Notice of variation to the Financial Transmission Rights Prudential Security Assessment Methodology

1 Pursuant to clause 4(7) of Schedule 14.2 of the Electricity Industry Participation Code 2010 ("Code"), and having complied with that clause, the Electricity Authority ("Authority") gives notice of its approval of the variation to the Financial Transmission Rights Prudential Security Assessment Methodology ("methodology") requested by NZX Limited.

2 The variation comes into force on 9 October 2015.

3 The Authority considers it is necessary or desirable in the public interest that the variation be made urgently under clause 4(7) of Schedule 14.2 of the Code because:

(a) applying the existing approved methodology will lead to inefficient market outcomes through overvaluing financial transmission rights (FTRs) as a prudential tool; and

(b) approving the variation will allow the clearing manager to assess the value of FTRs at a level that better represents their likely true value as an electricity hedge product.

4 A copy of the approved variation and the methodology, as amended, is available on the Clearing Manager’s website at http://www.nzxgroup.com/who-we-are/business-overview/nzx-energy/prudential

5 In accordance with clause 4(8) of Schedule 14.2 of the Code, the variation will expire on 9 July 2016.

Dated at Wellington this 1st day of October 2015.

DR THOMAS BRENT LAYTON, Chairperson, Electricity Authority.