

Permitting ATHs to amend certification reports

Decision

4 September 2018



Executive summary

In December 2017, the Electricity Authority (Authority) made an urgent amendment to the Electricity Industry Participation Code 2010 (Code), which came into force on 12 January 2018. The urgent amendment enables an approved test house (ATH) to amend a certification report for a metering installation or a metering component, in certain circumstances, without needing to recertify the metering installation/component.

The urgent amendment expires on 12 October 2018.

We proposed to amend the Code permanently to incorporate the urgent amendment beyond its expiry. We consulted on this proposal from 14 April 2018 to 5 June 2018.

Under the Code, metering equipment providers (MEPs) are responsible for providing metering installations and ensuring they comply with various Code requirements. MEPs contract ATHs to test and certify metering installations, and their components, to ensure each metering installation complies with the Code.

Certification is similar to a vehicle's warrant of fitness. It provides a snapshot view of whether the metering installation and its metering components comply with the Code. Certification takes into account how long the ATH expects the metering installation/component to meet the Code's requirements.

Prior to the urgent amendment coming into force, the Code provided for a metering installation to be modified without having to be recertified in only limited circumstances. We considered the Code was too restrictive in this regard, resulting in ATHs needing to recertify metering installations unnecessarily.

The permanent amendment would mean that various industry participants, such as retailers, MEPs, and ATHs, would continue to face the lower metering-related costs that currently exist under the urgent amendment.

We consider this would promote competition in, and the efficient operation of, the electricity industry.

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1 ATHs are responsible for certifying metering installations and metering components

- 1.1 Under the current Code prior to the urgent amendment, ATHs are responsible for certifying metering installations and their metering components. Part 10 of the Code sets out ATHs' obligations, and the processes they must follow.
- 1.2 The current Code requires MEPs to obtain and maintain certification of metering installations by contracting an ATH to perform the certification. This means an MEP must ensure that an ATH certifies a metering component or a metering installation before it becomes active, and then recertifies the metering component or metering installation before the existing certification expires.
- 1.3 Under the Code prior to the urgent amendment, if a metering installation is modified, an ATH must recertify it to prevent the automatic cancellation of the installation's certification, unless:
 - (a) the only modification to the metering installation is the ATH, that is responsible for certifying the metering installation, replacing a modem in the installation
 - (b) a change is made to a metering installation and the requirements in clause 19(3) of Schedule 10.7 are met
 - (c) persons authorised by the MEP responsible for the metering installation replace a malfunctioning control device that does not switch meter registers, with a certified control device, and the requirements in clause 19(3A) and (3B) of Schedule 10.7 are met
 - (d) for a category 1 metering installation, either the meter, or the existing metering installation enclosure, is repositioned in a minor way and the requirements in clause 19(4) of Schedule 10.7 are met.

The Code will require recertification in instances where no benefit arises

- 1.4 Unless the urgent amendment¹ is continued beyond its expiry on 12 October 2018, we do not consider the Code's recertification requirements will provide a benefit to consumers in some circumstances.
- 1.5 We consider the exclusions set out in paragraph 1.3(a) to (d) above are too restrictive. Unless the urgent amendment is made permanently to the Code, certain metering installations will again need to be recertified for no benefit to consumers.
- 1.6 Specifically, without the permanent amendment, the requirements in clause 19 of Schedule 10.7 would significantly restrict the instances when a metering installation could be changed without recertification. These requirements would require the ATH to recertify a metering installation for relatively simple changes such as:
 - (a) adding remote communications capability to the metering installation
 - (b) removing remote communications capability from the metering installation
 - (c) adding, or permanently removing, a load control device that does not switch meter registers

¹ Clause 8A of Schedule 10.7.

- (d) moving the metering installation's services access interface.
- 1.7 These types of changes do not affect the accuracy of the metering installation. This means they have no effect on the accuracy of electricity market settlement and customer invoicing. Therefore, recertifying the metering installation in these instances, as opposed to amending the certification report for the metering installation, would deliver no benefit to consumers.
- 1.8 We consider that the permanent amendment is necessary to continue increased competition and efficiency in the electricity industry, as brought about by the urgent amendment. The following examples highlight this.

Amending the Code to enable ATHs to amend certification reports would improve competition and efficiency

- 1.9 The permanent amendment² will continue to allow ATHs to update certifications it has provided, within certain parameters. This has a competition benefit because it:
 - (a) allows traders to easily supply half hour submission information to the reconciliation manager
 - (b) enables greater competition in the retail sector
 - (c) enables greater innovation by retailers and network owners
 - (d) allows innovation of services to consumers.
- 1.10 With developing technology and innovation, the permanent amendment will allow minor amendments to metering installation certification, without requiring more expensive and unnecessary recertification. This will reduce the MEP, retailer, and network costs of compliance when offering new technology that benefits consumers.
- 1.11 The permanent amendment will continue to support efficiency in the electricity market. It will allow ATHs to:
 - (a) amend metering installation certification where necessary without requiring metering installations to be recertified at a higher cost
 - (b) better arrange consumer electricity outages.
- 1.12 There is an efficiency benefit in time and cost that will have a direct flow on benefit to consumers.
- 1.13 Prior to the urgent amendment, an MEP was required to arrange the recertification of the metering installation or metering component. The permanent amendment proposed amending the Code so that, in certain circumstances, an ATH would be allowed to amend a certification report it has prepared for a metering installation or metering component.
- 1.14 Specifically, the permanent amendment would allow an ATH to amend a certification report it has prepared for a metering installation or metering component if either of the following situations meant the ATH would have reached a different conclusion in its certification report:
 - (a) the ATH received, or became aware of, new information relevant to the certification

² Clause 8A of Schedule 10.7.

- (b) the ATH became aware of a change to the metering installation or metering component, other than a change that affected the accuracy of the metering installation or metering component.
- 1.15 To ensure, as far as practicable, that an amended certification report did not lead to less accurate metering data from the metering installation or metering component, under the permanent amendment:
- (a) an ATH must not, when amending a certification report:
 - (i) change the category of the metering installation
 - (ii) extend the certification expiry date
 - (iii) change a calibration report in the certification report.
 - (b) an ATH that amended a certification report must advise the relevant MEP of the changes to the certification report
 - (c) an MEP, that had been advised of an amended certification report, must update the relevant metering records in the registry in accordance with Part 11 of the Code.

2 The Authority has considered the submissions on the proposed permanent amendment

- 2.1 The Authority consulted on the proposed permanent amendment from 26 April to 5 June 2018. The Authority received and considered submissions from:
- (a) Meridian Energy Limited
 - (b) Metrix Limited
 - (c) Northpower Limited
 - (d) Transpower New Zealand Limited
 - (e) Vector Limited.

Most submitters agreed to amend the Code

- 2.2 All submitters agreed that unless the proposed permanent amendment is made, there will be adverse effects on retail competition and market efficiency from the Code's metering recertification requirements.
- 2.3 Most submitters agreed with our proposed approach to addressing these adverse effects, and with the proposal's objective.
- 2.4 All submitters agreed that the proposal's benefits outweigh its costs, and most submitters agreed there are no viable alternatives to addressing the problem we have identified.
- 2.5 Most submitters agreed that the proposed permanent amendment complies with section 32(1) of the Act and with the Code amendment principles.

Two submitters disagreed with certain elements of the proposal

- 2.6 One submitter considered that limiting the replacement of load control devices to only "adding or permanently removing a load control device which does not switch meter registers" to be too restrictive.

- 2.7 The Authority disagrees that the obligation is too restrictive. Switching meter registers impacts directly the accuracy of measurement of electricity conveyed through a metering installation. Metering installations should be recommissioned where such a change is carried out.
- 2.8 Another submitter considered the clause inserted under urgency creates risk for information accuracy, and raised the following specific points:
- (i) How will the ATH know whether 'new information' has or has not affected the operation or accuracy of the installed meter?
 - (ii) A viable alternative approach is to review the Code provisions to distinguish activities that do alter meter operation and accuracy from those that don't. Activities that do not affect operation or accuracy should be excluded from certification and record-keeping processes.
 - (iii) The new control device works the same so the conclusion is no different. The ATH cannot then amend the certification.
 - (iv) Will the original certification report be kept for an auditor to review the amendments?
- 2.9 In response to the four points above, we note that:
- (i) The certifying ATH must make a decision on the compliance of a metering installation. This is the same decision the ATH would have made at the time that it initially certified the metering installation, had the functionality been in place at that time.
 - (ii) Certification covers a metering installation. Metering components that are part of the metering installation contribute to the accuracy, or lack thereof, of the measurement of the system. ATHs have the discretion to decide whether metering components, which are not part of the metering circuit and cannot alter the operation or accuracy of the metering installation, are included in the metering installation's certification.
 - (iii) Although a new device may provide the same functionality as a device that has been replaced, the certifying ATH must confirm the configuration of the new component is correct and ensures the metering installation accurately records the electricity conveyed. An ATH must update its metering records to include the new component serial numbers and certification records.
 - (iv) Clause 13 of Schedule 10.7 requires an ATH to retain its records for a minimum of 48 months after the date of removal of a metering component.

3 The Authority has decided to proceed with the proposed permanent amendment with no changes

- 3.1 The Authority has decided to proceed with the proposed permanent amendment as currently worded, for the following reasons:
- (a) the amendment improves the efficient operation of the electricity industry by removing unnecessary metering-related costs faced by industry participants
 - (b) the amendment reduces cost to participants, because it does not impose additional obligations on industry participants

- (c) we consequently consider the amendment would have a positive net benefit
- (d) the regulatory statement in the consultation paper remains valid.

3.2 As the urgent amendment is already in force, there is no need for a transition period.