

The Electricity Industry Participation Code

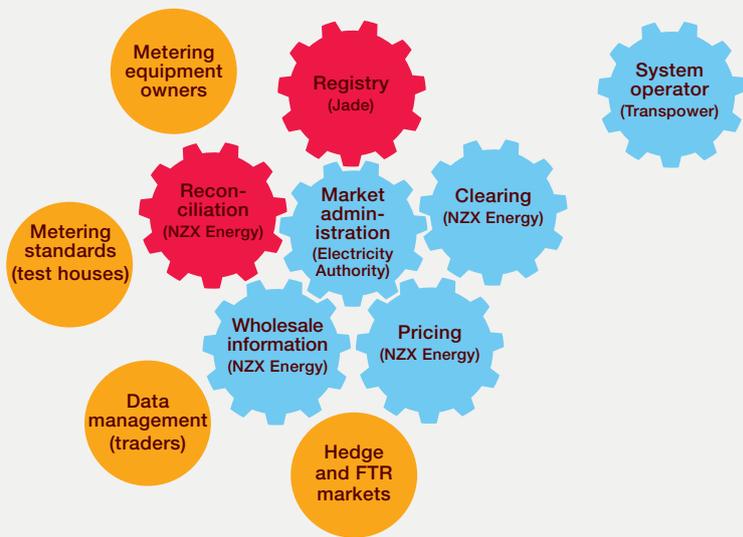
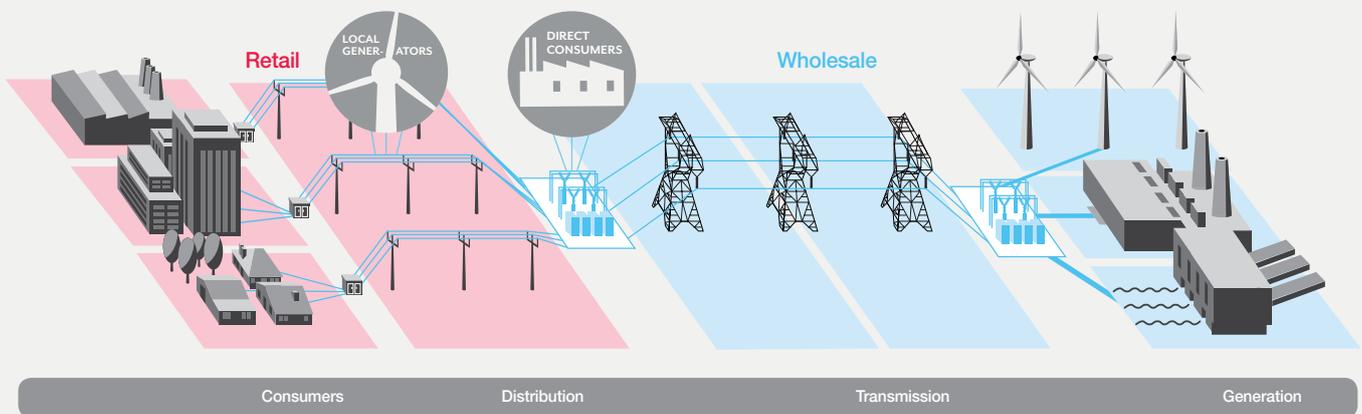
The Electricity Industry Participation Code 2010 (Code) is a set of rules that govern New Zealand's electricity industry. The Code provides duties and responsibilities for people and organisations involved in the electricity industry, called industry participants.

This fact sheet looks at what the Code covers, the organisations and people the Code applies to, the role of the Electricity Authority (Authority) regarding the Code and how amendments to the Code are made.

What the Code covers

The Code covers nearly every aspect of New Zealand's electricity industry including generation, transmission, system operation, security of supply, market arrangements, metering, distribution and retail. A copy of the Code is available on the Authority's website, www.ea.govt.nz/act-code-regs/code-regs/the-code.

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The organisations and people the Code applies to

The Code applies to industry participants or people acting on behalf of industry participants. All industry participants must comply with the Code, unless they have been exempted from complying with the Code.

Industry participants include:

- electricity retailers
- electricity distributors
- electricity generators
- line owners
- Transpower (the grid owner and the system operator)
- electricity consumers connected directly to the grid
- people (other than generators) who generate electricity that is fed into a network
- people who purchase electricity from the clearing manager
- industry service providers:
 - metering equipment providers
 - metering equipment owners
 - people who operate approved test houses
 - load aggregators
 - ancillary service agents
 - traders in electricity
- market operation service providers:
 - the registry manager
 - the reconciliation manager
 - the pricing manager
 - the clearing manager
 - the market administrator
 - the wholesale information trading system provider
 - the financial transmission rights (FTR) manager.

All the industry participants are listed in section 7 of the Electricity Industry Act 2010 (Act). Section 5 of the Act includes definitions of the various types of industry participants.

The Authority is not an industry participant, except when it is performing the functions of an industry service provider. Currently, the Authority performs the functions of one industry service provider, the market administrator.

What the Code cannot do

Section 32(2) of the Act limits what may be in the Code. The Code cannot:

- impose obligations on a person who is not an industry participant
- regulate anything that is the responsibility of the Commerce Commission under the Commerce Act (other than setting quality standards and pricing methods for Transpower and distributors)
- regulate anything that is covered in the Electricity Act 1992.

The role of the Electricity Authority

As the regulator of New Zealand's electricity industry, the Authority makes and administers the Code. The Code must be consistent with the Authority's statutory objective, which is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.

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Making amendments to the Code

The Authority's work programme includes a number of projects that involve a proposal to amend the Code. However, any person can propose a Code amendment at any time.

The Authority's *Consultation Charter* is a guide for people wishing to propose a Code amendment. The *Consultation Charter* sets out what to expect from the Authority when a Code amendment is proposed. The *Consultation Charter* also includes a set of Code Amendment Principles the Authority uses when considering amending the Code.

The *Consultation Charter* is available at www.ea.govt.nz/about-us/documents-publications/foundation-documents. A Code amendment proposal form is available at www.ea.govt.nz/act-code-regs/code-regs/code-changes.

The Authority can amend the Code at any time in line with the Act and the Authority's statutory objective.

The process for making amendments to the Code is set out in the Act. The Act also includes a process for making urgent amendments to the Code.

Standard Code amendments

Before amending the Code, the Authority publicises a draft of the proposed amendment and a regulatory statement that includes:

- the objectives of the proposed amendment
- an evaluation of the costs and benefits
- an evaluation of alternative means of achieving the objectives of the proposed amendment.

The Authority consults on the proposed amendment and the regulatory statement by publishing a consultation paper and considers the submissions received.

If the Authority makes significant changes to the proposed amendment, the Authority will consult again on the amended proposal. If, following consultation, there are no significant changes to the proposal, the Authority will proceed with the proposed amendment.

The Authority is not required to prepare a regulatory statement or consult on the proposed amendment and the regulatory statement if:

- the nature of the amendment is technical and non-controversial
- there is widespread support for the amendment among the people likely to be affected
- there has been adequate prior consultation so that all relevant views have already been considered.

To make the amendment, the Authority publicises the amendment and gives notice in the *New Zealand Gazette*.

Urgent Code amendments

If the Authority considers that it is necessary or desirable in the public interest, it can make an urgent Code amendment. For example, an urgent Code amendment allowed Transpower to temporarily reconfigure parts of the transmission grid to increase the southward flow of electricity. This assisted generators to preserve hydro storage in the southern lakes.

When making an urgent amendment, the Authority is not required to publicise a draft of the proposed amendment, prepare and publicise a regulatory statement or consult on the proposed amendment and the regulatory statement.

However, the Authority is required to publish in the *New Zealand Gazette* a notice of the amendment as well as a statement of the reasons why an urgent amendment was needed.

An urgent amendment expires nine months after the date on which it comes into force. If the Authority wishes an urgent amendment to stay in force longer, it must amend the Code using the standard Code amendment process before the urgent amendment expires.

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Other material covered by the Code

Other information is incorporated by reference into the Code with the same legal effect. This is technical information that is too long or impractical to publish as part of the Code.

A list of the information incorporated by reference in the Code is available at www.ea.govt.nz/act-code-regs/code-regs/the-code.



Further fact sheets regarding the electricity industry are available at www.ea.govt.nz/consumer/factsheets. We welcome suggestions for further topics.