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Code amendment omnibus #7: AUFLS Director Certification

Transpower, in its role as Grid Owner, welcomes the opportunity to comment on the Electricity Authority's (**Authority's**) *Code Amendment Omnibus #7 (clarification to consumer care and billing refinements and director certification for AUFLS and other amendments)*, published on 15 July 2026.

This submission responds only to proposal #6, *Annual director certification of compliance with AUFLS obligations*.

Overview

Transpower supports the objective of improving assurance and visibility of AUFLS compliance. However, we consider that the proposed director certification requirement is not well targeted. It addresses information visibility rather than the underlying causes of any non-compliance, assumes director-level certification is the appropriate solution without adequate evidence, and does not properly consider existing statutory and Code mechanisms or lower-cost alternatives to address the Authority's stated concerns.

Transpower therefore does not support the proposal in its current form. The Authority should first clarify the problem it is seeking to solve, assess whether existing information-gathering, reporting and testing obligations are sufficient to address that problem or need strengthening, and consider whether AUFLS obligations sit with the parties best able to deliver them.

This is particularly important given the increasing impact of consumer energy resources, distributed generation, batteries and changing distribution network technologies on the availability of demand for AUFLS.

Q1: Do you support the Authority's proposal to require annual director certifications of compliance with AUFLS obligations? Please explain your answer

Transpower supports measures that improve AUFLS compliance and give the System Operator and the Authority better visibility of compliance and any non-compliance. However, we do not support the proposed annual director certification requirement in its current form.

The central issue is that the consultation paper does not clearly define the problem. It identifies the importance of AUFLS and the absence of an explicit director certification requirement, then relies on limited past responses to a voluntary request for information from North Island AUFLS providers to conclude that current arrangements are inadequate.

That reasoning does not establish that the problem is insufficient director oversight, nor that director certification would address the root cause of any existing non-compliance with AUFLS requirements.

The problem definition is too narrow

By defining the issue as the absence of director-level oversight, the consultation paper effectively predetermines the solution. That is circular. A sound regulatory proposal should first identify the underlying compliance concern, the evidence for that concern, and the reasons that existing obligations or enforcement tools are inadequate.

Transpower strongly recommends that the Authority undertake further work before progressing any Code amendment in this space. That work should identify the specific compliance issues, their root causes, and the range of options available to address them, including existing tools available in the Code.

Existing statutory and Code mechanisms should be considered first

If the Authority's concern is lack of information transparency, non-reporting of breaches, inadequate testing, or insufficient information for the System Operator, existing mechanisms already address those matters.

First, section 46 of the Electricity Industry Act enables the Authority to require information from industry participants where necessary for the Authority to perform its functions, including monitoring compliance with the Act and the Code. If the issue is insufficient information, the Authority already has a direct statutory mechanism under section 46 to request and obtain AUFLS compliance from participants on a mandatory basis.

Second, regulation 7 of the Electricity Industry (Enforcement) Regulations 2010 requires participants to report breaches of the common quality and security requirements in Part 8 of the Code. If participants are not meeting AUFLS obligations, they are already required to report that non-compliance. If the Authority is concerned that breaches are not being reported, it can use its existing information-gathering powers under section 46 to obtain information on compliance and non-compliance, and enforcement tools to investigate any non-compliances, rather than adding a director certification process.

Third, if the concern is whether AUFLS systems are being tested and will operate as required, the Code already includes periodic testing and reporting obligations in relation to AUFLS in clauses 7.27 and 7.28 of the Connected Asset Commissioning and Testing Information Standards (**CACTIS**). If the Authority considers those obligations are too infrequent or are otherwise inadequate, the appropriate response is to review the relevant technical obligations, not to impose director-level certification of technical compliance.

Fourth, clause 8.25(4) of the Code requires asset owners to provide the System Operator with information required by the technical codes and CACTIS. If information is not provided, the System Operator can report that failure to the Authority under the mandatory breach reporting framework.

The Authority can then engage its current enforcement processes to investigate any non-compliances.

These existing mechanisms should be assessed, and the reasons why those mechanisms are inadequate or ineffective explained, before a new governance-level certification obligation is introduced.

Director certification is not appropriate for technical AUFLS compliance

The consultation paper refers to other Code obligations where director certification is used, including certification relating to corporate separation and non-discrimination obligations. Those matters are materially different. They concern governance-level systems and conduct that directors can reasonably oversee.

AUFLS compliance is different. It is technical and operational, involving detailed knowledge of protection systems, connected assets, load availability, testing and network configuration. It is not analogous to governance obligations that can be certified at director level without extensive technical assurance.

The Authority should not assume that director certification is suitable for all important Code obligations. Many Part 8 and Part 9 obligations are critical to system security and reliability, but that does not make director certification an appropriate compliance tool for those technical obligations.

Transpower is not aware of any precedent in the Code for directors certifying compliance with asset-level technical obligations such as those in Part 8. Any move in that direction should be justified by clear evidence of an existing unresolved issue, a robust cost-benefit assessment and consideration of other appropriate, less costly and workable alternatives that deliver tangible benefits.

Further, director certification is particularly inappropriate for Transpower's South Island AUFLS obligations. Clause 7(5) of Technical Code B of the Code expressly recognises that Transpower cannot achieve full compliance with its AUFLS obligations without the co-operation of connected asset owners. We discuss the Code's attribution of responsibility for South Island AUFLS to Transpower further below.

The South Island AUFLS responsibility model should be reviewed

A broader review of South Island AUFLS responsibilities is warranted. The current arrangements arose in a specific historical context in the early 2000s, and may no longer be the most appropriate enduring model.

The North Island and South Island AUFLS arrangements developed under different operational conditions.

In the North Island, AUFLS was originally installed in conjunction with the HVDC scheme to manage the risk of losing northward HVDC transfer. The arrangements later evolved, including through Fast Response Emergency Dispatch (**FRED**) and Interruptible Load, with distributors becoming responsible for delivery of AUFLS obligations.

In the South Island, there was historically less need for AUFLS because HVDC flows were predominantly northwards and generation dispatch was centrally coordinated. The 2001 dry winter exposed a major security-of-supply issue when large southward HVDC transfers were needed but insufficient South Island reserve generation was available to cover the loss of the HVDC link.

To address that risk quickly, Transpower installed relays on GXP feeders in consultation with distributors. The Grid Owner obligation appears to have largely arisen because Transpower built and operated the original South Island AUFLS infrastructure as part of a pragmatic and urgent response to the dry winter security concerns of the early 2000s, rather than because the Grid Owner was assessed as the optimal enduring obligation holder.

The situation is now materially different:

- Responsibility for relevant AUFLS equipment has increasingly shifted to distributors, including through the removal of historic Transpower-owned relay installations.
- Distributed energy resources, rooftop solar, batteries and emerging distribution network technologies are making visibility and assurance more challenging for a grid owner that does not control the connected assets.
- We are also seeing increasing challenges arising from large industrial loads and electrification projects connecting to distribution networks. These developments can significantly alter the composition of demand available for AUFLS and may require distributors to make difficult trade-offs between AUFLS capability, rolling outage capability, critical customer supply, and network operational flexibility.
- As a result, the entities best placed to understand available connectable load and network capability are increasingly the distribution businesses themselves.

These changes raise the question of whether accountability, responsibility and operational control for South Island AUFLS remain optimally aligned under the current framework, and whether the existing compliance model remains the most effective way of ensuring enduring South Island AUFLS capability.

Transpower's position

Transpower requests that the Authority review what the most appropriate compliance and accountability model is for ensuring South Island AUFLS compliance in a future power system.

In particular, the Authority should review whether some or all obligations should sit with, or be more directly imposed upon, the parties that own and operate the relevant distribution network assets, control feeder allocation decisions, manage new customer connections and have visibility of changing load and generation characteristics within their networks.

Q2: Do you agree that the benefits of the proposed Code amendment outweigh its costs?

No. The consultation paper does not demonstrate that the benefits of the proposal outweigh its costs.

The stated benefits are improved oversight, improved intelligence and greater awareness of AUFLS compliance. Those benefits are either already achievable through existing mechanisms, or are not supported by any evidence in the consultation document showing that director certification would materially improve compliance outcomes.

Participants should already understand their Code compliance position. If the Authority is concerned they do not, it can use existing information-gathering powers, mandatory breach reporting obligations, targeted audits, or amendments to the relevant technical requirements in order to establish and respond to any non-compliance. The consultation paper neither considers nor explains why those options are inadequate.

The proposal is also likely to impose material costs, which the Authority has not considered.

Before signing a certificate, a director would require reasonable grounds under sections 137 and 138 of the Companies Act 1993 to believe that the underlying assurance is reliable, including that appropriately qualified persons have monitored, tested and verified AUFLS compliance and that any material issues have been addressed.

Establishing that assurance is likely to require a robust internal assurance process, and potentially external technical assurance, for obligations of which the directors themselves will have little or no individual knowledge or expertise. That is materially different from the minimal process update and minimal costs referred to in the consultation. The assumed benefits of the Authority's proposal cannot be unlocked without material additional costs. The Authority has not established, or attempted to establish, that these additional costs are outweighed by benefits. In the absence of clear evidence of net benefit, the Authority should not go ahead with the proposal.'

Q3: Do you agree the proposed amendment is preferable to the alternative options considered?

No. Because the problem definition is too narrow and circular, the consultation paper does not properly assess alternative options. It assumes the problem is lack of director-level certification and therefore treats director-level certification as the only possible solution.

Transpower considers the Authority should first assess alternatives such as:

- **Reporting:** an AUFLS-specific self-reporting obligation, similar to the existing obligations on market operation service providers to self-review and self-report actual or suspected Code breaches;
- **Testing:** enhanced AUFLS testing and verification requirements under the existing CACTIS framework, for example more frequent testing, a broader class of tested assets, more detailed reporting of test outcomes, or mandatory notification of material reductions in AUFLS capability. Importantly, any enhancement of the CACTIS requirements would need to be supported by a full analysis of alternatives, costs and benefits by the System Operator (clause 7.20(2)(a) of the Code); and
- **Audit:** periodic independent audit of AUFLS compliance by a qualified external assessor, consistent with existing independent audit mechanisms for metering, registry and reconciliation functions.

The Authority should also review the allocation of South Island AUFLS obligations, as addressed above.

Q4: Do you agree with the analysis presented in this Regulatory Statement? If not, why not?

No. For the reasons set out above, Transpower does not agree with the analysis in the Regulatory Statement. In particular, the cost assessment materially understates the assurance effort that directors would require before signing a certificate on technical AUFLS compliance.

Director certification would require participants to establish processes capable of giving directors confidence about operational and technical compliance matters outside their ordinary governance expertise. For Transpower, analogous director certification processes for information disclosure compliance involve significant assurance work. A similar approach would reasonably be expected for AUFLS certification. Those costs are likely to be material for each of Transpower, North Island AUFLS providers and South Island connected asset owners that would also be required to establish assurance processes to support director certification, all of which would ultimately be borne by consumers.

Given the limited evidence of incremental benefit, the Authority has not established that the proposed amendment is proportionate or efficient.

Q5: Do you agree with the proposed Code amendment drafting? If not, why not?

Transpower does not agree with the proposed drafting. As currently framed, it extends beyond certification of AUFLS compliance and captures significantly broader matters than the consultation paper identifies.

For example, the proposed clause 8.28(2)(b) requires certification of compliance with clause 8.28(1). Clause 8.28(1) requires asset owners to comply with, amongst other things, the technical codes, asset owner performance obligations and the CACTIS. That goes well beyond the stated purpose of the proposal, which is certification of compliance with AUFLS obligations.

If the Authority does decide to proceed with the proposal despite the flaws and omissions in its analysis, we recommend the changes tracked in the revised drafting attached in Appendix 1. Text in italics, square brackets and yellow shading indicates the reason for the proposed change.

Transpower also proposes that, if the Authority does decide to proceed with the proposal, the form of the director's certificate must also be a matter for further consultation.

Yours sincerely

Joel Cook

Head of Strategy and Regulation

Appendix 1 – Amendments to Proposed Code Amendment

8.28A Annual director certification of compliance with specified obligations under this Part

(1) This clause applies to—

(a) **connected asset owners** with obligations under this Part to provide **automatic under-frequency load shedding**~~**AUFLS**~~ in the North Island~~under this Part~~; and

(b) **connected asset owners** ~~in the South Island~~ with obligations under this Part to cooperate with the **grid owner** for the provision of **automatic under-frequency load shedding** in the South Island; and

(c) each South Island~~the~~ **grid owner**.

(2) Each **participant** referred to in subclause (1) must certify to the **Authority**~~Authority~~, on an annual basis, whether the **participant** has complied with the requirements in the following clauses, to the extent they applied to the **participant** during the preceding calendar year:

(a) clause 8.19(5):

~~(b) clause 8.28(1):~~ *[This clause requires compliance with virtually everything in Part 8. It is not specific to AUFLS.]*

(b~~c~~) clause 8.37(1) in respect of any **equivalence arrangement** relating to **automatic under-frequency load shedding** obligations~~ and (3)~~: *[Subclause (3) (reporting to the ~~system operator~~System Operator) is not a substantive AUFLS obligation. If the certificate discloses an equivalence arrangement breach that has not been disclosed, the ~~system operator~~System Operator will know about that because the Authority intends to disclose the certificate to the ~~system operator~~System Operator.]*

(c~~d~~) Schedule 8.3, Technical Code A, clause ~~8(1) and~~ 8(2)(a) in respect of **automatic under-frequency load shedding** systems. *[Subclause (1) (record-keeping) relates to all assets, not AUFLS systems in particular.]*

~~(e) Schedule 8.3, Technical Code B, clause 7(1), (2), (5), (6AB), (6AC), (7), (9), (17) and (18).~~ *[Clause 8.19(5) (paragraph (a)) covers compliance with the Technical Codes for AUFLS.]*

(3) Each certification must be—

(a) submitted by 1 June of each year for the preceding calendar year; and

(b) in the **prescribed** form **published** by the **Authority**; and

(c) signed by a director (or the equivalent if the **participant** is not a company) of the **participant**.

(3B) The obligation in subclause (2) does not apply until the **Authority** has **published** the **prescribed** form of certification.

(4) The **Authority** may share certifications provided to it under subclause (2) with the ~~**system operator**~~**System Operator**~~system operator~~.

(5) For the purposes of a South Island **grid owner's** certification under subclause (2), the **grid owner** is entitled to rely on information and assurances provided by **connected asset owners** in the South Island relating to those **connected asset owners' assets** or processes, and is not obliged to independently verify that information or those assurances, unless it would be unreasonable for the **grid owner** to rely on that information or those assurances.