

Electricity Governance Regulations (Exemption No. 40 (Pricing Manager)) Exemption Notice 2007

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. 40 (Pricing Manager)) Exemption Notice 2007.

(2) This notice comes into force on 1 March 2007.

2. Exemption—The Pricing Manager is exempted from compliance with:

- (a) Rule 4.2 of Schedule G6 of Part G of the Electricity Governance Rules 2003 ("Rules"), but only to the extent that it would otherwise apply in determining the instantaneous reserves information to be incorporated in accordance with paragraph 3(b) below;
- (b) Rule 5.4(e) of Schedule G6 of Part G of the Rules; and
- (c) Rule 5.5 of Schedule G6 of Part G of the Rules, but only to the extent it would otherwise apply in determining the instantaneous reserves information to be incorporated in accordance with paragraph 3(b) below.

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

- (a) it will expire on 30 June 2008; and
- (b) when preparing prices in accordance with Rule 5.4 of Schedule G6 of Part G of the Rules, the Pricing Manager must incorporate instantaneous reserves information for the schedule of prices for each trading period calculated as follows:
 - (i) If instantaneous reserves have been dispatched at the commencement of the trading period, then the instantaneous reserves information will be the instantaneous reserves information that was contained in the dispatch schedule that was prepared immediately prior to that trading period commencing, for that trading period, regardless of whether dispatch instructions were issued from that dispatch schedule;
 - (ii) in all other cases, the instantaneous reserves information will be set to zero.

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

- (a) to ensure clarity and consistency in the pricing process;
- (b) to provide an interim efficient method of incorporating instantaneous reserves information into the pricing process until decisions can be made in relation to a proposed rule change allowing for variable reserves. Those decisions cannot be made until after the system operator's software upgrade has been completed;
- (c) to ensure that the most appropriate instantaneous reserves information is used in the pricing process; and
- (d) to ensure that future energy/reserve shortage events do not give rise to extreme pricing outcomes, such as that which occurred during the shortage event of 10 March 2004.

Dated at Wellington this 19th day of February 2007.