

AGREEMENT

Between

TRANSPower NEW ZEALAND LIMITED

And

THE GRID SECURITY COMMITTEE

IT IS AGREED:

1. INTERPRETATION

1.1 Unless the context otherwise requires:

"**Agreement**" means this agreement including the schedules;

"**Applicant**" means an Asset Owner who has made an Application;

"**Application**" means an application made under clause 4.1 of this Agreement in respect of any Asset;

"**Asset**" means equipment or plant which is part of New Zealand's interconnected electricity network as at 1 December 2000;

"**Asset Capability Statement**" means a statement supplied by an Asset Owner detailing the capability and operational limitations applying to specific Assets during normal and abnormal conditions which may arise on New Zealand's interconnected electricity network;

"**Asset Owner**" means a person who owns Assets used for the generation or conveyance of electricity;

"**Asset Owner Performance Obligations**" means the obligations defined or specified as "asset owner performance obligations" under the Draft Rulebook and includes any obligations placed on Asset Owners under the Technical Codes;

"**Board**" means the Board established pursuant to the Final Rulebook;

"**Decision Criteria**" means the criteria set out in Schedule 2 clause 2.5, as amended from time to time;

"**Dispensation**" means a dispensation from an Asset Owner Performance Obligation granted pursuant to the provisions of the Final Rulebook;

"**Draft Rulebook**" means a version of the document titled "Rules of the [New Arrangement]" which differs in content from the Final Rulebook;

"**Final Rulebook**" means the final version of the document titled "Rules of the [New Arrangement]" which is given contractual force by participants in the electricity industry;

"**Preliminary Determination**" means, in respect of any Application, a Preliminary Determination issued in accordance with clause 2.5.1 of Schedule 2;

"Principle Performance Objectives" means the objectives defined or specified as "principle performance objectives" under the Draft Rulebook, or the Final Rulebook, as the case may be;

"Suspended Determination" means a Preliminary Determination that has been suspended under clause 8.2.1;

"Transitional Dispensation" means a Dispensation granted pursuant to the Transitional Dispensation provisions in the Final Rulebook;

"Unfavourable Determination" means, in respect of any Application, an Unfavourable Determination issued in accordance with clause 2.5.2 of Schedule 2.

- 1.2 Defined Expressions:** words or phrases appearing in this Agreement with capitalised initial letters are defined terms and have the meaning given to them in this Agreement, or if not defined in this Agreement have the same meaning as set out in the Rules;
- 1.3 Headings:** section, clause and other headings are for ease of reference only and will not affect the interpretation of this Agreement;
- 1.4 Plural and Singular:** words importing the singular will include the plural and vice versa;
- 1.5 Schedules and Annexures:** any schedules or annexures to this Agreement and the provisions and conditions set out in these schedules or annexures will have the same effect as if set out in the body of this Agreement;
- 1.6 Parties:** references to parties are references to parties to this Agreement and includes that party's permitted assigns, including any person taking by way of novation;
- 1.7 Persons:** references to persons will be deemed to include references to individuals, companies, corporations, partnerships, firms, joint ventures, associations, trusts, unincorporated organisations, governmental or other regulatory bodies or authorities and other entities, in each case whether or not having separate legal personality and whether incorporated or existing in New Zealand or elsewhere;
- 1.8 Sections, Clauses, Schedules etc:** references to sections, clauses, background, schedules and annexures are references to sections and clauses of, and background, schedules and annexures to this Agreement;
- 1.9 Negative Obligations:** any obligation not to do anything will be deemed to include an obligation not to suffer, permit or cause that thing to be done;

1.10 Statutes and Regulations: references to a statute include references to regulations, orders, rules or notices made under that statute and references to a statute or regulation include references to all amendments to that statute or regulation whether by subsequent statute or regulation or otherwise;

2. TERM

2.1 Term: This Agreement commences on the date it has been signed by both parties and continues until it is terminated in accordance with clause 2.2.

2.2 Termination: This Agreement will terminate on the earlier of:

2.2.1 Commencement of Rules: the date when the Final Rulebook becomes operational; or

2.2.2 Notice: the expiry of 30 days written notice of termination which may be given by either the GSC or the System Operator at any time.

2.3 Effect of Termination:

2.3.1 GSC Not Relieved of Cost Recovery Obligation: The termination of this Agreement shall not relieve the GSC of its obligation under clause 10.1.

2.3.2 Applications Cease: If this agreement is terminated in accordance with clause 2.2.2 the obligation on the System Operator to consider any Application ceases.

3. APPOINTMENT OF THE SYSTEM OPERATOR

3.1 Appointment: The GSC engages the System Operator on the terms and conditions set out in this Agreement, to carry out the following functions on behalf of the GSC:

3.1.1 Process and Consider Applications: to process and consider Applications; and

3.1.2 Make Decisions: to make decisions in respect of Applications to issue either a Preliminary Determination or issue an Unfavourable Determination; and

3.1.3 Additional Functions: carry out such other functions as may be agreed by the GSC and the System Operator in writing in connection with the exemption of Asset Owners from the Asset Owner Performance Obligations.

3.2 Acceptance: The System Operator agrees to carry out the functions set out in clause 3.1 in consideration of the GSC's obligations set out under this Agreement, including particularly the obligation under clause 10.1.

4. APPLICATION PROCEDURE

4.1 Application: Any Asset Owner that considers that it cannot or may not be able to meet any Asset Owner Performance Obligation in respect of any of its Assets (or any configuration of its Assets) may make an Application to the System Operator for a Preliminary Determination under this agreement.

4.2 Form of Applications: All Applications must comply with the requirements set out in Schedule 1 (as amended from time to time). The System Operator shall have no obligation to consider, or make a decision on any Application that does not comply with the requirements of Schedule 1.

4.3 Deadline for Applications: Taking into account the desire to have processed all Applications prior to the Final Rulebook becoming operational, the GSC and the System Operator must agree a deadline for the making of Applications ("Deadline"). The GSC will advise any Deadline to Asset Owners. The GSC and the System Operator may agree to extend the Deadline in respect of any Applications where there is a significant change to the Asset Owner Performance Obligations in the Draft Rulebook or on the merits of an individual Application.

4.4 Variation or Withdrawal of Application: An Applicant may vary or withdraw its Application at any time by giving written notice to the System Operator. If such notice is given after the System Operator has already commenced consideration of that Application, and the variation or withdrawal is not due to a change to the Draft Rulebook, the system operator may require (as a condition of continuing to process the Application) that the Applicant meets the reasonable incremental costs of the System Operator that result from the variation or withdrawal of the Application.

4.5 Amendments to Schedule 1 and 2: The GSC and the System Operator may agree to amend Schedule 1 and 2 and such amendment will be notified to Asset Owners in writing.

5. CONSIDERATION OF APPLICATIONS AND ISSUING OF DECISIONS

5.1 Consideration of Application: Subject to the relevant asset owner accepting the conditions set out in clauses 6.3 and subject to clauses 5.2, 5.3 and 5.7 the System Operator shall consider any Applications received and issue a decision in respect of that Application in accordance with the process set out in Schedule 2.

- 5.2 Under Frequency Standards:** The System Operator will only consider Applications relating to underfrequency standards when the Frequency Standards Working Group (FSWG) recommendations on this issue have been considered, incorporated into the Draft Rulebook, and where any appropriate decision criteria is included in Schedule 2.
- 5.3 The System Operator May Reasonably Refuse to Consider Application:** The System Operator may, acting reasonably, refuse to consider any Application if it considers the Application is frivolous. The System Operator shall advise the GSC of any Applications that it refuses to consider.
- 5.4 Written Record of Applications, Preliminary Determinations and Unfavourable Determinations:** The System Operator will keep a written record of all Applications it receives, stating the date, the name of the Applicant and the location of the Asset. The System Operator will also keep a written record of all Preliminary Determinations and Unfavourable Determinations that it issues and in respect of each it will state the name of the Applicant, the date, the Asset and Asset Owner Performance Obligation in respect of which the Application has been made and the nature and details of the decision (including any conditions that the System Operator has imposed in connection with the decision).
- 5.5 Provide Information to the System Operator and Electricity Governance Board:** The System Operator will provide all the information referred to in clause 5.4 to the System Operator and the Electricity Governance Board when the Final Rulebook becomes operational.
- 5.6 Regular Reports to the GSC:** The System Operator will regularly report to the GSC, by way of the System Operator reports to the GSC meetings, on the number of Applications it has received, the associated costs and timeframes for processing them, the number of Preliminary Determinations and Unfavourable Determinations issued and any concerns it has over the application of this agreement. This information will be published on the GSC website after each GSC meeting.
- 5.7 Asset Capability Statements:** The System Operator will not consider any Application or make any decision until such time as the System Operator determines, at the System Operator's discretion, that it has received from Asset Owners sufficient information from the Asset Capability Statements for the System Operator to be able to diligently consider Applications and make informed decisions.

6. RECOGNITION OF PRELIMINARY DETERMINATIONS

6.1 Provision in Final Rulebook: The GSC and the System Operator will use all reasonable endeavours to ensure that the Final Rulebook contains provisions which reflect the following:

6.1.1 Preliminary Determinations issued under this agreement will become Transitional Dispensations under the Final Rulebook provided that the System Operator is satisfied that all conditions in clause 7.1 of this agreement are met prior to the Final Rulebook becoming operational; and

6.1.2 Transitional Dispensations will be subject to the following provisions of the Final Rulebook relating to Dispensations: Rule 7.3.2, 8.1, 8.2, 8.3, 9.2, 9.3, and 9.4, section III, Part C of the Draft Rulebook dated 8 November 2001 (the version that was tabled at EGEC); and

6.1.3 Transitional Dispensations will be subject to any asset specific conditions imposed on the Preliminary Determinations in accordance with clause 7.2.

6.2 Decisions have no Status Pending Final Rulebook becoming operational: The GSC and the System Operator acknowledge that Preliminary Determinations in themselves have no status in terms of any rulebook including MACQS, the Draft Rulebook or the Final Rulebook. Further the Preliminary Determinations provide no basis for any exemption from any other obligation that any Asset Owner is now or may in the future be liable to comply with (including in particular any obligations imposed by the 'Common Quality Obligations' and 'Connections' documents issued from time to time by the System Operator). Neither the GSC nor the System Operator shall make any representation to any person that the Preliminary Determinations have any status or that they will entitle any person to a Dispensation under the Final Rulebook unless the conditions contained in clause 7.1 of this agreement are satisfied.

6.3 Conditions of Applications: It will be a condition of every Application that the Applicant agrees, to the satisfaction of the System Operator that:

6.3.1 Conditional Promise as to Grant of Transitional Dispensation: neither the GSC nor the System Operator makes any representation or warranty that the issue of a Preliminary Determination will entitle the holder of that Determination to a Dispensation under the Final Rulebook unless the conditions contained in clause 7 of this agreement are satisfied, asset specific conditions contained in the Preliminary Determination are fulfilled, or to any other exemption from any obligation placed on that person; and

6.3.2 Transitional Dispensations subject to Final Rulebook provisions: if a Preliminary Determination becomes a Transitional Dispensation due to the conditions set in clause 7.1 being satisfied, that the Transitional Dispensation will be subject to the provisions of the Final Rulebook relating to Transitional Dispensations and will also be subject to the asset specific conditions imposed on the Preliminary Determination being satisfied; and

6.3.3 Waiver: it waives any claim it may have under contract, tort equity or otherwise against the GSC or the System Operator in respect of any Application or decision made pursuant to this Agreement (including the disclosure of any information by the System Operator in accordance with this Agreement).

7. CONDITIONS OF PRELIMINARY DETERMINATIONS

7.1 General Conditions for all Preliminary Dispensations:

The System Operator is to be satisfied that the following conditions are to be met in order for Preliminary Determinations to become Transitional Dispensations under the Final Rulebook:

7.1.1 that the Final Rulebook becomes operational;

7.1.2 that the Final Rulebook is binding upon sufficient members of the electricity industry for the System Operator, in its opinion, to have confidence in the effectiveness and integrity, of the dispensation regime provided for under rules 7, 8 and 9 of Section III of Part C;

7.1.3 that the provisions set out in clause 6.1 are reflected in the Final Rulebook;

7.1.4 that there are no changes from, or additions to, the Draft Rulebook dated 8 November 2001 (the version that was tabled at EGEC) which, in the System Operator's opinion, affect the liability of the System Operator under the Final Rulebook or the decision making framework for issuing dispensations;

7.1.5 there are no changes from, or additions to, the asset owner performance obligations or principal performance objectives in the Draft Rulebook dated 8 November 2001 (the version that was tabled at EGEC) which, in the System Operator's opinion, affect the System Operator's ability to meet its principal performance objectives under the Final Rulebook;

- 7.1.6 that assumptions about the capability of assets made by the System Operator for the purposes of deciding an Application, in the absence of an Asset Capability Statement, are sustainable when the System Operator is provided with an Asset Capability Statement in respect of those assets;
- 7.1.7 that Transpower becomes the System Operator under a service provider contract.
- 7.1.8 that the initial Procurement Plan is agreed by the System Operator and the Electricity Governance Board and in place when the Final Rulebook becomes operational;
- 7.1.9 that the impact of the Preliminary Determinations issued under this Agreement on ancillary services procurement is adequately accommodated in the initial Procurement Plan; and
- 7.1.10 that the Final Rulebook retains the rule that where an Asset Owner has a Transitional Dispensation that there is no guarantee that the System Operator will dispatch that Asset.
- 7.1.11 that the Commerce Commission has considered that the Transitional Dispensation provisions of the Draft Rulebook do not contravene the Commerce Act 1986.

7.2 **Asset Specific Conditions:** The System Operator may impose any reasonable conditions specific to that Asset, including the duration of the Transitional Dispensation, which will attach to any Transitional Dispensation under the Final Rulebook.

7.3 **New information:** In the case of all Preliminary Determinations if new information comes to light which leads the System Operator to believe that a Transitional Dispensation would compromise its ability to meet its principal performance objectives then the System Operator can recommend additional conditions be imposed subject to approval by the GSC after consultation with the affected parties and confirmation that the conditions are consistent with the Guiding Principles of the Final Rulebook.

8. REVOCATION AND AMENDMENT OF PRELIMINARY DETERMINATIONS

8.1 **Revocation of Decisions:** If, at any time after the System Operator issues a Preliminary Determination, the System Operator is satisfied that:

- 8.1.1 **False or Misleading Information:** the information on which that decision was made was false or misleading in any material manner; or

8.1.2 Change in Circumstances: there has been a change in circumstances since the decision was issued whereby the System Operator considers, if it was to reconsider the Application in light of the changed circumstances it would make an Unfavourable Determination; or

8.1.3 Non Compliance with Conditions: it becomes evident to the System Operator that the conditions set out in clause 7.1 cannot be satisfied or that the Applicant cannot or will not comply with the asset specific conditions attached to the Preliminary Determination was made;

the System Operator may revoke the Preliminary Determination by giving written notice to the relevant Asset Owner.

8.2 Notifies Change to Asset Owner Performance Obligations: If at any time the System Operator becomes aware that there is any amendment to any of the Asset Owner Performance Obligations or Principal Performance Objectives, notwithstanding any other provision in this agreement, the following shall apply:

8.2.1 Suspension of Preliminary Determinations: all Preliminary Determinations which have been issued in relation to that Asset Owner Performance Obligation or Principal Performance Objective prior to the amendment being notified will be deemed suspended;

8.2.2 Notification of Asset Owners: the System Operator will notify all holders of Suspended Determinations of such suspension, provided that the failure or delay to so notify any Asset owner shall not relieve the relevant Preliminary Determination from being a Suspended Determination;

8.2.3 Reconsideration of Suspended Decisions: The System Operator will, as soon as possible, reconsider all Suspended Determinations in light of the amended Asset Owner Performance Obligations or Principal Performance Objectives. The System Operator may seek further information from the Asset Owner to facilitate such reconsideration and the Asset Owner shall supply such information. In reconsidering any Suspended Determination the System Operator shall, acting reasonably, determine whether or not it is necessary to carry out the full process set out in Schedule 2. The System Operator may depart from, or shorten, such process if reasonable as regards any given Suspended Determination.

8.2.4 Confirmation or Revocation: After reconsideration of a Suspended Determination the System Operator will either:

- (a) confirm that the decision is a Preliminary Determination (and such decision shall cease to be a Suspended Determination); or
- (b) notify the Asset Owner that, in light of the amended Asset Owner Performance Obligations or Principal Performance Objectives the Preliminary Determination has been revoked and is replaced with an Unfavourable Determination.

8.3 GSC and the System Operator may opt not to reconsider immediately: In the event that there is any amendment to any Asset Owner Performance Obligation or Principal Performance Objective the System Operator and the GSC may agree to delay the suspension and reconsideration of previously issued Preliminary Determinations so as to avoid the System Operator carrying out unnecessary work.

9. APPEALS

9.1 Appeal Rights: The GSC will use its best endeavours to ensure that there is a rule in the Final Rulebook that allows when the Final Rulebook becomes operational, any Applicant to appeal an Unfavourable Determination issued by the System Operator or any Asset specific condition imposed by the System Operator under cl 7.2 of this agreement, in accordance with the appeal process for dispensations in the Final Rulebook.

10. COSTS

10.1 Cost Recovery under Final Rulebook: In consideration of the System Operator carrying out the functions provided for under this Agreement the GSC agrees that it will use its best endeavours to procure that all of the costs incurred by the System Operator pursuant to this Agreement are recovered as part of the "MACQS Establishment Costs" that are to be recovered from electricity industry participants under the Final Rulebook.

10.2 Cost Recovery where no Final Rulebook: In the event that there is no Final Rulebook, in consideration of the System Operator carrying out the functions provided for under this Agreement the GSC agrees that it will use its best endeavours to ensure that all of the costs incurred by the System Operator pursuant to this Agreement are recovered as part of the "MACQS Implementation costs" under MACQS.

11. LIABILITY

11.1 System Operator Liability: The GSC agrees that the System Operator shall have no liability to the GSC for any loss, damages, costs, expense or liability suffered, claimed or incurred by any person as a result of any act, omission, default or negligence of the System Operator, its officers, agents and employees in connection with this Agreement.

11.2 GSC Liability: The System Operator acknowledges that in entering this Agreement the members of the GSC are not acting in a personal capacity but are acting on behalf of electricity industry participants, and as such the System Operator agrees that the members of the GSC will not, in their personal capacity, be liable for any loss, damages, costs, expense or liability suffered claimed or incurred by the System Operator as a result of any act or omission to act by the GSC in respect of this Agreement.

12. CONFIDENTIALITY

12.1 Non-disclosure: Except as provided otherwise in this Agreement, the System Operator will keep confidential any information provided by an Applicant relating to an Application and not disclose such information to any other person without the prior written consent of the Applicant. At any time the Applicant can waive this confidentiality requirement.

12.2 Exceptions: Clause 12.1 is not to apply to the disclosure of any information by the System Operator:

12.2.1 Appeals: to the Rulings Panel appointed under the Final Rulebook, for the purposes the Rulings Panel hearing an appeal lodged by the Applicant;

12.2.2 Release of information to the Electricity Governance Board upon termination of this agreement: to the Electricity Governance Board upon the termination of this agreement due to the Final Rulebook becoming operational;

12.2.3 As Required by Law or Stock Exchange: to any person to whom the System Operator reasonably believes it is required to disclose to by law or to meet the listing requirements of any stock exchange;

12.2.4 Industry Agreements: to any person to whom the System Operator reasonably believes it is required to disclose to so as to comply with the provisions included in the Final Rulebook when it becomes operational;

12.2.5 Disputes: in any mediation, arbitration, adjudication or legal proceeding of any kind arising out of or in connection with this Agreement or otherwise in compliance with the order of any court of competent jurisdiction;

12.2.6 Public Domain: to the extent that the information at the time of disclosure was, or subsequently has become, generally available to the public other than as a result of unauthorised disclosure by the System Operator;

12.2.7 Already Known: to the extent that the information was already known to the System Operator at the time of disclosure and came into the System Operator's possession otherwise than by breach of any confidential obligation owed to an Applicant or the information was disclosed to the System Operator on a non-confidential basis by a third party who was not bound by any confidential obligation.

12.2.8 Disclosure on aggregated basis: to the GSC where the information has been compiled into aggregated statistical data and such disclosure will not, in the reasonable opinion of the System Operator, in a material manner commercially disadvantage the applicant.

12.3 Survive Termination: The whole of this clause 12 is to survive termination of this Agreement.

13. DISPUTE RESOLUTION

13.1 Dispute: Any dispute between the parties which arises in connection with this Agreement must be dealt in accordance with this clause 13.

13.2 No Other Action: A party must not commence or maintain any actions or proceeding in any court, tribunal or otherwise unless it has complied with clauses 13.3 and 13.4.

13.3 Dispute Notice: When a party considers that a dispute to which this clause 13 applies has arisen, it must give written notice of the dispute to the other party and set out reasonable particulars of the matter in dispute ("Dispute Notice").

13.4 Discussions: Within 14 days of receiving a Dispute Notice, an employee nominated by the System Operator and the Chairperson of the GSC must meet and try and resolve the dispute by holding good faith discussions.

14. ASSIGNMENT

- 14.1 Assignment of GSC rights and obligations under this agreement:** The GSC may with the agreement of the System Operator assign its rights and obligations pursuant to this agreement to the Electricity Governance Board, intended to be established under the Final Rulebook.
- 14.2 Assignment of System Operator rights and obligations under this agreement:** The System Operator may not assign any of its rights and obligations pursuant to this agreement unless the assignee is a wholly owned subsidiary of the System Operator.

15. GENERAL

- 15.1 Entire Agreement:** This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior understandings, agreements, representations and correspondence between the parties.
- 15.2 Severability:** If any provision of this Agreement is held to be illegal, invalid or unenforceable, this Agreement will be considered divisible and inoperative concerning that provision to the extent it is held to be illegal, invalid or unenforceable. In all other respects this Agreement will remain in full force and effect.
- 15.3 Governing Law and Jurisdiction:** This Agreement will be governed by, construed and interpreted in accordance with New Zealand's laws and the parties irrevocably submit to the non-exclusive jurisdiction of the New Zealand courts or any court which may hear appeals from these courts.
- 15.4 Counterparts:** This Agreement may be executed in any number of counterparts each of which will be deemed an original and all of which together will constitute a single instrument, and any party may enter into this Agreement by executing any such counterpart; and
- 15.5 Delay:** No failure or delay by any party in exercising any right, power or privilege under this Agreement or under any of the documents delivered in connection with this Agreement (and no course of dealing between or among any of the parties) will operate as a waiver of any such right, power or privilege.
- 15.6 Waiver:** No waiver of any default or potential default on any one occasion will constitute a waiver of any subsequent or other default or potential default, and no single or partial exercise of any such right, power or privilege will preclude the further or full exercise thereof.

15.7 Other Amendments: No party may vary or amend this Agreement without the prior written consent of the other party.

15.8 Assignment and Novation: No party will assign, novate or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other party.

SIGNED on behalf of the **GRID SECURITY COMMITTEE** by the **HONOURABLE DAVID CAYGILL**

David Caygill, Chair of the Grid Security Committee

Witnessed by:

Name
Address
Occupation

SIGNED by **TRANSPower NEW ZEALAND LIMITED**

Kevin Mackey, Authorised Signatory

Witnessed by:

Name
Address
Occupation

SCHEDULE 1

1. CONTENTS OF SCHEDULE

This schedule sets out the process for Asset Owners to make an Application.

2. APPLICATION AND SUPPORTING INFORMATION

Each Application must be in writing and must:

- 2.1 Specify the Asset Owner Performance Obligation:** specify the particular Asset Owner Performance Obligation in respect of which a decision is sought;
- 2.2 Provide supporting information:** provide supporting information for the Application, including sufficient information about the actual capability of the Asset or configuration of Assets to enable the System Operator to make an informed decision;
- 2.3 Provide certificate from Director/CEO:** include a certificate signed by a director of the Applicant or the Chief Executive Officer (or equivalent) of the Applicant stating that all information supplied is true and correct to the best of their knowledge and belief having made reasonable inquiry and may be relied on by the System Operator;
- 2.4 Specify required term:** specify the desired duration of the exemption that the Asset Owner will seek;
- 2.5 Acknowledge Status of Decision and Accept that GSC and the System Operator have no Liability:** contain the Applicant's written agreement that the Applicant agrees with the conditions set out in clause 6.3.

SCHEDULE 2

1. CONTENTS OF SCHEDULE

This schedule sets out the process by which the System Operator considers an Application and issues a decision.

2. APPLICATION PROCESS

2.1 Receipt of Application: Within 10 working days of receipt of an application, Transpower will:

2.1.1 Notify the GSC: notify the GSC of the Application;

2.1.2 Provide an estimate of time: provide the Applicant, with an estimate of the likely time it will take to consider the Application and make a decision (taking into account clause 2.2 of this Schedule); and

2.1.3 Provide an Estimate of Cost: provide the GSC with an estimate of the likely costs associated with processing the Application based on Transpower's approved fee rates and external costs (if any).

2.2 Order of Considering Applications: Transpower shall, consider Applications and issue decisions in the order agreed with the GSC from time to time.

2.3 Comply with Time and Cost Estimate: Transpower and GSC will use all reasonable endeavours to ensure that all Applications are processed, prior to the Final Rulebook becoming operational. Transpower will use reasonable endeavours to process the Application within the time frame and costs estimated in accordance with clauses 2.1.2 and 2.1.3 of this Schedule. In the event that Transpower cannot process the application within the timeframe or costs originally estimated, it will give notice of this fact and its amended estimates of timeframe or costs to the Applicant or the GSC (as the case may be). Nothing in this clause, or clause 2.1.3 shall prevent Transpower from claiming its proper costs of processing any Application in accordance with clause 10.1.

2.4 Additional information: Transpower may require the provision of additional information at any stage during the consideration of the Application, and provided Transpower's requirements are reasonable, the Applicant must provide the requested information. If the Applicant fails to provide such information Transpower may refuse to continue processing the Application.

2.5 Decision Criteria: When Transpower is satisfied it has all the information required to make an informed decision, it will make a decision (which will be either to issue a Preliminary Determination or issue an Unfavourable Determination), in accordance with the following criteria:

2.5.1 A Preliminary Determination should generally be issued in respect of Assets or a configuration of Assets which cannot comply with any Asset Owner Performance Obligation if Transpower has a reasonable expectation that the System Operator (as such role is envisaged in the Draft Rulebook) will be able to continue to operate the existing system and meet the Principle Performance Objectives (taking into account the effect of any relevant existing local quality agreements or arrangements between Transpower and any person) notwithstanding the particular non compliance of those Assets. Where this is the case and unless the asset specific conditions state otherwise, the Preliminary Determination will provide that the Transitional Dispensation will be for the lifetime of the relevant parts of those Assets or Configuration of Assets as agreed between Transpower and Asset Owner, or until those relevant parts undergo major refurbishment whichever first occurs.

2.5.2 An Unfavourable Determination will be issued in all other cases after the System Operator has given the Applicant notice of the System Operator's intentions and given the Applicant a reasonable opportunity to discuss the issue with the System Operator.

2.6 Record of Decision: Transpower's written record of any Preliminary Determination will include any asset specific conditions that Transpower imposes in the Preliminary Determination together with commentary on:

2.6.1 an assessment by the System Operator of the technical issues raised by the Application or that would be raised if a Transitional Dispensation was to be granted under the Final Rulebook;

2.6.2 an assessment as to any changes that may be required to ancillary services procurement if a Dispensation was to be granted under the Final Rulebook (taking into account the regime for ancillary services procurement that is likely to apply under the Final Rulebook insofar as they are known at the time the decision is issued);

2.7 Notification: The System Operator will advise the Applicant of its decision in writing and, with the exception of third party information nominated by the System Operator as being confidential, of the reason for that decision.

2.8 Conditional Decision: In considering any Application the System Operator will have regard to any conditions that would be required to be met by the Asset Owner in order for a Preliminary Determination to be issued, including the duration of the Dispensation. A Preliminary Determination will be issued subject to the conditions contained in clause 7.1 of this agreement and any asset specific conditions that the System Operator considers reasonable to impose.