

Review into Transpower Communications

9 August 2021 Grid Emergency

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Overview

1. Due to particularly cold temperatures across the country, New Zealand experienced its highest ever demand for electricity on the evening of 9 August.
2. The System Operator (SO) was aware of the forecast for record high demand. It had been closely tracking the situation in the days leading up to 9 August, and on the day in question it repeatedly was in contact with market participants to alert them to the tight situation developing between available generation and likely demand.
3. The role of the SO, including the tools it used to manage the grid emergency of 9 August is not within the ambit of this review. There are a range of other reviews looking into this matter.
4. The SO timeline is however directly relevant to this review as it provides the backdrop of events against which the extent to which communications within Transpower and to key external stakeholders can be assessed.
5. The purpose of this review is to outline how the matter was escalated internally within Transpower and subsequently to key government stakeholders, along with my assessment of the major lessons for the future and specific recommendations on changes that should be made to company processes and policies.

At what point was the matter no longer business as usual?

6. While the SO is used to dealing with a wide range of what can be described as market events, this *insufficient generation* incident is very rare. My understanding is that while the system has faced near similar very tight situations in 2006 and 2014, on both those occasions consumers were not impacted by disconnections.
7. In this context, it is apparent from a reading of the SO timeline along with relevant email traffic within Transpower and interviews with a number of key management that the events of 9 August were treated as “business as usual” through the day and into the early evening.
8. The Chief Executive and General Management Team (GMT) were periodically informed via email from the General Manager Operations of the record demand forecast and the tight situation during the course of the day. The tone and language of these emails was clear and to the point, with no action being sought at this point from the recipients of the emails. As the matter was considered to be under control, no steps were taken to bring together an Incident Management Team (IMT) to in this case consider and manage stakeholder communications until past the evening peak.
9. When the first Grid Emergency Notice (GEN) was issued at 5:10pm the SO considered that while it was “tight”, there would be sufficient generation to meet demand. Accordingly, no steps were taken to escalate the matter at that time.

10. The situation changed in the period up to 6:40pm, primarily because dispatched generation was unable to meet its commitment. This sudden and unexpected generation loss led to the SO taking the step of issuing at 6:47pm a revised GEN asking for a 1% cut in load. In terms of escalating this issue to general management, the decision was taken within SO management just before 7:00pm to contact both the General Manager Operations and General Manager Grid Delivery who was the Duty GM.
11. While the SO has little or no visibility of how distribution companies would manage the call to reduce load by 1% (i.e. how much is load shedding versus controllable load such as hot water), there was sufficient concern and awareness to raise the matter with general managers. Arguably this could have occurred when the revised GEN was issued at 6:47pm rather than close to a fifteen minute delay.
12. There is a separate question of whether the first GEN at 5:10pm should have reasonably been the trigger for escalation, which I will return to later in this report.
13. Once the two GM's were advised shortly after 7pm of the situation there follows a period of around an hour where:
 - 13.1 it became more apparent as time went on that there was a serious problem, following a combination of calls from customers and media.
 - 13.2 work got underway in earnest to both prepare key message responses and escalate the matter internally to the Chief Executive and subsequently to key government stakeholders such as the Minister of Energy and Resources and the Electricity Authority.

Stakeholder Expectations Not Met

14. It is clear that from both my interviews with stakeholders and statements on the public record that this process was not handled to stakeholder's expectations.
15. I should note that in my interviews with relevant Transpower senior management, there was a clear acceptance that the collective performance with regards to stakeholder communications had been below their own expectations.
16. There was no shortage of effort and activity in the period that followed the issuing of the revised GEN at 6:47pm, and I note that it wasn't clear until around 7:30pm or later of the extent of the number of households losing their electricity for a period. Notwithstanding that context, in my view the escalation process fell short of what reasonably could be expected in a number of key ways:
 - 16.1 there appeared to be insufficient urgency at key stages in the process
 - 16.2 too much reliance was placed on using email/text message rather than direct phone calls

- 16.3 there was too little co-ordination of the communication efforts, meaning that some stakeholders were informed of the situation while others were not
- 16.4 the key message development was reactive and appeared to have been developed in the evening as the event was unfolding.
- 16.5 while it was after business hours, the Corporate Communications Manager would have benefited from having at least one member of her team involved, perhaps through standing back and going through a careful check list to ensure that there weren't gaps in stakeholder communication.
- 16.6 the Chief Executive wasn't brought into approving the key message material, despite the potential reputational issues at stake for Transpower
17. The outcome of these deficiencies in escalating the matter meant that timely communication of the unfolding events to key internal leaders (the Chief Executive and Chair) and external stakeholders (Ministers, the Electricity Authority and officials) was not achieved.
18. In particular, it is my view that the Chief Executive should have been phoned either via the GM Operations or Duty GM as a matter of urgency no later than the point the 6:47pm GEN was issued. The collegial thing to do may have been for both GMs to check in with each other and ensure that the Chief Executive had in fact been spoken with and not simply messaged. In my interview with the GM External Affairs, she also reflected on this matter and noted that it was important not to assume that either the Duty GM or GM Operations had in fact made contact with the Chief Executive. A "belts and braces" approach here would be far more preferable.
19. While the nature of the unfolding event meant that Transpower would not have been able to answer in any detail some of the most obvious questions – such as how many households have lost power – at least the overall picture could have been communicated and the reasonable expectations of "no surprises" met.
20. In my view all of this could have reasonably been achieved before media interest arose around 7:30pm.
21. Given the understandable sensitivity around all security of supply matters, the Chair and Directors of Transpower also had a reasonable expectation of being informed in a timely manner. This did not happen until an email was sent at 10:21pm which was clearly too late.
22. Leaving aside the matter of appropriate escalation within Transpower, the most concerning communication failures in my opinion were with Ministers and officials. The Chair and Chief Executive have apologised for these shortcomings, both publicly and in a letter to shareholding ministers.

23. The Minister of Energy and Resources was notified too late of the situation, while shareholding Ministers and officials at MBIE and Treasury were not notified at all on the evening of 9 August.
24. The Minister's office was informed via an email to her Private Secretary at 7:51pm. Unsurprisingly, the Private Secretary did not pick up her email at this hour of the evening, and so the Minister remained uninformed until a journalist contacted her Press Secretary at 8:30pm. A phone call to alert the Minister's office either directly and/or via MBIE would have been a much better approach.
25. Compounding this already unfortunate situation was the fact that Transpower didn't alert MBIE officials to the unfolding event. When the Minister understandably rang her senior official in the energy field to seek further details, that official was put into an unnecessarily embarrassing position of not being able to brief the Minister.
26. The Electricity Authority as regulator was informed by the GM Operations via email at 7:40pm and a follow up text from the Chief Executive to her counterpart at 7:50pm. While phone calls would have been the better option, on this occasion both recipients received and acknowledged the communications via return email and text respectively within minutes.
27. Overall, the process of escalation (both internally and externally) led to unsatisfactory outcomes.
28. While key stakeholders such as the Minister of Energy and Resources could do nothing to deal with the impact of the situation on the affected communities, not being advised in a timely manner had the potential to undermine confidence in Transpower management and processes.
29. Transpower relies extensively on processes and policies to achieve good outcomes. There is a place for re-visiting polices such as communications protocols, and since the events of 9 August the GM External Affairs and Corporate Communications Manager have been working with stakeholders to ensure that in future they better meet expectations. That is to be welcomed.

Matters of Judgment

30. Processes are not however a substitute for judgment – especially when what can be described as rare events occur.
31. While the day began as a not unprecedented situation, it ended with an unprecedented and serious outcome.
32. In undertaking this review I have been very conscious of the fact that hindsight is always perfect. Looking back on any number of decisions we make in our daily lives we may reflect that a different approach would have been advisable. In considering the events of 9 August, I have to the extent possible tried to focus on what would

have been a *reasonable* response to the unfolding events in a communications sense rather than simply rely on hindsight.

33. In this instance, judgment calls were made that both with the benefit of hindsight and in my view any test of reasonableness were faulty.

33.1 *when* to escalate the matter

33.2 *how* to escalate the matter

34. In terms of the *how* I have already noted that the reliance on email/text was not appropriate given the fast moving nature of the situation and the fact that it occurred outside normal business hours. Direct phone calls would have been a much better mode of communication. I note for completeness that market notices were copied via email as a matter of course to members of the Transpower GMT albeit with no call for action at that stage.

35. The question of *when* the matter should reasonably have been escalated is also worthy of further consideration. This question was the focus of much of my discussions with both internal and external stakeholders.

36. It is understandable that the SO and its senior/general management don't wish to be the "boy that cried wolf" by escalating matters too early. They see a system working as it was designed too – with the SO highlighting to market participants at frequent intervals during the day of 9 August the tightness of the gap between generation/demand, while asking for more generation to be offered in.

37. The SO appeared to be working that day with an expectation that this would work as it always has over many years. Judgment was based on an expectation that there would be sufficient generation for the peak, with no expectation of multiple generation failures.

38. It is in my view reasonable for the SO and its senior/general management to have taken the view that the matter was under control during much of the day on 9 August. After all, long experience has demonstrated that the system works and even when the balance is tight, participants "come to the party" so to speak with more generation and/or demand management that stops short of turning consumers lights out.

39. It seems to me that there were three potential triggers:

39.1 5:10pm; the first Grid Emergency Notice issued.

39.2 Between 6:00pm and 6:40pm as it became apparent that there were issues both with Tokaanu and dropping wind generation.

39.3 6:47pm; when the second GEN was issued, this time with a specific request to drop load by 1%.

40. Given how relatively rare GEN's are – just a handful in the previous year and none at all relating to insufficient generation – it is my view that the GEN issued at 5:10pm could reasonably have triggered escalation via the SO to its senior/general management who in turn should have directly briefed the Chief Executive who is best placed given her relationship with the Chair/Board and the Minister to make a judgment as to whether this was the appropriate time to alert stakeholders. The fact that New Zealand was in the process of seeing record demand for electricity *ever* is also a relevant fact – and one highlighted to me by senior officials during my review.¹
41. If the matter was escalated to the Chief Executive at 5:10pm, at the very least steps could have been put in place to have the communications team work on key message material and in a less frenzied environment carefully determine which external stakeholders needed to be informed either straightway or – depending on events – as the evening peak progressed.
42. In my interviews with external stakeholders there was a universal expectation expressed of wanting to be alerted at a reasonable time, and for a number this was viewed as the 5:10pm GEN. Officials made the point to me that they are often informed of risks/matters that in the end either do not eventuate or if they do, turn out to be less significant than earlier thought likely. The work involved in escalating matters under the “no surprises” policy is never considered wasted.
43. In assessing Transpower's external stakeholder communications performance with respect to 9 August, it is also appropriate to briefly examine how it met the fast moving and varied information needs of the Minister and officials in the two to three days after the event.

Government Stakeholder Information Requirements in the Following Days

44. Given the significant level of media interest that evolved from the evening of 9 August into the following morning and the fact that Parliament was sitting, it was clear to the Chief Executive and her team that there would be significant information required.
45. The GM Operations handled some eleven media interviews, commencing after 10pm on 9 August and running through the following day. It is positive to note that Transpower did not shy away from its responsibility to respond in such a manner.
46. The Chief Executive flew on an early morning flight to be in Wellington and attend, along with members of her team, a meeting with the Minister of Energy and

¹ To provide some context, since September 2016 around fifty GEN's have been issued by the System Operator, all related to matters other than insufficient generation other than those issued on 9 August and subsequently in the period 1-17 August. A single Warning Notice (WRN) for insufficient generation was issued in 2017/18.

Resources that had been urgently scheduled when the Minister spoke to her on the evening of the 9th. This provided an opportunity to brief the Minister and her accompanying officials on the events of the previous day. An already scheduled meeting was subsequently held on the 11th.

47. There was a need to provide information quickly, as not only did the Minister have ongoing media inquiries to deal with, she (and the Prime Minister) had to face the media on their way to the Labour party Caucus at 10:30am. Then later in the day there was every reasonable expectation that the Minister would have parliamentary questions to answer.
48. Shareholding Ministers of course hadn't been informed under the "no surprises" policy, so understandably officials from their offices and Treasury sought to catch up from early Tuesday 10th. This was also the case with the Department of the Prime Minister and Cabinet (DPMC).
49. Reviewing the email traffic and interviewing the GM External Affairs and Corporate Communications Manager, it was clear that there was an "all hands on deck" approach taken to meeting the information needs of Ministers and officials. While much of this was about providing details of what happened the previous evening, the Minister through her officials was also understandably seeking assurances about security of supply that coming evening.
50. Overall, in my assessment the communications performance on the Tuesday and Wednesday was a reasonable one. The Electricity Authority and officials understood the pressure Transpower was under, and their requests for information were largely met. The time pressures faced by Ministers offices and supporting officials were enormous, and inevitably this translated into demands for quick turnaround of information from Transpower.
51. In my interviews with officials there was a mix of views about the timeliness and nature of information being provided. Officials accepted that Transpower management staff put a lot of effort into trying to meet their information requests, but some noted that the information received wasn't always in a form readily able to be used by Ministers who were facing very short deadlines to dealing with media requests and parliamentary questions.
52. All officials acknowledged that the enormously fast moving environment is somewhat foreign to Transpower.

Transpower Communications Processes – Were they followed and are they fit for Purpose?

53. In summary:

- 53.1 Policies relating to internal communication of issues/events appear to have been followed with regard to the escalation process through SO management

to relevant General Managers. The only question is one of timeliness of escalation. The relevant policy is silent on issues relating to escalation from GM's (Operations and Duty GM) to the Chief Executive. In terms of improving the policy, the step of engaging with the Chief Executive should be set out specifically in the policy.

- 53.2 The situation with respect to external communications is less clear. The policies largely envisage grid outages as opposed to SO events and accordingly should be amended to cover potential grid emergencies brought about by insufficient generation. The policies should also be amended to be clear that Minister's offices should be contacted in the event of a significant issue – at the moment the policies talk of advising officials. Key policies weren't followed in their entirety here, with the two most significant shortcomings being the omission of shareholding Ministers and officials from Treasury and MBIE on the evening of 9 August and the relative lack of timeliness in advising those stakeholders who were informed of the situation on 9 August.
54. There are two sets of relevant processes to consider – those relating to internal communication/escalation of issues and those relating to communication to external stakeholders.
55. The relevant policy for internal communications is GL-DP-008 Guideline for Internal Communication during an Event or Incident. It was published on 1 April 2019.
56. The document applies to “significant events arising from system operation” and is intended to ensure that Transpower management “receive timely notification of abnormal situations that are expected to or have occurred”.
57. Section 2.1 of the guidelines sets out in diagrammatic form the expected communications pathways to be followed in an event. It seems apparent from the timeline of events that the pathways were followed, with the NCC Duty Operations Manager escalating the matter to the Duty GM and the Grid and Systems Operation Manager escalating the matter to the GM Operations.
58. Section 2.2 sets out in some detail the triggers for escalation of events – and envisages inter alia situations where it may not be possible to deliver on system operator security and power quality obligations without the need for load shedding. These conditions include “potential or actual” grid emergencies.
59. The policy further notes that the timeframe for initiating internal communications depends on the seriousness of the event and whether escalation is warranted. Accordingly, the policy is expecting SO management to exercise judgement in making these decisions.
60. I note that 2.3 of the guidelines suggest that Security Co-ordinators “err on the side of caution, i.e. if not sure escalate issues or events, irrespective of time of day”. That

makes good sense given understandable stakeholder sensitivities around security of supply.

61. As noted earlier in this report, it is arguable that this escalation could have occurred earlier than it did – perhaps as early as the first Grid Emergency Notice at 5:10pm.
62. That brings me to consider the Transpower policies/processes related to external communications.
63. I have already noted that, no doubt as a consequence of how the event moved from what management saw as “business as usual” to a real problem to manage after the revised GEN at 6:47pm, much of this work was done reactively and in a hurry.
64. While the SO policy document is very detailed on internal communication procedures, I have not been provided with any equivalent policy material relating to SO external stakeholder communication.
65. There are I understand three particular policies relating to external communications, although I’d note they appear to be written with a focus on grid outages rather than SO issues. The policies and processes set out Transpower’s approach in some detail and therefore are worth considering.

Process for Unplanned Outages Communications

66. This process is owned by the Corporate Communications Team and was last updated earlier this year.
67. It is designed to ensure that members of the communications team understand the types of issues that may arise and how they may be escalated within Transpower.
68. The process sensibly adopts a graduated approach from minor/localised events through to those leading to more significant loss of supply.
69. Reading the paper, it is designed around unplanned outages occurring due to a failure on the grid (for example in extreme weather events). There is however no reason why it couldn’t be amended to specifically cover the rare but as we have seen potentially significant SO events such as a GEN being issued due to insufficient generation.
70. This process makes it clear that the Corporate Communications Manager or Principal Advisor (Corporate Communications team) is to contact Minister’s offices, officials and the regulator in addition to handling media enquiries and monitoring/updating Transpower’s Facebook page. As noted, in the case of 9 August, the Minister of Energy and Resources office was contacted but not in a timely or appropriate manner. Meanwhile, shareholding Ministers and officials were not contacted that evening at all.

External Communications Policy

71. This policy is owned by the GM External Affairs with support from the Corporate Communications Manager and was last sighted/approved by the Board in November 2019.
72. This policy acknowledges that “our stakeholders and the wider public have a genuine and legitimate interest in our operations” and aims to meet the information needs of stakeholders in a “consistent, co-ordinated manner that protects and enhances its reputation”.
73. Both planned and unplanned outages are envisaged in this policy, which operates at a high level and links through to more detailed policies. It doesn’t get into the detail of who should be contacted and when.

Event Response – Major System Event

74. This is one of the main policies referred to in the External Communications Policy. It was last updated in May 2019.
75. Again, this policy document seems to be largely written with grid outages in mind. It sets out very comprehensive and useful trigger points to escalate events and sets out clear lines of responsibility on communication responsibilities.
76. Detailed steps to be taken during the event include a focus on “preparing and sharing information to government officials and regulators” but makes no specific reference to Ministers.
77. In light of the events of 9 August, this paper should be amended to make clear reference to both the Minister of Energy and Resources and shareholding Ministers.

Aligning with Stakeholder Expectations

78. In the days after 9 August it was entirely understandable that the communications pendulum swung somewhat to the point where stakeholders were looking for updates multiple times a day on matters relating to security of supply.
79. As the days/weeks passed, the level of frequency and detail eased as officials got up to speed with the situation that Transpower was dealing with and re-gained a degree of confidence that they would be advised of key matters in a more timely manner than was the case on 9 August. While it is outside the scope of this report, I’d briefly note that the interaction with officials during the HVDC issue on 17 August appeared to be handled to official’s satisfaction.
80. The GM External Affairs and Corporate Communications Manager have also commenced a positive process of consulting with key officials to develop an agreed

communications protocol to specify as far as possible the situations which matters should be escalated to them.

81. I welcome this collaborative approach. There is no value in me trying to substitute my judgment for those of officials. Suffice to say that achieving alignment between Transpower and officials is the key objective.
82. My only point would be that it is not likely that any communications protocol can envisage every possible event that could happen. Nor should any approach be so prescriptive that it becomes a “tick box” exercise. Judgment at senior and general management level at Transpower will always be required.

Recommendations

83. I recommend to the Transpower Board and management that the following matters be addressed.
 - a. The GM External Affairs and Corporate Communications Manager to continue its work to agree a communications protocol with key government stakeholders to ensure as much clarity as possible as to both the types of events that should be escalated and the information requirements at the point they are.
 - b. That Transpower policy GL-DP-008 Guidelines for Internal Communication During an Event or Incident be amended to specify that in the event of a Grid Emergency Notice (GEN) being issued due to anticipated insufficient generation, the GM Operations and Chief Executive are to be immediately notified by phone.
 - c. That a System Operator policy focused on communications with external stakeholders be developed. This could be based on the grid focused policy Event Response – Major System Event Policy.
 - d. That the Event Response – Major System Event policy be amended to make clear reference to both the Minister of Energy and Resources and shareholding Ministers being advised in a timely manner should a significant event occur to meet Transpower’s “no surprises” obligation.
 - e. That the Process for Unplanned Outage Communications be amended to specify that in the case of significant events, the Chief Executive’s approval for key messages is to be sought and obtained.
 - f. That in future security of supply situations, escalation both to the Chief Executive/Chair and to key government stakeholders be undertaken via phone rather than text/email.
 - g. In the event that significant security of supply issues either occur or could be reasonably foreseen to occur in the coming hours, the GM Operations and/or Duty GM should in a timely fashion pull together key management in an Incident

Management Team (IMT) to focus on meeting the Board's and key external stakeholders information needs.

- h. That through its government relations programme, Transpower External Affairs and Corporate Communications management continue to build ongoing relationships with key officials and the relevant Private Secretaries in Ministers offices to understand their information needs and make it easier to pick up the phone and make direct calls in times of need.
- i. Noting that escalation issues involve judgment in times of not always perfect information, the System Operator and Corporate Communications teams should work together to develop an annual scenario practise session to help ensure readiness for future events.

Acknowledgments

- 84. In preparing this report I interviewed a range of external stakeholders and Transpower executives to establish the facts and better understand how the situation unfolded.
- 85. Without exception, all parties were willing to provide information and engaged openly and constructively for which I am very grateful. Any errors of fact or interpretation are of course my responsibility.