



24 February 2004

EXEMPTION NOTICE – Application #8

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 (“EGRs”) in favour of TrustPower Ltd (“TrustPower”).

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

1. Rule 6.12 of section II of part G (revision of reserve offers).
2. Rule 6.16 of section II of part G (notifying reserve offers).

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 exemptions are limited to reserve offers made for Patea power station at the HWA1101 node.
2. The exemptions only apply when TrustPower revises energy offers within two hours prior to the relevant trading period for Patea power station at the HWA1101 node.
3. TrustPower must submit any reserve offers at least 30 minutes prior to the relevant trading period.
4. The exemptions shall expire on 1 September 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) There appears to be a misalignment between the rules regarding energy offers and the rules regarding reserve offers, as the rules permit embedded generators to revise energy offers inside two hours but not reserve offers.
- (b) The Commission is of the preliminary view that a rule change may be required to address this misalignment but that there is insufficient time to progress a rule change by 1 March 2004.
- (c) The issues affecting TrustPower are due to the transition from NZEM to the EGRs and can be addressed through granting an exemption until an appropriate rule change can be considered.
- (d) The Commission is unable to identify any participants who would be unduly affected by the grant of the exemptions.
- (e) On balance the Commission thinks it is appropriate to grant an exemption to allow the Commission sufficient time to investigate an appropriate rule change.

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