

Electricity Industry Participation Code 2010

Part 7 System operator

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7.1 Contents of this Part

This Part provides for—

- (aa) a reasonable and prudent **system operator** standard; and
- (a) high level, output focussed performance obligations of the **system operator** in relation to the real time co-ordination and delivery of **common quality and dispatch**; and
- (b) the functions of the **system operator** in relation to **demand** and supply forecasting, security of supply, and supply emergencies; and
- (c) review of the **system operator's** performance under the **Act**, this Code, and the relevant **market operation service provider agreement**; and
- (d) requirements for the amendment or replacement of **system operation documents**.

Clause 7.1(aa): inserted, on 19 May 2016, by clause 7(1) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.1(a): amended, on 19 May 2016, by clause 7(2) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.1(b): amended, on 19 May 2016, by clause 7(3) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.1(c): amended, on 19 May 2016, by clause 7(4) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.1(c): amended, on 1 August 2023, by clause 5(1) of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

Clause 7.1(d): inserted, on 1 August 2023, by clause 5(2) of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

7.1A Reasonable and prudent system operator standard

- (1) The **system operator** must carry out its obligations under this Code with skill, diligence, prudence, foresight, good economic management, and in accordance with recognised international good practice, taking into account—
 - (a) the circumstances in New Zealand; and
 - (b) the fact that real-time co-ordination of the power system involves complex judgements and inter-related events.
- (2) The **system operator** does not breach a **principal performance obligation** or clause 8.5 of this Code if the **system operator** complies with subclause (1).

Clause 7.1A: inserted, on 19 May 2016, by clause 8 of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

7.2 Principal performance obligations of the system operator in relation to common quality and dispatch

The obligations in clauses 7.2A to 7.2D are **principal performance obligations**.

Clause 7.2: amended, on 19 May 2016, by clause 9 of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

7.2A System operator to maintain frequency

- (1) The **system operator** must **dispatch assets** made available in a manner that avoids cascade failure of **assets** resulting in a loss of **electricity** to **consumers** arising from—
 - (a) a frequency or voltage excursion; or
 - (b) a **supply** and **demand** imbalance.
- (2) Except as provided in this clause and clause 7.2B, the **system operator** must maintain frequency in the **normal band**.

- (3) The **system operator** must ensure that the scheduling, pricing, and dispatch tool has the information necessary to schedule a minimum quantity of **instantaneous reserve**.
- (4) Subject to the availability of **offers** or **reserve offers**, the **system operator** must schedule sufficient **instantaneous reserve** to meet the **system operator's** obligations in subclauses (5) to (7).
- (5) During a contingent event, the **system operator** must ensure that, for the **island** in which the contingent event takes place—
 - (a) frequency remains at or above 48 Hertz; and
 - (b) frequency returns to or above 49.25 Hertz within 60 seconds after the contingent event.
- (6) During an extended contingent event in the North Island, the **system operator** must ensure that, for that **island**—
 - (a) frequency remains at or above 47 Hertz; and
 - (b) frequency does not drop to or below 47.1 Hertz for longer than 5 seconds; and
 - (c) frequency does not drop to or below 47.3 Hertz for longer than 20 seconds; and
 - (d) frequency returns to or above 49.25 Hertz within 60 seconds after the extended contingent event.
- (7) During an extended contingent event in the South Island, the **system operator** must ensure that, for that **island**—
 - (a) frequency remains at or above 45 Hertz; and
 - (b) frequency returns to or above 49.25 Hertz within 60 seconds after the extended contingent event.

7.2B System operator to restore frequency if frequency fluctuation occurs

If a **frequency fluctuation** occurs, the **system operator** must ensure that frequency is restored to the **normal band** as soon as reasonably practicable having regard to all circumstances surrounding the **frequency fluctuation**.

7.2C System operator to manage frequency time error

- (1) The **system operator** must ensure that any deviations from **New Zealand standard time** in the power system, caused by variations in system frequency, do not exceed 5 seconds.
- (2) At least once in each day, the **system operator** must eliminate from the power system any deviations from **New Zealand standard time** caused by variations in system frequency.

7.2D System operator to identify and resolve problems

- (1) A **participant** may request that the **system operator** investigate and resolve a security of supply or reliability problem arising from non-compliance with a standard in clause 4.7, 4.8, or 4.9 of the **Connection Code**, at any **point of connection** to the **grid**.
- (2) If the **system operator** receives a reasonable request under subclause (1), the **system operator** must, given the **assets** made available to it at the relevant time—
 - (a) identify whether there is a security of supply or reliability problem arising from non-compliance with a standard in clause 4.7, 4.8, or 4.9 of the **Connection**

Code, at any **point of connection** to the **grid**; and

- (b) if there is such a problem—
- (i) identify the cause of the problem; and
 - (ii) resolve the problem to the extent reasonable and practical.

7.2E System operator to report on frequency fluctuations

- (1) By the 10th **business day** of each month (except by the 20th **business day** in the month of January), the **system operator** must report to the **Authority** the number of **frequency fluctuations** in each of the following frequency bands, in each **island** in the previous month:

| Frequency band (Hertz) (where "x" is the maximum or minimum frequency during a frequency fluctuation) | | | |
|---|---|---|---------|
| 52.00 | > | x | ≥ 51.25 |
| 51.25 | > | x | ≥ 50.50 |
| 49.50 | > | x | ≥ 48.75 |
| 48.75 | > | x | ≥ 48.00 |
| 48.00 | > | x | ≥ 47.00 |

- (2) By the 10th **business day** of each month (except by the 20th **business day** in the month of January), the **system operator** must report to the **Authority** the number of **frequency fluctuations** in each of the following frequency bands, in the South Island in the previous month:

| Frequency band (Hertz) (where "x" is the maximum or minimum frequency during a frequency fluctuation) | | | |
|---|---|---|---------|
| 55.00 | > | x | ≥ 53.75 |
| 53.75 | > | x | ≥ 52.00 |
| 47.00 | > | x | ≥ 45.00 |

Compare: Electricity Governance Rules 2003 rules 2 and 3 section II part C
 Clauses 7.2A-E: inserted, on 19 May 2016, by clause 10 of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.
 Clause 7.2E: amended, on 5 October 2017, by clause 77 of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

7.3 Functions of system operator in relation to security of supply and emergency management

- (1) The **system operator** must—
 - (a) prepare and **publish** a **security of supply forecasting and information policy** that includes a requirement that the **system operator**—
 - (i) prepare and **publish** at least annually a security of supply assessment that contains detailed supply and demand forecasts for at least 5 years, which assists interested parties to assess whether the energy security of supply standard and the capacity security of supply standard set out in subclause (2) are likely to be met; and
 - (ii) consult with persons that the **system operator** thinks are representative of the interests of persons likely to be substantially affected by a security of supply assessment prepared under subparagraph (i) before **publishing** such an assessment; and
 - (iii) prepare and **publish** information that assists interested parties to monitor how hydro and thermal generating capacity, transmission assets, primary fuel, and **ancillary services** are being utilised to manage risks of shortage, including extended dry periods; and
 - (iv) **publish**, in relation to the information **published** under subparagraphs (i) and (iii), sufficient details of the modelling data, assumptions, and methodologies that the **system operator** has used to prepare that information as to allow interested parties to recreate that information (but without **publishing** information that is confidential to any **participant**); and
 - (b) implement and comply with the **security of supply forecasting and information policy** prepared and **published** in accordance with paragraph (a).
- (2) For the purposes of subclause (1)(a)(i)—
 - (a) the energy security of supply standard is a **winter energy margin** of 14-16% for New Zealand and a **winter energy margin** of 25.5-30% for the South Island; and
 - (b) the capacity security of supply standard is a **winter capacity margin** of 630-780 **MW** for the North Island.
- (2A) The **Authority** may **publish** a security standards assumptions document.
- (2B) Subject to subclauses (2C) and (2D), if the **Authority** has **published** a security standards assumptions document under subclause (2A), the **system operator** must use the assumptions set out in that document in preparing a security of supply assessment under the **security of supply forecasting and information policy**.
- (2C) The **system operator** may use different assumptions from those in a security standards assumptions document to prepare a security of supply assessment if—
 - (a) the **system operator** considers that there are good reasons to use different assumptions; and
 - (b) the **system operator** includes in the security of supply assessment—
 - (i) a detailed explanation of the assumptions used to prepare the security of supply assessment; and
 - (ii) a statement of reasons for using those assumptions instead of the assumptions **published** by the **Authority**; and
 - (iii) a description of how the security of supply assessment prepared using those assumptions differs from a security of supply assessment prepared using the

- assumptions set out in the security standards assumptions document.
- (2D) Despite subclause (2C), the **system operator** is not required to include the information referred to in subclause (2C)(b) in a security of supply assessment if the **system operator** considers that it would have good reason to refuse to supply the information under clause 2.6.
- (3) The **system operator** must —
- (a) prepare and **publish** an **emergency management policy** that sets out the steps that the **system operator** must take, and must encourage **participants** to take, at various stages during an extended emergency such as an extended dry sequence or an extended period of capacity inadequacy; and
 - (b) include in the **emergency management policy** the steps that, at various stages in anticipation of and during a gas transmission failure or gas supply failure to **generators**, the **system operator** must—
 - (i) take as the **system operator**; and
 - (ii) encourage **participants** to take, including, if appropriate, steps for relevant **participants** to take in conjunction with gas industry entities; and
 - (iii) encourage relevant gas industry entities to take; and
 - (c) implement and comply with the **emergency management policy** .
- (4) The **emergency management policy** is not required to include information that is already set out in—
- (a) the **system operator rolling outage plan** prepared under subpart 1 of Part 9; or
 - (b) the **policy statement**; or
 - (c) **Technical Code B** of Schedule 8.3.
- (5) The **system operator** may depart from the policies set out in an **emergency management policy** if an **EMP departure situation** arises and such departure is required to enable the **system operator** to comply with clause 7.1A(1).
- (6) If the **system operator** makes a departure under subclause (5), the **system operator** must provide a report to the **Authority** setting out the circumstances of the **EMP departure situation** and the actions taken to deal with it. The **Authority** must **publish** the report within a reasonable time of its receipt.

Heading: amended, on 5 October 2017, by clause 78(1) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

Clause 7.3(1): amended, on 19 May 2016, by clause 11(1) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.3(1)(a): amended, on 19 May 2016, by clause 11(2) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.3(1)(a)(iv): amended, on 5 October 2017, by clause 78(2) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

Clause 7.3(1)(b): amended, on 19 May 2016, by clause 11(3) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.3(2)(a): amended, on 3 January 2013, by clause 4(1) of the Electricity Industry Participation (Supply Standards) Code Amendment 2012.

Clause 7.3(2)(b): amended, on 3 January 2013, by clause 4(2) of the Electricity Industry Participation (Supply Standards) Code Amendment 2012.

Clause 7.3(2A), (2B), (2C) and (2D): inserted, on 3 January 2013, by clause 4(3) of the Electricity Industry Participation (Supply Standards) Code Amendment 2012.

Clause 7.3(2A): amended, on 5 October 2017, by clause 78(3) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

Clause 7.3(2B): amended, on 19 May 2016, by clause 11(4) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.3(2B): amended, on 5 October 2017, by clause 78(4) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

Clause 7.3(2C)(b)(ii): amended, on 5 October 2017, by clause 78(5) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

Clause 7.3(3): amended, on 19 May 2016, by clause 11(5) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.3(3)(a): amended, on 19 May 2016, by clause 11(6)(a) and (b) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.3(3)(b): amended, on 19 May 2016, by clause 11(7) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.3(3)(b)(i): amended, on 19 May 2016, by clause 11(8) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.3(3)(b)(ii): amended, on 19 May 2016, by clause 11(9) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.3(3)(c): amended, on 19 May 2016, by clause 11(10) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.3(4)(b): amended, on 10 January 2013, by clause 5 of the Electricity Industry Participation (Policy Statement and Procurement Plan Review Process) Code Amendment 2012.

Clause 7.3(5): amended, on 21 September 2012, by clause 7(1) of the Electricity Industry Participation (Minor Amendments) Code Amendment 2012.

Clause 7.3(5): amended, on 19 May 2016, by clause 11(11) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.3(6): amended, on 21 September 2012, by clause 7(2) of the Electricity Industry Participation (Minor Amendments) Code Amendment 2012.

Clause 7.3(6): amended, on 19 May 2016, by clause 11(12) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

7.4 Incorporation of security of supply forecasting and information policy and emergency management policy by reference

- (1) **The security of supply forecasting and information policy and the emergency management policy** are incorporated by reference in this Code.
- (2) Clauses 7.13 to 7.22 apply to any amendment or replacement of the **security of supply forecasting and information policy or emergency management policy**.

Clause 7.4(1): amended, on 5 October 2017, by clause 79 of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

Clause 7.4(1): amended, on 1 August 2023, by clause 6(1) of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

Clause 7.4(2): replaced, on 1 August 2023, by clause 6(2) of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

Clause 7.4(2): amended, on 1 March 2024, by clause 22 of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.

7.5 [Revoked]

Clause 7.5(2): revoked, on 19 May 2016, by clause 12 of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.5(7): amended, on 1 November 2018, by clause 10(a) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

Clause 7.5(8): amended, on 1 November 2018, by clause 10(b) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

Clause 7.5: revoked, on 1 August 2023, by clause 7 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

7.6 [Revoked]

Clause 7.6: revoked, on 1 August 2023, by clause 8 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

7.7 System operator and Authority joint development programme

- (1) At least annually, the **system operator** and the **Authority** must agree a development

programme that coordinates and prioritises—

- (a) those items in the **Authority's** industry development work plan on which the **Authority** intends to liaise with the **system operator**; and
 - (b) the **system operator's** capital expenditure plan provided to the **Authority** under the **system operator market operation service provider agreement**.
- (2) The **Authority** must **publish** the programme agreed under subclause (1).

7.8 Review of system operator

- (1) The **Authority** must review the performance of the **system operator** at least once in each year ending 30 June, after the **system operator** submits its self-review under clause 7.11.
- (2) The review must concentrate on the **system operator's** compliance with—
- (a) its obligations under this Code and the **Act**; and
 - (b) the operation of this Code and the **Act**; and
 - (c) any performance standards agreed between the **system operator** and the **Authority**; and
 - (d) the provisions of the **system operator's market operation service provider agreement**.
- (3) The **Authority** must **publish** a report on the performance of the **system operator** no later than 10 **business days** after the **Authority** completes its review.

Compare: SR 2003/374 r 47

Clause 7.8(1): amended, on 19 May 2016, by clause 13(1) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.8(1): amended, on 5 October 2017, by clause 80(1) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

Clause 7.8(3): inserted, on 19 May 2016, by clause 13(2) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.8(3): amended, on 5 October 2017, by clause 80(2) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

7.9 Additional matters to be taken into account in system operator review

The **Authority** must take into account the following matters when conducting a review under clause 7.8:

- (a) the terms of the **system operator's market operation service provider agreement**;
- (b) reports from the **system operator** to the **Authority**, including the **system operator's** self-review under clause 7.11;
- (c) the performance of the **system operator** over time in relation to this Part and Part 8;
- (d) the extent to which the acts or omissions of other persons have impacted on the performance of the **system operator** and the nature of the task being monitored;
- (e) reports or complaints from any person, and any responses by the **system operator** to such reports or complaints;
- (f) the fact that the real time co-ordination of the power system involves a number of complex judgments and inter-related incidents;
- (g) any disparity of information between the **Authority** and the **system operator**;
- (h) any other matter the **Authority** considers relevant to assess the **system operator's**

performance.

Compare: SR 2003/374 r 48

Clause 7.9(b): amended, on 19 May 2016, by clause 14(1) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.9(e): amended, on 19 May 2016, by clause 14(2) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

7.10 Separation of Transpower roles

- (1) **Transpower's** role as **system operator** under this Code and the **Act** is distinct and separate from any other role or capacity that **Transpower** may have under this Code and the **Act**, including as a **grid owner** or transmission provider.
- (2) For this purpose, when assessing an aspect of the performance, or non-performance, of the **system operator**,—
 - (a) the assessment must be made on the basis that the **system operator** had no other role or capacity; and
 - (b) the **system operator** must be treated as if it did not have any knowledge or information that may be received or held by **Transpower** unless **Transpower** receives or holds that information or knowledge in its capacity as **system operator**.
- (3) Subclause (2) applies, with necessary modifications, to an assessment of an aspect of the performance, or non-performance, of **Transpower** in any other role or capacity under this Code or the **Act**.
- (4) **Transpower** must report, in each self-review report provided under this Code, on the extent to which its role as **system operator** under this Code and the **Act** has, despite subclauses (1) to (3), been materially affected by—
 - (a) any other role or capacity that **Transpower** has under this Code or the **Act**; or
 - (b) an agreement.

Compare: SR 2003/374 r 50

7.11 Review of performance of the system operator

- (1) No later than 31 August in each year, the **system operator** must submit to the **Authority** a review and assessment of its performance in the previous 12 month period ending 30 June.
- (2) The self-review must contain such information as the **Authority** may reasonably require from time to time to enable the **Authority** to review the **system operator's** performance during the period in relation to the following:
 - (a) the **policy statement**;
 - (b) the **security of supply forecasting and information policy**;
 - (c) the **emergency management policy**;
 - (d) the joint development programme prepared under clause 7.7(1);
 - (e) the work programmes agreed with the **Authority** under the **system operator's market operation service provider agreement**;
 - (f) the **system operator's** engagement with **participants**;
 - (g) delivery of the **system operator's** capital and business plans;
 - (h) the financial and operational performance of the **system operator**.
- (3) *[Revoked]*

(4) *[Revoked]*

Compare: Electricity Governance Rules rule 14 section II part C

Clause 7.11(1): amended, on 19 May 2016, by clause 15(1)(a) and (b) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.11(2): amended, on 19 May 2016, by clause 15(2) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.11(3) and (4): revoked, on 19 May 2016, by clause 15(3) of the Electricity Industry Participation Code Amendment (System Operator and Alignment with Statutory Objective) 2016.

Clause 7.11(4): amended, on 15 May 2014, by clause 6 of the Electricity Industry Participation (Minor Code Amendments) Code Amendment 2014.

7.12 Authority must publish system operator reports

(1) The **Authority** must **publish** all self-review reports that are received from the **system operator** and that are required to be provided by the **system operator** to the **Authority** under this Code.

(2) The **Authority** must **publish** each report within **5 business days** after receiving the report.

Compare: SR 2003/374 r 49

Clause 7.12: amended, on 5 October 2017, by clause 81 of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

Amending or replacing system operation documents

Cross heading: inserted, on 1 August 2023, by clause 9 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

7.13 Proposals to amend system operation documents

(1) A proposal to amend a **system operation document** is made by the **system operator** to the **Authority**.

(2) The process for the **system operator** to develop a proposal may be initiated by—

(a) the **Authority** directing the **system operator** to consider a proposal to amend a **system operation document**; or

(b) the **system operator** agreeing under clause 7.14 to progress an amendment to a system operation document; or

(c) the **system operator** deciding to progress an amendment, either—

(i) at the conclusion of a review carried out under clause 7.15; or

(ii) at any other time.

(3) Before providing a proposal to the **Authority** to amend a **system operation document**, the **system operator** must consult on the proposal where required by clause 7.20, after obtaining consent as required by clause 7.16.

(4) For the purposes of clauses 7.13 to 7.22, a proposal to amend a **system operation document** includes a proposal to replace a **system operation document**.

Clause 7.13: inserted, on 1 August 2023, by clause 9 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

7.14 Process where participants request amendments

(1) If a **participant** requests an amendment to a **system operation document** to the **system operator**, the **system operator** must decide to—

(a) consider the amendment as part of the next review under clause 7.15; or

(b) consider the amendment outside of a review; or

(c) decline to consider the amendment.

- (2) The **system operator** must advise the **Authority** and the **participant** that requested the amendment of its decision, including its reasons, within 1 month of receiving the request.

Clause 7.14: inserted, on 1 August 2023, by clause 9 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

7.15 Review of policy statement and procurement plan

- (1) The **system operator** must review the **policy statement** and the **procurement plan** at least once every 2 years to identify whether the document should be amended.
- (2) For the purposes of subclause (1), any 2 year period commences on either—
- (a) the date the last review of the document was completed if that review did not result in an amendment being made; or
 - (b) if a review results in an amendment being made, the date the amendment takes legal effect.
- (3) At the conclusion of a review the **system operator** must either—
- (a) propose an amendment to the **Authority**, following consultation where required by clause 7.20, after obtaining consent as required by clause 7.16; or
 - (b) advise the **Authority** that the **system operator** does not consider that an amendment is required and provide the **Authority** with a written report describing the process carried out for the review, the **system operator's** decision, and the reasons for the decision.

Clause 7.15: inserted, on 1 August 2023, by clause 9 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

7.16 Authority must consent to consultation before system operator consults on proposal to amend system operation document

- (1) The **system operator** must obtain the **Authority's** consent before consulting on a proposal to amend a **system operation document**.
- (2) The purpose for the **Authority** consenting to consultation is to enable the **Authority** to identify to the **system operator** any issues with—
- (a) the proposal that may cause the **Authority** to not issue a notice to adopt the amendment under section 131B(2) of the **Act** or to not progress the amendment as a **Code** amendment under section 38 of the **Act**, as the case may be; and
 - (b) the **system operator's** proposed consultation process and the information to be provided with the proposal for consultation under clause 7.20(2)(a).
- (3) When requesting the **Authority's** consent, the system operator must provide the following information to the **Authority**:
- (a) the consultation information in clause 7.20(2)(a);
 - (b) the proposed consultation period in clause 7.20(2)(b);
 - (c) the **system operator's** proposed consultation process;
 - (d) a list of the persons the **system operator** proposes to consult with.
- (4) The **Authority** must within a reasonable period time after receiving the **system operator's** request for consent either—
- (a) consent to the consultation and notify the **system operator** accordingly; or
 - (b) raise any issues it has identified under subclause (2) with the **system operator**.

Clause 7.16: inserted, on 1 August 2023, by clause 9 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

Clause 7.16(4)(b): amended, on 1 March 2024, by clause 23 of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.

7.17 Authority direction to system operator

- (1) In addition to its powers under clause 7.16, the **Authority** may direct the **system operator** to make changes to any of the matters listed in clause 7.16(3), other than the proposed amendment itself.
- (2) The **Authority** may not give a direction under subclause (1) if the effect of the direction is that the proposal, if finally made, could not be considered to have been made by the **system operator** for the purposes of section 131B(2) of the **Act**.

Clause 7.17: inserted, on 1 August 2023, by clause 9 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

7.18 Process if the Authority does not approve a proposal for consultation

- (1) If the **Authority** identifies any issues or concerns under clause 7.16(2)(a), unless the **Authority** has given a direction under clause 7.17(1), the **system operator** must consider those issues and either—
 - (a) amend the proposal, proposed consultation process or the consultation information to be provided with the proposal and re-submit the information required under clause 7.16(3) to the **Authority** for approval; or
 - (b) decide not to continue with the proposal; or
 - (c) continue with the proposal without making any amendment to it, the proposed consultation process or the information to be provided with the proposal.
- (2) If the **Authority** directs the **system operator** under clause 7.17(1), the **system operator** must make the change and re-submit the information required under clause 7.16(3) to the **Authority** for approval.
- (3) If the **system operator** re-submits the information required under clause 7.16(3) to the **Authority**, the **Authority** must re-consider the information and decide either to:
 - (a) consent to the consultation; or
 - (b) not consent to the consultation.
- (4) If the **Authority** does not consent to a proposal for consultation under subclause (3), the **system operator** must decide either—
 - (a) to not continue with the proposal; or
 - (b) to continue with the proposal.
- (5) The **system operator** and the **Authority** must give each other notice of their decisions and the reasons for the decision under the above subclauses.

Clause 7.18: inserted, on 1 August 2023, by clause 9 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

7.19 Effect of Authority's and system operator decisions under clauses 7.16 to 7.18

- (1) The **Authority's** consent to consultation under clause 7.16(4)(a) or 7.18(3)(a) or to direct the **system operator** under clause 7.17(1) does not affect the **Authority's** decision regarding approval of a **system operation document** under clause 7.21.
- (2) If the **system operator** continues with a proposal under clauses 7.18(1)(c) or 7.18(4)(b), the **system operator**:
 - (a) does so with the risk that the **Authority** may decide not to issue a notice to adopt the amendment under section 131B(2) of the **Act** or to not progress the amendment as a Code amendment under section 38 of the **Act**; and
 - (b) must advise the persons it consults with under clause 7.20 that the **Authority** has not consented to the consultation and that the risk described in paragraph (a) arises.

- (3) Subclause (2)(a) does not prevent the **Authority** from deciding to not issue a notice to adopt an amendment under section 131B(2) of the **Act** or to not progress the amendment as a Code amendment under section 38 of the **Act**.

Clause 7.19: inserted, on 1 August 2023, by clause 9 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

Clause 7.19(1): amended, on 1 March 2024, by clause 24(1) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.

Clause 7.19(2)(a) and (3): amended, on 1 March 2024, by clause 24(2) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.

Clause 7.19(2)(b): amended, on 1 March 2024, by clause 24(3) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.

7.20 Consultation on proposed amendments

- (1) The **system operator** must consult on any proposed amendment of a **system operation document** with affected **participants** or persons that represent the interests of those persons likely to be affected by the proposed amendment.
- (2) The **system operator** must, at least, carry out the following steps as part of consultation on a proposed amendment:
- (a) make the following information available to the persons it is consulting with:
 - (i) a draft of the proposed amendment:
 - (ii) a statement of the objectives of the proposed amendment:
 - (iii) an evaluation of the costs and benefits of the proposed amendment:
 - (iv) an evaluation of alternative means of achieving the objectives of the proposed amendment (if any):
 - (b) provide a reasonable period of time to the persons it is consulting with to consider the information provided under paragraph (a) and to make submissions:
 - (c) consider any submissions.
- (3) In evaluating the costs and benefits of a proposed amendment under subclause (2)(a)(iii), the **system operator** must undertake a quantitative assessment, if reasonably possible.
- (4) The **system operator** must provide a copy of each submission received under subclause (2) to the **Authority**.
- (5) Despite subclause (1), consultation is not required if the **system operator** satisfies the **Authority**, on reasonable grounds, that—
- (a) the nature of the amendment is technical and non-controversial; or
 - (b) there is widespread support for the amendment among the persons likely to be affected by it; or
 - (c) there has been adequate prior consultation so that all relevant views have been considered; or
 - (d) it is necessary or desirable in the public interest that the proposed amendment be made urgently.

Clause 7.20: inserted, on 1 August 2023, by clause 9 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

7.21 Approval of system operation documents

- (1) Following consultation, or if clause 7.20(5) applies, the **system operator** must provide the **Authority** with a report that sets out the following:
- (a) the information required by clause 7.20(2)(a), regardless of whether or not consultation was carried out, but incorporating any changes made following consultation:

- (b) a summary of any submissions received and the **system operator's** response to each;
 - (c) a list of any changes made to the proposed amendments to the **system operation document** after consultation and the reasons for the changes;
 - (d) if clause 7.20(5) applies, the reasons why the **system operator** considered that consultation was not required;
 - (e) a final draft of the proposed amendments to the **system operation document** (either as amendments to the **system operation document** or a replacement **system operation document**).
- (2) After receipt of the report, the **Authority** may—
- (a) approve the proposed amendments to the **system operation document**; or
 - (b) require the **system operator** to conduct further consultation before re-submitting the proposed amendments to the **system operation document** to the **Authority** for approval; or
 - (c) decline to approve the proposed amendments to the **system operation document**.
- (3) The approval by the **Authority** of proposed amendments to a **system operation document**—
- (a) does not remove the requirement for the **Authority** to comply with either section 38 or section 131B of the **Act** in order to give legal effect to the amendments as part of the **Code**; and
 - (b) does not affect, pre-determine or otherwise override any decision by the **Authority** under section 38 or section 131B of the **Act**.
- (4) To avoid doubt, an approved **system operation document** is not invalid only because the **Authority** and the **system operator** did all or any of the things referred to in clauses 7.16 to 7.20 before those clauses came into force.

Clause 7.21: inserted, on 1 August 2023, by clause 9 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.

Clause 7.21(1) and (1)(d): amended, on 1 March 2024, by clause 25 of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.

7.22 Authority may prescribe timeframes

From time to time the **Authority** may prescribe reasonable timeframes that the **system operator** must comply with in completing any steps in clauses 7.16 to 7.21.

Clause 7.22: inserted, on 1 August 2023, by clause 9 of the Electricity Industry Participation Code Amendment (System Operation Documents) 2023.