

ELECTRICITY GOVERNANCE REGULATIONS 2003

NOTICE OF THE AMENDMENT OF EXEMPTION # 25

This Notice of the Amendment of an Exemption is issued by the Electricity Commission ("Commission"), continued under subpart 1 of Part 15 of the Electricity Act 1992, pursuant to regulation 194(5)(d) of the Electricity Governance Regulations 2003 ("Regulations") in favour of the Energy Clearing House Limited ("Clearing Manager"), Generators and the HVDC owner, as those terms are defined in the Electricity Governance Rules 2003 ("Rules"), (together referred to as the "relevant parties").

This is an amendment of the exemption granted under urgency, in reliance upon Regulation 194(4), to the relevant parties (Exemption # 25 published in the Gazette on 21 October 2004) ("Original Exemption"), from the requirement to comply with the following Electricity Governance Rules 2003 ("Rules"):

1. Rule 11.5.1 of section IV of part C.

Notice of the Amendment of an Exemption ("Notice")

Regulation 194(5)(d) requires that the Commission must publish a notice in the *Gazette* stating whether or not it decides to revoke, replace, or amend an exemption granted under Regulation 194(4) and explaining the reasons for that decision, (or stating where copies of that explanation may be obtained). Accordingly, the amendment of exemption, and the Commission's reasons for granting it, will be notified in the Gazette on 31 March 2005.

Subject to the terms and conditions imposed upon the relevant parties in respect of any exemption contained within this Notice, the Commission hereby notifies it amends the Original Exemption granted to the relevant parties from the requirement to comply with Rule 11.5.1 of section IV of Part C.

Terms and Conditions of the Grant of the Amendment of Exemption

In respect of the exemption contained within this Notice, the Commission imposes the following terms and conditions:

- 1 that the Clearing Manager determines under rule 11.7.1 the amount payable by each of the relevant participants for availability costs calculated under rule 11.5.1 by replacing the definition of "availability cost" in that rule with the following definition:

"availability cost" means the costs incurred by the **system operator** in purchasing **instantaneous reserve** and providing that **instantaneous reserve** for a **trading period**, including:

- a Payments made by the **system operator** for that **trading period** pursuant to contracts which secure the availability of **instantaneous reserves** less any readily identifiable and quantifiable costs to be paid by **asset owners** in respect of that **ancillary service** as a condition of any **dispensations** stipulated in accordance with rule 7.3.1 of section III of part C; and
- b The annual and variable costs (including any constrained-on costs) incurred by the **system operator** under any other contracts allocated by the **system operator** to that **trading period**,
but excludes any **administrative cost**;

- 2 Relevant participants make payments for availability costs as determined by the Clearing Manager under the terms and conditions above.
- 3 The exemption expires on 30 September 2005.

The Commission notes that Regulation 196 provides that an exemption may be varied or revoked, either on the application by a participant or on the initiative of the Commission.

Commission's Reasons for the Amendment of Exemption Contained in this Notice

The reasons for amendment of the exemption are as follows:

- The Original Exemption had an expiry date of 31 March 2005 to comply with Regulation 194(5)(d), as that was the earliest date that, in the opinion of the Commission, enabled it to have regard to the views of participants about the exemption. Amending the exemption to expire on 30 September 2005 will allow the Commission to continue its investigation into the rule change to appropriately address the issue.
- It is not fair or economically efficient to continue double charging dispensated generators for instantaneous reserves related to their dispensation.
- The Commission is unable to identify any participants who would be unduly affected by the amendment of the Original Exemption.

Date upon which the Amendment of Exemption becomes Effective

Pursuant to Regulation 195, the date upon which the amendment of exemption contained in this Notice takes effect, being a date which is not earlier than the date of the *Gazette* notice in respect of the exemption, is 1 April 2005.

Pursuant to Regulation 194(5)(c), the Commission will publicise the exemption on the Commission's website and will have regard to any views that participants make known to it by 5pm, 8th April 2005.

Dated at Wellington this 24th day of March 2005.

For and on behalf of the
ELECTRICITY COMMISSION

Roy Hemmingway
Chair