

Electricity Governance Regulations 2003

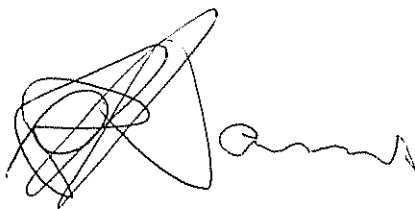
Notice of Intention to Grant Exemption to Pricing Manager

1. Pursuant to regulation 194(3)(b) of the Electricity Governance Regulations 2003 (Regulations), the Electricity Commission (Commission) gives notice that it intends, pursuant to regulation 194 of the Regulations, to exempt the Pricing Manager from compliance with rule 3.1 of section V of part G of the Electricity Governance Rules 2003 (Rules).
2. The terms and conditions upon which the Commission proposes to grant the exemption are:
 - (a) The exemption will only apply in respect of trading period 37 on 29 April 2007; and
 - (b) The Pricing Manager must calculate final prices and final reserve prices for trading period 37 on 29 April 2007 by using the methodology and inputs required under the Rules, except that the transmission security constraint that has bound in that trading period, the MGM_WDV_1_MGM_OTAS_DISABLED_S_P_1B group constraint, will be relaxed by applying the greater of 1 MW or 1% of that transmission security constraint in that trading period to the maximum flow limit of the transmission security constraint; and
 - (c) For the purposes of this exemption, a transmission security constraint will be a flow limit covered by rule 5.4(a) or rule 5.4(c) of schedule G6 of part G of the Rules, including any adjustments that have been made in accordance with paragraphs (d) and (f) of rule 4.2 of schedule G6 of part G of the Rules, but excluding a flow limit set in relation to the HVDC link; and
 - (d) The Pricing Manager must then publish final prices and final reserve prices for trading period 37 on 29 April 2007, as calculated in accordance with paragraphs (b) and (c) above, in accordance with the process and requirements set out in the Rules.

3. It is proposed that the exemption will expire on the day after the date upon which the final prices and final reserve prices are published in respect of trading period 37 of 29 April 2007.
4. The Commission's reasons for proposing to grant the exemption are as follows:
 - (a) The prices for this trading period were unprecedented (both high and low), due to a high spring washer price situation; and
 - (b) On 30 April 2007 the Commission delayed the publication of final prices and final reserve prices in accordance with rule 3.28 of section V of part G of the Rules; and
 - (c) These extreme prices would otherwise have a significant impact on some participants; and
 - (d) Although on 1 March 2007 the Minister published a notice in the *Gazette*, making an amendment to the Rules to introduce a mechanism to resolve high spring washer price situations such as this, the amendment does not come into force until 3 September 2007; and
 - (e) The Commission considers that it would be appropriate for prices for the trading period to be calculated in the manner specified in clause 2 of this notice, rather than in the manner set out in the Rules.
5. The Commission will have regard to any submissions on the proposed exemption received by 5.00pm on Friday 25 May 2007.

DATED at Wellington this 18th day of May 2007.

For and on behalf of the Electricity Commission:

A handwritten signature in black ink, appearing to read 'Peter Harris', written over a large, circular scribble.

PETER HARRIS, Deputy Chair.