

System Operations Division Conflict of Interest (COI) Procedure

Document Location Map

- 📁 **Level 3 Document User Domain Procedures**
- 📁 **Business Support and Development (SD) /Assurance**
- 📁 **PR-SD-004 Conflict of Interest (COI) Procedure**

Document Status: **Approved**

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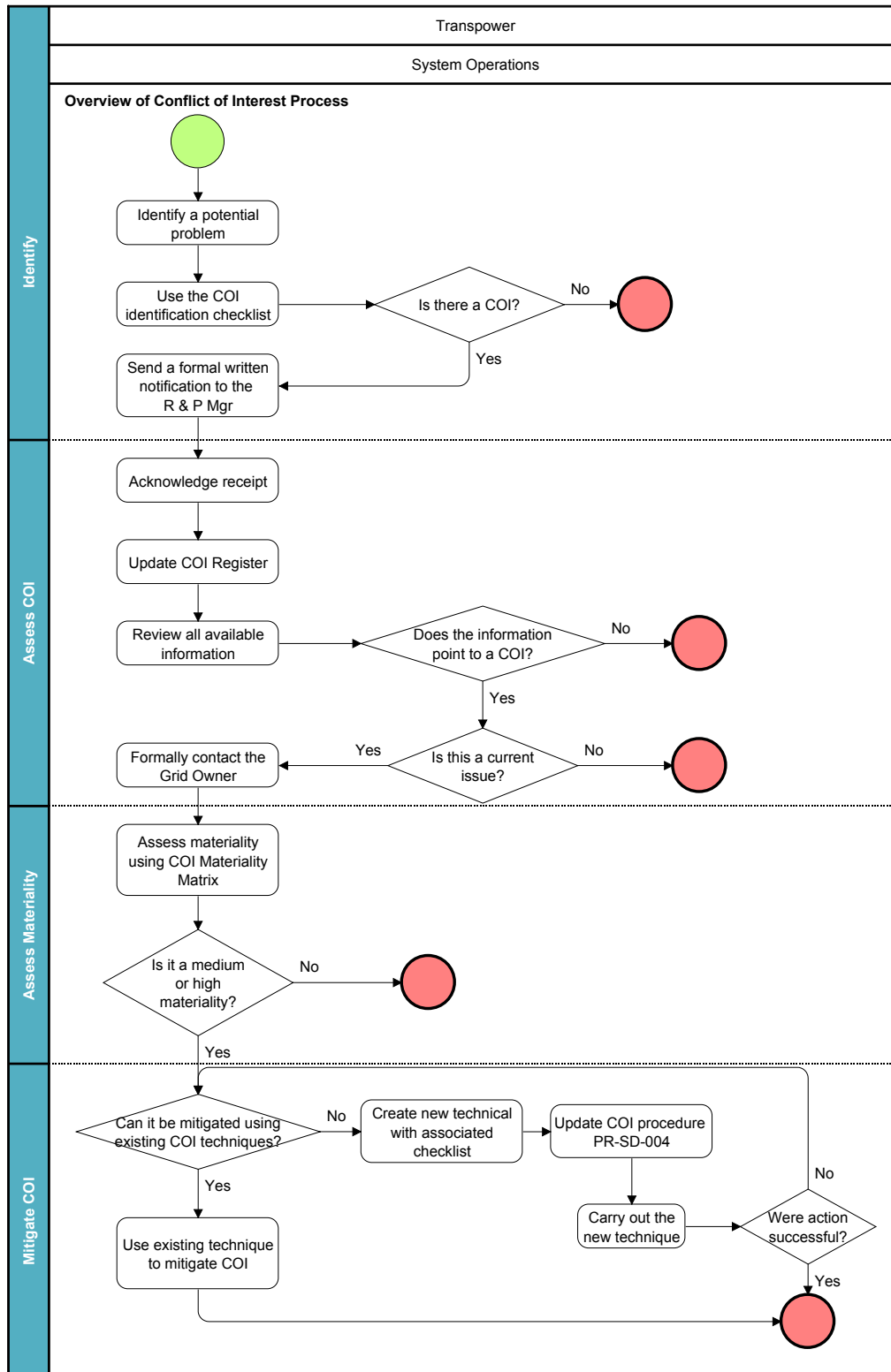
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Revision History

Revision	Date	Change	Section
V05	18/5/07	General Update, supersedes GOS_DOC 581	
V06	11/10/10	Update for new Electricity Industry Participant Code requirement. Place holder for guideline for management security of supply information added	New 5.5 place holder added

1 Procedure Summary Diagram



NOTE – The diagram above shows how the process in the Conflict of Interest (COI) Procedure; document number PR-SD-004, supports the Business Support and Development (SD) Macro Process of the DMS.

2 Purpose

Purpose and Objectives This procedure is to identify, evaluate and manage any conflicts of interest so that we comply with the obligations detailed in Electricity Industry Participation Code (Code).

This procedure applies to System Operator management, staff and contractors.

External Policy/ Rules & Regulations

- The Code Part 7 and 8.
- Policy Statement - Conflict of Interest Policy

Related Internal Policies, Processes and Procedures

Conflict of Interest Quick Reference Guide (*held by SO Training Group*)

Definitions

Descriptions of acronyms and non-standard or uncommon words specific to this document.

Definition	Description
Conflict of Interest	A situation whereby Transpower, an employee of Transpower or a Transpower employed consultant working for the System Operator in some way is lenient to or treats Transpower, as the Grid Owner differently (usually, more favourably) in respect to the performance of the System Operator's obligations specified in the 'Code'.

Background

Part 7 Clause 7.10 of the 'Code' requires that Transpower's role of System Operator be distinct and separate from any other roles that Transpower has under the codes. The System Operator's performance or non performance is assessed on the basis that the System Operator had no knowledge or information received or held by Transpower, unless it was received in its capacity as System Operator.

The Policy Statement describes how the System Operator will manage any potential conflict of interest between Transpower's two roles.

The conflict of interest policy forms part of our Policy Statement and must be observed by the System Operator, unless it is required to depart from it due to its Principal Performance Obligations (PPOs) being at risk or if public safety or assets are at risk.

Handling of confidential/ other parties commercial information

To be developed as part of the Security of Supply information/ functionality that the System Operator will be performing after 1 Nov 2010.

3 Roles and Responsibilities

3.1 Management Roles and Responsibilities

Manager Accountable	<p>The General Manager, System Operations is accountable for the management of conflicts of interest.</p> <p>The role is to ensure compliance with all conflict of interest policies.</p>
Manager Responsible	<p>The SO Risk and Performance Manager is responsible for overseeing the application of the operational procedures.</p> <p>The role is to:</p> <ul style="list-style-type: none">▪ verify compliance with all conflict of interest policies▪ ensure conflict of interest compliance in the assessment, evaluation and investigation processes▪ brief the Manager in charge of the section in which the conflict of interest has occurred▪ initiate compliance reviews▪ liaise with the Grid Owner.
Execution Manager	<p>The Manager in charge of the section in which the conflict of interest arises will be responsible for executing the policy. The individual undertaking this role will be dependant on the operational area in which the conflict of interest occurs.</p> <p>The role being to:</p> <ul style="list-style-type: none">▪ assess materiality▪ ensure the application of the assessment, evaluation and investigation processes▪ implement the management techniques▪ assign tasks and responsibilities▪ brief staff on use of procedures.

3.2 Conflict of Interest Committee

Purpose	<p>Under certain circumstances the System Operator and Grid Owner may not be able to resolve the conflict of interest that has been identified. In these cases the Grid Owner is not willing to comply with the management procedures/techniques developed by the System Operator.</p> <p>If this occurs, the Conflict of Interest Committee provides a forum where the means to achieve resolution can be determined.</p> <p>The Committee consists of one System Operator representative, one Grid Owner representative and an independent party.</p>
Members	<p>The Conflict of Interest Committee consists of :</p> <ul style="list-style-type: none">▪ System Operations, General Manager▪ Grid Owner, General Manager▪ Legal and Governance Manager. <p>However, each representative can nominate an alternative if they are unable to attend, or if another representative would be more suitable for the conflict on interest in discussion.</p>

4 Procedures

4.1 Identification and Notification of Conflict of Interest

Identification

All System Operator staff have a responsibility to identify any conflicts of interest.

The checklist attached to this procedure (6.1 Identification of Conflict of Interest) assists staff to identify whether or not a possible conflict of interest exists.

Formal notification

Upon identifying a possible conflict of interest, the System Operator Risk and Performance Manager must be notified in writing (either by letter or email).

The notification should contain the following:

- name of the individual notifying and the date of notification
- a description of the issue and the circumstances of the issue
- possible impact or cost / benefit to the Grid Owner
- if known, the rule or technical code to which the conflict of interest applies
- suggestions on how to manage the situation

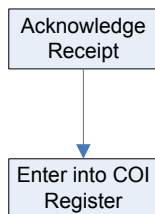
Assessment

The SO Risk and Performance Manager assesses the information provided on the possible conflict of interest. This will determine if the issue raised is progressed as a conflict of interest.

If the issue is not deemed to be a conflict of interest the System Operator will:

- update the Conflict of Interest Register. (SO Conflict of Interest Coordinator)

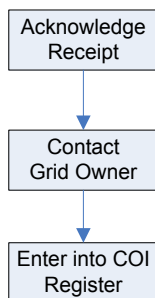
Anticipating conflict of interest



If the issue raised is for a situation where a possible conflict of interest could occur in the future, the System Operator will:

- acknowledge receipt of the notification to the party identifying the issue and notify the Execution Manager (if different to the original notifier) (SO Risk and Performance Manager)
- place an entry in the Conflict of Interest Register. (SO Conflict of Interest Coordinator)

Actual Conflict of Interest



If the issue raised highlights a conflict of interest in a current piece of work, within 48 hours of receiving the notification, the System Operator will:

- acknowledge receipt of the notification to the party identifying the issue and notify the Execution Manager (if different to the original notifier) (SO Risk and Performance Manager)
- establish formal communication with the Grid Owner (SO Risk and Performance Manager)
- register the issue in the Conflict of Interest Register. (SO Conflict of Interest Coordinator)

4.2 Reporting Conflict of Interests

The System Operator has reporting obligations under the 'Code'. These obligations include both notifications and written reports. In addition, this Conflict of Interest Procedure requires the System Operator to report issues to the Grid Owner.

Notification of breaches

It is the System Operator's policy to report to the Electricity Authority on a regular basis on any new conflicts of interest that arise in the performance of its obligations under the "Code" (Conflict of Interest Policy).

Specific requirements in the regulations relating to monthly and annual reporting are described further below.

Monthly reports

The System Operator is required to report to the Electricity Authority every month, within 10 days of the end of the month. The report will advise on conflict of interest compliance and issues relating to conflict of interest management or improvement. It will notify of breaches and identify new conflicts of interest. (this is a code requirement)

The report on new conflicts of interest shall contain the following:

- A description of the nature of the new conflict of interest identified during the reporting period
- The date the new conflict of interest was identified and reported to the Electricity Authority
- The reason why it has arisen, stating the policy and rule against which the new conflict of interest applies
- The reason for adopting the conflict of interest policy
- The assessment of the materiality by way of a comparison to existing policy
- A description of the management techniques adopted to manage the new conflict of interest.

Annual report

The System Operator reports to the Electricity Authority once each financial year on its compliance with its obligations under the 'Code'. This includes compliance with the conflict of interest policy. (this is a code requirement)

The annual report contains:

- A background to any event that took place during the reporting period that warranted the System Operator undertaking an internal performance review and reporting the findings to the Electricity Authority
- A description of the event, including the rule against which the event was identified and noted
- (For existing Conflict of Interest Policy procedures), the specific policy and the means by which the conflict of interest was managed
- Any departures from or proposed changes to policy

Report to Grid Owner

The SO Risk and Performance Manager shall report all conflict of interest situations that have arisen to the Grid Owner representative.

4.3 Assess Materiality of Conflict of Interest

Summary	<p>The assessment is carried out by the Execution Manager and takes into account the impact of four factors from which an overall materiality rating can be calculated.</p> <p>Each conflict of interest issue shall be assessed using the six steps identified in this section.</p> <p>Supporting documentation for the assessment and peer review should be provided, as noted.</p>
Inputs	A conflict of interest has been highlighted for a current piece of work.
Outputs	Materiality Matrices completed.
Responsibilities	Execution Manager (manager of section in which conflict of interest has occurred)
Instructions	

Step	Action
1 Identify Tasks	<p>Identify tasks that are the potential conflicts of interest</p> <p>For each conflict of interest situation, determine the individual tasks that have been identified as conflicts of interest. List each of these tasks in the matrix.</p> <p><i>For example –</i></p> <p><i>The procurement of ancillary services. The potential conflicts of interest tasks are:</i></p> <ul style="list-style-type: none"> ▪ <i>tender documents being designed to favour the Grid Owner</i> ▪ <i>tender information could be used for other purposes</i> ▪ <i>early release of tender information to the Grid Owner</i> ▪ <i>evaluation criteria based on Grid Owner product.</i>
2 Cost/ Benefit	<p>Determine an idea of cost / benefit</p> <p>In considering the materiality of the conflict of interest, look at the potential cost to the industry in terms of dollars of each of these tasks. What is the potential benefit to Transpower?</p> <p><i>For example –</i></p> <p><i>A Grid Owner application for a dispensation or equivalence arrangement. All other parties are provided with an estimate of the works and are charged accordingly. What happens when the Grid Owner applies? Is this seen as a benefit to Transpower or is the potential cost (saving) to the industry enough to negate any perceived or real “self interest”?</i></p>
3 Frequency	<p>Identify frequency</p> <p>Assess how often each of these tasks would take place. Are they one-offs or ongoing?</p> <p><i>For example –</i></p> <p><i>Ancillary service procurement is ongoing (once every year). Therefore each of the tasks are also ongoing.</i></p>

Step	Action																																			
<p style="text-align: center;">4</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Seriousness</div>	<p>Determine the seriousness</p> <p>For each task, consider the significance (high, medium, low) of the perceived conflict of interest. Does the behaviour of the System Operator impact on its credibility and reputation? Would failing to address the issue result in further problems for the System Operator? Does the treatment of this issue by the System Operator impact on the business of other participants?</p>																																			
<p style="text-align: center;">5</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Growth</div>	<p>Growth of issue</p> <p>For each task, look at whether this same problem has occurred in the past. Is this an issue that continues to be a problem (static)? Has the problem got worse or has it improved over the years?</p>																																			
<p style="text-align: center;">6</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Overall Rating</div>	<p>Overall materiality rating</p> <p>Evidence of how the rating for each of the previous five steps was derived should be documented.</p> <p>Calculate the materiality rating of each of the tasks based on the responses to the previous five steps.</p> <p>For each task the rating is calculated from the total of the numeric scores of the four assessment categories. This total score is then converted into a status of high, medium or low for each task.</p> <p><i>For example :</i></p> <table border="1" data-bbox="491 1021 1385 1332" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>Tasks</th> <th>Cost to industry/ Benefit to TP</th> <th>Frequency</th> <th>Seriousness</th> <th>Growth</th> <th>Sum</th> <th>Overall rating</th> </tr> </thead> <tbody> <tr> <td></td> <td><\$5,000 = 1 Between \$5,000 and \$100,000 = 2 >\$100,000 = 3</td> <td>One-off = 1 On-going = 2</td> <td>Low = 1 Medium = 2 High = 3</td> <td>Improving = 1 Static = 2 Worsening = 3</td> <td></td> <td>1 to 6 = Low 6 to 8 = Medium 9 to 12 = High</td> </tr> <tr> <td>Example task 1</td> <td>1</td> <td>1</td> <td>2</td> <td>3</td> <td>7</td> <td>Medium</td> </tr> <tr> <td>Example task 2</td> <td>1</td> <td>2</td> <td>3</td> <td>2</td> <td>8</td> <td>Medium</td> </tr> <tr> <td>Overall issue</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Medium</td> </tr> </tbody> </table> <p>The overall materiality rating for the conflict of interest situation is derived from considering the individual task ratings of high, medium and low. The overall rating will take into account the perceived importance (weighting) of each of the individual tasks. As a result the overall rating is a matter of judgment based on experience in this area.</p>	Tasks	Cost to industry/ Benefit to TP	Frequency	Seriousness	Growth	Sum	Overall rating		<\$5,000 = 1 Between \$5,000 and \$100,000 = 2 >\$100,000 = 3	One-off = 1 On-going = 2	Low = 1 Medium = 2 High = 3	Improving = 1 Static = 2 Worsening = 3		1 to 6 = Low 6 to 8 = Medium 9 to 12 = High	Example task 1	1	1	2	3	7	Medium	Example task 2	1	2	3	2	8	Medium	Overall issue						Medium
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<p style="text-align: center;">7</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Overall Rating</div>	<p>Due to the element of subjectivity, a peer review of the materiality assessment is required. The peer reviewer must be independent from the first reviewer and is appointed by the SO Risk and Performance Manager, in consultation with the Execution Manager.</p> <p>The peer reviewer must document their considerations of the materiality assessment, and the outcome of the review.</p> <p>This documentation must be stored in the sub-folder for the issue in the \\wnfs1\groups\SO\Conflict of interest folder.</p> <p>A process to assist the peer reviewer is contained in section 4.4.</p>																																			

4.4 Performing the Peer Review

Content	The following guideline has been prepared to provide a framework for the materiality rating peer review.
Purpose	<p>The purpose of peer review is to verify or challenge whether the materiality rating determined by the System Operator is rigorous and fair. The peer reviewer should consider :</p> <ul style="list-style-type: none"> ▪ the validity of any assumptions made ▪ the validity of the individual scores ▪ any subjective assessment made by the first reviewer. <p>The peer reviewer must record their considerations of the materiality rating and the outcome of their review.</p>
Who can act as a peer reviewer?	The peer reviewer must be independent from the first reviewer. Ideally the reviewer should be from a separate System Operator department to that of the reviewer. However, depending on the issue being assessed, the reviewer may be another member of the same department.
Who appoints a peer reviewer?	The peer reviewer should be appointed by the SO Risk and Performance Manager.

4.5 Select Management Techniques

Inputs	Completed Materiality Matrix
Outputs	Manage technique decided on.
Responsibilities	<ul style="list-style-type: none"> ▪ Systems Operator Risk and Performance Manager ▪ Execution Manager <p>The choice of which of the management techniques / procedures to use should be made jointly by the System Operator Risk and Performance Manager and the Execution Manager.</p>
Note	<p>If a conflict of interest occurred in an area that the System Operator did not regard as an ongoing business risk, a new management procedure would not be developed. In this case, the System Operator could apply one or more management technique checklists to the situation. The management technique checklists provide an audit trail for compliance and are contained in section Error! Reference source not found.</p> <p>Checklists exist for the following management techniques:</p> <ul style="list-style-type: none"> ▪ Monthly Review ▪ Independent Person to Manage the Conflict of Interest Process ▪ Independent Evaluation/Expert ▪ Document Control and Information Management ▪ Communication Management Systems ▪ Division of Staff Functional Roles ▪ Public Notification

Instructions

Step	Action
1	Obtain copies of the management technique checklists. (see section Error! Reference source not found.)
2	Discuss the materiality matrix for the issue and determine which management technique will best manage the conflict of interest. Note: More than one technique may be selected.

4.6 Implement Management Techniques

Inputs	Selected Management Technique Checklist(s)
Outputs	Management techniques in place.
Responsibilities	Execution Manager
Briefing staff	The Execution Manager will assign tasks and responsibilities and brief their staff in the use of the techniques / procedures.
Briefing the Grid Owner	The SO Risk and Performance Manager shall brief the Grid Owner representative(s) of the conflict of interest and request their cooperation in ensuring the protocols recommended by the System Operator are implemented and adhered to.
Implementation	<p>System Operator staff briefed by the Execution Manager shall be responsible for applying the management techniques / procedures. All documents are to be electronically filed and archived with the relevant documentation for the issue / conflict of interest. The electronic information is to be stored in the sub-directory set up by the Conflict of Interest Coordinator in the Conflict of Interest folder on the System Operator network drive</p> <pre>(\\wnfs1\groups\SO\Conflict of Interest\Issues\yy\xxx - conflict issue)</pre> <p>where yy = year in which the conflict was raised, xxx = the number allocated to the conflict of interest issue.</p>

Instructions

Step	Action
1	Set in place any arrangements that you are responsible for. Refer: section Error! Reference source not found. Error! Reference source not found.
2	Brief staff on the issue.
3	Ensure that the actions on the checklists have been carried out.

5 Guidelines for the Management of Potential Conflict of Interest

As part of the development of a conflict of interest procedure, we have identified areas which are most at risk of conflicts of interest. Guidelines have been created for each of these situations. These guidelines outline the circumstances of each of these areas of business, the 'Code' requirements for these situations and a number of management technique checklists that should be applied.

5.1 Procurement of Ancillary Services

Purpose	<p>This guideline details the steps required to manage any potential conflict of interest where Transpower, as Grid Owner, actively competes with other third party service providers for the provision of ancillary services.</p> <p>These steps must be performed to manage the procurement of ancillary services where a bid is made by Transpower on a competitive basis. Currently, the only example of where this may occur is if the Grid Owner were to propose a contract for the supply of reactive support.</p>
Background	<p>The 'Code' requires that Transpower, as System Operator, is principal to the ancillary service contracts acting on behalf of the Electricity Authority in procuring the supply of ancillary services in accordance with the approved procurement plan. To do this, the System Operator will compile tender documentation, call for proposals, evaluate the tender offers and negotiate and enter into contracts with the ancillary service providers.</p>
External Policy/ Rules & Regulations	<ul style="list-style-type: none">▪ The 'Code' Part 7▪ Policy Statement - Conflict of Interest Policy▪ Procurement Plan
Manager Accountable	<p>General Manager, System Operations.</p> <p>The role being to: ensure compliance with this procedure.</p>
Manager Responsible	<p>The SO Risk and Performance Manager is responsible for the overseeing this operational procedure.</p> <p>The role being to:</p> <ul style="list-style-type: none">▪ verify compliance with this procedure▪ identify, and contract an independent person to preside over the tender administration process and sit on the tender evaluation panel, if required▪ notify the Electricity Authority of the appointment of the independent person▪ liaise with the Grid Owner▪ brief key System Operator staff about the conflict of interest▪ establish communication management protocols▪ approve changes to conflict of interest protocol.

Execution Manager

The Execution Manager is responsible for applying this operational procedure.

The role being to:

- preside over and manage the tender process
- brief staff on accountabilities and conducting compliance reviews
- publish relevant data to the extent that the code requires
- establish and maintain records
- oversee day-to-day communications management.

Dependencies

The Grid Owner providing an offer for the supply of ancillary services.

'Code' Requirements

The specific conflict of interest policy the System Operator will follow for the procurement of ancillary services from the Grid Owner is set out in the Conflict of Interest Policy, section of the Policy Statement.

Management Actions

The following actions are required to manage a conflict of interest where Transpower, as Grid Owner, tenders to supply a contracted ancillary service to Transpower, as System Operator.

1	Appoint a System Operator tender evaluation panel to assess, evaluate and make recommendation of award.
2	An independent chair should be appointed to the tender administration panel, which shall consist of, amongst others, at least one representative from the System Operator. This tender administration panel is to be responsible for developing and enforcing the protocols described for the duration of the tender period. The independent person will chair the panel, and have the final casting vote to award. The independent person will, on behalf of the panel make a formal recommendation to the System Operator. (see <i>checklist section 6.3</i>)
3	The appointment of the same independent person to the tender evaluation panel of the System Operator representatives. (see <i>checklist section 6.4</i>)
4	The establishment of a document control and information management system. (see <i>checklist section 6.5</i>)
5	Establish a communication management system for the duration of the tender period. (see <i>checklist section 6.6</i>)
6	Division of staff functional roles for the duration of the assessment. (see <i>checklist section 6.7</i>)

Management Considerations

Transpower management and staff shall adhere strictly to the Conflict of Interest Policy.

This guideline is intended to minimise the risk of deliberate or accidental disclosure of information. It is recognised individuals may be required from time to time to perform a dual role, one for the System Operator and one for the Grid Owner. In such a situation it may be necessary to seek independent and external peer review of any decisions taken by that individual.

If at any time it is necessary to depart from a management procedure or a step in the procedure, given a specific circumstance, this will only be appropriate if the departure will not compromise the overall objectives of the protocol.

Any departure should be approved by the System Operation Risk and Performance Manager.

Key Personnel

The Transpower personnel involved in the tender submission/ administration/ evaluation teams are as follows:

Position Held	System Operator Tender Administration Panel	System Operator Tender Evaluation Panel	Grid Owner Tendering Team
Manager accountable	1		1
Manager responsible	1		1
Execution Manager	1		1
Commercial manager		1	
Technical Manager		1	
Legal advisor	1	1	1
Independent person	1	1	
Staff:	2	2	2

5.2 Compliance Assessment/ Alternative Ancillary Service Arrangements/ Issue of Dispensations and Equivalence

Purpose

This guideline details the steps required to manage any potential conflict of interest where Transpower, as Grid Owner, makes an application to the System Operator for an equivalence arrangement, grant of dispensation or alternative ancillary service arrangement. This will require the Grid Owner to provide the System Operator with an Asset Capability Statement, to reach agreement on the terms of that application and to comply with the conditions and terms of the dispensations and equivalence.

These steps must be performed in all situations where an application by the Grid Owner is likely to have an effect on the System Operator's performance of its obligations under the 'Code' or where any dispensation or equivalence arrangement granted by the System Operator may, in some way, be perceived to transfer an advantage to the Grid Owner.

The System Operator will ensure that information provided by the Grid Owner is treated with the same level of confidentiality as any other asset owner and that the protocols utilised during the process are the same as would be used for any other applicant.

Background	<p>The 'Code' requires that Transpower, as System Operator, is entrusted with providing for the receipt, assessment and the issue of the Grid Owner's application for equivalence arrangement, dispensations or alternative ancillary service arrangements, e.g. HVDC and instantaneous reserves.</p> <p>The Grid Owner, under the 'Code', is responsible in meeting all Technical Codes and Asset Owner Performance Obligations (AOPOs). If the Grid Owner is unable to meet its obligations it may request an equivalence arrangement or a dispensation using the online Dispensation database. If the application is successful the Grid Owner must then comply with those conditions and terms, set out in the dispensations and equivalence arrangement subsequently issued.</p>
External Policy/ Rules & Regulations	<ul style="list-style-type: none">▪ The 'Code' Part 8 sub-part 2▪ Policy Statement - Conflict of Interest Policy
Manager Accountable	<p>General Manager, System Operations</p> <p>The role being to ensure compliance with this procedure.</p>
Manager Responsible	<p>The SO Risk and Performance Manager is responsible for overseeing this operational procedure.</p> <p>The role being to:</p> <ul style="list-style-type: none">▪ verify compliance with this procedure▪ liaise with the Grid Owner▪ brief key System Operator staff about the conflict of interest▪ establish communication management protocols▪ approve changes to conflict of interest protocol where applicable, identify, and contract an independent person to provide technical interpretation of the rules as they apply to the Grid Owner▪ where applicable, notify the Electricity Authority of the appointment of the independent person.
Execution Manager	<p>The Execution Manager is responsible for applying this operational procedure.</p> <p>The role being to:</p> <ul style="list-style-type: none">▪ preside over and manage the evaluation process▪ brief staff on accountabilities and conducting compliance reviews▪ publish, with the agreement of the Grid Owner, relevant non-commercially sensitive data, in order to demonstrate a consistent approach has been taken between the different asset owners▪ establish and maintain documentation systems▪ oversee day-to-day communications management.
Dependencies	<p>Receipt of an application from the Grid Owner.</p>
'Code' Requirements	<p>The specific policy the System Operator will follow for compliance assessment and the issue of dispensations, equivalences and alternative ancillary service arrangements is set out in the Conflict of Interest Policy.</p>

Management Actions

The following actions are required to manage any conflict of interest where the System Operator must assess the Grid Owner's application for an equivalence arrangement, grant of dispensation or alternative ancillary service arrangement.

1	The establishment of a document control and information management system. <i>(see checklist section 6.5)</i>
2	Establish a communication management system. <i>(see checklist section 6.6)</i>
3	Division of staff functional roles for the duration of the assessment. <i>(see checklist section 6.7)</i>
4	The appointment of an independent expert to provide technical interpretation of the rules as they apply to the Grid Owner's application for dispensation, assess the Grid Owner's application for dispensation and provide recommendation to the System Operator. A specific example would be application by the Grid Owner for an interim dispensation from duplicate protection obligations. <i>(see checklist section 6.4) (optional depending on materiality of the conflict of interest)</i>

Management Considerations

- Transpower management and staff shall adhere strictly to the Conflict of Interest Policy.
- This guideline is intended to minimise the risk of deliberate or accidental disclosure of information. It is recognised individuals may be required from time to time to perform a dual role, one for the System Operator and one for the Grid Owner. In such a situation it may be necessary to seek independent and external peer review of any decisions taken by that individual.
- If at any time it is necessary to depart from a management procedure or a step in the procedure, given a specific circumstance, this will only be appropriate if the departure will not compromise the overall objectives of the protocol.
- Any departure should first be approved by the SO Risk and Performance Manager.

Key Personnel

The Transpower personnel involved in submitting and assessing the Grid Owners application are as follows:

Position Held	System Operator	Grid Owner
Manager accountable	†	†
Manager responsible	†	†
Execution Manager	†	†
Commercial manager		
Technical Manager		
Legal advisor	†	†
Independent person		
Staff:	† † † † †	† † † † †

5.3 Monitoring Compliance of the Transmission Asset Owner function

Purpose	<p>This guideline details the steps required to manage any potential conflict of interest arising from Transpower, as System Operator, undertaking its obligations under the 'Code' to monitor and report on the Grid Owner's compliance with the 'Code', and any equivalence, dispensation or alternative ancillary service arrangement.</p> <p>These steps must be performed in any situation where the System Operator identifies an apparent Grid Owner breach of a Technical Code or Asset Owner Performance Obligation (AOPO) or where the Electricity Authority requests information regarding a Grid Owner breach. This ensures that the Grid Owner is treated in the same way as any other asset owner.</p>
Background	<p>The 'Code' requires Transpower, as System Operator, to monitor, in the manner set out in the Policy Statement, the ongoing compliance of asset owners against the AOPOs and Technical Codes. Accordingly, the System Operator will, from the information provided by the Grid Owner, verify and assess asset capability, determine limitations, and monitor compliance when fulfilling its dispatch obligations under the 'Code'.</p>
External Policy/ Rules & Regulations	<ul style="list-style-type: none"> ▪ The 'Code' Part 8 Rule 8.27 ▪ Policy Statement - Compliance Policy
Manager Accountable	<p>General Manager, System Operations</p> <p>The role being to ensure compliance with this procedure.</p>
Manager Responsible	<p>The SO Risk and Performance Manager is responsible for overseeing this operational procedure. The role being to:</p> <ul style="list-style-type: none"> ▪ verify compliance with this procedure ▪ liaise with the Grid Owner ▪ brief key System Operator staff about the conflict of interest ▪ establish communication management protocols ▪ approve changes to conflict of interest protocol ▪ where applicable, identify and contract an independent person to conduct an investigation, or review any report or investigation, of the Grid Owner ▪ where applicable, notify the Electricity Authority the appointment of the independent person.
Execution Manager	<p>The Execution Manager is responsible for applying this operational procedure. The role being to:</p> <ul style="list-style-type: none"> ▪ preside over and manage the breach process ▪ brief staff on accountabilities and conducting compliance reviews ▪ with the agreement of the Grid Owner, publish relevant non-commercially sensitive data ▪ establish and maintain documentation systems ▪ oversee day-to-day communications management.
Dependencies	<p>Identification of a potential Grid Owner breach</p>

'Code' Requirements

Part 8 Rule 8.27 sub clause 1 requires the System Operator to monitor, to the extent possible given the information made available by asset owners, the compliance of the transmission asset owner in the manner set out in the Policy Statement.

The specific conflict of interest policy the System Operator will follow for monitoring compliance of the transmission asset owner is set out in the Conflict of Interest Policy section of the Policy Statement.

Management Actions

The following actions are required to manage any conflict of interest where Transpower, as the System Operator, identifies, reports and conducts an investigation into a potential breach by the Grid Owner.

1	The establishment of a document control and information management system. <i>(see checklist section 6.5)</i>
2	Establish a communication management system. <i>(see checklist section 6.6)</i>
3	The appointment of an independent expert to conduct an investigation, or review any report or investigation of a Grid Owner breach. <i>(see checklist section 6.4) (optional depending on the materiality of the conflict of interest)</i>

Management Considerations

Transpower management and staff shall adhere strictly to the Conflict of Interest Policy.

This procedure is intended to minimise the risk of deliberate or accidental disclosure of information. It is recognised individuals may be required from time to time to perform a dual role, one for the System Operator and one for the Grid Owner. In such a situation it may be necessary to seek independent and external peer review of any decisions taken by that individual.

If at any time it is necessary to depart from a management procedure or a step in the procedure, given a specific circumstance, this will only be appropriate if the departure will not compromise the overall objectives of the protocol.

Any departure should first be approved by the System Operator Risk and Performance Manager

Key Personnel

The System Operator representatives involved in managing any conflict of interest where the System Operator investigates a potential Grid Owner breach are as follows:

Position Held	System Operator
Manager Accountable	1
Manager responsible	1
Execution Manager	1
Legal Advisor	1
Independent Expert	1
Staff:	4

5.4 Outage Co-ordination

Purpose	<p>This guideline details the steps required to manage any potential conflict of interest arising from Transpower, as System Operator, being responsible for the collation and publication of advised outage notifications, and assessing the impact of those outages on the ability of the System Operator to achieve the Principal Performance Obligations (PPOs).</p> <p>These steps has been developed to meet the requirements of the Policy Statement and to assist staff to effectively address any potential conflict of interest relating to outage co-ordination. In managing outage co-ordination the System Operator must ensure the Grid Owner is treated on an equivalent and transparent basis as any other asset owner.</p>
Background	<p>The 'Code' requires Transpower, as System Operator, to collate and assess all notified outages to the extent that they impact upon the System Operator's ability to plan to achieve, and achieve, its PPOs.</p> <p>Transpower, as Grid Owner, determines the availability of its assets to allow for necessary maintenance and to meet its bilateral contract obligations. The resulting asset availability may impact on the System Operator's ability to achieve the PPOs. Similar issues will arise for other asset owners. The System Operator should treat all asset owners on an equivalent and transparent basis.</p>
External Policy/ Rules & Regulations	<ul style="list-style-type: none"> ▪ The 'Code' ▪ Policy Statement - Conflict of Interest Policy ▪ Part 8 – Schedule 8.3 - Technical Code D - Co-ordination of outages affecting common quality
Manager Accountable	<p>The General Manager, System Operations</p> <p>The role being to ensure compliance with this procedure.</p>
Manager Responsible	<p>The SO Risk and Performance Manager is responsible for overseeing this operational procedure. The role being to:</p> <ul style="list-style-type: none"> ▪ verify compliance with this procedure ▪ liaise with the Grid Owner ▪ brief key System Operator staff about the conflict of interest ▪ establish communication management protocols ▪ approve changes to conflict of interest protocol.
Execution Manager	<p>The Execution Manager is responsible for applying this operational procedure. The role being to:</p> <ul style="list-style-type: none"> ▪ preside over and manage of the outage co-ordination process ▪ brief staff on accountabilities and facilitating compliance reviews ▪ publish relevant data ▪ establish and maintain documentation systems ▪ oversee day-to-day communications management.
Dependencies	<p>Receipt of notification of a planned outage from the Grid Owner.</p>

'Code' Requirements

The specific conflict of interest policy the System Operator will follow for outage co-ordination is set out in the Conflict of Interest Policy in the Policy Statement.

Technical code D of schedule 8.3 of part 8 sets out:

- the obligations of asset owners to notify planned outages of assets which affect common quality; and
- the obligations of the System Operator in relation to outage co-ordination and providing timely advice to asset owners on the security implications of notified planned outages.

Management Actions

The following actions are required to manage a conflict of interest where Transpower, as the Grid Owner, notifies the System Operator of a planned outage.

1	Facilitate and implement an industry agreed outage co-ordination process. (specific management technique for this procedure, see checklist section 6.9)
2	The establishment of a document control and information management system. (see checklist section 6.5)
3	Establish a communication management system. (see checklist section 6.6)

Management Considerations

- Transpower management and staff shall adhere strictly to the Conflict of Interest Policy.
- This procedure is intended to minimise the risk of deliberate or accidental disclosure of information. It is recognised individuals may be required from time to time to perform a dual role. In such a situation it may be necessary to seek independent and external peer review of any decisions taken by that individual.
- If at any time it is necessary to depart from a management procedure or a step in the procedure, given a specific circumstance, this will only be appropriate if the departure will not compromise the overall objectives of the protocol.
- Any departure should first be approved by the System Operator Risk and Performance Manager.

Key Personnel

The System Operator representatives involved in managing any conflict of interest arising during outage co-ordination are as follows:

Position Held	System Operator
Manager Accountable	†
Manager Responsible	†
Execution Manager	†
Legal advisor	†
Staff:	† † † †

5.5 Security of Supply and Emergency Management Information

<i>Purpose</i>	To be developed post 1 Nov 2010
<i>Background</i>	
<i>External Policy/ Rules & Regulations</i>	
<i>Manager Accountable</i>	
<i>Manager Responsible</i>	
<i>Execution Manager</i>	
<i>Dependencies</i>	
<i>'Code' Requirements</i>	
<i>Management Actions</i>	
<i>Management Considerations</i>	
<i>Key Personnel</i>	

6 Checklist

6.1 Identification of Conflict of Interest

Introduction

The following generic checklist is intended to be used by managers and staff to identify if a conflict of interest exists.

	Question	Yes	No
1.	If I were employed by another organisation, could I perceive the System Operator could favour the Grid Owner over my employer or any other participant?		
2	Does the Grid Owner stand to gain financially from a decision or action taken by the System Operator?		
3	Does the Grid Owner stand to gain any benefit from a decision or action taken by the System Operator?		
4	Is there a risk that Transpower as System Operator could be seen to be in breach of Regulation 50 ¹ of the Electricity Governance Rules and Regulations 2003 as a result of a decision or action taken in regard to the Grid Owner?		
5	Has the Grid Owner information or data currently under review or in the possession of the System Operator been obtained or treated differently to any other information or data from any other asset owner?		
6	From time to time the System Operator will require staff from the Grid Owner function to provide expert advice or services to the System Operator. Would you suspect, if you worked for another organisation, the System Operator's judgment was biased toward Transpower?		
7	Is it possible for Grid Owner staff to accidentally access or view, key documents or information that would benefit the Grid Owner?		
8	Is it possible Grid Owner staff could gain access to confidential information supplied only to the System Operator or to data obtained from other participants?		
9	Is it possible System Operator staff could chose to overlook or treat a Grid Owner breach differently to a breach by any other participant?		
10	Is it possible, in the event the System Operator has been asked to investigate a Grid Owner breach, that System Operator staff are lenient toward the Grid Owner, preferring to manage the issue internally rather than to report its real findings to the Electricity Commission?		

¹ Regulation 50 specifies that Transpower's role as System Operator is distinct and separate from any other role or capacity that Transpower may have under the EGRs. It further provides that the System Operator's performance or non performance shall be assessed on the basis that the System Operator had no other role or capacity under the EGRs and the System Operator is to be treated as if it did not have any knowledge or information received or held by Transpower unless received in its capacity as System Operator

6.2 Monthly Review

No.	Action	Key Issue	Responsible
1	Identify new or updated conflict of interest items in the register (COIR) that are actual issues.	Look at items in the COIR.	Conflict of Interest Coordinator
2	Assess whether or not the conflict of interest should be reported to the Electricity Commission. The assessment should take into account Identification (Appendix B) and Materiality (Appendix C) assessments.	Whether or not the materiality of the issue warrants reporting.	SO Risk and Performance Manager
3	Assemble any facts that are known on the issue to determine if further research is necessary or not.	Assemble the facts.	Execution Manager
4	If further research is necessary, conduct internal analysis / audit and produce an internal report.	Evaluate performance against policy.	Execution Manager
5	If the internal analysis shows performance has been unsatisfactory or there is room for improvement a report must be made to the Electricity Commission in the monthly report, including: <ul style="list-style-type: none"> ▪ the background to the event ▪ a detailed description of the event ▪ details of the specific policy that will be adopted ▪ details of the means deployed to manage the conflict ▪ any departures from policy and explanation why ▪ any failure to meet its obligations steps taken / recommendation to avoid a recurrence.	Updating the Electricity Commission (Board) on any issues that may impact on the System Operator's performance.	SO Risk and Performance Manager

6.3 Independent person to manage the conflict of interest process

No.	Action	Key Issue	Responsible
1	Prepare a term of reference / job-task description, outlining the role and the responsibilities of the independent person.	Clarity of role and responsibility.	SO Risk and Performance Manager
2	Seek the services of an independent person, preferably with a background in the electricity industry, to oversee the management of the conflict of interest processes and the implementation of conflict of interest procedure to address the notified conflict of interest.	Independence and experience are the key determinants.	SO Risk and Performance Manager
3	Conduct a challenge meeting where both the System Operator and Grid Owner can question the independence and the credentials of the proposed service provider.	Further verify and gain acceptance as to the independence of the proposed independent person.	SO Risk and Performance Manager
4	Negotiate the service fee with the preferred service provider and prepare the contract of engagement including a confidentiality agreement.	Confirmation and agreement as to role and responsibility.	SO Risk and Performance Manager
5	Notify all parties involved, including the Electricity Commission, that an independent person has been engaged to oversee the management of the conflict of interest processes.	Clarity of role and transparency of process.	SO Risk and Performance Manager

6.4 Independent evaluation/ expert

No.	Action	Key Issue	Responsible
1	Prepare a term of reference / job-task description outlining the role and the responsibilities of the independent expert.	Clarity of role and responsibility.	SO Risk and Performance Manager
2	Seek the services of an independent expert, preferably with a background in the electricity industry, to conduct an evaluation, investigation into a suspected breach or breaches of the AOPOs, or assessment of a GO dispensation application.	Independence and experience are the key determinants.	SO Risk and Performance Manager
3	Conduct a challenge meeting where both the System Operator and Grid Owner can question the independence and credentials of the proposed service provider.	Further verify and gain acceptance as to the independence of the proposed independent person.	SO Risk and Performance Manager
4	Negotiate the service fee with the preferred service provider and prepare the contract of engagement including a confidentiality agreement.	Confirmation and agreement as to role and responsibility.	SO Risk and Performance Manager
5	Notify all parties involved in the evaluation, investigation, or assessment including the Electricity Commission, that an independent expert has been engaged. Notify the nature of the scope of services, to whom that independent expert reports, and the anticipated timing and output of the evaluation, investigation or assessment.	Clarity of role and transparency of process.	SO Risk and Performance Manager
6	Seek a report from the independent person as to the role they performed. Confirm any departure granted to the assessment process.	Confirmation of the process followed.	SO Risk and Performance Manager

6.5 Document control and information management

No.	Action	Key Issue	Responsible
1	Create System Operator filing system to store all confidential documentation and communication records between the System Operator and the Grid Owner. This filing system, electronic or otherwise must be independent from the Grid Owner's filing system.	Independent filing systems and segregation of documents.	Execution Manager
2	Ensure System Operator documentation is kept in a secure filing cabinet monitored by the Execution Manager. Access to the filing cabinet will be restricted to staff working on the project. All electronic files and databases shall be stored on secure drives with access limited to authorised System Operator staff.	Only authorised personnel will have access to documents / files / data bases.	Execution Manager
3	Maintain a document log for the System Operator so it is possible to locate all hard copy documents / files at any given time.	Document security.	Execution Manager
4	Ensure hard copy files are treated and marked as confidential and kept in the filing system for use by the Execution Manager or their staff.	Document security.	Execution Manager
5	Make sure all electronic documentation, databases and system access adhere to current Transpower standards.	Security of electronic information.	Execution Manager
6	Where possible, password protect databases, systems and e-mail to ensure access only by staff approved to	Security of electronic information, possibly	Execution Manager

No.	Action	Key Issue	Responsible
	work on those files.	confidential to the System Operator / Grid Owner.	

6.6 Communication management systems

No.	Action	Key Issue	Responsible
1	Establish a formal communication management system between the System Operator and the Grid Owner. This formal communication management system should include, and not be limited to call logs, document logs, meeting minutes etc.	Formality of communication will provide an audit trail.	SO Risk and Performance Manager
2	Ensure all relevant participants, including the Grid Owner, are aware of the relevant System Operator key staff and their contact numbers. Post a listing of key personnel to the SO web site.	Clear identification of System Operator representatives.	SO Risk and Performance Manager
3	Publish the timetable to be followed, including for example key milestone dates, the likely duration of any evaluation / assessment etc. Check the mailing list to ensure all possible participants have been included in any notification, including the Grid Owner. Notify all participants including the Grid Owner of any extension of time.	Consistency - it is important that all participants are working within the same framework.	SO Risk and Performance Manager
4	The System Operator shall identify the key recipients / key points of contact for any communication between the parties.	Single point of communication provides for information security.	SO Risk and Performance Manager
5	Ensure separate fax lines (numbers) for both the System Operator and the Grid Owner are used for all formal communication between the parties.	Segregation of faxed communications.	SO Risk and Performance Manager
6	Hold all meetings between the System Operator and the Grid Owner in meeting rooms. Make sure records are kept of such meetings, agendas, minutes, action points and if necessary appoint an independent person as minute taker.	Avoid informal discussions in shared work places as they may compromise confidentiality.	Execution Manager
7	Record all correspondence and other forms of communication (including, but not limited to telephone conversations, meetings, e-mail correspondence) between the System Operator and the Grid Owner on any matter on a correspondence log or e-mail register and file these in the System Operator filing system.	The Grid Owner is treated alike to any other participant and the practise will provide an audit trail.	Execution Manager
8	Should the materiality of the conflict of interest warrant such, ask each staff member to sign a confidentiality agreement.	Confirmation that staff have not had access to information that they are not entitled to or that could impact on the "duty of trust".	SO Risk and Performance Manager

6.7 Division of staff functional roles

No.	Action	Key Issue	Responsible
1.	Appoint key staff and establish the evaluation team for the System Operator. Document the System Operator staffing for each particular assignment. Where possible, the System Operator shall identify corresponding key Grid Owner staff.	The manager responsible must provide clear role responsibilities. All System Operator staff identified. Where possible identify relevant Grid Owner key staff.	SO Risk and Performance Manager & Execution Manager
2	Brief each staff member on the protocols and the objectives sought for the conflict of interest procedure.	It is important all staff involved are aware of the procedure protocols and the consequences of breach.	Execution Manager
3.	Where applicable, physically separate the working environment of the System Operator personnel from that of the Grid Owner personnel for the duration of the evaluation / tender / investigation process. It may be necessary to establish a separate project team and isolate them physically from all other activities conducted by the System Operator.	Physical separation will decrease the risk of confidential information being accidentally discovered.	Execution Manager
4	Seek peer review of the protocols established and file a brief report to the System Operator Risk and Performance Manager with any concerns or issues raised during that review.	Verification by peer review will assist in establishing the "reasonable" nature of the protocols.	Execution Manager

6.8 Public Notification

No.	Action	Key Issue	Responsible
1.	The system operator will, where appropriate and with the agreement of the grid owner, advise any relevant non-commercially sensitive information considered material in maintaining a transparent and impartial process that is not already required to be disclosed under the rules.	Provision of information	SO Risk and Performance Manager & Execution Manager

6.9 Facilitate and implement an industry agreed outage co-ordination process

This management technique is specific to managing potential conflicts of interest relating to outage co-ordination. (*section 4.4*)

No.	Action	Key Issue	Responsible
1	Establish, implement and maintain an industry wide process for the facilitation and co-ordination of asset owner outages.	Continued industry involvement and the timely and accurate publication of asset outage information.	Execution Manager
2	Establish a stakeholder forum to enable participants to provide feedback to enhance the effectiveness of the outage process.	Continued enhancement.	Execution Manager
3	Ensure all asset outage information provided by the Grid Owner is in the same format, timeframe (12 months in advance) and the same level of detail, as	Standardisation of asset outage notification and observance of the required	Execution Manager

No.	Action	Key Issue	Responsible
	provided by all other asset owners.	notice period.	
4	Develop and maintain a tool (Software) to automate and facilitate outage notification, collation, assessment and the issue of notices.	Reduce human error.	Execution Manager

7 Materiality Matrix

Issue: Conflict of Interest Issue A

Tasks	Cost to industry/ Benefit to TP	Frequency	Seriousness	Growth	Sum	Overall rating
	1 = less than <\$5,000 2= Between \$5,000 and \$100,000 3 = greater than \$100,000	1 = One off 2 = Ongoing	1 = Low 2 = Medium 3 = High	1 = Improving 2 = Static 3 = Worsening		1 to 5 = Low 6 to 8 = Medium 9 to 12 = High
Example task 1	1	1	2	3	7	Medium
Example task 2	1	2	3	2	8	Medium
Overall issue						Medium

8 Document Information

8.1 Metadata

Document ID Information

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DMS Structure

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