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Submissions Administrator
Electricity Commission
PO Box 10041
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Dear Sir/Madam

Under-Frequency Event Charge Causer Determination Consultation Paper

Transpower New Zealand Limited, in its role as System Operator, makes the following submission on the "Under-Frequency Event Charge Causer Determination" consultation paper published by the Electricity Commission in April 2010.

Background

The System Operator is required under the Electricity Governance Rules (EGRs) to determine and advise the clearing manager of the "causer" of an under-frequency event to enable the clearing manager to allocate an event charge to that causer.

Having undertaken this role under the EGRs since 2004, the System Operator makes the following observations:

- The current definition of causer is ambiguous and the purpose of the event charge rules is unclear. This makes the System Operator's role of determining of the "causer" of an under frequency event extremely difficult and has resulted in significant resource (mostly legal in nature) being incurred by those participants involved in the event charge determination process.
- The imposition of event charges in situations where the asset owner concerned has no ability to reduce its exposure to such charges is often argued as being inconsistent with the concept of "fairness". This has increased the litigious nature of the event charge determination process.

System Operator Submission

Reflecting these observations, the System Operator submits in respect of the proposed changes to the event charge causer definition:



Potential Impact on PPOs and System Security

The System Operator's primary role under the EGRs is to meet the principal performance obligations (PPOs). A key requirement to enable the System Operator to meet the PPO outcomes is to have assets made available to it by asset owners. Accordingly, the System Operator's primary concern with the proposed changes to the event charge regime, is that the regime may incentivise participants to take a conservative approach to offering of their assets in order to reduce their exposure to event charges. The System Operator would not support any changes which reduce the availability of assets to the market and thus impact its ability to meet the PPO outcomes.

The System Operator has also noted that the willingness of asset owners to share information regarding an event is often dependent on whether there is an event charge attributable (or potentially attributable) to that event. The System Operator relies on the asset owners providing information to understand the system security implications immediately following an event.

For these two principal reasons, the System Operator continues to support a "first principles" review of the event charge regime. This was initially requested by the System Operator in its letter to the Commission dated 6 March 2009. Any such review needs to determine whether the current event charge regime is the least cost means of creating incentives with respect to the reliability of assets.

Role of System Operator in Determining Causer

The System Operator has the appropriate skills to make a technical assessment (based on sufficient information being made available to it) as to the asset that caused an event. We note, however, that in a number of recent under frequency events, legal interpretation issues have been the key cause of the resulting disputes.

Whilst the changes proposed do assist to make the definition of the term "causer" less ambiguous, there will continue to be situations which require legal interpretations to be made. The System Operator does not have the skills to make decisions on these legal issues. Indeed, the System Operator has been required to engage barristers to assist it with interpretative issues in the past.

The System Operator therefore requests that any requirements around the process for determining a causer allow the System Operator to seek interpretation advice from the Rulings Panel.

Process for Determination

The System Operator considers the proposed process for determining the causer of an event to be generally reasonable. The System Operator supports a rule based process to enable it to make determinations with transparency and gather any information required to make such a determination.

The addition of appeal provisions are also sensible given the potential quantum of event charges involved. As noted above, we request, however, that there should be the ability for the System Operator to seek advice from the Rulings Panel on interpretation issues.

There are two further issues that the System Operator would like addressed in any proposed process for determining a causer:

- a) There is no recognition of confidentiality issues in the process of determining the causer of an event. The proposed clause 11.5.1B.4 requires the System Operator to give reasons for its findings and we note that this may include confidential asset owner information. Asset trippings can be as a result of an equipment failure and the design and specifications of such equipment are often the subject of supplier confidentiality agreements. Any process rules need to specifically address any issues of confidentiality.
- b) The proposed clause 9(c) is unclear as to its application. We understand from the consultation document that this clause is intended to address situations where the electrical disconnection occurs under a test plan. This is not clear from the proposed wording. If it is intended that there be exceptions from the imposition of event charges, these exceptions need to be very specific in order to avoid ambiguity or confusion when the clause is interpreted in future.

Yours sincerely



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TRANSPower

SYSTEM OPERATOR