



1 June 2004

EXEMPTION NOTICE – Application #23

Pursuant to Regulation 194 of the Electricity Governance Regulations 2003, this Exemption Notice is issued by the Electricity Commission, formally constituted as the Electricity Governance Board (“the Commission”), in favour of Transpower New Zealand Limited (“Transpower”). This exemption is being granted under urgency in reliance on Regulation 194(4).

Subject to any terms and conditions, the Commission hereby grants Transpower, in its role as system operator, an exemption from the requirement to comply with the following Electricity Governance Rule:

1. Rule 6.2 of section V of part G (constrained on payments)

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 *New Zealand Gazette* as soon as practicable after being granted. Accordingly, the exemption and the Commission’s reasons for granting them shall be notified in the *New Zealand Gazette* on 3 June 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. The Commission is also required to state an expiry date pursuant to Regulation 194(5)(b). In respect of the exemption contained within this Exemption Notice, the Commission imposes the following terms and conditions:

1. The exemption shall expire on 31 October 2004.
2. The system operator must pay to a generator any constrained on amount calculated pursuant to Rule 5.4, less any constrained on amount payable for frequency keeping provided in a trading period for which it has issued a dispatch instruction to:
 - (a) Cease providing the frequency keeping at any time less than 3 minutes after the beginning of the relevant trading period; or
 - (b) Commence providing the frequency keeping at any time less than 3 minutes before the end of the relevant trading period.

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

The reasons for granting the exemption are as follows:

- (a) The issue faced by Transpower is due to the transition from NZEM to the Rules and can be addressed through granting an exemption.
- (b) The Commission is unable to identify any participants who would be unduly affected by the grant of the exemption.
- (c) Granting the exemption will allow time for the Commission to investigate a rule change or other mitigation measures which appropriately address the issue.

Date upon which the Exemptions become Effective

Pursuant to Regulation 195, the date upon which the exemption contained in this Exemption Notice takes effect is 3 June 2004.

Pursuant to regulation 194(5)(c) the Commission will publicise the exemption on the Commission's website.

For and on behalf of the
ELECTRICITY GOVERNANCE BOARD

Roy Hemmingway
Chairman