

Electricity Governance Regulations (Exemption No. 86 (Transpower New Zealand Limited)) Exemption Notice 2008

Pursuant to Regulation 194(2) of the Electricity Governance Regulations 2003, the Electricity Commission (“Commission”) gives the following notice.

Notice

1. Title and commencement—(1) This notice is the Electricity Governance Regulations (Exemption No. 86 (Transpower New Zealand Limited)) Exemption Notice 2008.

(2) This notice comes into force on the day after the date it is notified in the *New Zealand Gazette*.

2. Exemption—Transpower New Zealand Limited, in its capacity as system operator (“system operator”), is granted an exemption from compliance with Rule 6 of Section IV of Part C of the Electricity Governance Rules 2003 (“Rules”).

3. Terms and conditions—This exemption is granted on the following conditions:

- (a) The exemption only applies to the system operator in relation to its intended contract with Genesis Power Limited to offer frequency keeping from Genesis’ Huntly Power Station;
- (b) the exemption only applies to the system operator’s obligation to use reasonable endeavours to enter into a contract with Genesis that contains obligations on Genesis to:
 - (i) provide one or more generating units at Huntly Power Station that collectively provide a response rate of at least 10 MW per minute when the grid frequency error is greater than or equal to 0.05 Hertz, as required under Rule 87 of Schedule C5 of Part C of the Rules; and
 - (ii) maintain the frequency of the grid at all times to within the normal band, as required under Rule 88.2 of Schedule C5 of Part C of the Rules; and
- (c) the system operator must use reasonable endeavours to ensure that its contract with Genesis (if any) relating to the provision of frequency keeping services based at Huntly Power Station states that Genesis must:
 - (i) provide an average response rate of at least 10 MW per minute when the grid frequency error is greater than 0.2 Hertz (that is, when the grid frequency is outside the normal band) over periods specified in the contract (being not less than 24 trading periods in duration, which trading periods may or may not be contiguous); and
 - (ii) ensure the standard deviation of the grid frequency over periods specified in the contract (being not less than 24 trading periods in duration, which trading periods may or may not be contiguous) does not exceed the maximum allowable standard deviation specified in the contract, such standard deviation to be determined by reference to the system operator measured frequency but excluding any frequency measurements that are outside the normal band.

4. Reasons for granting the exemption—The reasons for granting this exemption are:

- (a) It is necessary and desirable that the system operator is able to secure a reasonably reliable extra non-hydro resource for providing frequency keeping given the dry conditions of winter 2008. Providing frequency keeping services from a thermal (rather than hydro) means that water may be conserved and/or used more efficiently for energy generation;
- (b) the system operator has advised that the generating units at Huntly demonstrate an average response rate of 10 MW per minute over a 9 hour period, and that the generating units at Huntly demonstrate an acceptable standard deviation over a minimum period of 12 hours. This level of performance does not affect the system operator’s ability to comply with its principal performance obligations as set out in the Rules; and
- (c) securing a new plant to provide the frequency keeping may also lower the costs borne by the industry for acquiring the service. This is because it may create downward pressure on frequency costs due to added competition between the providers of frequency keeping services.

5. Urgency—(1) This exemption is granted under urgency in reliance on subclause (4) of Regulation 194.

(2) This exemption expires at the close of 5 September 2008.

(3) 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 4.00pm on 27 June 2008.

Dated at Wellington this 10th day of June 2008.

For and on behalf of the Electricity Commission:

DAVID CAYGILL, Chair.

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