

Reference number(s)	<b>017 - Application of Error Compensation</b>
Relevant clause(s)	Clause 24 of Schedule 10.7
Problem definition	<p>Clause 24 of Schedule 10.7 places certain obligations on ATHs and MEPs over recording, applying, and notifying compensation factors that must be applied in relation to specified metering installations.</p> <p>The Authority has identified two problems with the current drafting of clause 24 of Schedule 10.7.</p> <p><u>Problem 1</u></p> <p>Compensation factors should be used to correct for errors in the accuracy of metering (error compensation) only in certain instances, regardless of whether they are applied:</p> <ul style="list-style-type: none"> <li>a) internally to the meter; or</li> <li>b) externally to the meter, as a multiplier.</li> </ul> <p>The reasons for the selective use of error compensation are:</p> <ul style="list-style-type: none"> <li>a) to ensure participants use metering equipment that is of an appropriate quality</li> <li>b) error compensation can be complex and it may not be possible to: <ul style="list-style-type: none"> <li>i) apply all forms of error compensation in traders' systems; or</li> <li>ii) convey the correct error compensation in the registry's fields.</li> </ul> </li> </ul> <p>Because the current wording of clause 24(1)(b) of Schedule 10.7 specifies that compensation factors may be applied externally to the meter in certain situations, it could be interpreted to mean there are no restrictions on compensation factors being applied internally to a metering installation.</p> <p><u>Problem 2</u></p> <p>Clause 24(3) of Schedule 10.7 currently applies to all compensation factors. However, it should not apply to internal compensation factors.</p> <p>This is because an internal compensation factor adjusts the meter reading before it becomes raw meter data. An internal compensation factor must then not be applied again to the raw meter data by the reconciliation participant.</p>
Proposal	<p><u>Problem 1</u></p> <p>To address the first problem, the Authority proposes to amend clause 24 of Schedule 10.7 to clarify that compensation factors can only be applied to metering installations in specific circumstances.</p> <p><u>Problem 2</u></p> <p>To address the second problem, we propose to amend clause 24 of Schedule 10.7, to clarify that only external compensation factors are to be advised to reconciliation participants and to the registry manager.</p>
Proposed Code amendment	<p><b>Schedule 10.7</b></p> <p>...</p>

	<p><b>24 Compensation factors</b></p> <p>(1) An <b>ATH</b> must, before it <b>certifies a metering installation</b> that requires a <b>compensation factor</b> <del>to adjust raw meter data</del>—</p> <p>(a) advise the <b>metering equipment provider</b> responsible for the <b>metering installation</b> of the <b>compensation factor</b>; and</p> <p>(b) ensure that the <b>compensation factor</b>, <u>whether internally or externally applied, is only applied</u> <del>to be applied to raw meter data external to the metering installation</del> can only be applied as follows:</p> <p>(i) for <b>ratio compensation</b>, on a <b>category 1 metering installation</b>, or higher category of <b>metering installation</b>; or</p> <p>(ii) for <b>error compensation</b>, on a <b>metering installation</b> that quantifies <b>electricity</b> conveyed through a <b>point of connection</b> to the <b>grid</b>; or</p> <p>(iii) for <b>loss compensation</b>, only on a category 3 or higher <b>metering installation</b>.</p> <p>...</p> <p>(3) A <b>metering equipment provider</b> must, for a <b>metering installation</b> in relation to which an <u>external compensation factor</u> must be applied,—</p> <p>(a) if the <b>metering installation</b> is for a <b>point of connection</b> that is an <b>NSP</b>, advise the <b>reconciliation participant</b> responsible for the <b>metering installation</b> of the <b>compensation factor</b> within <b>10 business days</b> of the date on which the <b>metering installation</b> is <b>certified</b>; or</p> <p>(b) in all other cases, update the <b>compensation factor</b> recorded in the <b>registry</b> in accordance with Part 11.</p>
<p><b>Assessment of proposed Code amendment against section 32(1) of the Act</b></p>	<p>The proposed Code amendment is consistent with the Authority’s objective, and section 32(1)(c) of the Act, because it would contribute to the efficient operation of the electricity industry.</p> <p>It would do this by clarifying the Code, to make it easier for participants to know they cannot apply error compensation to a metering installation unless the metering installation is at a point of connection to the grid. This should remove the possibility of participants applying error compensation to metering installations when it is inappropriate to do so.</p> <p>The proposed amendment is expected to have no effect on competition or reliability of supply.</p>
<p><b>Assessment against Code amendment principles</b></p>	<p>The Authority is satisfied the proposed Code amendment is consistent with the Code amendment principles, to the extent they are relevant.</p>
<p>Principle 1: Lawfulness.</p>	<p>The proposed Code amendment is consistent with the Act, as discussed above in relation to the Authority’s statutory objective and the requirements set out in section 32(1) of the Act.</p>

Principle 2: Clearly Identified Efficiency Gain or Market or Regulatory Failure	The proposed Code amendment is consistent with principle 2 because it addresses a regulatory failure that may lead to a market inefficiency, and which requires a Code amendment to resolve.
Principle 3: Quantitative Assessment	Please refer to the assessment of costs and benefits in section 3 of the consultation paper.
<b>Regulatory statement</b>	
Objectives of the proposed amendment	The objective of this proposal is to clarify the Code to ensure compensation factors can only be applied in relation to a specified metering installation, and that the registry or NSP table are only updated with external compensation factors.
Evaluation of the costs and benefits of the proposed amendment	Please refer to the assessment of costs and benefits in section 3 of the consultation paper.
Evaluation of alternative means of achieving the objectives of the proposed amendment	The Authority has not identified an alternative means of achieving the objectives of the proposed Code amendment.