



24 February 2004

EXEMPTION NOTICE – Application #1

This Exemption Notice is issued by the Electricity Commission, formally constituted as the Electricity Governance Board (“the Commission”), pursuant to Regulation 194 of the Electricity Governance Regulations and Rules 2003 (“the EGRs”) in favour of M-co NZ Ltd (“M-co”).

Subject to any terms and conditions imposed upon M-co as noted below, the Commission hereby grants M-co an exemption from the requirement to comply with the following Electricity Governance Rules:

1. Rule 3.25 of Section II of Part G (consult on backup procedures)
2. Rule 7.4 of Section II of Part G (consult on backup procedures)
3. Rule 7.5 of Section III of Part G (consult on backup procedures)
4. Rule 10.7 of Section III of Part G (consult on backup procedures)
5. Rule 2.11 of Section IV of Part G (consult on backup procedures)
6. Rule 3.36 of Section V of Part G (consult on backup procedures)
7. Rule 5.11 of Section V of Part G (consult on backup procedures)

Exemption Notice to appear in the *Gazette*

Regulation 194(2) requires that an exemption, and the Commission’s reasons for granting it, must be notified in the *Gazette* as soon as practicable after being granted. Accordingly, the exemptions the subject of this Exemption Notice and the Commission’s reasons for granting them, shall be notified in the *Gazette* on 26 February 2004.

Terms and Conditions of Grant of Exemption

Pursuant to Regulation 194(1), the Commission may, in its discretion and upon the terms and conditions (if any) that it thinks fit, grant an exemption. In respect of the exemptions contained within this Exemption Notice the Commission imposes the following terms and conditions:

1. The exemption expires on 15 March 2004.
2. M-co is required to consult on the backup procedures for each of the rules referred to above with all relevant participants M-co is aware of as at 9 February 2004.

Board's Reasons for Granting the Exemptions Contained in this Notice

Pursuant to the requirements upon the Commission contained within Regulation 194(3), the Commission has, before granting the exemptions contained within this Exemption Notice:

- (a) had regard to section 172N of the Electricity Act 1992 ("the Act"),
- (b) subject to Regulation 194(4), publicised its intention to grant the exemptions, and
- (c) had regard to any views that have been made known to the Commission within the time specified by the Commission.

The reasons for granting the exemptions are as follows:

- (a) M-co, in its role as market administrator, is obliged to consult on backup procedures with relevant participants. M-co cannot know who participants are unless they register. Participants are continuing to register at the same time as M-co are consulting on the backup procedures.
- (b) It would be unreasonable for the Commission to expect M-co to consult with unregistered participants on backup procedures.
- (c) The issues affecting M-co are due to the transition from NZEM to the EGRs, and can be addressed through granting an exemption for a short period.
- (d) The backup procedures that M-co will use are virtually identical to those used in NZEM.
- (e) The Commission is unable to identify any participants who would be unduly affected by the grant of the exemption.
- (f) The Commission therefore considers it in the best interests of the market to grant the exemption.

Date upon which the Exemptions become Effective

Pursuant to Regulation 195, the date upon which the exemptions contained in this Exemption Notice take effect, being a date which is not earlier than the date of the *Gazette* notice in respect of the exemptions, is 26 February 2004.

For and on behalf of the
ELECTRICITY GOVERNANCE BOARD

Roy Hemmingway
Chairman