obtain this information obtained from reconciliation information, this would be mean there would be a delay between the changes being made, and the ERM receiving the information. It would be more efficient for the ERM to know of changes as they occur, so that the ERM can prepare its extended reserve system for the change prior to the receipt of monthly reconciliation information.

3.7 The grid owner currently must notify the reconciliation manager of grid changes at least 1 calendar month before a grid change becomes effective. The reconciliation manager must then forward a copy of the notification to the clearing manager and the Authority within 1 business day of receiving it.

Reconciliation information

3.8 The ERM needs to determine which asset owners should be included in the extended reserve procurement schedule. To do this, the ERM needs reconciliation information that records both the asset owners and the electricity conveyed by each asset owner.

3.9 The ERM could access this information either by requesting it from each individual known asset owner, or by asking the reconciliation manager to provide it. Requiring:

(a) known asset owners to provide this information would require the ERM to make manual requests, and compile the information into the ERM’s system. This is an inefficient process that could introduce errors

(b) the reconciliation manager to provide the information from its system would allow the ERM to develop an automated process using accurate and up-to-date information.

3.10 Information from the reconciliation manager may disclose to the ERM the trading activities of individual retailers, purchasers and generators at each network supply point for each trading period. This information is commercially sensitive as it sets out individual participant or consumer purchases, operation of special profiles, and could potentially include participants' contract positions.

3.11 The Code sets out to whom the reconciliation manager can deliver reconciliation information. These clauses do not currently authorise the reconciliation manager to provide the necessary information to the ERM.

Proposed amendment

3.12 The proposal is to amend:

(a) clause 15.14(3), to require the reconciliation manager to copy the notification it receives from the grid owner to the ERM as well as to the clearing manager and the Authority

(b) Schedule 15.4 by:

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4 Reconciliation information means information specifying the amount of electricity sold to or purchased from the clearing manager at each grid connection point.

(i) amending clause 28 to require the reconciliation manager to deliver reconciliation information to the ERM to allow the ERM to carry out its procurement of extended reserve

(ii) adding a new clause 29 to prohibit the ERM from publishing reconciliation information in a disaggregated form that would identify any retailer, purchaser or generator.

Issue 2: Distributors require access to customer class information for ICPs on their networks

3.13 The Code requires the ERM to produce the extended reserve selection methodology. This methodology sets out the requirements for information that each asset owner must provide to the ERM.

3.14 The information that the methodology requires asset owners to provide to the ERM includes for each demand unit:[5]

(a) half hourly demand data in MW (estimated data must be identified)

(b) the estimated proportion of load that is allocated to customer class categories of:

(i) residential consumers

(ii) light industrial & primary industry

(iii) commercial

(iv) public health and safety

(v) large user.

3.15 The Code requires each asset owner identified in the extended reserve selection methodology to comply with a request from the ERM to provide information described in the methodology.

3.16 Through discussions with asset owners, the Authority is aware that initially some asset owners will not be able to provide all of this information to the ERM. However, asset owners that are distributors have access to accurate consumer consumption and type information that they will be able to provide to the ERM.

3.17 Distributors' use-of-system agreements require traders trading on the distributor's network to provide distributors with information relating to electricity conveyed. The Code provides that distributors can request traders' information for network charging purposes. When traders provide that information, they must do so in accordance with electricity information exchange protocols (EIEPs) 1 and 3.

3.18 The information provided under EIEPs 1 and 3 includes:

(a) volumes of electricity per ICP identifier per meter register

(b) the ANZSIC[6] code that distributors could use to allocate ICP identifiers to the customer class categories noted in paragraph 3.14(b).

[5] Demand unit means an identified electrical load (including a distribution network circuit (feeder) or group of feeders) that is capable of being automatically disconnected as a discrete unit within an AUFLS system and, during the initial implementation phase, also includes separately controllable pre-existing parts of AUFLS systems that are converted to extended reserve on the commencement date of the statement of extended reserve obligation.

3.19 By using both its records and information from EIEPs 1 and 3, a distributor could provide the information that the ERM requires. However, there are two issues with the current Code relating to distributors requesting and using EIEP information:[7]

(a) a distributor can only request EIEPs 1 and 3 for invoicing and reconciling line function charges

(b) if a distributor has received information under EIEPs 1 or 3, it cannot, without the agreement of the trader that provided that information, use the information for any other purpose apart from invoicing and reconciling line charges.

3.20 This means that a distributor that currently:

(a) requires traders to provide EIEP information for line charging purposes will need the consent of traders to use that information for extended reserve purposes

(b) does not require traders to provide EIEP information for line charging purposes cannot request information under these EIEPs purely for the purpose of providing the information to the ERM. This is currently the case on most networks that charge for line function services as "GXP pricing".

Proposed amendment

3.21 The proposal is to amend clause 12A.12 to enable:

(a) distributors to require traders to deliver information for extended reserve purposes

(b) distributors to use EIEPs 1 and 3 information to provide extended reserve information without seeking the agreement of traders.

Issue 3: The Code does not require asset owners to provide accurate information to the ERM

3.22 The accuracy of any information provided by asset owners to the ERM has a direct impact on the accuracy of the outcomes of the extended reserve selection process, and consequently on EPER.

3.23 If asset owners provide inaccurate information to the ERM, it could:

(a) mean that the selection process is inefficient as demand units may be inaccurately selected causing the disconnection of higher value load before lower value load

(b) put the provision of extended reserve at risk

(c) put consumers at risk if electricity to essential services is unnecessarily interrupted.

3.24 While the Code requires asset owners to provide information to the ERM, the Code does not require the asset owner to:

(a) ensure that the information it provides is complete and accurate

(b) review and replace the information if it subsequently finds that the information was inaccurate.

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[6] Australia New Zealand Standard Industrial Classification. A list of valid ANZSIC codes is available to registry users in the ANZSIC static data table in the registry.

[7] Clause 12A.12.

3.25 Parts 10, 11, and 15 of the Code have clauses that require participants to take all practicable steps to ensure that information provided is complete and accurate. Parts 10, 11, 13 and 15 also include clauses that require participants who become aware that information they've provided was inaccurate, to take all practicable steps to provide information that is complete and accurate.

3.26 The reason for these requirements is that any inaccuracy in the information provided under those Parts of the Code may have a detrimental effect on other participants or consumers.

3.27 If asset owners provide inaccurate information to the ERM, it could lead to either:

(a) inefficient extended reserve selection outcomes; or

(b) the inability of the EPER to perform as designed during an under-frequency event. The worst case would be cascade failure of the power system.

3.28 However, it is recognised that subtraction of interruptible load from metered load data will build a degree of estimation into the information that asset owners provide to the ERM. It is therefore proposed that the ERM would consider asset owner information to be accurate providing it is prepared following the ERM’s data specification. This specification would include guidelines for estimating missing data and would require asset owners to identify, when providing the information to the ERM, any estimated data and quantities of interruptible load subtracted.

Proposed amendment

3.29 The proposal is to amend the Code to:

(a) require participants to ensure that:

(i) any information they provide under Part 8 of the Code must be complete, accurate, not misleading or deceptive, or likely to mislead or deceive

(ii) if they become aware that any information they have provided under Part 8 is incomplete, inaccurate, misleading, deceptive, or likely to mislead or deceive, they must provide such further information as is necessary to ensure that the information is no longer incomplete, inaccurate, misleading, deceptive, or likely to mislead or deceive

(b) state that, in the case of an extended reserve provider providing information to the extended reserve manager, the information will be considered accurate provided it complies with the extended reserve manager’s published data specification.

Issue 4: The ERM should be able to rely on information provided by asset owners

3.30 The accuracy of any information provided by asset owners to the ERM has a direct impact on the accuracy of the outcomes of the extended reserve selection process, and consequently on the efficient operation of extended reserve.

3.31 Under clause 8.54K of the Code, if the ERM considers that any information provided by an asset owner is incomplete or insufficient, the ERM may ask the asset owner to provide additional information.

3.32 However, in most cases the ERM will not know if the information provided by an asset owner is inaccurate or incomplete.

3.33 If the ERM receives inaccurate or incomplete information, the selection process and delivery of extended reserve may be inefficient and inaccurate. While the Code does not place an obligation on the ERM to ensure that the extended reserve system arrests cascade failure, the ERM should not have a commercial liability for using inaccurate information.

3.34 In other areas of the Code, the Code allows a participant that uses information provided by another participant to rely on the information it is provided. The requirement for accuracy is placed on the participant that provides the information.

3.35 To assist asset owners to provide accurate information, it is proposed that the ERM will publish a specification setting out its requirements for information required for the extended reserve selection process.

Proposed amendment

3.36 The ERM must be able to rely on information provided to it by asset owners.

3.37 Consequently the proposal is to amend the Code to:

(a) include a new provision that provides the ERM can rely on information it receives from asset owners. The new provisions will be similar to clause 8.4, which applies to the system operator. It is proposed that this clause would become a new clause 8.54TA

(b) include a new requirement in clause 8.54K(2) that, when an asset owner provides information to the ERM for the purpose of the extended reserve selection process, the asset owner must comply with the ERM's specification.

Issue 5: The system operator should be able to rely on information provided by the ERM

3.38 The accuracy of information provided by the ERM to the system operator depends on:

(a) the accuracy of information provided to the ERM by asset owners

(b) the accuracy of the ERM's system.

3.39 While the system operator can carry out some checks on information the ERM provides to it, in most cases the system operator will not know if the information the ERM provides is inaccurate or incomplete. If information is inaccurate or incomplete there may be consequential inefficient or inaccurate provision of extended reserve. While the Code does not place an obligation on the system operator to ensure that the extended reserve system arrests frequency decay, the system operator should not be liable for using inaccurate information.

3.40 In other areas of the Code, the Code allows a participant that uses information provided by another participant to rely on the information it is provided. The requirement for accuracy is placed on the participant that provides the information.

Proposed amendment

3.41 The system operator must be able to rely on information provided to it by the ERM.

3.42 Consequently the proposal is to amend clause 8.4 of the Code to include a provision that applies to information provided by the ERM to the system operator.

Issue 6: The Code requires grid connected generators to provide information and to be charged for extended reserve

3.43 Clause 8.54K requires asset owners to comply with a request from the ERM to provide information for the purpose of the extended reserve selection process. The Code defines asset owners to include any person who consumes electricity at a point of connection to the grid. This includes grid connected generators who may consumer small amounts of electricity either at a grid injection point or a grid exit point. It was not intended that grid connected generators should be required to provide this information. It is also not necessary or efficient.

3.44 Similarly, clauses 8.67A and 8.68 require the clearing manager to invoice all 'connected asset owners' for extended reserve costs. Part 1 of the Code defines 'connected asset owner' to be "a **direct consumer**, or a **distributor** in its capacity as the owner or operator of a **local network**". The definition of 'direct consumer' also includes a grid connected generator. As with clause 8.54K, it was not intended that grid connected generators should be covered by these obligations.

Proposed amendment

3.45 The Authority considers that generators that are directly connected to the grid should not be:

(a) required to provide information that the ERM does not require

(b) invoiced for extended reserve costs.

3.46 Consequently, the Authority proposes to amend clauses 8.54K, 8.67A and 8.68(3) of the Code so that grid connected generators are not required to provide information, and are not charged for extended reserve.

Issue 7: The priority order for the clearing manager to settle general amounts in the case of a payer default can be simplified

3.47 If a participant that is required to pay the clearing manager fails to pay in part or full, the participant is in an event of default.[8]

3.48 When an event of default occurs, the clearing manager will call on the defaulting participant's prudential[9] in order to make payments to non-defaulting participants, and pay out whatever can be paid in a priority order set out in the Code.[10]

3.49 One of the items in this priority order is paying the providers of extended reserve.[11] This is currently prioritised before ancillary service settlement.[12]

3.50 Ancillary services comprise services contracted by the system operator and include, black start, over frequency reserve, frequency keeping and instantaneous reserves. Extended reserve is the last resort for stabilising frequency and should not have a higher priority for settlement before other ancillary services.

8 An event of default may occur for a number of reasons as set out in clause 14.41.

9 Any participant that is required to pay the clearing manager must satisfy the prudential requirements as described in Part 14A.

10 Clause 14.56(1)

11 Clause 14.56(1)(ab)

12 Clause 14.56(1)(b)

3.51 It is more practicable, and would result in lower implementation costs, to settle extended reserve at the same priority as ancillary services.

Proposed amendment

3.52 The Authority proposes that, when an event of default occurs, the clearing manager should carry out settlement for extended reserve and ancillary services with the same priority order.

3.53 The Authority proposes to delete clause 14.56(1)(ab) and add extended reserve settlement to clause 14.56(1)(b).

Issue 8: The Code does not require the ERM to re-solve its procurement schedule if there is a significant change to input information

3.54 The Code does not require the ERM to consider any changed or additional information that may immediately affect:

(a) determination of the procurement schedule[13]

(b) the extended reserve selection process[14]

(c) issuing extended reserve procurement notices.[15]

3.55 While a circumstance would not arise in normal practice, there could be, at rare times, a configuration change, or discovery of inaccurate information, of sufficient magnitude to require the ERM to rerun these processes to avoid failure of the regime. When the ERM identifies an issue of this magnitude it should then refer the issue to the Authority, seeking a direction to re-run the selection process, if appropriate.

Proposed amendment

3.56 The Authority considers that the ERM should be required to consider any significant changes to information it receives.

3.57 The Authority proposes to add a new clause 8.54TB to the Code. This clause would require the ERM to:

(a) consider any new or changed information it receives and, if the information varies sufficiently from the information originally provided, so as to change the outcome of one of the processes set out in clause 8.54J, 8.54K or 8.54L, to refer the matter to the Authority

(b) follow the Authority's instruction to re-run the process set out in clause 8.54J.

Issue 9: The Code is not clear what terms and conditions in the extended procurement notice may be amended

3.58 The Code requires the ERM to issue an "extended reserve procurement notice" (procurement notice) to each asset owner specified in the extended reserve procurement schedule.[16]

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13 Clause 8.54J

14 Clause 8.54K

15 Clause 8.54L

16 Clause 8.54L

3.59 Clause 8.54L states that if the asset owner has been selected to be an extended reserve provider, the procurement notice must include the default terms and conditions (as specified in the extended reserve selection methodology) that apply to the provision of extended reserve by the asset owner. These default terms and conditions are consulted on and approved by the Authority.[17]

3.60 However, clauses 8.54N and 8.54O(3) allow the system operator to amend the terms and conditions specified in the procurement notice, by agreement with the asset owner. The reference to terms and conditions could be interpreted that the system operator could amend any of the information in a procurement notice. This was not the intention. The intention was for the system operator and relevant asset owner to only amend the default terms and conditions.

Proposed amendment

3.61 The Authority proposes to amend clauses 8.54N and 8.54O(3), placing the word "default" before the words "terms and conditions". This will make it clear that the system operator and asset owner can only agree to amend the default terms and conditions.

Issue 10: The Code does not require regular extended reserve performance reporting

3.62 The design of the EPER regime assumes that recent historical demand unit load profiles are representative of near future load profiles. As historical data increases in age, there is an increasing risk that a demand unit profile may vary materially from its historical profile. The Code does not require a periodic review that would ensure that any changes would not impact on the overall performance of the extended reserve regime.

3.63 The Authority considers that this risk is best managed by regular monitoring of the scheme performance using recent data. Consequently the Authority proposes that the Code should require the ERM to perform periodic reviews of the aggregate extended reserves regime performance.

3.64 The initial period set would be quarterly (3-monthly). However, it is proposed that the length of the period would not be set in the Code, but would be agreed between the Authority and the ERM. By not including the time period in the Code, the Authority would be able to revise the time period after it gains operational experience.

3.65 The ERM only carries out an extended reserve selection process when directed to do so by the Authority.[18] If a periodic review showed there was a need to run the selection process again, the Authority could direct the ERM to do so under clause 8.54J(1).

3.66 The Authority considers that the Code should contain requirements for periodic reporting so that aggregate load changes within extended reserve blocks are regularly reviewed and any risks associated with the scheme performance are identified and managed in a timely manner. The Authority considers that:

(a) failure to carry out periodic reviews would introduce a risk into the EPER regime that load changes over time may not be adequately taken into account

(b) a periodic published review would provide assurance to all stakeholders that the EPER is meeting performance expectations and that any new issues and risks are identified and managed

[17] Clause 6(3) of Schedule 8.5

[18] Clause 8.54J(2)

(c) the periodic review should be carried out by the ERM who provides it to the Authority and the system operator.

3.67 To carry out a periodic review the ERM would require access to:

(a) the extended reserve schedule. Clause 8.54O requires the system operator to publish and maintain the extended reserve schedule. However clause 8.54O(2) contains a caveat that may restrict the system operator publishing information that may prejudice the commercial position of a participant. This may restrict access to information that the ERM requires to carry out a regular review

(b) dates when extended reserve providers will provide or cease to provide extended reserve. Clause 8.54Q requires the system operator to advise the Authority and the clearing manager on changes to the dates when an extended reserve provider will provide or cease to provide extended reserve. However, it does not require the system operator to advise the ERM.

Proposed amendment

3.68 Given the critical nature of extended reserve, the Authority considers that the Code should require a periodic review to be carried out initially at 3 monthly intervals, to trigger an Authority direction to run the extended reserve selection process. It is proposed that a new clause 8.54TC would provide that:

(a) the review should be termed the "periodic performance report" (PPR)

(b) the ERM should provide the full PPR to the Authority and the system operator, and publish a version of the PPR that does not contain any information that would be likely to unreasonably prejudice the commercial position of any person who supplied or who is the subject of any information in the PPR.

3.69 It is also proposed to amend:

(a) clause 8.54O by requiring the system operator to provide the extended reserve schedule to the ERM in a form prior to the application of clause 8.54O(2)

(b) clause 8.54Q(2)(b) by adding the obligation to the system operator to advise the ERM of any new dates on which an extended reserve provider will commence or cease providing extended reserve.

Issue 11: The Code does not provide the clearing manager with access to all the information it needs to invoice connected asset owners

3.70 The clearing manager determines, invoices, receives or makes payments for amounts:

(a) owing to each extended reserve provider for the provision of extended reserve[19]

(b) owing by each connected asset owner for extended reserve.[20]

3.71 The Code provides the clearing manager access to information necessary to determine the amounts owing to each extended reserve provider.[21] However the Code does not provide the clearing manager access to the extended reserve procurement schedule

[19] Clause 8.68(4)

[20] Clause 8.68(3)

[21] Clause 8.54Q(1)

which is necessary to determine amounts owing by each connected asset owner for extended reserve.

3.72 Clause 8.67A sets out the equation for determining the amounts owing by each connected asset owner for extended reserve. For this equation, the clearing manager requires the sum of all payments for extended reserve in the North Island for the billing period. The sum of all payments is set out in the extended reserve procurement schedule.

3.73 Although clause 8.54J(5) requires the ERM to publish the extended reserve procurement schedule, clause 8.54J(6) contains a caveat that may restrict the ERM publishing information that may prejudice the commercial position of a participant. This caveat may restrict access to information that the clearing manager requires to determine the amounts owing by each connected asset owner for extended reserve.

Proposed amendment

3.74 The Authority proposes amending clause 8.54J by adding a new subclause (12) that requires the ERM to provide the extended reserve procurement schedule to the clearing manager without having to comply with the restrictions imposed by clause 8.54J(6).

Issue 12: The Code does not allow the ERM and the system operator, when transitioning from the current AUFLS system to the new extended reserve regime, to require asset owners to provide information for the purpose of that transition

3.75 The implementation process has identified that both the ERM and the system operator will need to ask asset owners to provide further information, to enable the smooth transition from the current AUFLS system to the new extended reserve regime. Although clauses 17.48A and 17.48B provide for the transition, they do not require asset owners to provide information necessary for that transition.

3.76 Although new clause 8.54K requires asset owners to provide the ERM with information described in the selection methodology, that clause does not relate to information that is required for the purposes of the transition, and does not allow the system operator to request the information. There is no other provision that would enable the ERM and the system operator to request information for the transition.

3.77 In addition, it would be useful if the ERM and the system operator could share any information they receive from asset owners for the purpose of the transition. This would prevent each service provider from having to separately request the same information from asset owners.

Proposed amendment

3.78 The Authority proposes adding a new clause 8.54TD that will provide:

(a) the ERM or the system operator can require that asset owners provide information for the purposes of transitioning from the AUFLS system to the new extended reserve regime

(b) if the ERM or system operator considers that the information provided by an asset owner is incomplete or insufficient, the ERM or system operator (as the case may be) may ask the asset owner to provide additional information within the time period specified by the ERM or system operator

(c) each asset owner that receives a request for information from the ERM or system operator must provide the requested information within the time period specified by the ERM or system operator

(d) if the ERM receives this transitional information from asset owners, it may share it with the system operator, and vice versa.

Q1. Do you agree that the Authority should address the twelve identified issues with the extended reserve regime? If not, why not?

Q2. Do you agree that the Authority's proposed amendments address the twelve identified issues? If not, why not?

Q3. Do you consider that there are other issues with the extended reserve regime that the proposed amendments do not address? If so, please provide details of these other issues and any suggestions you have for resolving them.

4 Regulatory Statement for the proposed amendments

Objective of the proposed amendments

4.1 The objective of the proposed amendments is to clarify and correct particular operational aspects of the extended reserve regime to ensure the regime operates according to the Authority's policy intent for the original extended reserve Code amendment.

The proposed Code amendments

4.2 The proposed amendments are described in paragraphs 3.1 to 3.78 above. The drafting of the proposed Code amendments is set out in Appendix A.

The cost-benefit analysis for the original extended reserve management Code amendment identified positive net benefits

4.3 As discussed above, the proposed amendments correct and clarify particular operational aspects of the existing extended reserve regime. This will assist with delivering the positive net benefits identified in the cost-benefit analysis for the Code amendment that introduced the extended reserve regime in August 2014.[22]

4.4 Appendix C of the original Code amendment consultation paper provided details showing that the scale of net benefits was estimated to deliver an NPV of approximately $147 million relative to the status quo. Approximately half of these benefits (approximately $75 million) resulted from the reliability benefits of implementing the revised four-block technical design of the AUFLS scheme compared to the status quo.

The proposed amendments do not affect the substance or durability of the extended reserve regime

4.5 The proposed amendments would correct and clarify particular operational aspects of the regime, ensuring that it operates correctly and as originally intended. The amendments proposed in this consultation paper can be considered to:

22 The cost-benefit analysis for the Code amendment that introduced the extended reserve regime is set out at Appendix C of the consultation paper on this amendment, which is available at: http://www.ea.govt.nz/dmsdocument/17873

(a) support the original cost benefit analysis as they should help to ensure that the regime is durable, by ensuring that it functions as intended

(b) reduce the risk of a cascade failure event occurring, including potential litigation costs.

Costs and benefits of the proposed amendments

Costs

4.6 The proposed amendments may impose costs on participants and the ERM in requiring them to amend their processes and documentation for managing extended reserve.

4.7 However, the Authority considers that such costs are likely to be minor and insignificant compared to the value at risk if cascade failure occurred as a consequence of any of issues 1 to 12.

4.8 The expected costs of each of the proposed amendments are set out below.

Issue 1

4.9 The cost associated with this proposed amendment would be the cost incurred by the reconciliation manager in creating a report for the ERM and delivering information to the ERM.

Issue 2

4.10 The cost for different categories of participants would be as follows:

(a) distributors that receive and store EIEP1 in a normalised format and EIEP3: the cost associated with this amendment would be the cost of creating an appropriate report

(b) distributors that do not receive and store EIEP1 in a normalised format or EIEP3: the cost associated with this amendment may be the costs of building the back office functionality, and creating an appropriate report

(c) traders that do not produce EIEP1 in a normalised format or EIEP3: the cost associated with this amendment may be the costs of building the back office functionality, and providing that information to distributors.

Issue 3

4.11 The cost associated with this proposed amendment would be the cost to participants of ensuring that they are taking all practicable steps to ensure they are providing accurate information. Participants should already be taking steps to ensure they provide accurate information, so any costs should be minimal, if any.

Issues 4, 5, and 6

4.12 There should be no costs associated with these proposed amendments.

Issue 7

4.13 This proposed amendment would require the clearing manager to re-prioritise the amounts owing to extended reserve providers. However, the clearing manager has not yet altered its system to add the requirement to apply funds that are owing to extended reserve providers. The clearing manager will therefore not incur any additional cost to shift the priority of extended reserve providers. The proposed amendment may have a cost to extended reserve providers in the event of a payer default as prudential would be allocated to both ancillary service providers and extended reserve providers, instead of being allocated first to extended reserve providers. This may result in a shortfall in payment to extended reserve providers. Default events are expected to occur very rarely.

Issue 8

4.14 The ERM would incur additional costs in:

(a) considering new or changed information

(b) deciding whether to refer the matter to the Authority

(c) re-running the process if instructed to do so.

4.15 The Authority would also incur costs in deciding whether to instruct the ERM to re-run the process. Extended reserve providers that are required to provide new information may also incur costs.

Issue 9

4.16 There should be no costs associated with this proposed amendment.

Issue 10

4.17 The proposed amendment to require regular extended reserve performance reporting would result in the following costs:

(a) the Authority's costs of agreeing the time period for the reporting with the ERM and then directing it to report

(b) the ERM's costs of agreeing the time period, reviewing the aggregate extended reserve regime's performance, reporting its findings to the Authority and the system operator, and then publishing a version of the report

(c) the system operator's costs of providing the extended reserve schedule to the ERM

(d) the system operator's costs of advising the ERM of new dates on which an extended reserve provider commences or ceases providing extended reserve.

4.18 The operational requirements for the extended reserve regime that the Authority, ERM and system operator have been developing with input from industry participants currently include three-monthly performance reporting. As a result, many of the costs outlined above have already been incurred.

Issue 11

4.19 Although this proposed amendment would require the ERM to provide the extended reserve procurement schedule to the clearing manager, it is already required to prepare that schedule. The cost of sending it to the clearing manager is expected to be minimal.

Issue 12

4.20 This proposed amendment would impose costs on asset owners in responding to requests for information from the ERM or the system operator.

Benefits

4.21 It is difficult to estimate the value of the benefits for each of the proposed amendments, and this value could vary significantly depending on whether or not a cascade failure event occurs, and the duration of the event. However, if:

(a) any one cascade failure situation is avoided, the Authority expects that the benefits would be very material

(b) an efficient amount and selection is load shed in an event (that does not lead to cascade failure) then this would be lower cost than the alternative.

4.22 The specific benefits of each proposed amendment are set out below.

Issue 1

4.23 The benefit of requiring the reconciliation manager to provide information to the ERM is that the ERM would not need to request the information from all asset owners, who would not then need to provide it to the ERM. Requiring each asset owner to provide this information to the ERM, instead of the reconciliation manager providing all the combined information in one timely report, would be inefficient and could lead to inaccuracies.

Issue 2

4.24 The benefit of this proposed amendment is that it would provide a much more efficient method for asset owners, who are also distributors, to access accurate information about each demand unit. By permitting these asset owners to access this information from traders, they will have quicker access to more accurate data. This would improve the efficiency of the extended reserve procurement process.

Issue 3

4.25 As noted in paragraph 3.23 above, if the ERM receives inaccurate or incomplete information, the selection process would be inefficient, the provision of extended reserve could be at risk, and consumers could be at risk if electricity to essential services is unnecessarily interrupted. Imposing an obligation to take all practicable steps to provide accurate and complete information will reduce the risk of these outcomes.

Issue 4

4.26 The benefit of the ERM being able to rely on the information that asset owners provide is that it would reduce the amount of rework required by the extended reserve manager, and reduce the liability of the extended reserve manager in a failed or inefficient extended reserve event, thereby reducing the extended reserve manager’s costs. These costs are ultimately recovered from consumers through the industry levy arrangements.

Issue 5

4.27 The benefits of the system operator being able to rely on the information that the ERM provides are that it would reduce the amount of rework necessary by the system operator and reduce the liability of the system operator in a failed or inefficient extended reserve event, thereby reducing system operator costs.

Issue 6

4.28 The benefit of removing the obligation for grid connected generators to provide information and to be charged for extended reserve is that these generators would not be unintentionally captured within the extended reserve regime. They would not incur the cost involved with providing information that the ERM does not require, and would not be required to pay for extended reserve, when that was never the intention and would be disproportionate to their very small electricity demand.

Issue 7

4.29 As noted in paragraph 3.52, the benefit of simplifying the priority order for settling amounts in the case of an event of default is that it would result in lower implementation costs for the clearing manager.

Issue 8

4.30 Requiring the ERM to rerun the extended reserve processes in the event of a significant configuration change or correction of inaccurate information would improve the accuracy of the extended reserve regime. The Authority considers that these benefits would outweigh the costs associated with this proposed amendment.

Issue 9

4.31 The benefit of this proposed amendment is that it would clarify the original policy intention.

Issue 10

4.32 Requiring a regular performance report would mean that the performance of the extended reserve regime is being regularly monitored, so that any required improvements are made in a timely fashion. As noted in paragraph 3.66 above, this would reduce the risk of cascade failure and provide assurance to stakeholders that any new risks to the regime will be identified and managed. The Authority considers that these benefits would outweigh the costs associated with this proposed amendment.

Issue 11

4.33 Requiring the ERM to provide the extended reserve procurement schedule to the clearing manager would ensure that the clearing manager is able to access information that it needs to determine the amounts owing for extended reserve. Without this proposed amendment, the clearing manager may not be able to accurately determine amounts owing by connected asset owners for extended reserve.

Issue 12

4.34 The benefits of the ERM and the system operator being able to request information for the transition from the previous AUFLS system to the extended reserve regime, and to share that information with each other are:

(a) it would reduce the costs for asset owners in complying with requests for information

(b) it would increase the asset owners' efficiency of delivering information to the system operator or ERM. For example, asset owners could deliver information intended for the system operator to the ERM, using the ERM portal, rather than by using a more manual interface to the system operator

(c) the ERM and system operator will be able to ensure a smooth transition between the two regimes.

1.1.1 The benefits from all of the proposed amendments also include making the Code clear and enforceable regarding participant obligations. This increases certainty for affected participants and reduces the risk of, and potential scope and cost of, any litigation that might be initiated in the event that cascade failure occurs.

Summary of costs and benefits

4.35 The Authority considers that:

(a) the benefits of each proposed amendment significantly outweigh its costs

(b) the proposed Code amendments would reduce the risk of cascade failure occurring and ensure that an efficient amount of load is shed in an event (that does not lead to cascade failure).

Q4. Do you agree the benefits of the proposed amendments outweigh their costs?

Alternative means of achieving the objectives of the proposed amendments

4.36 The alternative means of achieving the objectives of each proposed amendment are set out below.

(a) Issue 1: the alternative for the ERM accessing information from the reconciliation manager is that it could request the information from each asset owner. As noted in paragraph 3.9, this would be inefficient, and could introduce errors

(b) Issue 2: the Authority has not been able to identify alternatives for this proposed amendment. The status quo is not considered to be an alternative, as many asset owners do not hold the information required by the selection methodology

(c) Issues 3, 4 and 5: the Authority has not been able to identify alternatives for this proposed amendment

(d) Issue 6: the only alternative to this proposed amendment would be the status quo, which would leave grid-connected generators required to provide unnecessary information and pay for extended reserve costs

(e) Issue 7: the only alternative to this proposed amendment would be the status quo, which would leave an inefficient prioritisation in an event of default

(f) Issues 8 and 10: instead of being addressed by the proposed Code amendments, these issues could be included as obligations within the service provider agreement that the Authority will negotiate with the extended reserve manager

(g) Issue 9: the alternative is the status quo, where the system operator may modify terms and conditions instead of using the default terms and conditions

(h) Issues 11 and 12: the Authority has not been able to identify alternatives for this proposed amendment.

4.37 The Authority considers that the proposed amendments would provide greater operational clarity and certainty to participants involved with the extended reserve regime.

Q5. Do you agree with the Authority's assessment of alternatives for achieving the objectives of the proposed amendments? If you disagree with the Authority's assessment, please explain your preferred alternative in terms consistent with the Authority's statutory objective under section 15 of the Act.

The proposed amendments comply with section 32(1) of the Act

4.38 Table 1 (below) demonstrates how the proposed amendments comply with section 32(1) of the Act.

Table 1: How the proposed amendments comply with section 32(1) of the Act

Requirement	Comment
The proposed amendments are consistent with the Authority's objective under section 15 of the Act, which is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.	The proposed amendments are consistent with the Authority's objective because they would promote the efficient operation of the electricity industry for the long-term benefit of consumers. The proposed amendments achieve this by correcting and clarifying particular operational aspects of the existing extended reserve regime to ensure that it operates efficiently, and as intended.
The proposed amendments are necessary or desirable to promote any or all of the following:	
(a) competition in the electricity industry;	The proposed amendments do not affect competition in the electricity industry.
(b) the reliable supply of electricity to consumers;	By ensuring the extended reserve regime operates correctly and according to the Authority's original policy intent, the proposed amendments directly promote reliability of supply.
(c) the efficient operation of the electricity industry;	By correcting and clarifying particular operational aspects of the existing extended reserve regime, the proposed amendments ensure the regime operates correctly and according to the Authority's original policy intent. This promotes the efficient operation of the electricity industry.
(d) the performance by the Authority of its functions;	The proposed amendments will not affect the Authority's performance of its functions.
(e) any other matter specifically referred to in this Act as a matter for inclusion in the Code.	The proposed amendments will not affect any other matter specifically referred to in the Act for inclusion in the Code.

Q6. Do you agree the Authority's proposed amendments comply with section 32(1) of the Act?

The Authority has had regard to the Code amendment principles

4.39 When considering amendments to the Code, the Authority is required by its Consultation Charter[23] to have regard to its Code amendment principles, to the extent that the Authority considers that they are applicable. Table 2 (below) describes the Authority's regard for the Code amendment principles in preparing the proposed amendments.

Table 2: Regard for Code amendment principles

Principle	Comment
1. Lawful	The proposed amendments are lawful, and are consistent with the statutory objective (see section 4 of this paper) and with the empowering provisions of the Act.
2. Provides clearly identified efficiency gains or addresses market or regulatory failure	The proposed amendments assist in delivering the positive net benefits identified in the consultation paper for the original extended reserve Code amendment. The proposed amendments also ensure that the EPER operates efficiently and effectively, as discussed in this paper.
3. Net benefits are quantified	The costs and benefits of the proposed amendment set out in the original consultation still stand.

[23] The consultation charter is one of the Authority's foundation documents and is available at: http://www.ea.govt.nz/about-us/documents-publications/foundation-documents/.

Appendix A Proposed amendments

8.1A Requirement to provide complete and accurate information

(1) A **participant** must take all practicable steps to ensure that information that it provides under this Part is—

(a) complete and accurate:

(b) not misleading or deceptive:

(c) not likely to mislead or deceive.

(2) If a **participant** becomes aware that the information the **participant** provided under this Part does not comply with subclause (1)(a) to (c), even if the **participant** has taken all practicable steps to ensure that the information complies, the **participant** must, as soon as practicable, provide such further information, or corrected information, as is necessary to ensure that the information complies with subclause (1)(a) to (c).

(3) For the purpose of this clause, information provided by an **extended reserve provider** to the **extended reserve manager** is deemed to be accurate if it complies with a data specification **published** by the **extended reserve manager**.

……..

8.4 System operator may rely on information provided

For the purposes of this Code, the **system operator** may—

(a) rely on the **assets** and information about the **assets** made available to the **system operator** by **asset owners**;~~,~~ and

(b) assume that **asset owners** are complying with the **asset owner performance obligations** and the **technical codes** or complying with a valid **dispensation** or **equivalence arrangement**; and~~.~~

(c) rely on information provided to the **system operator** by the **extended reserve manager**.

……..

8.54J Extended reserve manager to undertake extended reserve selection process

……..

(12) Despite subclause (6) the **extended reserve manager** must, within 2 **business days** of **publishing** the **extended reserve procurement schedule** under subclause (5), provide a copy of the **extended reserve procurement schedule** to the **clearing manager.**

……..

8.54K Information required for extended reserve selection process

(1) During an **extended reserve** selection process, each **asset owner** identified in the **extended reserve selection methodology**, other than a **generator** that is directly connected to the **grid**, must comply with a request from the **extended reserve manager** to provide any information described in the methodology.

(2) Each **asset owner** required to give information to the **extended reserve manager**, other than a **generator** that is directly connected to the **grid**, must do so—

(a) within the time frame specified in the **extended reserve selection methodology**; and

(b) in accordance with the specifications **published** by the **extended reserve manager**.

(3) If the **extended reserve manager** considers that any information provided by an **asset owner** is incomplete or insufficient, the **extended reserve manager** may require that the **asset owner** provide further information**.**

(4) An **asset owner** must comply with a requirement under subclause (3) within the time frame specified by the **extended reserve manager**.

……..

8.54N Terms and conditions applying to the provision of extended reserve

In the case of an **asset owner** that has been selected to be an **extended reserve provider**, the default terms and conditions in the **asset owner's extended reserve procurement notice** apply to the provision of **extended reserve** by the **asset owner** but may be amended by agreement in writing between the **asset owner** and the **system operator**.

……..

8.54O System operator to publish and maintain extended reserve schedule

(1) The **system operator** must **publish** an **extended reserve schedule**.

(2) Subclause (1) does not require the **system operator** to **publish** any information the **publication** of which would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

(3) The **extended reserve schedule** must specify the obligations of each **asset owner** identified in the **extended reserve procurement schedule**, based on information from—

(a) the latest **extended reserve procurement schedule**; and

(b) each approved implementation plan; and

(c) any amendment to default terms and conditions applying to an extended reserve provider agreed under clause 8.54N; and

(d) any other information held by the system operator that describes the obligations of an extended reserve provider to provide extended reserve.

(4) The **system operator** must amend the **extended reserve schedule** to reflect any change to any information described in subclause (3), so that the schedule is kept up to date.

(5) Despite subclause (2), the **system operator** must, within 2 **business days** of **publishing** the **extended reserve schedule** under subclause (1), provide a copy of the **extended reserve schedule** to the **extended reserve manager.**

……..

8.54Q System operator to advise ~~clearing manager of~~ dates

(1) The **system operator** must advise the **Authority**, the **extended reserve manager** and the **clearing manager** of all dates on which **extended reserve providers** will provide, or cease to provide, **extended reserve**, as set out in the **extended reserve schedule**.

(2) If an amendment to an implementation plan made under clause 8.54M(6) or (7) results in an **extended reserve provider** providing, or ceasing to provide, any **extended reserve** on a date that is different from the relevant date specified in the implementation plan, in each case the **system operator** must—

(a) update the **extended reserve schedule** with the new date within 5 **business days** of being advised of a new date; and

(b) advise the **Authority**, the **extended reserve manager**, and the **clearing manager** of the new date.

……..

8.54TA Extended reserve manager may rely on information provided

For the purposes of this Code, the **extended reserve manager** may rely on the information provided to the **extended reserve manager** by **asset owners**.

……..

8.54TB Extended reserve manager to consider new or revised information

(1) If the **extended reserve manager** receives new or revised information from an **asset owner** it must provide that information to the **Authority** if it considers that the information would change the outcome of the processes specified in clause 8.54J, 8.54K or 8.54L.

(2) If the **extended reserve manager** provides the information to the **Authority** under subclause (1), the **Authority** may direct the **extended reserve manager** to undertake the **extended reserve** selection process under clause 8.54J again.

……..

8.54TC Extended reserve manager to produce periodic performance report

(1) The **extended reserve manager** must—

(a) monitor the performance of **extended reserve**; and

(b) produce a periodic performance report that reports on the outcome of its monitoring of the performance of **extended reserves.**

(2) The **extended reserve manager** must provide the periodic performance report to the **Authority** and the **system operator** no later than 30 **business days** after the end of each periodic performance reporting period.

(3) The **Authority** must determine the period to be covered by each periodic performance report and advise the **extended reserve manager** of that period.

(4) The **Authority** must, as soon as practicable after receiving the periodic performance report under subclause (2), by notice in writing to the **extended reserve manager** and the **system operator**—

(a) approve the periodic performance report; or

(b) decline to approve the periodic performance report.

(5) If the **Authority** declines to approve the periodic performance report, the **extended reserve manager**—

(a) must produce a revised periodic performance report; and

(b) must provide the revised periodic performance report to the **Authority** and the **system operator** within a timeframe advised by the **Authority**.

(6) If the **Authority** approves a periodic performance report under subclause (4), or a revised periodic performance report provided under subclause (5), the **extended reserve manager** must, no later than 5 **business days** after the **Authority** has approved the report, **publish** a copy of the report that excludes any information that, if **published**, would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

(7) If the **Authority** declines to approve a revised periodic performance report provided to it under subclause (5), the **extended reserve manager** must produce another revised periodic performance report and this subclause and subclauses (5) and (6) apply accordingly.

Information required for transitional purposes

8.54TD Information required for transition

(1) The **extended reserve manager** and the **system operator** may request an **asset owner** to provide any information that the **extended reserve manager** or the **system operator** consider is necessary to transition from the obligations that existed immediately prior to the Electricity Industry Participant Code Amendment (Extended Reserve) 2014 coming into effect, to the obligations specified in that Code Amendment.

(2) Each **asset owner** must comply with a request from the **extended reserve manager** or the **system operator** under subclause (1).

(3) If the **extended reserve manager** or the **system operator** (as the case may be) considers that any information provided by an **asset owner** in accordance with subclause (2) is incomplete or insufficient, the **extended reserve manager** or the **system operator** (as the case may be) may require that the **asset owner** provide further information.

(4) Each **asset owner** required to provide information under subclause (2) or subclause (3) must do so within the time frame specified in the request.

(5) The **extended reserve manager** and the **system operator** may provide the information received from an **asset owner** under subclause (2) or subclause (3) to each other.

……..

8.67A Extended reserve costs allocated to connected asset owners

If there are **allocable costs** for **extended reserve** in a **billing period**, each **connected asset owner**, other than a **generator** that is directly connected to the **grid**, must pay a charge for **extended reserve** for the **billing period** in accordance with the following formula:

……..

8.68 Clearing manager to determine amounts owing

…….

(3) The **clearing manager** must determine the amount owing by each **connected asset owner**, other than a **generator** that is directly connected to the **grid**, for **extended reserve** in accordance with clause 8.67A.

……..

12A.12 Distributor or trader may require provision of information

(1) The **distributor** may, by notice in writing, require the **trader** to provide information to the **distributor**, to enable the **distributor**—

(a) to invoice and reconcile charges for **line function services**~~.~~; or

(b) to provide information to the **extended reserve manager**.

(2) The **trader** may, by notice in writing, require the **distributor** to provide information to the **trader**, to enable the **trader** to invoice and reconcile charges for **line function services**.

(3) A **trader** or **distributor** that receives a notice under subclause (1) or subclause (2) must provide the information within 15 **business days** (or such other date as agreed between the parties) after receiving the notice.

(4) Nothing in this clause prevents the **distributor** and **trader** agreeing to provide **volume information** to each other for any purpose~~ other than to enable~~. However, the **distributor** and **trader** may provide **volume information** to each other, without reaching an agreement, for either of the following reasons:

(a) invoicing and reconciling ~~of~~ charges for **line function services**:

(b) enabling the **distributor** to provide information to the **extended reserve manager**.

……..

14.56 Calculation of revised amount owing for general amounts

(1) The **clearing manager** must apply any amount available for the settlement of general amounts in accordance with the following order of priority:

(a) to satisfy any liability to pay **GST** and other governmental charges or levies, that are payable by the **clearing manager** in respect of the amounts owing and payable under subparts 4 to 6, taking into account any **GST** input tax credits available to the **clearing manager** in respect of payments under paragraphs (b) to (e):

~~(ab) to satisfy any amount owing to **extended reserve providers** for **extended reserve** under clauses 8.55(2) and 8.68(4):~~

(b) to satisfy any amount owing to—

(i) the **system operator** for **ancillary services** under clauses 8.6, 8.31(1)(a), and 8.55 to 8.67; and

(ii) **extended reserve providers** for **extended reserve** under clauses 8.55(2) and 8.68(4):

(c) ………

……..

15.14 Notification of changes to the grid

……..

(3) No later than 1 **business day** after receipt of the notice, the **reconciliation manager** must give a copy of the notice to the **extended reserve manager**, **clearing manager** and the **Authority**.

…….

Clause 28 of Schedule 15.4

28 Provision of reconciliation information

The **reconciliation manager** must provide the following information to the **clearing manager** and those ~~**reconciliation**~~ **participants** listed below, and in the case of paragraph (f), to the **Authority**, in respect of the prior **consumption period**, by 1600 hours on the 7th **business day** of each **reconciliation period**, and in respect of revisions in accordance with clauses 15.27 and 15.28 by 1200 on the last **business day** of each **reconciliation period**. These reports must be in the format, and contain the information determined by the **Authority**. The reports are—

…….

(f) to the **Authority**, the **reconciliation manager** must provide the report prepared by the **reconciliation manager** referred to in clause 10 of Schedule 15.3~~.~~; and

(g) to the **extended reserve manager**, the **reconciliation information** applying to each **participant** to allow the **extended reserve manager** to carry out, and manage, its procurement process.

29 Extended reserve manager use of reconciliation information

The **extended reserve manager** must not **publish** or otherwise make available any **reconciliation information** provided to it under clause 28 that identifies any **retailer**, **purchaser**, or **generator**.

…….

Q7. Do you have any comments on the drafting of the proposed amendments?

Appendix B Format for submissions

Submitter	

Question		Comment
Q1.	Do you agree that the Authority should address the twelve identified issues with the extended reserve regime? If not, why not?	
Q2.	Do you agree that the Authority's proposed amendments address the twelve identified issues? If not, why not?	
Q3.	Do you consider that there are other issues with the extended reserve regime that the proposed amendments do not address? If so, please provide details of these other issues and any suggestions you have for resolving them.	
Q4.	Do you agree the benefits of the proposed amendments outweigh their costs?	
Q5.	Do you agree with the Authority's assessment of alternatives for achieving the objectives of the proposed amendments? If you disagree with the Authority's assessment, please explain your preferred alternative in terms consistent with the Authority's statutory objective under section 15 of the Act.	
Q6.	Do you agree the Authority's proposed amendments comply with section 32(1) of the Act?	
Q7.	Do you have any comments on the drafting of the proposed amendments?	