

**Confirmation of Electricity Governance
Amendment Rules (No. 65) 2008 and
Notice of Reasons for Decision**

1. Pursuant to sections 172E(3)(b) and 172Z(4) of the Electricity Act 1992 (“Act”), I have decided not to recommend the revocation, replacement, or amendment of the Electricity Governance Amendment Rules (No. 65) 2008 (“Rule amendment”), which was made urgently in accordance with section 172E(3) of the Act on 18 September 2008*.
2. Pursuant to sections 172E(3)(b) and 172Z(4) of the Act, the reasons for my decision not to recommend that the Rule amendment be revoked, replaced, or amended are that the reasons for making the Rule amendment remain valid, in that:
 - (a) The amendment to Part J of the Electricity Governance Rules 2003 (“Rules”) was necessary to resolve an issue with the seasonal adjustment shapes.
 - (b) The issue arose because the reconciliation rules that came into force on 1 May 2008 provided for a change from reconciliation on the basis of differencing to global reconciliation.
 - (c) That change distorted the seasonal adjustment shapes, causing the allocation of electricity into the wrong months. That would have resulted in inaccurate allocation of non half-hour electricity volumes between reconciliation participants, which would have financially disadvantaged participants that were incumbent retailers before 1 May 2008 compared with participants that were independent retailers.
 - (d) The urgent amendment to Part J of the Rules resolved the seasonal adjustment shape issue by minimising that distortion. That was achieved by requiring the reconciliation manager to calculate and issue one-off seasonal adjustment shapes for the period spanning 1 May 2008, and requiring all electricity volumes for that period to be reconciled using the one-off seasonal adjustment shapes (including all subsequent revisions).
 - (e) The amendment also ensured that non half-hour electricity volumes were settled on the basis of accurate information.
 - (f) There are no other reasonably practicable options that would achieve the objectives of the Rule amendment.
3. Copies of the Rules, including the Rule amendment, may be inspected free of charge at, or purchased from, the Electricity Commission, Level 7, ASB Bank Tower, 2 Hunter Street, Wellington.
4. The Rules can also be viewed on the Electricity Commission’s website
<http://www.electricitycommission.govt.nz/rulesandregs/rules>

Dated at Wellington this 3rd day of March 2009.

GERRY BROWNLEE, Minister of Energy and Resources.

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