

Electricity Industry Participation Code Amendment (Settlement and Prudential Security) 2014

Pursuant to section 38 of the Electricity Industry Act 2010, and having complied with section 39 of that Act, I make the following amendments to the Electricity Industry Participation Code 2010.

At Wellington on the 6th day of October 2014



Dr Thomas Brent Layton
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Certified in order for signature:



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3 October 2014



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Amendment

1 Title

This is the Electricity Industry Participation Code Amendment (Settlement and Prudential Security) 2014.

2 Commencement

- (1) Except as provided in subclause (2), this amendment comes into force on 24 March 2015.
- (2) Clause 3 comes into force on 6 November 2014.

3 Early application of provisions of Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013

- (1) Despite clause 2 of the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013, any person may take any action or perform any obligation under any of the following before 24 March 2015, as if that amendment and this amendment were in force:
 - (a) clause 14.8:
 - (b) clause 14.21:
 - (c) Schedule 14.2:
 - (d) Schedule 14.4:
 - (e) clause 14A.5(2) and (3):
 - (f) Schedule 14A.1, clause 8:
 - (g) Schedule 14A.1, clause 10(4) and (6):
 - (h) Schedule 14A.1, clause 12.
- (2) Nothing that results from any action taken or obligation performed in reliance on subclause (1) takes effect before 24 March 2015.

4 Code amended

This amendment amends the Electricity Industry Participation Code 2010, as amended by the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013.

5 Clause 11.15C amended (Process for retailer events of default)

In clause 11.15C(1), replace "14.55" with "14.41".

6 Schedule 11.5, clause 1 amended

In Schedule 11.5, clause 1, replace "14.55" with "14.41".

7 Schedule 11.5, clause 2 amended

In Schedule 11.5, clause 2(1), replace "14.55" with "14.41".

8 Schedule 11.5, clause 4 amended

In Schedule 11.5, clause 4(1)(b)(i),—

- (a) replace "14.55(b)" with "14.41(b)"; and
- (b) replace "14.64" with "14.25".

9 Schedule 11.5, clause 5 amended

In Schedule 11.5, clause 5(1)(a),—

- (a) replace "14.55(b)" with "14.41(b)"; and
- (b) replace "14.64" with "14.25".

10 Clause 14.16 amended (Calculation of loss and constraint excess)

Replace clause 14.16(2)(b) with:

"(b) advise the **clearing manager** of that amount no later than—

"(i) 1600 hours on the 7th **business day** of the month following the relevant **billing period**; or

"(ii) if **publication of final prices** is delayed for any **trading period** in the relevant **billing period**, so that **final prices** for a **trading period** in the **billing period** are **published** later than 1600 hours on the 6th **business day** of the month following the relevant **billing period**, 1 **business day** after all **final prices** for the **billing period** are **published**."

11 Clause 14.32 amended (Methods of payment)

After clause 14.32(2), insert:

"(3) The **clearing manager** is not required to comply with an instruction given under subclause (2) unless it is received at least 2 **business days** before the **participant** is required under clause 14.31 to pay the **clearing manager** the amount to which the instruction relates.

"(4) However, the **participant** may request that the **clearing manager** comply with an instruction received later than provided for in subclause (3), and the **clearing manager** may agree to comply with such an instruction."

12 Clause 14.34 amended (Payments by clearing manager)

After clause 14.34(4), insert:

"(5) The **clearing manager** is not required to comply with an instruction given under subclause (3) unless it is received at least 2 **business days** before the **participant**

is required under clause 14.31 to pay the **clearing manager** the amount to which the instruction relates.

- "(6) However, the **participant** may request that the **clearing manager** comply with an instruction received later than provided for in subclause (5), and the **clearing manager** may agree to comply with such an instruction."

13 Clause 14.41 amended (Definition of an event of default)

After clause 14.41(g), insert:

- "(h) termination of a **retailer's use-of-system agreement** with a **distributor** because of a **serious financial breach** if—
- "(i) the **retailer** continues to have a **customer** or **customers** on the **distributor's local network**; and
 - "(ii) there are no unresolved disputes between the **retailer** and the **distributor** in relation to the termination; and
 - "(iii) the **distributor** has not been able to remedy the situation in a reasonable time; and
 - "(iv) the **distributor** gives notice to the **Authority** that this clause applies."

14 Clause 14.43 amended (Procedure upon event of default)

- (1) Replace clause 14.43(4) with:

"(4) If the **clearing manager** becomes aware that an **event of default** under paragraphs (a) to (g) of clause 14.41 has occurred and is continuing in relation to a **participant**, the **clearing manager** must—

- "(a) advise the **Authority** that the **event of default** has occurred; and
- "(b) if the **participant** has not advised the **clearing manager** of the **event of default**, advise the defaulting **participant** that the **event of default** has occurred."

- (2) Revoke clause 14.43(5).

15 Clause 14.55 amended (Allocation of shortfall to settlement of general amounts and FTRs)

In clause 14.55(4), definition of "X_{TOT}", replace "total amount owing by the defaulting **participant** to the **clearing manager** as specified in clause 14.19 minus the amount of the shortfall" with "amount of the total shortfall".

16 Clause 14.58 amended (Calculation of scaled amount payable)

In clause 14.58, definition of "P",—

- (a) replace "paid" with "payable"; and
- (b) replace "any amount recovered or" with "that amount minus any amount"; and
- (c) after "14.44" insert "(1)(c)".

17 Clause 14.59 amended (Calculation of revised amount payable)

- (1) In clause 14.59(2), after "the **clearing manager**", insert "must".
- (2) In clause 14.59(4)(b), in the formula, replace "AO_{negative}" with "AP_{negative}".
- (3) In clause 14.59(4)(b), definition of "AO_{negative}"—
 - (a) replace "AO_{negative}" with "AP_{negative}"; and

- (b) replace "revised amounts owing" with "scaled amounts payable"; and
- (c) replace "a **participant**" with "the **participant**".

18 Schedule 14.3, clause 4 amended

In Schedule 14.3, clause 4(3) and (5), replace "model data" with "information".

19 Schedule 14.3, clause 5 amended

In Schedule 14.3, clause 5(4)(a), replace "model data" with "information".

20 Schedule 14.4, Form 1 amended

In Schedule 14.4, in the Schedule to Form 1,—

- (a) in the row entitled "Notional Quantity", replace "**MW**hs [for each **calculation period**]" with "**MWh** for each **calculation period**"; and
- (b) in the row entitled "Fixed Price", replace "[for each **calculation period**]" with "/**MWh**".

21 Schedule 14.4, Form 2 amended

In Schedule 14.4, in the Schedule to Form 2,—

- (a) in the row entitled "Notional Quantity", replace "**MW**hs [for each **calculation period**]" with "**MWh** for each **calculation period**"; and
- (b) in the row entitled "Strike Price", replace "[for each **calculation period**]" with "/**MWh**"; and
- (c) in the row entitled "Calculation Period Premium", replace "[for each **calculation period**]" with "for each **calculation period**".

22 Schedule 14.4, Form 3 amended

(1) In Schedule 14.4, Form 3, clause 2,—

- (a) in the formula in the definition of **average floating price**, before "**notional quantity**", insert "**option period**"; and
- (b) in the formula in the definition of **calculation period floating amount**, replace "**calculation period notional quantity**" with "**notional quantity**"; and
- (c) revoke the definition of **calculation period notional quantity**; and
- (d) insert in its appropriate alphabetical order:
"**calculation period premium** means, in relation to a **calculation period**, the amount specified as such in the schedule for that **calculation period**"; and
- (e) in the definition of **floating price**, after "the **final price**", insert "in dollars"; and
- (f) replace the definition of **notional quantity** with:
"**notional quantity** means, in relation to a **calculation period**, the amount of **electricity** (measured in **MWh**) specified as such in the schedule for that **calculation period**"; and
- (g) insert in its appropriate alphabetical order:
"**option period notional quantity** means, in relation to an **option period**, the sum of the **notional quantities** for each **calculation period** in the **option period**"; and
- (h) replace the definition of **option period premium** with:

"option period premium means, in relation to an **option period**, the sum of the **calculation period premium** for each **calculation period** in the **option period**"; and

- (i) in the formula in the definition of **option period settlement amount**, before **"notional quantity"**, insert **"option period"**.
- (2) In Schedule 14.4, in the Schedule to Form 3,—
 - (a) in the row entitled "Option Period", replace "[Each day (from 00.00 hours until immediately before 00.00 hours on the next day) during the **term**.]" with "[Each day] [From 00.00 hours until immediately before 00.00 hours on the next day] [first period being nn and last period being mm] [during the **term**.]"; and
 - (b) in the row entitled "Calculation Period Notional Quantity",—
 - (i) delete "Calculation Period"; and
 - (ii) replace "[insert number] **MWhs** [for each **calculation period**]" with "[insert number **MWh**] [Table of Notional Quantities (in **MWh** per **calculation period**) to be inserted]"; and
 - (c) in the row entitled "Strike Price", replace "\$[insert amount] [for each **option period**]" with "\$[insert amount/**MWh**] – [Table of Strike Prices to be inserted]"; and
 - (d) in the row entitled "Option Period Premium",—
 - (i) replace "Option" with "Calculation"; and
 - (ii) replace "\$[insert amount] [for each **option period**]" with "\$[insert amount] for each **calculation period** of **option period**. [Table of Premiums to be inserted]".

23 Schedule 14A.1, clause 6 amended

In Schedule 14A.1, replace clause 6(1)(b) with:

- "(b) any amount prepaid by the **participant** under clause 14.30 that is specified by the **participant** as being for a **billing period**—
 - "(i) that has commenced but remains unsettled on the day for which the minimum security is being determined; or
 - "(ii) any part of which falls within the prudential exit period for the **participant** (if any)."

24 Schedule 14A.1, clause 9 amended

In Schedule 14A.1, clause 9(3), replace "calculated by the **clearing manager**" with "advised as owing under Part 14".

25 Schedule 14A.1, clause 10 amended

- (1) In Schedule 14A.1, clause 10(5)(b), delete "in the relevant quarter".
- (2) In Schedule 14A.1, clause 10(6)(a), replace "for each quarter in a" with "once for each".

26 Schedule 14A.5 amended

In Schedule 14A.5, after "The Principal has obligations (the "Obligations") pursuant to the Electricity", insert "Industry".

27 Clause 17.210L amended (Defaults)

In clause 17.210L, insert as subclauses (2) and (3):

- "(2) Despite subclause (1), further funds constituting late payments received by the **clearing manager** in respect of any **billing period** that occurred before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force must be dealt with as if the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 had not been made.
- "(3) Despite clause 14A.22(5), if an **event of default** was continuing in relation to a **participant** immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force, the **participant's** post default exit period begins—
- "(a) for an **event of default** relating to a **retailer's use-of-system agreement** with a **distributor** under clause 14.55(h), on the date on which the **Authority** gave notice to the **participant** under clause 2(1) of Schedule 11.5; or
- "(b) for any other **event of default**, on the date on which the **clearing manager** notified the **participant** that it had committed an **event of default** under clause 14.57."

Explanatory Note

This note is not part of the amendment, but is intended to indicate its general effect.

This amendment to the Electricity Industry Participation Code 2010 (Code) comes into force on 24 March 2015, except for clause 3, which comes into force on 6 November 2014.

The amendment makes a number of corrections, clarifications and improvements to the Code as amended by the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013, including:

- (a) provisions to address what actions participants may take to prepare for the new Part 14 and 14A coming into effect, and how certain types of defaults must be managed in the transitional period;
- (b) changes to the settlement provisions, such as standardising the measurement units used in hedge settlement agreements, and the correction of definitions in three formulae;
- (c) changes to the prudential security provisions, such as to the quarterly "adder" used to determine a participant's exit period prudential requirement, and changes to clarify how prepayments and wash-ups should be treated when calculating minimum security;
- (d) changes to preserve the effect of amendments made to the Electricity Industry Participation Code 2010 ("Code") since the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 was made.

Date of notification in the *Gazette*: 9 October 2014