

NOTICE OF THE GRANT OF AN EXEMPTION # 25

This Notice of the Grant 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 of the Electricity Governance Regulations 2003 (“Regulations”) in favour of Energy Clearing House Limited (“Clearing Manager”), and 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 exemption is being granted under urgency in reliance on Regulation 194(4).

Notice of the Grant of an Exemption (“Notice”)

Regulation 194(2) requires that the exemption and the Commission’s reasons for granting it are notified in the Gazette as soon as practicable after being granted.

Subject to the terms and conditions imposed upon the Clearing Manager and relevant participants, in respect of any exemption contained within this Notice, the Commission hereby notifies it grants an exemption to the Clearing Manager and relevant participants from the requirement to comply with the following Rules:

- Rule 11.5.1 of section IV of part C.

Terms and Conditions of the Grant of the Exemption

Pursuant to Regulation 194(1), the Commission may, in its discretion and upon the terms and conditions (if any) that it thinks fit, exempt any participant, or class of participants, from compliance with all or any of the Rules. The Commission must include an expiry date pursuant to Regulation 194(5)(b). 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 31 March 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 Grant of the Exemption Contained in this Notice

The reasons for grant of the exemption are as follows:

- 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 grant of the exemption.
- Granting the exemption will allow time for the Commission to investigate a rule change to appropriately address the issue.

Date upon which the Exemption becomes Effective

Pursuant to Regulation 195, the date upon which the 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 21 October 2004.

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 4 November 2004.

For and on behalf of the
ELECTRICITY COMMISSION

Roy Hemmingway
Chair