

BEFORE **The Electricity Rulings Panel**

BETWEEN **The Electricity Authority**
Complainant

AND **Transpower New Zealand Limited**
Respondent and Affected Party

AND **Meridian Energy Limited**
Affected Party

AND **Contact Energy Limited**
Affected Party

UNDER The Electricity Industry Act 2010, The Electricity Industry (Enforcement) Regulations 2010, The Rulings Panel Procedures 2017 and The Electricity Industry Participation Code 2010, and, and

IN THE MATTER OF A complaint made by the Electricity Authority of breaches of the Code by Transpower New Zealand Limited in its capacity as Systems Operator in relation to events of 2 March 2017.

Penalty Decision

Rulings Panel Members:

Mel Orange	Chair
Geraldine Baumann	Deputy Chair
Lee Wilson	Panel Member

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Introduction

- [1] This penalty decision arises as a result of the Electricity Authority laying formal complaints under the Electricity Industry Enforcement Regulations 2010, (the Regulations) against Transpower New Zealand Limited in its capacity as both System Operator and Grid Owner in respect of an event that occurred on 2 March 2017.
- [2] The 2 March 2017 event related to the creation of two Grid Islands¹ following an accidental tripping of two circuits² causing significant frequency disturbances outside the normal band throughout the Grid in both the South and North Islands. The immediate consequence of the creation of the Grid Islands was that the lower South Island had an excess of more than 400 MW of generation over demand and the upper South Island and the North Island had a deficit of more than 400 MW of demand over generation. The excess supply of electricity in the lower South Island caused the frequency in the lower South Island to rise, reaching 53.6 Hz. The excess demand for electricity in the upper South Island and North Island caused the frequency in those regions to fall to 47.4 Hz.
- [3] An Agreed Statement of Facts (SoF) filed noted:

As System Operator, Transpower is responsible for the real-time coordination of the power system, which includes dispatching generation to meet electricity demand, and overseeing reconnection where a Grid island is created.

¹ A lower grid island comprising part of the grid in the lower South Island and an upper grid island comprising the part of the grid in the upper South Island and the North Island, including the HVDC link between the South and North Islands.

² A 220kV circuit between Transpower's Livingstone and Naseby substations and two 220kV circuits between Transpower's Clyde, Cromwell, and Twizel substations.

Transpower, in its capacity as Grid Owner, owns the national grid (Grid) and is responsible for operating and maintaining it. Where a Grid island is formed, the Grid Owner is responsible for reconnection under the oversight of the System Operator.

[4] It was with respect to those roles obligations that breaches were alleged.

Notice of Commencement against the System Operator

[5] The Notice of Commencement against the System Operator alleged the following breaches of the Electricity Industry Participation Code (the Code):

- (a) Clause 7.1A – Reasonable and prudent system operator standard;
- (b) Clause 7.2A – System operator to maintain frequency;
- (c) Clause 7.2B – System operator to restore frequency if frequency fluctuation occurs;
- (d) Clause 8.5 – Restoration;
- (e) Clause 3 of Technical Code B – Obligations of all parties;
- (f) Clause 4 of Technical Code B – Obligations of the system operator;
- (g) Clause 6 of Technical Code B – Actions to be taken by the system operator in a grid emergency;
- (h) Clause 3 of Technical Code C – General requirements for operational communications; and
- (i) Clause 8.8 by failing to comply with Paragraph 84 of the Policy Statement.

[6] The Electricity Authority sought the following relief in respect of the System Operator:

- (a) An order that a public warning or reprimand be issued pursuant to s 54(1)(b) of the Act;
- (b) A pecuniary penalty order requiring the system operator to pay a pecuniary penalty to the Crown pursuant to s 54(1)(d) of the Act;
- (c) An order that the system operator pays the Authority the reasonable costs of its investigation and these proceedings pursuant to s 54(1)(g) of the Act; and
- (d) Any other order the Rulings Panel considers just.

Notice of Commencement against the Grid Owner

[7] The Notice of Commencement against the Grid Owner alleged the following breaches of the Code:

- (a) Clause 12.113 – Transpower to maintain interconnection assets; and

(b) Clause 4(5)(b) of Technical Code A of Schedule 8.3.

[8] The Electricity Authority sought the following relief in respect of the System Operator:

- (a) An order that a public warning or reprimand be issued pursuant to s 54(1)(b) of the Act;
- (b) A pecuniary penalty order requiring the system operator to pay a pecuniary penalty to the Crown pursuant to s 54(1)(d) of the Act;
- (c) An order that the system operator pays the Authority the reasonable costs of its investigation and these proceedings pursuant to s 54(1)(g) of the Act; and
- (d) Any other order the Rulings Panel considers just.

Agreed Facts

[9] The agreed facts were set out in the System Operator SoF. The Grid Owner accepted the same facts. The Rulings Panel notes that the filing of agreed facts was of assistance to it in its deliberations.

[10] The general rule is that all facts in issue or relevant to the issue in a case must be proved by evidence. As the parties have agreed to the facts, it has not been necessary to call for any further evidence or to evaluate or test the evidence presented.

[11] As noted in paragraph [2] the complaint related to the creation of Grid Islands causing significant frequency disturbances outside the normal band throughout the Grid in both the South and North Islands. The SoF noted that the under and over-frequencies in the Grid Islands were initially mitigated by various automatic responses in the power system and that the combination of those automatic responses meant that the frequencies in the lower South Island, upper South Island and North Island initially recovered to near 50 Hz.

[12] The SoF detailed the events that transpired following the creation of the Grid Islands. They are summarised, largely as presented in the SoF, as follows:

12.1 The System Operator did not update the Scheduling Pricing and Dispatch tool (SPD) following the creation of the Grid Islands and did not dispatch generators verbally except to the extent of its communications with Meridian and Contact Energy Limited. The SoF noted that the SPD can be complex to update in real-time. The System Operator chose not to attempt to do so because it considered that the time it would take, and the risk of getting it wrong, could have made matters worse. The Electricity Authority considered that the System Operator should have either updated SPD or verbally dispatched all generators.

- 12.2 Accordingly, SPD did not reflect the physical power system state following the creation of the Grid Islands. Instead, SPD continued to issue dispatch instructions to generators based on the most economically efficient dispatch had the Grid Islands not existed. Throughout the period in which the Grid Islands existed SPD modelled a transfer from the lower South Island to the upper South Island of between around 145 MW and around 185 MW for each of the Clyde, Cromwell, and Twizel circuits, so between 290 MW and 370 MW. This meant that SPD was dispatching too much generation in the lower South Island, which already had a high frequency, and too little generation in the upper South Island, which already had a low frequency.
- 12.3 Following the creation of the Grid Islands some generators departed from the SPD dispatch instructions, acting independently in an attempt to maintain frequency within the normal band. Other generators followed the SPD dispatch instructions.
- 12.4 The SoF outlined that the System Operator can require a generator to act as a frequency keeper. A frequency keeper is required to adjust the output of its generating units in order to keep frequency within the normal band to the extent possible. The System Operator’s strategy for managing the event was to stop the frequencies in the Grid Islands fluctuating excessively or moving away, or further away, from the normal band and then reconnect the Grid Islands as soon as practicable.
- 12.5 The SoF noted that the result of the System Operator’s unclear and sometimes incorrect instructions to Meridian was that frequency keeping in the lower South Island was less effective than it should have been. Following the initial recovery, the lower South Island frequency settled above the normal band until reconnection.
- 12.6 Following the initial recovery and rectification of an issue at Aviemore (which was not caused by the System Operator or Grid Owner³), the upper South Island frequency settled at the bottom of the normal band until reconnection.
- 12.7 The SoF noted that in order to reconnect the Grid Islands safely, and without risking any damage to assets, the frequencies, voltages and phase angles in the Grid Islands had to be closely aligned (known as “synchronised”). If asynchronous Grid islands are reconnected, protection systems might operate to immediately trip the circuit breaker being used for the reconnection. The reconnection attempt might initiate a transient voltage and frequency disturbance in the Grid, with a possible risk of damaging plant that is electrically connected to the Grid, including generating assets. Due to

³ An unexpected generation reduction at Meridian's Aviemore generating station, due to incorrect governor settings at the station, caused the frequency in the upper South Island to fall following its initial recovery. The cause of this frequency fall was unknown to the System Operator at the time.

the risk of damaging plant, asynchronous reconnection of Grid islands is not a normal or acceptable event in a power system.

- 12.8 The SoF stated that synchronisation requires the System Operator to co-ordinate generation in order to bring the frequencies, voltages and phase angles in the Grid Islands into close alignment. Traditionally, the System Operator would instruct the Grid Owner to close the relevant circuit breaker manually when the frequencies, voltages and phase angles are within acceptable parameters. The Grid Owner used Auto Sync3 (Auto Sync), a combination of hardware and software that allows disconnected parts of the Grid to be reconnected in a synchronous way without the need for an operator to manually close the circuit breaker at the right moment.⁴
- 12.9 If used correctly Auto Sync automatically reconnects Grid islands once the frequencies, voltages and phase angles are within the parameters set in Auto Sync. It prevents Grid Islands being reconnected if the frequencies, voltages and phase angles are not within the Auto Sync parameters. It assists the System Operator to achieve synchronisation by providing real-time indications to the System Operator about the frequencies, voltages and phase angles in the Grid islands. On the basis of that information, the System Operator can re-dispatch generation as required to bring the frequencies, voltages and phase angles within the Auto Sync parameters.
- 12.10 The System Operator and Grid Owner had in place a specific procedure for reconnection of Grid islands called the “System Operation Division Procedure: Synchronise and Reconnect an Island” (the Reconnection Procedure)⁵. Under the Reconnection Procedure the System Operator’s Security Co-ordinator is responsible for overseeing the process of reconnecting Grid islands using Auto Sync. It involves several technical steps that were detailed in the SoF.
- 12.11 The SoF set out that between 11:28:08 am and 11:44:06 on 2 March 2017, there were two attempts at reconnection with various frequency, voltage and phase consequences.
- 12.12 The System Operator accepted it did not follow the Reconnection Procedure and in particular Step 4: The Security Co-ordinator did not brief the Grid Owner on the plan to reconnect the Grid Islands using Auto Sync and Step 9: The Security Co-ordinator did not bring up the Auto Sync Control Panel at the time of issuing the circuit breaker close instruction. The Auto Sync Control Panel would have shown the Security Co-ordinator that the Grid Owner had not enabled Auto Sync (as instructed).
- 12.13 The System Operator accepted it did not refer to the Reconnection Procedure when it was overseeing the reconnection. The Grid Owner accepted it did not

⁴ Auto Sync is now known as Remote Sync.

⁵ The Reconnection Procedure is not part of the Code.

refer to the Reconnection Procedure when it was carrying out the reconnection. Given the rarity of the event and the potential consequences of reconnecting the Grid Islands incorrectly, the System Operator and the Grid Owner both accepted that they should have referred to the Reconnection Procedure.

- 12.14 The System Operator and the Grid Owner also accepted that if the System Operator and the Grid Owner had followed the Reconnection Procedure, the asynchronous reconnection attempts would not have occurred.
- 12.15 The SoF further noted important voice instructions from the System Operator to the Grid Owner and Meridian that were not read back by the relevant asset owner and were not confirmed by the System Operator and that this contributed to the System Operator's breaches of the Code in both stabilising the Grid Islands and overseeing reconnection of the Grid Islands.
- 12.16 It was accepted that, due to the risk of damaging plant, asynchronous reconnection of Grid islands is not a normal or acceptable event in a power system. No damage was reported by asset owners immediately after the reconnection⁶, and it was agreed that the first reconnection attempt was unlikely to have produced a potentially damaging transient voltage and frequency disturbance in the Grid because protection reopened a circuit breaker very quickly. It was also accepted that it was likely that the second reconnection attempt caused some incremental loss of life to the assets but that it would have been significantly mitigated in this event by transmission line impedance.
- 12.17 Following the 2 March 2017 event, neither the System Operator nor the Grid Owner reported or self-reported any breaches of the Code. Transpower did provide a draft report on the events of 2 March 2017 to the Authority in October 2017, which the Electricity Authority noted, on 9 November 2017, did not deal in detail with the issues of dispatch, frequency management or operational communications. A final report was provided by Transpower on 9 July 2018, but only after the Investigator had provided the System Operator with a list of potential breaches, five of which were accepted soon thereafter.
- 12.18 Transpower, in both its System Operator and Grid Owners capacities, accepted its actions in managing the event were, in hindsight, unsatisfactory. The System Operator accepted it should have followed the Reconnection Procedure, and that a more measured and methodical approach, with better communication and greater consideration of restoration alternatives (including the use of SPD re-modelling), could have resulted in a delayed but more satisfactory outcome. The System Operator accepted that better

⁶ The SoF noted damage is hard to detect without invasive testing. Stresses created within generating units by the second reconnection attempt may have reduced the time until the next major overhaul of Grid-connected generating assets is required.

training of its (and the Grid Owner's) staff in the use of Auto Sync could have resulted in a more satisfactory outcome.

Agreed Breaches – System Operator

[13] The Electricity Authority and the System Operator requested that the Rulings Panel make its determination on the basis of the SoF, including its annexures, and Joint Penalty Submissions filed.

[14] The SoF stated:

The System Operator accepts it's actions in managing the events of 2 March 2017 breached a number of its obligations under the Code, including it's principal performance obligations.

[15] The Electricity Authority and the System Operator reached agreement on the breaches that the Rulings Panel should consider. They were:

- (a) Clause 7.1A of the Code, which requires the System Operator to carry out its obligations under the Code with skill, diligence, prudence, foresight, and good economic management;
- (b) Clause 7.2A(2) of the Code, which requires the System Operator to maintain frequency within the normal band;
- (c) Clause 7.2B of the Code, which requires the System Operator to restore frequency to the normal band as soon as reasonably practicable after a frequency fluctuation occurs;
- (d) Clause 8.5(1) of the Code, which requires the System Operator to re-establish normal operation of the power system as soon as possible after an event that disrupts its ability to comply with its principal performance obligations;
- (e) Clause 8.5(2)(b) of the Code, which requires the System Operator to have regard to the avoidance of damage to assets when re-establishing normal operation of the power system;
- (f) Clause 8.5(2)(d) of the Code, which requires the System Operator to have regard to conformance with the principal performance obligations when re-establishing normal operation of the power system;
- (g) Clause 3 of Technical Code B of Schedule 8.3, which requires the System Operator to act quickly and safely during a grid emergency so that the actual and potential impacts of the grid emergency are minimised;
- (h) Clause 4 of Technical Code B of Schedule 8.3 of the Code, which requires the System Operator to use reasonable endeavours to ensure that each participant is advised of any independent action required of it in a grid emergency;

- (i) Clause 3 of Technical Code C of Schedule 8.3 of the Code, which requires the System Operator (and asset owners) to log, repeat and confirm voice communications; and
- (j) Clause 84.2 of the System Operator policy statement incorporated by reference in the Code (the Policy Statement), which requires the System Operator to address aspects involving avoidance of damage to assets when re-establishing normal operation of the power system.

[16] Leave was sought to withdraw the following alleged breaches:

- (a) Clause 7.2A(1) of the Code;
- (b) Clause 6(2) of Technical Code B of Schedule 8.3 of the Code; and
- (c) Clause 84.3 of the Policy Statement.

[17] Leave is granted. The above-alleged breaches have not been considered by the Rulings Panel as part of its penalty deliberations.

Agreed Breaches – Grid Owner

[18] The Electricity Authority and Grid Owner also requested that the Rulings Panel make its determination on the basis of the SoF, including its annexures, and the Joint Penalty Submissions filed.

[19] The Electricity Authority and the Grid Owner reached an agreement that the Grid Owner had breached clause 12.113 of the Code, which requires the Grid Owner to design, construct, maintain and operate all interconnection assets in accordance with good electricity industry practice when it failed to operate it's inter connection assets in accordance with good electricity industry practice by failing to enable Auto Sync a circuit breaker before sending the circuit breaker close command to reconnect the Grid Islands which led to asynchronous connection attempts.

[20] Leave was sought and granted to withdraw an allegation that the Grid Owner breached cl 4(5)(b) of Technical Code A of Schedule 8.3. The allegation was not considered by the Rulings Panel as part of its penalty deliberations.

Penalty Submissions

[21] Both the System Operator and the Grid Owner filed joint submissions with the Electricity Authority on penalty. In both cases, it was submitted that an appropriate order would be a fine of \$150,000 for each.

[22] The parties submitted that a fine of \$150,000 would be:

... appropriate having regard to the seriousness of the breach including its nature and the risks created by it, and the importance of signalling that breaches of this nature and risk will have severe consequences in terms of penalty. The proposed penalty also appropriately recognises the complex, high- pressure, real-time context in which the breach occurred and the voluntary remedial and improvement actions Transpower has undertaken to try, as far as reasonably practicable, to ensure that similar breaches will not occur again.

[23] In respect of both the System Operator and the Grid Owner the Electricity Authority advised that it was no longer seeking orders for a public warning or reprimand. Nor was it seeking any orders for costs.

[24] The joint submissions received traversed the matters the Rulings Panel must take into consideration under s 56(2) of the Act and reflected the *Stumpmaster v WorkSafe New Zealand*⁷ approach that the Rulings Panel adopted in its most recent penalty decision⁸. In that penalty decision the Rulings Panel discussed the increase in the penalties provided for in the Act and went on to note:

44. *Our reading of s.56 of the Electricity Act 2010 is that we have to determine a penalty by reference overall to the “seriousness” of the breach, which are to do by reference first to severity of the breach and the closely related issues of its impact on other parties, and the degree of negligence. We are then required to apply such balancing factors as may mitigate (eg. prompt conduct) or aggravate (eg. previous breaches).*

45. *We consider it helpful to begin the first assessment by assessing the “culpability” factors above by reference to 4 bands suitable for use within our penalty limit:*

- | | | |
|-----|-----------|-----------------------------|
| (1) | Low | Up to \$50,000 |
| (2) | Medium | Up to 100,000 |
| (3) | High | Up to 150,000 |
| (4) | Very High | Up to 200,000 (the maximum) |

46. *We think the next step is to consider all the mitigating and aggravating factors, making due additions and subtractions as appropriate for relevant conduct.*

47. *Finally, we think we should step back and make an overall assessment of the penalty to ensure that over-mechanical application of a formula has not resulted in distortion or injustice.*

⁷ *Summated v Worksafe New Zealand Ltd* (2018) NHZC 2020, [2018] 3 NZLR 881

⁸ Rulings panel decision of 27 March 2020

- [25] Section 54(2) of the Act states that the Rulings Panel must take into account its own previous decisions in respect of any similar situations previously dealt with. Given this, and the logic of the above approach, the Rulings Panel has adopted it in its deliberations on this matter.
- [26] In this instance the joint submissions received dealt with all of the s 56(2) matters and the parties took the responsible position that the Rulings Panel should impose a fine that sits in the High to Very High band. Given this the Rulings Panel does not consider it necessary to traverse all of s 56(2) matters other than by way of a short summary of the submissions (in the order provided for in the Act):
- (a) the severity of the breach: There was potential for damage to plant and some incremental loss of life to the Grid-connected generating assets;
 - (b) the impact of the breach on other industry participants: Potential damage to Grid-connected generating assets;
 - (c) the extent to which the breach was inadvertent, negligent, deliberate, or otherwise: The conduct was not deliberate but was at the higher end of the negligence scale;
 - (d) the circumstances in which the breach occurred: the breaches occurred in highly complex and stressful real-time circumstances;
 - (e) any previous breach of the Code by the industry participant: both the System Operator and the Grid Owner had committed several previous breaches; however, this was the first of its kind, and there was no pattern of similar conduct or Code breaches of this type;
 - (f) whether the industry participant disclosed the matter to the Authority: the breaches were not self-reported. This is discussed further at paragraphs [27] to [31] herein;
 - (g) the length of time the breach remained unresolved: The maximum duration of the breaches was 23 minutes
 - (h) the participant's actions on learning of the breach: Transpower has voluntarily undertaken a range of remedial and improvement actions to try to ensure that similar breaches will not occur again;
 - (i) any benefit that the participant obtained, or expected to obtain, as a result of the breach: there was no benefit to either the System Owner or the Grid Owner; and
 - (j) any other matters that the Rulings Panel thinks fit: no submissions were made.
- [27] The Ruling Panel broadly agrees with the joint submissions received and with the endpoint of a fine of \$150,000 for each of the System Operator and the Grid Owner. There are, however, some factors on which it will comment.

- [28] Firstly, the Rulings Panel has decided, taking all of the factors in s 56(2) of the Act into account and using the *Stumpmaster* approach, that an appropriate starting point is a fine of \$175,000. A fine at this level places the culpability of both the System Operator and the Grid Owner at the mid-point of high to very high culpability. The decision to adopt a high starting point is based on the high level of negligence displayed by the System Operator and the severity of the breaches, in particular the potential for damage to grid connected generation assets.
- [29] Secondly, the Rulings Panel has considered two aggravating factors: the failure to self-report and the length of time it took for both the System Operator and the Grid Owner to investigate the breaches once they were notified of them.
- [30] Mandatory reporting by industry participants is a core aspect of the electricity industry regulatory framework. Regulation 7 of the Enforcement Regulations creates a positive obligation on industry participants to self-report any common quality or security breaches as soon as practicable after it becomes aware of the alleged breach⁹. A failure to do so is, in itself, an offence punishable by a fine not exceeding \$20,000.
- [31] Self-reporting of breaches is an important aspect of the regulatory model. It reduces the levels of third-party monitoring required and enables faster reactions if and when breaches occur. It also ensures transparency in a market, especially where functions or responsibilities sit solely with a single entity and is often a corollary of such a role or position. Self-reporting can result in breaches being reported and dealt with that may not otherwise be identified.
- [32] In terms of the investigation undertaken by Transpower the joint penalty submissions stated:

Transpower (in its dual capacity) provided a draft report on the event to the Authority in October 2017, however this report did not deal in detail with the issues of dispatch, frequency management and operational communications. Transpower provided a further draft report to the Authority in April 2018, which was later finalised in July 2018 following further feedback from the Authority .

In April 2018, before Transpower's report was finalised, the Authority's investigator provided the System Operator with a list of Code clauses the investigator believed the System Operator had breached.

Transpower's initial response to the event, including its failure to self-report any breaches, was not an attempt to avoid responsibility. However, it took too

⁹ The Regulations are provided for in s 112 of the Act. That section specifically states that regulations may be made for the purpose of “requiring industry participants to report breaches or possible breaches of the Code, and prescribing procedures relating to such reporting”. Rule 3.14A of the Code also requires self-reporting. Rule 8.60(1) also states that “the system operator must promptly advise the Authority, every generator, grid owner and any other participant substantially affected by an under-frequency event, that an under-frequency event has occurred”.

long for Transpower to complete its investigation and finalise its report. The parties have taken into account that delay in reaching their agreement on the appropriate level of the pecuniary penalty (although not as a major consideration).

- [33] Again, the regulatory regime relies on industry participants undertaking their own action and to a high standard. The Enforcement Regulations require industry participants to promptly, thoroughly, and fairly investigate complaints¹⁰. Rule 8.6 of the Code requires that the System Operator investigate the causer of under frequency events. An early and thorough investigation allows the learnings to be captured and remedial action to be taken to prevent a recurrence. The Rulings Panel has, in its deliberations, taken into account that whilst an investigation did occur, it was neither prompt nor thorough. This failing, as with the failing to self-report, puts the regulatory regime at risk.
- [34] The Rulings Panel does recognise that there are mitigating factors that need to be taken into account. Its position on what counts as mitigation differs from the submissions received. The parties submitted that voluntary remedial and improvement actions undertaken by Transpower were mitigating factors. The Rulings Panel disagrees. It considers the remedial actions were no more than what should have taken place or been done in the first instance. The actions have put the System Operator and the Grid Owner into the position they should have been prior to the event.
- [35] The mitigating factors that the Rulings Panel considers need to be taken into account are that the breaches occurred in highly complex and stressful real-time circumstances¹¹, that the System Operator and the Grid Owner have both accepted culpability at an early opportunity, and that they have been cooperative throughout the investigation and complaint process. A reduction in the overall penalty is warranted in recognition of those factors, and it is on this basis that the Rulings Panel has reached its decision that a fine of \$150,000 for each of the System Operator and the Grid Owner is appropriate.
- [36] Finally, the Rulings Panel notes that whilst the number of breaches that the System Operator has been found to have committed is more numerous than those of the

¹⁰ Regulation 6 provides:

- 6 Industry participants to investigate complaints made to them**
- (1) *An industry participant to which a complaint is made under regulation 5 must ensure that the complaint is promptly, thoroughly, and fairly investigated by the industry participant, and that appropriate action is taken.*
- (2) *The industry participant must promptly give written notice of the result of the investigation and the action (if any) taken by the industry participant to both—*
- (a) *the person who made the complaint; and*
- (b) *the Authority.*

¹¹ Noting also that the 2 March 2017 event was the first time Auto Sync had been used by the System Operator and Grid Owner

Grid Owner it has decided that the overall impact of the breaches, taken holistically, is the same and as such the penalty for each should be the same.

[37] On the basis of the above, there will be an order that:

- (a) The System Owner pay a penalty of \$150,000; and
- (b) The Grid Owner pay a penalty of \$150,000.

Costs

[38] The joint penalty submissions noted that the Electricity Authority did not seek costs. Given the approach to the complaint by the System Operator and the Grid Owner, the Rulings Panel considers that this is a reasonable and responsible position to take. No costs are ordered.

Orders

[39] The Rulings Panel declares:

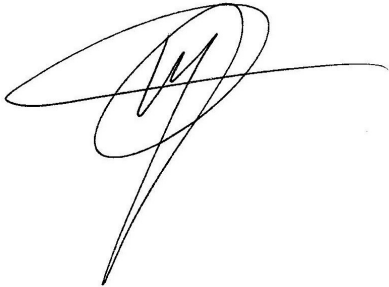
- (a) The System Operator breached:
 - Clause 7.1A of the Code;
 - Clause 7.2A(2) of the Code;
 - Clause 7.2B of the Code;
 - Clause 8.5(1) of the Code;
 - Clause 8.5(2)(b) of the Code;
 - Clause 8.5(2)(d) of the Code;
 - Clause 3 of Technical Code B of Schedule 8.3;
 - Clause 4 of Technical Code B of Schedule 8.3 of the Code;
 - Clause 3 of Technical Code C of Schedule 8.3 of the Code; and
 - Clause 84.2 of the System Operator Policy Statement.
- (b) The Grid Owner breached clause 12.113 of the Code

[40] The Rulings Panel orders:

- (a) The System Operator is to pay the Crown the sum of \$150,000 as a pecuniary penalty for the admitted breaches; and
- (b) The Grid Owner is to pay the Crown the sum of \$150,000 as a pecuniary penalty for the admitted breaches.

[41] This decision is, in accordance with s 44 of the Regulations, to be published by the Electricity Authority, within 10 working days of receipt.

Issued this 3rd day of June 2020

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by a horizontal line extending to the right and a vertical line extending downwards from the center of the 'M'.

M.J. Orange
Rulings Panel Chair