

**Notice of Making of Electricity Governance  
Amendment Rules (No. 68) 2008 and Notice of  
Reasons for Decision**

1. Pursuant to section 172I of the Electricity Act 1992 (“Act”), I notify the amendment of the Electricity Governance Rules 2003 (“Rules”) under section 172H of the Act.
2. The empowering provisions for the electricity governance regulations in relation to which the amendments to the Rules are made are sections 172D(1)(3) and 172D(1)(4) of the Act.
3. The existing procurement plan in Schedule C5 of Part C of the Rules will be replaced in its entirety with a new Schedule C5. The key changes are:
  - (a) provision for subcontracting of ancillary services – to allow for contracted ancillary service providers to sub-contract services. The contracted Ancillary Service Agent (“ASA”) will remain primarily responsible for the performance of those contracted obligations (clause 71A);
  - (b) change to the specification of frequency keeping performance:
    - (i) the requirement for an ASA to use “reasonable endeavours” to commence to respond to the system operator’s instructions is removed and replaced with a requirement for the ancillary service agent to respond to eliminate the grid frequency error (clause 88.1); and
    - (ii) the requirement relating to the response rate required from a frequency keeper is relaxed to enable a wider variety of generating plant to be used to provide frequency keeping services (clauses 88.2 and 88A);
  - (c) change to the selection of frequency keeping offers – to allow the system operator to select more than one offer to meet the frequency keeping MW band requirement (clause 115);
  - (d) provision for fixed price frequency keeping – to provide for fixed price frequency keeping offers to be considered as an alternative to the existing “half-hourly” procured service (refer in particular to clauses 26A, 39A, 103A, 105A, 105B); and
  - (e) change to measurement of Interruptible Load (“IL”):
    - (i) to allow an ASA to offer smaller quantities of reserve by confirming performance with equipment on site where it would otherwise be lost in the “noise” at the Grid Exit Point, and to use average MW data to confirm performance of IL offered as Sustained Instantaneous Reserve, but not Fast Instantaneous Reserve, (clauses 125.3 and 130.2); and
    - (ii) to clarify how the system operator accounts for pre-event load changes when assessing the performance of IL providers (clause 126).
4. Pursuant to section 172Z(4) of the Act, the reasons for my decision to amend the Rules are that:
  - (a) this amendment updates the procurement arrangements with enhancements to the specification and procurement of ancillary services; and
  - (b) the new procurement plan complies with the requirement in the Rules to review the procurement plan annually.
5. These Rules come into force on 1 December 2008.

6. Copies of the Rules may be inspected free of charge or purchased from the Electricity Commission, Level 7, ASB Bank Tower, 2 Hunter Street, Wellington.
7. The Rules can also be viewed on the Electricity Commission’s website  
<http://www.electricitycommission.govt.nz/rulesandregs/rules>

Dated at Wellington this 6th day of October 2008.

HON DAVID PARKER, Minister of Energy.

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