

11 July 2008

Electricity Commission
Level 7, ASB Bank Tower
2 Hunter Street
PO Box 10041
Wellington

By email: info@electricitycommission.govt.nz

SUBMISSION ON PROPOSED MINOR CHANGES TO THE RECONCILIATION RULES

- 1 Orion welcomes the opportunity to submit on the *proposed minor changes to the reconciliation rules* consultation document (the **paper**). Our submission is in the form of a response to the specific rules change proposals raised in the paper, which we set out in the schedule to this letter.
- 2 We consider that many of the proposed changes improve the clarity of the rules, however we consider that in a number of cases further work is required. Of particular note are the rules around creation or decommissioning of NSP's and providing advice to participants and service providers.
- 3 Considerable improvement in this area of notification of NSP's has been made in the proposed rule 8.1A. However there are still considerable improvements that can be made in this area. We consider that a complete review of rule 8 Part E, Rule 8 of part E schedule E1 and rule 5 of part J is required.
- 4 We have commented on many of the proposed changes with the intention of improving the rules as they stand. However, as we have indicated in previous submissions, we continue to disagree with many of the rules as implemented.

Concluding remarks

- 5 Thank you for the opportunity to make this submission. Orion does not consider that any part of this submission is confidential. If you have any questions arising from this submission, please contact Dennis Jones (Industry Developments Manager), DDI 03 363 9526, email dennis.jones@oriongroup.co.nz.

Yours sincerely

A handwritten signature in black ink that reads "D. L. Jones". The signature is written in a cursive style with a large initial 'D' and 'J'.

Dennis Jones
Industry Developments Manager

SCHEDULE

Responses to the Commission's questions

| Item | Rule or paragraph reference | Comment | Recommendation |
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| 1 | Part A: Proposed new definition of the expression " applicant " | We do not agree with the recommendation. We do not consider that the proposed definition of new reconciliation participant is appropriate and therefore this proposed definition needs subsequent modification. | Delete this proposed definition We do not consider that this term is required as the term reconciliation participant and participant are already defined. Make necessary changes to Part J to reflect the terms reconciliation participant and participant. |
| 2 | Part A: The definition of the expression " auditor " | We agree with the proposed change | |
| 3 | Part A: Proposed new definition of the expression " consumption pattern " | No comment | |
| 4 | Part A: The definition of the expression " embedded network " | We do not agree with the proposed definition it does not differentiate between a customer network we suggest this should refer to the guidelines | Refer to guidelines on secondary networks or amend definition. |
| 5 | Part A: Proposed new definition of the expression " exceptional circumstances " | We agree with the proposed change | |
| 6 | Part A: The definition of the expression " grid exit point " | We note that the grid exit points are also defined as NSP's. We consider that the term grid exit point is | The Commission should retain the term GXP and consider whether it is appropriate to also |

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| | | <p>useful as it gives clear picture of what is being referred to whereas defining a GXP as a NSP does not give the same clarity. However we question whether having two defined terms for the same point is appropriate.</p> | <p>have a definition for the same point as an NSP.</p> |
| 7 | <p>Part A: The definition of the expression "grid injection point"</p> | <p>We note that the grid injection points are also defined as NSP's. We consider that the term grid injection point is useful as it gives clear picture of what is being referred to whereas defining a GIP as a NSP does not give the same clarity. However we question whether having two defined terms for the same point is appropriate..</p> | <p>The Commission should retain the term GIP and consider whether it is appropriate to also have a definition for the same point as an NSP.</p> |
| 8 | <p>Part A: The definition of the expression "historical estimate"</p> | <p>No comment.</p> | |
| 9 | <p>Part A: Proposed new definition of the expression "interconnection point"</p> | <p>We have concerns over the term interconnection point and the proposed definition. Issues that come to mind are - over what period of time is the volume of electricity being measured to ascertain which point of connection is the primary point of connection? This time reference needs to be defined to prevent the interconnection point swapping between the "primary point of connection and the "secondary point of connection" too often.</p> <p>The definition is incomplete in that it should include the words "local network or" after the words "the</p> | <p>We consider that the definition is incomplete in that it should include the words "<i>local network or</i>" after the words "<i>the primary point of connection for that</i>" if it is to include an interconnection between two local networks.</p> <p>In addition a time reference is required in relation to determining the volume that constitutes the primary point of connection.</p> |

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| | | primary point of connection for that” if it is to include an interconnection point between two local networks. | |
| 10 | Part A: The definition of the expression “ loss factor ”. | We consider that with the introduction of global reconciliation, balancing areas and the concept of UFE that the need and use of loss factors needs to be examined. | We recommend that the Commission consult on the form and manner in which loss factors are required. |
| 11 | Part A: Proposed new definition of the expression “ <i>new reconciliation participant</i> ” | We do not agree with the proposal, this was an interim rule covering the period up to 3 months after the start of Part J. We consider that rule 3.3.1. Part J schedule J1 should be redrafted to reflect the application process and requirements on being accepted as a reconciliation participant. E.g. that within 3 months a reconciliation participant must obtain certification. We would also expect that a person or entity wishing to become a reconciliation participant would be a participant under the rules and regulations | This is an issue of certification of a reconciliation participant and does not need a new definition. As we interpret the rules a “reconciliation participant” is a defined term that does not refer to certification. Redraft rules to reflect an appropriate application period for a reconciliation participant to become certified. |
| 12 | Part A: Proposed new definition of the Expression “ <i>participant identifier</i> ” | We consider this may produce issues if a participant takes over another participant requiring mass changes to information stored in the registry for each ICP. | The Commission should outline how it would deal with this updating process. |
| 13 | Part A: The definition of the expression “ <i>profile applicant</i> ” | No comment | |

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| 14 | Part A: The definition of the expression " raw meter data " | We agree with the proposed change but question whether there are any consequential changes that result from the deletion of the term "loss factor" from this definition. | Commission should advise on any consequential changes that result from deleting the term "loss factor" from this definition. |
| 15 | Part A: Proposed new definition of the expression " requesting participant " | We do not agree with the use of this term in rule 8 of Part J schedule J1 or in rule 1.3 of Part E . We do not consider that it is appropriate to seek additional audits in the manner contained in rule 8 of Part J schedule J1 | If rule 8 of Part J schedule J1 and rule 10 Part E are the only place where this term is used we recommend it should be deleted. |
| 16 | Part A: The definition of the expression " submission information " | We do not know what the term control time means in this definition. Should control time be defined ? | Commission should consider defining the term 'Control time" that is part of this definition. |
| 17 | Part A: The definition of the expression " unaccounted for electricity " | This is defined in rule 8.1 of Part J schedule J4 it may be simpler to define UFE to have the meaning set out in Rule 8.1 of Part J schedule J4. Alternatively if it is felt that defined terms should be in Part A of the rules then delete rule 8.1 of Part J schedule J4 | UFE does not have to be defined in two places in Part A either define UFE as having the meaning set out in rule 8.1 of Part J schedule J4 or alternatively if the Commission wishes to define UFE in full in part a then delete rule 8.1 Part J schedule J4 as this is just a duplication. |
| 1 | Rule 3.1 of part D | We agree with the proposed change | |
| 2 | Rule 3.1 of part D | We agree with the proposed change | |
| 3 | Rule 3.4 of part D | We agree with the proposed change | |

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| 4 | Rule 3.7 of part D | We consider that this rule potentially conflicts with rule 2 Part D. The problem with this rule is that the defined term network in 3.7 (b) can be either: the grid, a local network or an embedded network. We consider that the proposed new rule 8.1A part E schedule E 1 clearly sets out who is responsible for notifying the reconciliation manager of the creation of an NSP and we consider that this rule could also be used to indicate the participant responsible for the metering at the NSP. | Consider the inter-relationship between rule 2 part D and the proposed rule 3.7. Consider utilising proposed rule 8.1A part E schedule E1 as a basis for deciding the participant responsible for the metering at the NSP. |
| 5 | Rule 2.4 of Code Of Practice (COP) D5 | We agree with the proposed change, however we consider that the proposed rule should be amended to require the market administrator to provide the reasons on which an application is approved or declined | Amend rule to require market administrator to provide reasons on which an application is approved or declined |
| 6 | Rule 2.5 of COPD5 | We agree with the proposed change however we consider that the proposed rule should be amended to require the market administrator to provide the reasons for adopting or not adopting the review panel's recommendations. | Amend rule to require market administrator to provide reasons for adopting or not adopting the review panel's recommendations. |
| 7 | Rule 3 of COPD5 | We agree with the proposed change | |
| 8 | Rule 4 of COPD5 | We agree with the proposed change | |

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| 1 | Rule 2.1 of part E | We agree with the proposed change | |
| 2 | Rule 2.1 of part E | We agree with the proposed change | |
| 3 | Rule 2.2 of part E | We agree with the proposed change | |
| 4 | Rule 2.2 of part E | We agree with the proposed change | |
| 5 | Rule 2.2 of part E | We do not agree with the proposed wording of rule 2.2.5 we do not consider that the network owner is responsible for obtaining an ICP for shared unmetered load. Nor is the network owner in a position to know if an ICP needs creating without a request from a retailer. | We consider that the retailer should be responsible for requesting a distributor to create this ICP. |
| 6 | Rule 8.1 of part E | We do not agree with the proposed amendments. We consider that in terms of the reconciliation manager this rule has been superseded by the proposed rule 8.1A of Part E schedule E1. The proposed Rule 8.1A of Part E schedule E1 sets out in a superior manner which participant has the responsibility to notify the reconciliation manager. We consider that modifying the proposed rule 8.1A of Part E schedule E1 to include "other affected participants" and the "market administer " would be more efficient and assist in clarify who should be advising whom. In addition there is a possible | A complete review of rule 8.1 Part E and rule 5 of part J is required. Rule 8.1A of part E schedule 1 should form the basis for a new rule. We recommend deleting rule 8.1 of part E and rule 5 part J and modifying the proposed rule 8.1A part E Schedule 1 to include notification of the market administrator and affected participants and expanded to cover decommissioning of an NSP. |

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| | | <p>conflict of requirements with rule 5 of Part J requiring the grid owner to notify the reconciliation manager 1 month prior to changes to the grid affecting reconciliation and in particular of any changes to any existing point of connection on the grid and when any new point of connection is commissioned.</p> | |
| 7 | Rule 9.2 of part E | <p>We consider that the word owner should be removed after the word distributor.</p> | <p>Remove the word “owner” after the word distributor.</p> |
| 8 | Rule 10 of part E | <p>We do not agree with the proposed additions to rule 10. Distributor’s processes must be audited annually. We consider that this is sufficient, should the Board or a participant consider that a distributor is breaching a rule then this can be handled under the normal rule breach mechanisms.</p> | <p>Remove the proposed new words</p> |
| 9 | Rule 19.2 of part E | <p>No comment</p> | |
| 10 | Rule 20 of part E | <p>We do not agree with the proposed change to rule 20 as this is unnecessarily increasing the level of regulatory intervention. While the change on the face of it may be minor it requires the Board to determine the format of all information to be supplied under part E. This would include for example the format by which a retailer or distributor</p> | <p>Delete proposal</p> |

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| | | must respond to a customer request for ICP information under rule 28 Part E. We consider this is an unnecessary intrusion. | |
| 11 | Rule 24.1 of part E | The paper suggests that the objective of this proposal is to increase efficiencies and to avoid functions being complied with when there is no need for them. Orion fully supports this objective and considers that it should be applied more generally to other rules. However we are conscious of the fact that at times it is more efficient to have an automated process that produces a standard report at set intervals i.e monthly than to have to produce one off specialised reports at 5 days notice. | The Commission should carry out a more detailed cost benefit analysis prior to continuing with this proposal, to ensure participants that the proposed change is actually more efficient and cost effective than the status quo. |
| 12 | Rule 25.1 of part E | We agree with the proposed change | |
| 13 | Rule 1.1.2.2 of schedule E1 | We do not agree with the proposed change. We do not consider that in 1.1.2.2 the words and its parent network are required in relation to shared unmetered load. We do not consider that there is a parent child relation ship between a shared unmetered load and a network. In the same way as there is between an embedded network and another | Delete the words "parent" after the words "shared unmetered load and its" |

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| | | network. | |
| 14 | Rule 1.1.3 of schedule E1 | We do not agree with the proposed change. We do not consider that in 1.1.3.2 the words and its parent network are required in relation to shared unmetered load. We do not consider that there is a parent child relation ship between a shared unmetered load and a network. In the same way as there is between an embedded network and another network | Delete the words "parent" after the words "shared unmetered load and its" |
| 15 | Rule 1.7 of schedule E1 | We agree with the proposed change | |
| 16 | Rule 2.1 of schedule E1 | The change in this rule appears to remove the obligation of a distributor to update the registry with an ICP identifier yet maintains the requirements to maintain other attributes of an ICP on the registry. | We recommend that rule 2.1 should not be deleted, and consequential changes to other rules based on this change be reversed. |
| 17 | Rule 2.7 of schedule E1 | No comment | |
| 18 | Rule 4.5.2 of schedule E1 | We agree with the proposed change | |
| 19 | Rule 5.3 of schedule E1 | We consider that with the introduction of global reconciliation, balancing areas and the concept of UFE that the need and use of loss factors needs to be examined. However in the interim we agree with | We recommend that the Commission consult on the form and manner in which loss factors are required. |

| | | the proposed change | |
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| 20 | Rule 5.4 of schedule E1 | We consider that with the introduction of global reconciliation, balancing areas and the concept of UFE that the need and use of loss factors needs to be examined. However in the interim we agree with the proposed change. | We recommend that the Commission consult on the form and manner in which loss factors are required. |
| 21 | Rule 6 of schedule E1 | We agree with the proposed change | |
| 22 | New rule 8.1A of schedule E1 | We consider that this rule is an improvement on rule 8 of section E (See comments above). We consider that this rule should be expanded to include notification of the market administrator and affected participants and cover decommissioning of an NSP. This would allow this rule 8.1A part E schedule 1 to then replace rule 8.1 Part E | Re-examine rule 8.1 of Part E and proposed rule 8.1A Part E schedule 1 with a view to combining both these into a single rule thus improving the clarity of both. We would anticipate that this will result in rule 8.1 of Part E being deleted. The balance of the rules in section 8 part E should also be examined in light of this rule 8.1A to ensure that there is a clarity as to which participant must update NSP information. |
| 23 | Rule 8.1 of schedule E1 | If this proposal is accepted the Commission should ensure that there is a simple way to update each ICP fed from the NSP with the new NSP identifier. We note that while the rules require distributors to provide and maintain on the registry the NSP identifier as defined in rule 8 of Part E schedule E1 (| Clarify which participant identifier should be used. Correct either the registry or the rules so that they are in synch. Provide a method to update ICP's with a new NSP identifier when network ownership changes. |

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| | | <p>rule 2.3 part E Schedule E1) the registry does not actually have provision for this rather it has two fields a network identifier field and a POC field. We recommend that the rules or the registry be updated to be in synch and that the same terminology is used in both. Also as drafted it is unclear which participant identifier should be used i.e. for a NSP between the grid and an EDB should the participant identifier 'nnnn' be that of owner of the grid or that of the owner of the EDB that will be supplied from the NSP.</p> | |
| | <p>Rule 8.2 of schedule E1</p> | <p>While cosmetic changes to this clause have been made to reflect defined terms. We suggest that the area around creation and responsibility for NSP's still needs clarification. This rule is also associated with rule 8 of part E and other parts of rule 8 of Part E schedule E1 which are being amended.</p> | <p>There are a number of rules around creation of NSP's and providing advice to participants that need further work to simplify and clarify who is the most appropriate party to carry out specific functions. We recommend that the Commission looks at 8 in Part E, and rule 8 of Part E schedule E1 with a view to tidying up this whole area. We note that the new proposal for rule 8.1A Part E schedule E1 is a good starting point for this review.</p> |
| 24 | <p>Rule 1.4.2 of schedule E2</p> | <p>We agree with the proposed change</p> | |
| 25 | <p>Rule 1.5 of schedule E2</p> | <p>We agree with the proposed change</p> | |

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| 26 | Rule 2.4.2 of schedule E2 | We agree with the proposed change | |
| 27 | Rule 4.5 of schedule E2 | No comment | |
| 1 | Rule 6.2 of part H | We agree with the proposed change | |
| 1 | Rule 1 of part J | We agree with the proposed change | |
| 2 | Rule 1.1 of part J | We agree with the proposed change | |
| 3 | Rule 1.3 of part J | We disagree with the proposed definition of new reconciliation participant and also with this rule. A reconciliation participant is defined and is a subset of the defined term participant | We consider the rules should be redrafted removing the term new reconciliation participant which we consider is not appropriate. See our earlier comments in this regard. |
| 4 | Rule 2.3 of part J | We agree with the proposed change | |
| 5 | Rule 3 of part J | Orion agrees in principle with the objective of this proposal in relation to certain embedded generators. However we question the Commission's use of the term gift in this context. The generation in question is often to provide continued supply to customers in the event of transmission or line outages or alternatively to avoid unnecessary investment in transmission or line | We recommend that the concept of gifting electricity should be reconsidered as this may more correctly be viewed as supplying reliability services in respect of transmission or lines. The Commission should also consider the use of this generation to assist in deferring transmission or line investment at peak times and whether generators of this nature should be |

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| | | <p>infrastructure. In this context it is more in the nature of a transmission or line alternative or reliability service.</p> <p>We consider further work is required in relation to rule 3.1 there are a number of issues that need resolving: definitional issues need work these basically relate to the problems with the definitions of retailer and purchaser which we have outlined in earlier submissions. An example of this is that the definition of trade which is used in this rule and refers only to generators and purchaser not retailers. The overall issue of definitions of purchasers and retailers has been inadequately dealt with following early consultations via the introduction of the term reconciliation participant.</p> <p>We consider that the concept of “commencing to trade” and “ceasing to trade” should be reviewed.</p> <p>Our understanding of the way this rule is currently being interpreted by the reconciliation manager is that if for example Orion had a mobile generator that we wished to connect in any particular month to one of the 16 NSP supplying our network. We would have to maintain 16 separate contracts one for each NSP and supply zero half hour data files, for the 15 NSPs that we did not supply electricity to, during that month. This we consider is inefficient.</p> | <p>exempt, if they wish, from the requirements of rule 3.1, if rule 3.1 is retained.</p> <p>We also recommend that rule 3.1 be deleted and the registry as the database of record be relied upon as forming a contract to trade. Rule 3.2 could then provide an exemption to submit data to the reconciliation process.</p> |
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| | | <p>Additionally changes in the rules introduced in May 2008 relating to ICP's. Such as balancing areas and rules such as rule 7 Part E which states in part "Any change in the NSP supplying a particular ICP or ICP's which subsists for less than 14 days is deemed not to be a change of NSP for the purposes of this rule seven" also challenge the relevance of "trading" contracts and the need to notify the reconciliation manager. The registry which is the database of record now contains the information about which ICP's are connected to which NSPs at any point in time as set out in the rules. We consider that the acceptance of an ICP by a retailer or a generator on the registry could constitute a contract to trade and part 3.1 could then be deleted.</p> | |
| | Rule 8 of schedule J1 | <p>We do not agree with the proposed rule 8 Part J schedule J1. We consider that annual auditing is sufficient. Should a participant have reason to believe that a participant may no longer complies with the rules then they should allege a rule breach which can then be dealt with via the normal rules process.</p> | Delete proposed rule 8 |
| | Rule 8.1 schedule J4 | <p>This is a duplication of the definition of UFE in Part A and is therefore redundant.</p> | In our comments on UFE above we recommended that: <i>UFE does not have to be defined in two places in Part A either define</i> |

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| | | | <p><i>UFE as having the meaning set out in rule 8.1 of Part J schedule J4 or alternatively if the Commission wishes to define UFE in full in part a then delete rule 8.1 Part J schedule J4 as this is just a duplication. We reiterate this recommendation.</i></p> |
| | <p>Rule 1, 2 and 3 of Appendix 2 to schedule J5</p> | <p>All these rules have some form of amendment proposed. While these amendments may be appropriate there is an issue of whether these clauses should be in the rules. The section is headed Guidelines for profile production, our understanding of the Commissions previous use of Guidelines has been in the form of persuasion and guidance with the possibility that rules or regulations may be enacted. As this section is contained in the rules we would suggest an alternative heading to give clarity that this is enforceable. If on the other hand this section is meant only as guidance then it should be removed from the rules.</p> | <p>Change the heading of this section to give clarity that this is enforceable. If on the other hand this section is meant only as guidelines then it should be removed from the rules.</p> |