

# Part I: Implementation and transition

## I Introductory rules

### 1 Contents of part I

The purpose of part I is to define the implementation arrangements for the **rules** and the process for transition from **MACQS**, **MARIA** and **NZEM**.

### 2 Application of part I

All persons who are **members** of part A are also **members** of part I. For the purposes of rules 3.1 and 3.2 of section IV of part A, the rules in this part I may be changed only by a **resolution** of **members** voting in accordance with the processes set out in rule 4 of section IV of part A and the voting entitlements contained in schedule A6, or by the **Board** under rule 1.9 of section IV of part A.

### 3 A guide to interpretation

In addition to the defined terms listed in Annexure A, this part I uses the defined terms outlined in schedule 1.

## II Implementation

### 1 Initial fees and budget

### 2 initial service provider contracts

#### 2.1 Special provisions for first service provider contracts

The first contracts appointing **service providers** will be negotiated by **EGEC**. Every person who is automatically accepted as a **member** under rule 3 is deemed to have agreed to be bound by the terms of those contracts, as negotiated by **EGEC**.

### 3 Initial members

#### 3.1 Members of MARIA and NZEM

From, and including, the **commencement date**:

##### 3.1.1 *Current MARIA membership*

All persons who were **MARIA parties** and **distributors** at the date that the chair of the **MARIA** Governance Board advises **EGEC** that the rules have substantially terminated and who apply to **EGEC** to become **members** of these **rules** shall be automatically admitted as automatically **members** of, and bound by, these **rules**.

##### 3.1.2 *Current NZEM membership*

All persons who were **NZEM Market Participants** at the date that the chair of the **NZEM** Rules Committee advises **EGEC** that the rules of **NZEM** have substantially terminated and who apply to **EGEC** to become members of these **rules** shall be automatically admitted as **members** of, and bound by, these **rules**.

#### 3.2 Interim applications

Any application for membership of either **MARIA** or **NZEM** that has been received but not decided upon prior to the **commencement date** shall be deemed to be an application made for membership under these **rules** and shall be dealt with in accordance with these **rules**.

### 3.3 Other types of participants

All persons who were **MARIA approved test houses** and **data administrators** at the date that the chair of the **MARIA** Governance Board advises **EGEC** that those rules have substantially terminated and who prior to that date agree to become participants to the **rules** will be automatically admitted as **test houses** or **data administrators** (as the case requires) under these **rules**.

## 4 Grace period

### 4.1 Rulings Panel discretion

The **Rulings Panel** has, for the 3 months following the **commencement date**, a discretion, when considering what penalty, if any, is to be set in relation to any breach of the **rules**, to waive or lessen the penalty where the rule breached differs to those found in the **MARIA** or **NZEM** rules, or to **common quality** obligations or practices that operated before the **commencement date**, and was inadvertent because of that difference.

## 5 Transitional exemptions

**Generators** and **purchasers** may qualify for an exemption from full compliance with certain rules in part G for a period of six months from the date these **rules** come into effect (the "**exemption period**"), as set out below.

### 5.1 Qualifying for a generator transitional exemption

A **generator** may apply for a **transitional exemption** where:

#### 5.1.1 *Subject to qualifying generation*

The quantity of **electricity** sold by the **generator** to the **NZEM clearing manager** between 1 April 2000 and 31 March 2001 (the "**qualifying period**") was less than or equal to 10% of the total reconciled quantity of electricity injected into the **grid** by that **generator** during the **qualifying period** (the "**qualifying generation**"); and

#### 5.1.2 *Relevant offers to be specified*

The **generator** applies to the **Board** for a **transitional exemption**, specifying in accordance with rule 3.8 and 3.9 of section II of part G, how it will offer quantities of **electricity** for sale to the **clearing manager**, and adheres to that application during the **exemption period**; and

### 5.1.3 *Requirements for assessing qualifying generation*

The reconciled quantities used in rule 5.1.1 to determine whether the **qualifying generation** is exceeded are calculated on the same basis as the generation is specified in accordance with rule 5.1.2.

## 5.2 **Qualifying for a purchaser transitional exemption**

A **purchaser** may apply for a **transitional exemption** where:

### 5.2.1 *Subject to qualifying demand*

The quantity of **electricity** purchased by the **purchaser** from the **NZEM clearing manager** during the **qualifying period** was less than or equal to 10% of the total reconciled quantity of electricity taken from the **grid** by that **purchaser** during the **qualifying period** (“the **qualifying demand**”); and

### 5.2.2 *Relevant bids to be specified*

The **purchaser** applies to the **Board** for a **transitional exemption**, specifying the **grid exit points** at which it will purchase quantities of **electricity** from the **clearing manager**, and for which it will make **bids** during the **exemption period**; and

### 5.2.3 *Requirements for assessing qualifying amounts*

The reconciled quantities used in rule 5.2.1 to determine whether the **qualifying demand** is exceeded are calculated on the same basis as the demand is specified in accordance with rule 5.2.2.

## 5.3 **Transitional exemptions for certain generation**

Any **generator** that qualifies for a **transitional exemption** under rule 5.1 will be required to comply with the rules in part G in respect of the relevant generation except that:

### 5.3.1 *Offer to be at default price*

**Offers** will be at the default price specified in rule 3.7 of part G, section II.

### 5.3.2 *Offer revisions within 2 hours accepted at face value*

Where an **offer** is revised in accordance with rule 3.19 of section II of part G, then that revised **offer** will be accepted as **bona fide** without justification from the **generator**; and

### 5.3.3 *Pre-agreed dispatch according to offers*

The **system operator** will permit a **generator** holding a **transitional exemption** to adjust its own output provided it remains within 10 **MW** of its

**offer** for that **trading period** and the **system operator** does not require the **generator** to adjust its output in order to meet the **dispatch objective** or restoration objective.

#### 5.4 Transitional exemptions for purchasers

Any **purchaser** that qualifies for a **transitional exemption** under rule 5.2 will be required to comply with the rules in part G in respect of the relevant demand except that:

##### 5.4.1 *Bids to be at default price*

**Bids** will be at the default price specified in rule 3.12 of part G, section II.

##### 5.4.2 *Bid revisions within 2 hours accepted at face value*

Where a **bid** is revised in accordance with rule 3.19 of part G, section II, then that revised **bid** will be accepted as **bona fide** without justification from the **purchaser**.

#### 5.5 Special conditions of transitional exemptions

Notwithstanding that differences between **offers**, **bids** and scheduled quantities will occur in each **trading period** within the limits specified in rule 17 of part G, section II, the **Rulings Panel** may revoke any **transitional exemption** where:

##### 5.5.1 *Consistent mismatches observed*

Consistent patterns of over or under bidding are observed on a week to week basis; and

##### 5.5.2 *Reasonable explanations not provided*

The relevant **member** is unable to provide the **Board** with a reasonable explanation of the patterns observed.

## 6 GSC working group

### 6.1 Continuity

From, and including, the **commencement date** there shall be a working group, for the purpose of rule 6.2, known as the **GSC working group**. The membership of the **GSC working group** shall be made up of the membership of the **GSC** as at the **commencement date**. Members of the **GSC working group** shall be entitled to be remunerated on the same basis as they were remunerated under the **MACQS** rules as at the **commencement date**. The **GSC working group** shall be disbanded 6 months following the **commencement date** unless the **Board** resolves otherwise. If, during that six-month period, any person ceases to be a member of the **GSC working**

**group**, the **Board** may appoint a replacement for the person whose membership has ceased.

## **6.2 Board to consult GSC working group**

The role of the **GSC working group** is to:

### **6.2.1 Advise on common quality rules**

Advise on the application of **common quality** rules and **technical codes** including proposed variations

### **6.2.2 Advise on procurement plan and policy statement**

Advise on the **procurement plan** and **policy statement**

### **6.2.3 Advise on development plan**

Advise on the common quality development plan

### **6.2.4 Oversee dispensations**

Oversee the transitional dispensation development process

### **6.2.5 Other**

Indicate such other functions as the **Board** may request from time to time

but not (except as expressly provided elsewhere in the **rules**) in relation to rulemaking or the obligations of the **system operator**.

### III Transition from MACQS

#### 1 MACQS cost recovery

The **MACQS** development costs are [\$6.0 - \$6.5m] made up as follows:

##### 1.1.1 Reform costs

**MACQS reform costs** of [\$1.5m]; and

##### 1.1.2 Establishment costs

**MACQS establishment costs** of [\$1.5m]; and

##### 1.1.3 Implementation costs

**MACQS implementation costs** of [\$3.0 - \$3.5m].

#### 1.2 Recovery of the MACQS development costs

The **clearing manager** will recover the **MACQS** development costs in monthly instalments over a five-year period from **generators**, **purchasers** and from **grid owners** and **distributors** as follows:

##### 1.2.1 Establishment costs

**MACQS establishment costs** and the **MACQS** share of **EGEC** costs (including all rulebook development costs funded by **Transpower** in lieu of the **GSC**).

###### 1.2.1.1 Generators

One third to **generators**, allocated among them on the basis of **MWh** generated in the previous 12 months as a proportion of all **MWh** generated in the previous 12 months;

###### 1.2.1.2 Purchasers

One third to **purchasers**, allocated among them on the basis of **MWh** purchased in the previous 12 months as a proportion of all **MWh** purchased in the previous 12 months; and

#### 1.2.1.3 Grid owners and distributors

**Grid owners** and **distributors** will pay one third of the **MACQS** development costs, allocated among them on the basis of **ODV** as a proportion of the total **ODV** of all **distributors** and **grid owners**.

### 1.2.2 *Reform and Implementation*

**MACQS reform costs** and **MACQS implementation costs** but excluding the **MACQS** share of **EGEC** costs referred to in rule 6.4.1, and all rulebook development costs funded by **Transpower** in lieu of the **GSC**.

#### 1.2.2.1 Generators

Fifty per cent to **generators**, allocated among them on the basis of **MWh** generated in the previous 12 months as a proportion of all **MWh** generated in the previous 12 months;

#### 1.2.2.2 Purchasers

Fifty per cent to **purchasers**, allocated among them on the basis of **MWh** generated in the previous 12 months as a proportion of all **MWh** generated in the previous 12 months.

### 1.2.3 *Payment to Transpower*

The **clearing manager** will pay all the money that it receives under this rule 6.4 to **Transpower**.

### 1.2.4 *Board responsible for payment*

The **Board** shall assume responsibility for ensuring the payment of the fees in relation to the recovery of **MACQS** development costs under the **rules**.

## 1.3 **This rule may only be changed with consent of Transpower**

The **Board** must obtain the written consent of **Transpower** to any **rule change** to this rule 1. Notwithstanding any other provision in these **rules**, no **rule change** to this rule 1 will come into effect unless and until such consent has been obtained.

## 2 **Transitional dispensations**

### 2.1 **Preliminary Determinations to become dispensations**

Subject to:



**2.1.1 Satisfaction of preconditions**

satisfaction of the conditions precedent set out in rule 2.2; and

**2.1.2 Special terms and conditions**

the qualifications set out in rule 2.5,

any **qualifying preliminary determination** that has been granted pursuant to the **transitional dispensation agreement** as at the commencement date of these **rules** shall be deemed to be, and shall have effect as, a **dispensation** properly granted under rule [7] of section III of Part C.

**2.2 Preconditions for any preliminary determination to become a dispensation**

No **qualifying preliminary determination** shall be deemed to be, or shall have effect as, a **dispensation** unless all of the following preconditions have been satisfied:

**2.2.1 System operator appointed**

**Transpower** has been appointed **system operator** in accordance with section VI of part A, and that appointment has taken effect in accordance with rule [2.8] of section VI of part A.

**2.2.2 Initial procurement plan agreed**

The initial **procurement plan** has been agreed and has come into effect in accordance with rule 2 of section IV of Part C.

**2.2.3 System operator signifies satisfaction with interface of dispensation regime**

The **system operator** has provided written confirmation to the **Board** that it is satisfied, in its discretion, that:

**2.2.3.1 Rules are binding**

The **rules** are 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;

**2.2.3.2 Changes affecting liability**

the rules in part C do not contain any changes or additions to the rules contained in the **draft rulebook** which, in the **system operator's** opinion, affect the liability of the **system operator**, or the decision making framework for issuing **dispensations**.

#### 2.2.3.3 Qualifying preliminary determinations

the impact of **qualifying preliminary determinations** becoming **dispensations** is adequately addressed in the initial **procurement plan**.

#### 2.2.3.4 Changes affecting PPO's

The rules in part C do not contain any changes or additions to the **asset owner performance obligations** for **principal performance obligations** contained in the **draft rulebook**, which in the **system operator's** opinion affect the **system operator's** ability to meet its **principal performance objectives** under these **rules**.

### 2.3 Date on which qualifying preliminary determinations become dispensations

**Qualifying preliminary determinations** shall take effect as **dispensations** on and from the later of:

#### 2.3.1 *Satisfaction of preconditions*

all of the preconditions set out in rule 2.2 being satisfied; or

#### 2.3.2 *Part C coming into effect*

part C of the **rules** coming into effect.

### 2.4 Partially Considered Applications under transitional dispensation agreement

If at the time this **rules** becomes operational, any application under the **transitional dispensation agreement** remains to be decided upon, the **system operator** will have responsibility for completing the application in accordance with the process set out in the **transitional dispensation agreement** and any costs reasonably incurred in completing the application will be recoverable by the **system operator** in accordance with rule 2.6. For avoidance of doubt, any successful application granted by the **system operator** pursuant to this rule will be deemed to be a **qualifying preliminary determination**.

### 2.5 Qualifications for qualifying preliminary determinations that become dispensations

Subject to the following qualifications, when **qualifying preliminary determinations** take effect as **dispensations** they shall be subject to all of the rules set out in Section III of part C as if they were **dispensations** granted under that section. The qualifications are as follows, and take precedence over the provisions of Section III of Part C:

### 2.5.1 ***No appeals***

There shall be no right of appeal against such a **dispensation**.

### 2.5.2 ***Conditions of preliminary determination become conditions of dispensation***

Any asset specific condition that applies to a **qualifying preliminary determination** as at the date it takes effect as a **dispensation** will continue to apply to that **dispensation** regardless of whether or not such a condition could have been imposed under the **dispensation** regime in part C.

### 2.5.3 ***Impact on procurement plan***

It is an irrevocable condition of each such **dispensation** that, if at any time in the future the **system operator** concludes that the **dispensation** impacts upon the quantity of **ancillary services** required, the **dispensation** shall only operate if, and to the extent that, the **system operator** is satisfied, acting reasonably, that it is able to procure the necessary **ancillary services** to adequately deal with the impact of the dispensation pursuant to the then agreed **procurement plan**.

### 2.5.4 ***Costs to be allocated among all asset owners***

Any quantifiable costs arising due to the coming into effect of the **dispensation** (including the cost of any **ancillary services** required as a result of the **dispensation**) shall not be allocated to the individual **asset owner** that receives the benefit of the **dispensation**, but shall be allocated among all **asset owners** in accordance with the other provisions of the **rules**, with the exception of kVar charges for **dispensations** from generator reactive power **asset owner performance obligations**.

### 2.5.5 ***Kvar charges***

Where an **asset owner** has a dispensation from generator reactive power **asset owner performance obligations**, that **asset owner** will pay kVar which has to be procured by the **system operator** as a direct result of the **asset owner's** non compliance, being the amount which is the difference between the kVar capability required by the **AOPO** and the kVar capability of the dispensated generator, at the same rate per kVar as **distributors** in that zone would pay.

If more than one **generator** is granted a **dispensation** on this basis in that zone, any such kVar charges will be pro rated among these **asset owners** in proportion to the level of non-compliance to which each **dispensation** applies.

## 2.6 **Recovery of Transpower's costs**

For the avoidance of doubt, costs reasonably incurred by **Transpower** in fulfilling its role and duties under the **transitional dispensation agreement** are **MACQS**

**establishment costs** and are payable by, and recoverable from, **members** in accordance with rule 1. The **GSC** and **Transpower** shall confirm in writing to the **Board** the exact amount of such costs as at the date these **rules** commence. This rule may not be changed without the approval of **Transpower**.

## 2.7 Appeal against an unfavourable determination

There is a right of appeal by an applicant against an **unfavourable determination** issued under the **transitional dispensation agreement** to the **rulings panel** in accordance with rule 9.4 Section III part C.

## 3 Liability of GSC members

The **members** acknowledge that the members of the **GSC** shall not be liable in contract, tort or otherwise to any person for any act or omission made in relation to the exercise, or purported exercise, in good faith of any of the **GSC's** powers, authorities, discretions or obligations under **MACQS** or the **rules**. Nothing in this rule 3 limits the liability of any member of the **GSC** for any act or omission that is fraudulent or in wilful default.

## 4 Local quality agreements

Where **Transpower**, as at the [commencement date] has a contract or arrangement with any person to maintain voltage at a **point of connection** and the effect of that contract or arrangement may cause the **system operator** to operate the **grid** voltage within a lesser range than that set out in the **AOPs**, the **system operator** will grant **Transpower** a local quality agreement for that **point of connection**. Any incremental costs arising from a local quality agreement shall not be allocated to **Transpower** or the contracted party for the remaining life of the **assets** immediately employed in providing the voltage service in the contract.

## IV Transition from MARIA

### 1 Agreement by MARIA

The rules in this section are subject to the agreement by the members of the **MARIA**, given in accordance with the processes contained in **MARIA**.

### 2 Information and records transfer

All information and records validly collected and held by service providers, office holders and other related parties under the **MARIA** rules will be deemed to have been collected and held in accordance with these **rules**. Any release of information and records validly collected and held by service providers, office holders and other related parties under the **MARIA** rules that is made in accordance with these **rules** will not be a breach of any surviving provision of the **MARIA** rules. Any restrictions on disclosure that apply to information held under the **MARIA** rules will continue to apply under these **rules**.

### 3 Matters under investigation

#### 3.1.1 *Board to assume responsibility*

The **Board** shall take responsibility, and will have the power required, for a period of two years following the **commencement date**, for investigating any matter, dispute, breach or alleged breach, commencing or completing proceedings for any matter, dispute or alleged breach, or for imposing any penalty, fine or making any decision or order in relation to any matter, dispute, breach or alleged breach arising out of, or in relation to the **MARIA** rules prior to the **commencement date**. For the avoidance of doubt, the **Board** has the power to determine costs relating to a dispute for all periods, both before, and after, the **commencement date**.

#### 3.1.2 *Board may delegate responsibility to the rulings panel*

The **Board** may delegate to the **Rulings Panel** any responsibility imposed on it, and any power given to it, by rule 3.1.1.

#### 3.1.3 *MARIA and NZEM rules deemed to apply*

The **MARIA** rules continue to have effect as if they had not been terminated for the purpose of the **Board**, or the **Rulings Panel**, investigating any matter, dispute, breach or alleged breach, commencing or completing proceedings for any matter, dispute or alleged breach, or for imposing any penalty, fine or making any decision or order in relation to any matter, dispute, breach or alleged breach arising out of, or in relation to those rules under rule 3.1.1.

## 4 Cost recovery

All persons who have been **MARIA parties** remain liable for fees payable in relation to the recovery of **MARIA SSSDA costs** to the extent that they would have been if the **MARIA** rules had not been terminated and these **rules** had not been adopted.

### 4.1 Acknowledgement that development costs paid by principals

The persons who are liable under this rule 4 acknowledge that the cost of developing the process for the collection and the management of information held by the **registry** and for **customers** to switch **retailers** set out in part E and schedules E1 and E3 (“the Switching System”) has been paid by the Principals under the Switching System Development Agreement between The Marketplace Company Limited and **Transpower**, Contact Energy Limited and TransAlta New Zealand Limited dated 22 March 1999 (“the Switching System Development Agreement”). In this rule 4.1 “Principals” means the Principals from time to time under the Switching System Development Agreement.

### 4.2 Repayment of development costs

The persons who are liable under this rule 4 agree to pay the Principals the “Development Costs” (as that term is defined in the Switching System Development Agreement) by way of 36 equal (or approximately equal) monthly instalments commencing in May 1999. These instalments will be collected by the **clearing manager** through a fee charged to users of the Switching System and paid to the Principals within 5 **business days** of collection. The total monthly instalment payable will be agreed between the Principals and the **Board** and set out in an amendment to, or a replacement of, the **NZEM** market administrator’s service provider deed. The **clearing manager** shall not have any liability to pay any amount to the Principals under this rule 4.2 which it has not collected from the persons who are liable under this rule 4 or any other person.

### 4.3 Principals may enforce payment of monthly fee

If any amount required to be paid by a person under rule 4.2 is not paid to the **clearing manager** within a reasonable period of time, the other persons who are liable under this rule 4 each agree that the Principals may exercise all of the rights of the **clearing manager** in collecting that amount and may retain and use any amounts so collected as they see fit.

### 4.4 Use of Switching System conditional upon payment of fee

Each persons who are liable under this rule 4 agrees that its rights to use the Switching System are conditional upon it paying the monthly fee agreed under rule 4.2.

### 4.5 Use of the system

The persons who are liable under this rule 4 acknowledge that the Switching System was developed for trading arrangements which require reconciliation. The **market administrator** is to ensure that it is a condition of use of the Switching System by any

person who is not a **generator** or **purchaser** that such person pays the same fees and charges (to be paid to the **market administrator**) as that person would be liable for if that person were a **generator** or **purchaser** using the Switching System. The **market administrator** will exercise any right it may have to prevent any person using the Switching System who is not a **generator** or **purchaser** unless that person pays the same fees and charges as that person would be liable for if that person were a **generator** or **purchaser** using the Switching System.

#### **4.6 This rule may only be changed with consent of the Principals**

The **Board** must obtain the written consent of each Principal who is a **participant** to any **rule change** to this rule 4. Notwithstanding any other provision in these **rules**, no **rule change** to this rule 4 will come into effect unless and until such consents have been obtained.

## V Transition from NZEM

### 1 Agreement by NZEM

The rules in this section are subject to the agreement by the members of the **NZEM**, given in accordance with the processes contained in **NZEM**.

### 2 Information and records transfer

All information and records validly collected and held by service providers, office holders and other related parties under the **NZEM** rules will be deemed to have been collected and held in accordance with these **rules**. Any release of information and records validly collected and held by service providers, office holders and other related parties under the **NZEM** rules that is made in accordance with these **rules** will not be a breach of any surviving provision of the **NZEM** rules. Any restrictions on disclosure that apply to information held under the **NZEM** rules will continue to apply under these **rules**.

### 3 Matters under investigation

#### 3.1.1 *Board to assume responsibility*

The **Board** shall take responsibility, and will have the power required, for a period of two years following the **commencement date**, for investigating any matter, dispute, breach or alleged breach, commencing or completing proceedings for any matter, dispute or alleged breach, or for imposing any penalty, fine or making any decision or order in relation to any matter, dispute, breach or alleged breach arising out of, or in relation to the **NZEM** rules prior to the **commencement date**. For the avoidance of doubt, the **Board** has the power to determine costs relating to a dispute for all periods, both before, and after, the **commencement date**.

#### 3.1.2 *Board may delegate responsibility to the Rulings Panel*

The **Board** may delegate to the **Rulings Panel** any responsibility imposed on it, and any power given to it, by rule 3.1.1.

#### 3.1.3 *NZEM rules deemed to apply*

The **NZEM** rules continue to have effect as if they had not been terminated for the purpose of the **Board**, or the **Rulings Panel**, investigating any matter, dispute, breach or alleged breach, commencing or completing proceedings for any matter, dispute or alleged breach, or for imposing any penalty, fine or making any decision or order in relation to any matter, dispute, breach or alleged breach arising out of, or in relation to those rules under rule 3.1.1.



## 4 Cost recovery

All persons who have been **NZEM Market Participants** remain liable for fees payable in relation to the recovery of **NZEM reform costs** to the extent that they would have been if the **NZEM** rules had not been terminated and these **rules** had not been adopted, as follows:

### 4.1 Board to assume responsibility

The **Board** shall assume responsibility for ensuring that all persons who have been **NZEM Market participants** continue to pay the fees in relation to the recovery of relevant **NZEM** reform costs to the extent that they would have paid these fees if the relevant rules had not been terminated and these **rules** had not been adopted.

## 5 Washups

Where the **clearing manager** receives corrected information for a period prior to the **NZEM termination date** (that is, information that would have been in accordance with rules 7.6 or 13.5 of part 2, section H of the **NZEM** rules had they not been terminated), the **clearing manager** will apply that information in accordance with rule 16 of part H for the purpose of calculating any **washup** amount.

## VI Must run dispatch auction

### 1 Clearing manager to hold must-run dispatch auctions

Each day the **clearing manager** will hold a **must-run dispatch auction** (an **auction**) as set out in rule 2, at which **generators** may **bid** for **auction rights** in **time blocks**.

#### 1.1 Clearing manager authorises generators

If a **generator's bid** at an **auction** is successful the **clearing manager** will authorise the **generator** to offer **electricity** at zero price for the relevant **time block** and **trading period**.

#### 1.2 Authorisations to specify certain things

The **clearing manager** will specify in each authorisation:

##### 1.2.1 *Quantity*

How much **electricity** the **generator** may offer pursuant to the authorisation; and

##### 1.2.2 *Trading Periods*

The **trading periods** for which the authorisation is valid; and

##### 1.2.3 *Invoice amount*

How much the **generator** must pay the **clearing manager** for the **auction rights**.

#### 1.3 Clearing manager will calculate amounts payable

The **clearing manager** will calculate the amount payable by each **generator** for the auction rights the **generator** has acquired in the previous **billing period**.

#### 1.4 Clearing manager to collect and pay auction revenue

Any **auction revenue** payable by **generators** in relation to a **billing period** will be included in any invoice issued to that **generator** by the **clearing manager** pursuant to rule 12.1.1 of part H.

#### 1.5 Purchasers will receive auction revenue

Each **purchaser** which purchases **electricity** at a **grid exit point** will receive **auction revenue** from **generator** in accordance with the formula set out in rule 1.6.

## 1.6 Clearing manager will calculate amounts receivable

The **clearing manager** will calculate and credit **purchasers** for **auction revenue** for each **trading period** in accordance with the following formula:

$$AR_{pcmp} = (TAR_{gcmp}/APB) * (PCMP_q/TCMP_q)$$

Where:

- $AR_{pcmp}$  means the **auction revenue** receivable by a **purchaser**;
- $TAR_{gcmp}$  means the **total auction revenue** for a **time block** payable by **generators** as calculated by the **clearing manager** in accordance with rule 11.4;
- $APB$  means the number of **trading periods** in that **time block**;
- $PCMP_q$  means the total **electricity** purchased by that **purchaser** during the **trading period** as shown by the **reconciliation information** calculated by the **reconciliation manager** pursuant to rule 11 of section V of part G; and
- $TPCMP_q$  means the total **electricity** purchased by all **purchasers** during the **trading period** as shown by reconciliation information calculated by the **reconciliation manager** pursuant to rule 11 of section V of part G.

## 1.7 Auction revenue to be included in invoices

Any **auction revenue** payable to a **purchaser** in relation to a **billing period** will be included in any invoice issued to that **purchaser** by the **clearing manager** pursuant to rule 11 of part H.

## 1.8 Clearing manager to determine auction fee payable by generators

Each **billing period** the **clearing manager** will determine the fee payable by each **generator** based on the **electricity** measured in MWh sold by that **generator** in that **billing period** in accordance with the following formula:

$$GCMP_x = MWh_{x,s,a} * MAF / MWh_{bp,s,a}$$

Where

- $GCMP_x$  means the **auction fee** payable by a **generator**;
- $MWh_{x,s,a}$  means the total **MWh** of **electricity** sold by that **generator** to the **clearing manager** during that **billing period** as measured by the **reconciliation manager**;
- $MAF$  means the monthly **auction fee** payable to the **clearing manager**;

$MWh_{bp,s,a}$  means the total **MWh** of **electricity** sold by all **generator** to the **clearing manager** during that **billing period** as measured by the **reconciliation manager**.

### **1.9 Generators choose the grid injection points at which they will exercise rights conferred**

**Generators** that acquire **auction rights** may exercise them in respect of any generation plant they own and at any **grid injection point** during the relevant **time block**.

### **1.10 Information to be transmitted through the information system**

All information exchanged in relation to this rule 1 will be sent electronically using the facility contained in the **information system** for the purpose.

### **1.11 Backup procedures if information system is unavailable**

If the **information system** is not available to send information pursuant to this rule the **clearing manager** will follow the backup procedures specified by the **market administrator** from time to time.

### **1.12 Backup procedures to be in place and the subject of consultation**

The backup procedures referred to in rule 1.11 will be put in place by the **market administrator** in consultation with **generators** and the **clearing manager**.

### **1.13 Trading in auction rights is permitted**

A **generator** that has acquired auction rights at an auction may transfer those rights or some of them to another **generator**. The **generator** that acquires the rights by transfer takes them on the same terms that apply to the transferring **generator**.

### **1.14 Offers at zero must comply with this rule**

Subject to rule 1.15 a **generator** may offer **electricity** to the **clearing manager** at a zero price only with an authorisation from an **auction** in accordance with this rule 1.

### **1.15 Offers below zero**

A **generator** may offer **electricity** to the **clearing manager** at a price below zero (or at a zero price without an authorisation from an **auction**) only in relation to a plant with special circumstances that comes within the scope of rule 3.25 of section II of part G.

## 2 Must-run auction process

### 2.1 Clearing manager will conduct auctions

The **clearing manager** will conduct a **must-run dispatch auction** every day.

### 2.2 Eligibility to take part in auction

Every **generator** is eligible to take part in every **auction**.

### 2.3 Clearing manager will specify the format for bids

The **clearing manager** will specify the format for bidding and will accept **bids** only if they are made in that format. Each **bid** must be made in positive numbers.

### 2.4 Exchange Information

All information relating to auctions will be exchanged through the **information system**.

### 2.5 Historic Load data

By 1100 hours two days before each auction, the **grid owner** will advise the **clearing manager** the total load of the **equivalent day** for the day following the **auction**.

### 2.6 Quantity available for auction

The **clearing manager** will calculate the quantity of **auction rights** available in each time for that **time block**) \* 0.8.

Where:

Lowest demand forecast for a **time block** = Lowest demand in any **trading period** on the **equivalent day** (in an interval which would equate to the **time block**); and

Lowest demand in any **trading period** on the **equivalent day** =

Total demand for each such **trading period** less

**Electricity** purchased or sold by persons other than **traders**

in the equivalent **trading period** on the sixth day before the **auction** (according to the data received from the **pricing manager** pursuant to rule 3.11 of section III of part G).

### 2.7 Notice of auction and deadline for bids

By 1100 hours each day the **clearing manager** will advise each **generator** of the quantity of **auction rights** available in each time block at the **auction** to be held the following day and will invite **bids** for those auction rights. **Generators** who wish to **bid** at an auction must submit **bids** by 0900 of the day that the **auction** is to be held.

## 2.8 Revising, cancelling and extending bids

**Generators** may revise or cancel any **bid** up to 0900 hours on the day of the **auction** to which the **bid** relates. Each **bid** is valid only for one auction unless the **generator** expressly states when it makes the **bid** that the **bid** is to remain valid until cancelled.

## 2.9 Contents of bids

**Generators** may make up to five **bids** for each **time block**. Each **bid** must specify for each **time block** the quantity of **auction rights** sought and the price that the **generator** is prepared to pay if its **bid** succeeds.

## 2.10 Ranking of auction bids

When bidding closes at 0900 each day the **clearing manager** will rank the **bids** it has received in descending order by price per **MWh**. Beside each **bid** the **clearing manager** will record the quantity of **auction rights** sought by the relevant **generator**.

## 2.11 Matching bids to rights

The **clearing manager** will match the ranked **bids** against all the **auction rights** available in each **time block** until the **bids** equal the quantity of **auction rights** available.

The **bids** made by **generators** will succeed if they are matched (in whole or part) against the **auction rights** available.

## 2.12 Similar and identical bids

If the **clearing manager** receives more than one **bid** at the same price, and there are not enough **auction rights** available to satisfy the **bids**, the **clearing manager** will award auction rights to each relevant bidder in the order in which it received their **bids** (as evidenced by the time stamp provided by the **clearing manager's** computer system).

If the **clearing manager** receives more than one **bid** at the same price at the same time it will award **auction rights** to each relevant bidder proportionate to the volume of **auction rights** the bidders sought in each of their **bids**.

## 2.13 Auction payment

The amount payable by a successful bidder in an **auction** will be the quantity of **electricity** awarded by the **clearing manager** to that bidder multiplied by the clearing **auction price**.

## 2.14 Results

By 1100 on the day of each **auction** the **clearing manager** will notify:

#### **2.14.1 Outcome**

Each **generator** that has **bid** at an **auction** of the outcome of the **auction**;  
and

#### **2.14.2 Quantity and price**

All **generators** and **purchasers** of the quantity and price of all successful **bids** made at the **auction**.

#### **2.15 Authorisation to successful bidders**

The **clearing manager** will issue an authorisation to each **generator** that secures auction rights at an auction. The authorisation will set out the **auction rights** the **generators** secured at the **auction** and the price payable for them.

#### **2.16 Records**

The **clearing manager** will maintain a complete record for three years of all quantities of **auction rights** offered, all **bids** received and the prices achieved in each **time block** at each **auction**. A **generator** may require the **clearing manager** to provide information relating to the **generator's bids** and **auction** results at any time within that period.

### **3 Effective date of auction rules**

Rule 2.11 will remain in effect until the end of 31 March 2003. With effect from 1 April 2003 rule 2.9 will be automatically revoked.

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## Schedule 1: Definitions used in part I

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### 1 Definitions used in part I

"**authorisation period**" means the period commencing on the date the **rules** are submitted to the Commerce Commission for authorisation and ending when the Commerce Commission gives its final determination;

"**commencement date**" means the date when the **rules** come into;

"**equivalent day**" means the day preceding the relevant **trading day** by 364 days. If the relevant **trading day** is a **national holiday** the **equivalent day** will be deemed to be the Sunday before the 364<sup>th</sup> day. If the relevant **trading day** is a **business day** but the 364<sup>th</sup> day before it is a **national holiday** the **equivalent day** is deemed to be the next **business day** after the **national holiday**.

"**expiry date**" has the meaning given to it in rule 2;

"**GSC**" means the Grid Security Committee as defined in the **MACQS** rules;

"**GSC working group**" has the meaning given to it in rule 8.1.3;

"**MACQS**" means the Multilateral Agreement on Common Quality Standards dated [X];

"**MACQS reform costs**" means those costs as defined in **MACQS**

"**MACQS implementation costs**" means those costs as defined in **MACQS**

"**MACQS establishment costs**" means those costs as defined in **MACQS**

"**MACQS members**" means persons who, at any time, have been members (as defined in the **MACQS** rules) of the **MACQS** rules;

"**MARIA Governance Board**" means the Governance Board of **MARIA** as defined in the **MARIA** rules;

"**MARIA parties and distributors**" means persons who, at any time, have been either a party or a distributor (as defined in the **MARIA** rules) of the **MARIA** rules;

"**MARIA reform costs**" means the Development Costs as defined in the Switching System Development Agreement dated [X];

"**Market**" means ....

"**net public benefit**" means

"**NZEM Market Participants**" means persons who, at any time, have been spot Market Participants (as defined in the **NZEM** rules) of the **NZEM**;

"**NZEM reform costs**" means the Reform Costs as defined in schedule 4 of the Market administrator Deed Poll entered into by Electricity Market Company Limited and dated 30 September 1996;



**"NZEM Rules Committee"** means the Rules Committee of the **NZEM** as defined in the **NZEM** rules;

**"termination date"** means the date on which either the **MACQS, MARIA** or **NZEM** rules were terminated (as the context requires).

**"transitional exemption"** means an exemption granted by the **Board** under rule 9.3 of section II of part I