Electricity Industry Participation Code 2010

Part 14
Clearing and settlement


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14.1 Contents of this Part
This Part provides for—
(a) the sale and purchase of electricity to and from the clearing manager; and
(b) the calculation and invoicing of amounts owing to and by the clearing manager for electricity, ancillary services, extended reserve, FTRs, and other payments that may be received or paid by the clearing manager; and
(c) the settlement of amounts payable under this Part; and
(d) processes and remedies for an event of default; and
(e) obligations of the clearing manager in relation to clearing and settlement, including reporting obligations and requirements for the operating account that must be established and held by the clearing manager.


Subpart 1—Sale and purchase of electricity

14.2 Sale and purchase of electricity
(1) The clearing manager must—
(a) purchase electricity sold to the clearing manager in accordance with clauses 14.3 to 14.5; and
(b) sell electricity purchased from the clearing manager in accordance with clause 14.6.
(2) Each generator must sell electricity in accordance with clauses 14.3 and 14.4.
(3) Each purchaser must purchase electricity in accordance with clause 14.6.
(4) Each participant that sells or purchases electricity through a local network or embedded network must sell and purchase the electricity in accordance with clauses 14.4, 14.5, and 14.7.
(5) The amount owing for electricity purchased under this Part must be determined in accordance with clause 14.10.


14.3 Sale by generators with point of connection to grid
(1) This clause applies to each generator that has a generating station or generating unit with a point of connection to the grid.
(2) Each generator to which this clause applies must sell to the clearing manager all electricity generated by the generator's generating station or generating unit injected through a point of connection to the grid.

14.4 Sale by generators with point of connection to local network or embedded network
(1) This clause—
(a) applies to each generator that has an embedded generating station; but
(b) does not apply to a generator in respect of an embedded generating station in relation to a point of connection for which a notice under clause 15.14 is in force.
(2) Each generator to which this clause applies must sell all electricity generated by the embedded generating station and injected through a point of connection with the
local network or embedded network to—
(a) the clearing manager; or
(b) a participant trading on the local network or embedded network.

(3) Despite anything to the contrary in this Code, the relevant point of connection to the grid is, for the purposes of reconciliation under this Code, deemed to be a grid injection point.


14.5 On sale by participants
If an embedded generator sells electricity to a participant under clause 14.4, the participant must at the same time on-sell that electricity to the clearing manager.

14.6 Purchase of offtake through point of connection to grid
Each purchaser must purchase from the clearing manager the electricity allocated to the purchaser under Part 15 in respect of a point of connection to the grid.

14.7 Purchase of offtake through local network by embedded generator
(1) A generator that purchases electricity at the same point of connection with a local network at which it sells electricity in accordance with clause 14.4 must purchase the electricity from the same participant to which it sold its electricity under clause 14.4.
(2) The participant from which electricity is purchased under subclause (1) must sell the electricity as set out in this Code.

Subpart 2—Hedge settlement agreements

14.8 Hedge settlement agreement lodgement
(1) If a hedge settlement agreement that is signed by 2 participants is submitted to the clearing manager, subject to subclauses (2) and (3), it is validly lodged when it is signed by the clearing manager.
(2) A hedge settlement agreement must be in 1 of the forms set out in Schedule 14.4, or in an alternative form approved by the Authority.
(3) The clearing manager may only sign a hedge settlement agreement submitted under subclause (1) if the clearing manager is satisfied that, after the hedge settlement agreement is lodged, at least 1 participant to the hedge settlement agreement will have a physical position in MW that is 33% or more of its hedge settlement agreement position in MW in any month calculated under paragraph (b) of subclause (4).
(4) For the purposes of subclause (3),—
(a) a participant's physical position in MW is the greater of the following:
   (i) the average of the participant's generation in MW over the last 12 months based on reconciled quantities;
   (ii) the average of the participant's generation in MW over the last month based on reconciled quantities;
   (iii) the average of the participant's purchases in MW over the last 12 months based on reconciled quantities;
(iv) the average of the participant's purchases in MW over the last month based on reconciled quantities; and
(b) the sum of the average MW of each of the participant's hedge settlement agreements for any month to which the hedge settlement agreement applies.

(5) When a participant submits a hedge settlement agreement to the clearing manager, the participant must also provide any other information relating to the hedge settlement agreement that the clearing manager requires.

(6) A participant must provide information under subclause (5) in a form the clearing manager prescribes and specifies to participants.


14.9 Cancellation of hedge settlement agreement
(1) A hedge settlement agreement may be cancelled only in the following situations:
(a) if an event of default has occurred and is continuing in relation to a party to the hedge settlement agreement, in accordance with clause 14.48;
(b) if no event of default is continuing in relation to either of the parties to the hedge settlement agreement, in accordance with subclause (2).

(2) A party to a hedge settlement agreement may cancel the hedge settlement agreement under subclause (1)(b) if both parties to the hedge settlement agreement agree in writing to the cancellation and either—
(a) the parties give the clearing manager at least 90 days' notice of the cancellation; or
(b) the parties give the clearing manager less than 90 days' notice of the cancellation and the clearing manager agrees to the cancellation in accordance with subclause (3).

(3) The clearing manager may agree to the cancellation of a hedge settlement agreement under subclause (2)(b) only if the clearing manager is satisfied that—
(a) immediately following the cancellation of the hedge settlement agreement, each party will—
   (i) continue to meet the requirements in clause 14A.4(1); or
   (ii) meet the requirements in clause 14A.3; and
(b) the cancellation of the hedge settlement agreement is not otherwise contrary to the interests of participants to which an amount is payable under this Part.

(4) In deciding whether to agree to the cancellation of a hedge settlement agreement, the clearing manager may consult with the Authority.

Subpart 3—Amounts owing

14.10 Amounts owing for electricity
(1) The clearing manager must determine the amount owing for electricity purchased under clauses 14.2 to 14.7 using the following formula:
Q \times P_f

where

Q is the quantity of electricity allocated to the participant for each trading period for each point of connection to the grid determined in accordance with reconciliation information and summarised and loss adjusted dispatchable load information.

P_f is the final price determined by the pricing manager for each relevant point of connection to the grid for each trading period.

(2) The clearing manager must determine the amount owing for electricity sold under clauses 14.2 to 14.7 using the following formula:

Q \times P_f

where

Q is the quantity of electricity allocated to the participant for each trading period for each point of connection to the grid determined in accordance with reconciliation information.

P_f is the final price determined by the pricing manager for each relevant point of connection to the grid for each trading period.

(3) The quantity of electricity bought by a purchaser or sold by a generator under subpart 1 must be determined in accordance with clauses 15.20A to 15.26.

(4) The final price of electricity bought by a purchaser or sold by a generator under subpart 1 must be determined in accordance with clauses 13.135 and 13.171 to 13.185.

14.11 Amounts owing for constrained off compensation and constrained on compensation

The clearing manager must determine amounts owing in respect of constrained off compensation and constrained on compensation in accordance with clauses 13.192 to 13.212.

14.12 Amounts owing for washup amounts

The clearing manager must determine amounts owing in respect of washup amounts in accordance with subpart 6.

14.13 Amounts owing for auction revenue

The clearing manager must determine amounts owing in respect of auction revenue in accordance with clauses 13.110 to 13.112.

14.14 Amounts owing for ancillary services

The clearing manager must determine amounts owing in respect of ancillary services in accordance with clauses 8.6, 8.31, 8.55(1), and 8.68(1).

14.14A Amounts owing for extended reserve
The clearing manager must determine amounts owing in respect of extended reserve in accordance with clauses 8.55(2), 8.67A, and 8.68(3) and (4).

14.15 Amounts owing for hedge settlement agreements
The clearing manager must calculate amounts owing under a hedge settlement agreement in respect of the current billing period in accordance with the terms of the hedge settlement agreement.

14.16 Calculation of loss and constraint excess
(1) A loss and constraint excess accrues for a billing period when the total of the amounts owing by the clearing manager to generators for that billing period for the electricity sold and purchased in accordance with clause 14.3 is less than the total amount owing to the clearing manager for that billing period for the electricity sold and purchased in accordance with clause 14.6.

(2) The FTR manager must—
(a) determine the amount of loss and constraint excess that must be applied to the settlement of FTRs in accordance with Schedule 14.3; and
(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.

(3) Each grid owner and the pricing manager must provide information to the FTR manager in accordance with Schedule 14.3.

(4) Subject to subpart 8, the clearing manager must apply the amount advised under subclause (2) to the settlement of FTRs.

(5) Subject to subpart 8, if the amount that the FTR manager advises the clearing manager under subclause (2) exceeds the amount of the loss and constraint excess for the billing period, the clearing manager must apply all of the loss and constraint excess to the settlement of FTRs.

(6) The Authority must advise the clearing manager of the proportion of the loss and constraint excess and residual loss and constraint excess owing to each grid owner.

(7) Unless the Authority has directed otherwise under this clause, the amount owing to each grid owner in the proportions advised under subclause (6) is—
(a) the amount of any loss and constraint excess less the amount to be applied to the settlement of FTRs under subclause (4) or (5); and
(b) the amount of any residual loss and constraint excess.
14.17 Amounts owing for FTRs

(1) The clearing manager must calculate, for each billing period, the amount owing—
   (a) by a participant to the clearing manager in respect of each FTR for which the participant is registered as the holder of the FTR; and
   (b) by the clearing manager to a participant in respect of each FTR for which the participant is registered as the holder of the FTR; and
   (c) by a participant to the clearing manager in respect of the assignment of an FTR under clause 13.249(4); and
   (d) by the clearing manager to a participant in respect of the assignment of an FTR under clause 13.249(7).

(2) The amount owing by a participant to the clearing manager in respect of an FTR is the net amount of the FTR acquisition cost for the FTR minus the FTR hedge value for the FTR, if that net amount is positive.

(3) The amount owing by the clearing manager to a participant in respect of an FTR is the net amount of the FTR hedge value for the FTR minus the FTR acquisition cost for the FTR, if that net amount is positive.

(4) The clearing manager must publish, for each billing period,—
   (a) the amount owing by a participant to the clearing manager for each FTR; and
   (b) the amount owing by the clearing manager to a participant for each FTR.

(5) Subclause (6) applies if, in respect of a billing period, the total amount to be advised as owing by the clearing manager under paragraphs (b) and (d) of subclause (1) exceeds the sum of the following amounts:
   (a) the total amount to be advised as owing to the clearing manager under subclause (1)(a):
   (b) any amount available under clause 13.249(6) for the settlement of FTRs in the billing period:
   (c) the amount of the loss and constraint excess to be applied to the settlement of FTRs under clause 14.16(4) or (5).

(6) The clearing manager must, in calculating the amount owing in respect of each FTR under paragraph (a) or (b) of subclause (1), use an amended FTR hedge value scaled according to the formula specified in Schedule 14.1.

Subpart 4—Notice of amounts owing and payable


Information about amounts owing and payable

14.18 Clearing manager to advise participant of amounts owing and payable

(1) The clearing manager must advise each participant, for which the clearing manager has determined that the participant owes or is owed an amount under subpart 3, the following:
   (a) amounts owing by the participant to the clearing manager in accordance with clause 14.19;
   (b) amounts owing by the clearing manager to the participant in accordance with
clause 14.20:

(c) the amount of the settlement retention amount calculated in accordance with the methodology published by the clearing manager under clause 14.21:

(d) any amount payable by the participant to the clearing manager and any amount payable by the clearing manager to the participant under subpart 5 in accordance with clause 14.22.

(2) The clearing manager must advise each participant of each amount owing and each amount payable as follows:

(a) no later than the 9th business day of the month following the billing period; but

(b) if the clearing manager has not received any information required to determine an amount payable in respect of the prior billing period in time to advise each participant by that date,—

(i) if the clearing manager receives the information in time to advise each participant of each amount owing and each amount payable 2 business days or more before the 20th day of the month, the clearing manager must advise each participant no later than 2 business days before the 20th day of the month; or

(ii) if the clearing manager does not receive, or considers that it is not likely to receive, the information in time to advise each participant of each amount owing and each amount payable 2 business days before the 20th day of the month,—

(A) the clearing manager must refer the matter to the Authority; and

(B) the Authority must direct the clearing manager as to the time by which the clearing manager must advise each participant of each amount owing and each amount payable; and

(C) the clearing manager must advise each participant by the time directed by the Authority.

(3) A participant must not issue a GST invoice for supplies of electricity, ancillary services, extended reserve, or ancillary service administrative costs to the clearing manager.

Clause 14.18(2): substituted, on 24 March 2015, by clause 5 of the Electricity Industry Participation Code Amendment (Late and Revised Data) 2015.


14.19 Amounts owing by participant to clearing manager

(1) When advising a participant of amounts owing under clause 14.18(1)(a), the clearing manager must specify any amount owing by the participant to the clearing manager for—

(a) the relevant billing period, to the extent that the clearing manager has received the necessary information; and

(b) any prior billing period if the clearing manager receives the necessary information for that billing period after the date that amounts owing for that billing period were required to be advised by the clearing manager.

(2) The clearing manager must specify any amount owing by the participant to the
clearing manager in respect of the periods referred to in subclause (1) for the following:

(a) electricity purchased under clauses 14.2 to 14.7:
(b) constrained off compensation under clause 13.201A:
(c) constrained on compensation under clause 13.212:
(d) a washup amount and any interest on that amount under subpart 6:
(e) auction revenue under clause 13.110:
(f) ancillary services under clauses 8.6, 8.31(1)(a), and 8.68(1):
(fa) extended reserve under clauses 8.67A, and 8.68(3):
(g) payment of an amount under any hedge settlement agreement:
(h) for each FTR in respect of which the participant is registered as the holder of the FTR, the net amount of the FTR acquisition cost for the FTR minus the FTR hedge value for the FTR, if that net amount is positive:
(i) any amount owing in respect of the assignment of any FTR under clause 13.249(4):
(j) GST.

(3) The clearing manager must specify the sum of the amounts referred to in subclause (2).

14.20 Amounts owing by clearing manager to participant

(1) When advising a participant of amounts owing under clause 14.18(1)(b), the clearing manager must specify any amount owing by the clearing manager to the participant for—

(a) the relevant billing period, to the extent that the clearing manager has received the necessary information; and

(b) any prior billing period if the clearing manager receives the necessary information for that billing period after the date that amounts owing for that billing period were required to be advised by the clearing manager.

(2) The clearing manager must specify any amount owing by the clearing manager to the participant in respect of the periods referred to in subclause (1) for the following:

(a) electricity sold under clauses 14.2 to 14.7:
(b) constrained off compensation under clause 13.201A:
(c) constrained on compensation under clause 13.212:
(d) a washup amount and any interest on that amount under subpart 6:
(e) auction revenue under clause 13.112:
(f) ancillary services under clause 8.55(a):
(fa) extended reserve under clause 8.68(4):
(g) payment of an amount under any hedge settlement agreement:
(h) for each FTR in respect of which the participant is registered as the holder of the FTR, the net amount of the FTR acquisition cost for the FTR minus the FTR hedge value for the FTR, if that net amount is positive:
(i) any amount owing in respect of the assignment of any FTR under clause 13.249(7):
(j) GST:
(k) loss and constraint excess and residual loss and constraint excess under clause 14.16(7).

(3) The clearing manager must specify the sum of the amounts referred to in subclause (2).


14.21 Methodology for determining settlement retention amount

(1) The clearing manager must formulate and publish a methodology for determining the settlement retention amount to be advised to a participant in accordance with clause 14.18(1)(c).

(2) The methodology formulated by the clearing manager under subclause (1) must comply with the principle that the settlement retention amount is set to ensure that the clearing manager has sufficient funds to pay each non-defaulting participant the amount payable to that participant under subpart 5 if both of the following occur:

(a) a settlement default that results in the largest percentage reduction in payments that would be made in the absence of the settlement retention amount in respect of amounts other than FTRs;
(b) a settlement default that results in the largest percentage reduction in payments that would be made in the absence of the settlement retention amount in respect of FTRs (other than in respect of the residual loss and constraint excess).

(3) For the purposes of subclause (2), multiple settlement defaults by parties related in any way specified in the methodology must be treated as 1 settlement default.

(4) The consultation and approval requirements set out in Schedule 14.2 apply to the methodology.

14.22 Calculation of amount payable

(1) The amount payable by a participant to the clearing manager under clause 14.31 is determined in accordance with the following formula:

\[ AP_p = \max [0, AOP - AOCM + SRA]\]

where

- \( AP_p \) is the amount payable by the participant to the clearing manager
- \( AOP \) is the sum of the amounts owing by the participant to the clearing manager, calculated under clause 14.19
- \( AOCM \) is the sum of the amounts owing by the clearing manager to the participant, calculated under clause 14.20
- \( SRA \) is the settlement retention amount, calculated in accordance with the methodology published by the clearing manager under clause 14.21

(2) Subject to subpart 8, the amount payable by the clearing manager to a participant in
accordance with clause 14.34 is determined in accordance with the following formula:

\[ APCM = AOCM - AOP + AP \]

where

- \( APCM \) is the amount payable by the clearing manager to the participant
- \( AOCM \) is the sum of the amounts owing by the clearing manager to the participant, calculated under clause 14.20
- \( AOP \) is the sum of the amounts owing by the participant to the clearing manager, calculated under clause 14.19
- \( AP \) is the amount payable under subclause (1) (if any)

Procedure for advising participants of amounts owing and payable

14.23 Procedure for advising participant of amounts owing and payable

(1) When advising a participant of amounts owing and payable under this subpart, the clearing manager must—
   (a) submit the information to each relevant participant through WITS; and
   (aa) publish the information; and
   (b) if the participant requests, post or hand deliver the information to the participant.

(2) Proof of submitting the information to WITS is deemed to be proof of the advice under subclause (1), despite the procedures set out in this clause and in clause 14.24.

14.24 Participant to confirm receipt

(1) Each participant that receives information from the clearing manager under this subpart must immediately confirm, through WITS, receipt of the information sent by the clearing manager under clause 14.23(1)(a) or (b).

(2) If, by 1200 hours on the business day after submitting the information under clause 14.23(1), the clearing manager has not received confirmation from a participant that the participant has received the information, the clearing manager must check whether the participant has received the information.

(3) If the participant has not received the information, the clearing manager must resubmit the information through WITS.

(4) Delayed confirmation by a participant that the information has been received does not extend the payment period set out in clause 14.31.
Disputes about amounts

14.25 Participant may dispute amount
(1) A participant may dispute information about an amount that is provided by the clearing manager under this subpart by notice in writing to the clearing manager.

(2) A participant may not—
(a) dispute the information under subclause (1) after the expiry of 2 years after the date that the information is provided; or
(b) commence a dispute under subclause (1) if the participant has commenced a dispute in relation to the volume information on which the information is based under clause 15.29, and the dispute remains unresolved.

(3) The clearing manager must advise all participants materially affected by the dispute and the Authority of the dispute no later than 1 business day after the clearing manager receives notice of the dispute under subclause (1).

(4) On receiving advice of a dispute that relates to volume information under subclause (3), the Authority may direct that no further action be taken in respect of the dispute.

(5) If the Authority gives a direction under subclause (4), clauses 14.26 to 14.28 cease to apply to the dispute.

(6) A direction under subclause (4) does not affect the validity of information provided under clause 14.26(2) or clause 14.37 before the direction was given.


14.26 Resolution of dispute about amount
(1) The disputing participant and the clearing manager must attempt to resolve the dispute.

(2) The clearing manager must revise the disputed amount and any other affected amount if, in time for the clearing manager to advise each participant of each amount owing and each amount payable 2 business days or more before the disputed amount is due to be paid or received by the disputing participant—
(a) the dispute is resolved by the parties advised of the dispute agreeing that information used to determine the amount is incorrect; and
(b) [Revoked]
(c) the clearing manager has received all information necessary to revise the amount and any other affected amount (including revised volume information if necessary).

(3) Subject to clause 14.28, if the participant and the clearing manager do not resolve the dispute by the time referred to in subclause (2), the disputing participant must pay or receive the amount in accordance with clauses 14.31 and 14.34.

Clause 14.26(2)(b): revoked, on 24 March 2015, by clause 7(2) of the Electricity Industry Participation Code Amendment (Late and Revised Data) 2015.
Clause 14.26(3): amended, on 24 March 2015, by clause 7(3) of the Electricity Industry Participation Code Amendment (Late and Revised Data) 2015.
14.27 Dispute about amount may be referred to Rulings Panel

(1) If the dispute is not resolved within 15 business days after the date on which the clearing manager received notice of the dispute under clause 14.25(1), the disputing participant or the clearing manager may refer the dispute to the Rulings Panel for resolution.

(2) The Rulings Panel may make such determination as it thinks fit.

(3) The Rulings Panel must give notice of its determination to the parties to the dispute and affected participants.


14.28 Correction of information about amount as result of dispute

(1) If a dispute (other than a dispute resolved by the time referred to in clause 14.26(2)) is resolved by the parties to the dispute agreeing, or the Rulings Panel determining, that information used to determine the amount is incorrect, the clearing manager and the reconciliation manager must correct the information as follows:

   (a) if the information to be corrected is volume information, the information must be corrected in accordance with subclause (2):

   (b) if the information to be corrected is not volume information—

      (i) the clearing manager must either correct the information, or advise the appropriate market operation service provider or the Authority so that the information may be corrected; and

      (ii) if a market operation service provider or the Authority corrects the information, the market operation service provider or the Authority, as the case may be, must provide the corrected information to the clearing manager.

(2) The reconciliation manager must correct volume information as follows:

   (a) if a revised seasonal adjustment shape must be issued in order for the volume information to be corrected—

      (i) the reconciliation manager must provide each reconciliation participant whose submission information is required to be corrected with a revised seasonal adjustment shape; and

      (ii) each reconciliation participant must provide corrected submission information to the reconciliation manager no later than 4 business days after being provided with the revised seasonal adjustment shape:

   (b) if a revised seasonal adjustment shape is not required to be issued in order for the volume information to be corrected, each reconciliation participant whose submission information or dispatchable load information is required to be corrected must provide corrected submission information or dispatchable load information to the reconciliation manager no later than 4 business days after receiving notice of the resolution of the dispute:

   (c) the reconciliation manager must provide the corrected volume information to the clearing manager.

(3) If information is corrected under subclause (1) or (2), the clearing manager must advise the Authority and comply with any direction given by the Authority on the
matter.

(4) Without limiting subclause (3), a direction that the Authority gives under that subclause may include—

(a) a direction to advise each participant of each amount owing and each amount payable by the participant by a date specified by the Authority; or

(b) a direction to conduct washups in accordance with subpart 6.

Clause 14.28(1): amended, on 24 March 2015, by clause 8(1) of the Electricity Industry Participation Code Amendment (Late and Revised Data) 2015.
Clause 14.28(3): amended, on 24 March 2015, by clause 8(2) of the Electricity Industry Participation Code Amendment (Late and Revised Data) 2015.
Clause 14.28(4): inserted, on 24 March 2015, by clause 8(3) of the Electricity Industry Participation Code Amendment (Late and Revised Data) 2015.

Subpart 5—Payments

14.29 Payment of amounts payable

(1) If the calculation under clause 14.22 provides for a participant to pay an amount to the clearing manager, the participant must pay that amount to the clearing manager in accordance with clauses 14.31 and 14.32.

(2) If the calculation under clause 14.22 provides for the clearing manager to pay an amount to a participant, the clearing manager must pay that amount to the participant in accordance with clause 14.34.

14.30 Prepayment of amounts payable

(1) A participant may elect to pay an amount to the clearing manager before the participant incurs the amount owing to the clearing manager.

(2) If a participant prepays an amount to the clearing manager under subclause (1),—

(a) the participant must advise the clearing manager of 1 or more billing periods to which the payment relates; and

(b) the clearing manager must deduct the amount paid by the participant from the amount advised to the participant as owing by the participant to the clearing manager under subpart 4.

(3) Any amount paid to the clearing manager under this clause must not be returned to the participant, except as provided in subclause (4).

(4) If an amount prepaid by a participant is more than the actual amount payable by the participant to the clearing manager for the relevant billing periods, the clearing manager must—

(a) apply the amount to the amount payable in the next billing period; or

(b) if the participant requests the clearing manager to pay the residual amount to the participant and satisfies the clearing manager that it will continue to comply with prudential requirements in Part 14A, pay the residual amount to the participant in accordance with clause 14.34.

(5) The clearing manager must credit to a participant that has prepaid an amount under this clause all interest received by the clearing manager on the prepaid amount, less any applicable deduction for tax purposes.
14.31 Deadlines for payments

(1) Subject to subclauses (3) and (4), each participant must pay the clearing manager the amount advised to the participant under subpart 4 as payable by the participant to the clearing manager by—
(a) 1300 hours on the 20th day of the month following the billing period in respect of which the amount was advised; or
(b) if that day is not a business day, 1300 hours on the next business day.

(2) If the clearing manager does not advise a participant of an amount payable by the time specified in clause 14.18(2)(b)(i), payment may, if the participant so elects, be delayed for a period corresponding to the period of delay in advising the participant of the amount payable.

(3) In the case of advice of an amount payable being delayed, the clearing manager must advise the participant of the new payment date.

(4) If the clearing manager revises an amount advised to the participant 2 business days or more before the amount is due to be paid, the participant must pay the amount by the date for payment under subclause (1).


14.32 Methods of payment

(1) Subject to subclause (2), each participant must pay the clearing manager in cleared funds into the operating account.

(2) A participant may instruct the clearing manager to pay all or part of an amount payable by the participant under clause 14.31 from a cash deposit held by the clearing manager in respect of the participant in accordance with clause 14A.13.

(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.


14.33 Allocation of payments

(1) Subject to subpart 8, the allocation by the clearing manager of a payment received from a participant under this Part must be dealt with in accordance with this clause.

(2) The clearing manager must hold each amount paid into the operating account by or on behalf of a participant in payment or part payment of an amount payable under this subpart upon trust for those persons that are entitled to receive payment from the clearing manager.

(3) A participant may not direct the clearing manager to apply any funds paid under this Part other than in accordance with this clause.
(4) The clearing manager must separately account for any amount received under clause 14.31 in respect of an amount referred to in clause 14.19(2)(h) and (i).

14.34 Payments by clearing manager

(1) Subject to subparts 7 and 8, the clearing manager must pay each participant the amount advised to the participant under subpart 4 as payable by the clearing manager to the participant by 1600 hours on the final business day for payment under clause 14.31.

(2) The clearing manager must pay each participant in cleared funds.

(3) A participant may instruct the clearing manager to treat all or part of an amount payable to the participant under this clause as a cash deposit under Part 14A.

(4) The clearing manager is not required to pay a participant under this clause if a settlement default is continuing in relation to the participant.

(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.


14.35 Payment of residual loss and constraint excess

Each grid owner must treat residual loss and constraint excess paid to it under this Part as loss and constraint excess.

Subpart 6—Washups

14.36 Clearing manager to conduct washups

If the clearing manager receives corrected information in accordance with clauses 8.68, 8.69, 15.20C(b), 15.26(4), or clause 28 of Schedule 15.4, it must conduct washups and advise participants of amounts owing in accordance with this subpart.


14.37 Clearing manager to advise participants of washup amounts

The clearing manager must advise relevant participants of amounts owing in respect of washup amounts in accordance with subpart 4 and clauses 14.38 to 14.40, except that the clearing manager must, if requested by a participant affected by the washup, issue corrected information covered by the washup to the participant.

14.38 Washup amounts

(1) All washup amounts and interest accrued in accordance with subclause (2) must be expressed as an amount owing by the participant to the clearing manager or an amount owing by the clearing manager to the participant in respect of the current
billing period.

(2) Daily interest (less any deduction for resident withholding tax) on the washup amount, calculated at the bank bill bid rate, accrues from the date that payment of the amount based on the incorrect information to which the washup relates was due as set out in clauses 14.31 and 14.34 (as applicable) until the date of advice of the revised washup amount in accordance with clause 14.18, and must be compounded at the end of each calendar month.

14.39 Washups for grid owners

If a washup has occurred due to incorrect consumption information being used to determine amounts owing in accordance with subpart 4 that affects grid owners, the clearing manager must credit or debit a washup amount to or from each grid owner as follows:

(a) if a grid owner’s washup amount is a credit, the clearing manager must add the credit to any amount owing to the grid owner in accordance with clause 14.16(7) in respect of the current billing period:

(b) if a grid owner’s washup amount is a debit, the clearing manager must subtract the debit from any amount owing to the grid owner in accordance with clause 14.16(7) in respect of the current billing period:

(c) if the washup amount is greater than the amount owing, the clearing manager must advise the grid owner of any amount owing for the washup amount concurrently with advising participants of any amount owing under clause 14.18, and payment of the washup amount must be made by the grid owner by the time for payment set out in clause 14.31:

(d) daily interest (less any deduction for resident withholding tax) on the washup amount, calculated at the bank bill bid rate, must be debited or credited (as the case may be) to the amount owing to the grid owner in accordance with clause 14.16(7), and accrues from the date that payment based on the incorrect information to which the washup relates was made until the date of advice in accordance with clause 14.18 resulting in the grid owner’s washup amount, and must be compounded at the end of each calendar month.

14.40 Payment where no longer participant

(1) Despite clauses 14.38 and 14.39, if a washup amount affects a person that is no longer a participant, the clearing manager must advise the person of the washup amount owing and payable in accordance with clauses 14.31 and 14.32.

(2) The person remains liable for outstanding obligations in accordance with section 30(3) of the Act.

(3) Daily interest (less any deduction for resident withholding tax) on the washup amount, calculated at the bank bill bid rate, must be added to the washup amount and accrues from the date that payment of the amount based on the incorrect information to which the washup relates was due as set out in 14.31 and 14.34 (as applicable) until the date of advice of the revised washup amount in accordance with clause 14.18, and must be compounded at the end of each calendar month.
Subpart 7—Events of default

Types of default

14.41 Definition of an event of default

(1) Each of the following events constitutes an event of default:

(a) failure of a participant to provide security for the minimum amount required in accordance with clause 14A.6:

(b) a settlement default:

(c) any action taken for, or with a view to, the declaration of a participant that is required to comply with Part 14A as a corporation at risk under the Corporations (Investigation and Management) Act 1989:

(d) appointment of a statutory manager in respect of a participant that is required to comply with Part 14A under the Corporations (Investigation and Management) Act 1989 (or a recommendation or submission is made by a person to the Financial Markets Authority supporting such an appointment):

(e) appointment of a person under section 19 of the Corporations (Investigation and Management) Act 1989 to investigate the affairs or run the business of a participant that is required to comply with Part 14A:

(f) if a participant that is required to comply with Part 14A is (or admits that it is or is deemed under any applicable law to be) unable to pay its debts as they fall due or is otherwise insolvent, or stops or suspends, or threatens to stop or suspend, or a moratorium is declared on, payment of its indebtedness generally, or makes or commences negotiations or takes any other steps with a view to making any assignment or composition with, or for the benefit of, its creditors, or any other arrangement for the rescheduling of its indebtedness or otherwise with a view to avoiding, or in expectation of its inability to pay, its debts:

(g) a holder of a security interest or other encumbrancer taking possession of, or a receiver, manager, receiver and manager, liquidator, provisional liquidator, trustee, statutory or official manager or inspector, administrator or similar officer being appointed in respect of the whole or any part of the assets of a participant that is required to comply with Part 14A or if the participant requests that such an appointment be made:

(h) termination of a trader’s use-of-system agreement with a distributor because of a serious financial breach if—

(i) the trader continues to have a customer or customers purchasing electricity from the trader on the distributor's local network or embedded network; and

(ii) there are no unresolved disputes between the trader 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 subclause applies.

(2) If a distributor, having given notice under subclause (1)(h)(iv), considers that an event
of default no longer exists, the distributor must advise the Authority that it considers that the event of default has been remedied.

Clause 14.41(1)(h)(i) and (iv): amended, on 1 February 2016, by clause 91(1) and (2) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2015.

Procedure for event of default

14.42 Clearing manager to advise Authority of anticipated event of default

(1) If the clearing manager believes that an event of default is likely to occur, the clearing manager must advise the Authority so that the Authority can consider an appropriate course of action.

(2) If the clearing manager, having advised the Authority under subclause (1), no longer believes that an event of default is likely to occur, the clearing manager must advise the Authority that it no longer believes that the event of default is likely to occur.


14.43 Procedure upon event of default

(1) If an event of default occurs in relation to a participant, the participant must immediately advise the clearing manager and the Authority of the event of default.

(2) Despite subclause (1), a participant is not required to advise the clearing manager or the Authority if the participant would breach section 36 of the Corporations (Investigation and Management) Act 1989 by advising the clearing manager or the Authority.

(3) If subclause (2) applies, the participant must seek the consent of the Registrar of Companies or the Financial Markets Authority (as applicable) to disclose the matter to the clearing manager and the Authority.

(3A) If a participant, having advised of an event of default under subclause (1), considers that the event of default has been remedied, the participant must advise the clearing manager that it considers that the event of default has been remedied.

(3B) If the clearing manager has been advised under subclause (3A) that the participant considers that an event of default has been remedied, the clearing manager must—

(a) decide whether it agrees that the event of default has been remedied; and

(b) if it agrees, advise the Authority that it considers that the event of default has been remedied.

(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.
(4A) If the clearing manager, having advised of an event of default under subclause (4), considers that the event of default has been remedied, the clearing manager must advise the Authority that it considers that the event of default has been remedied.


Remedies and rights of recovery

14.44 Event of default gives clearing manager remedies

(1) If an event of default has occurred, the clearing manager has the power to exercise, as appropriate, all or any of the following remedies without prejudice to any other remedy it may have at law:
   (a) apply the balance of the cash deposit of the defaulting participant in accordance with clause 14A.13(a):
   (b) make a demand under a guarantee, letter of credit, or bond provided under Part 14A in respect of the defaulting participant:
   (c) if the defaulting participant has not paid an amount due under this Part by the due date for payment, set-off any amount payable by the clearing manager to the defaulting participant against the unpaid amount payable by the defaulting participant to the clearing manager:
   (d) take possession of any FTR held by the defaulting participant in accordance with clause 14.47.

(2) If an event of default is continuing at the expiry of the participant's post-default exit period registered under clause 14A.22,—
   (a) the clearing manager must cancel a hedge settlement agreement to which the defaulting participant is a party in accordance with clause 14.48:
   (b) the Authority may direct a grid owner or distributor to exercise any contractual right the grid owner or distributor has to electrically disconnect a defaulting participant that is a direct purchaser in accordance with clause 14.49.


14.45 Remedies for settlement default

If the clearing manager elects to exercise any of the remedies specified in clause 14.44 in the event of a settlement default, the clearing manager must exercise the remedies in the following order:
   (a) set-off the amount payable by the clearing manager to the defaulting participant against any amount that is payable by the defaulting participant to the clearing manager in respect of the current billing period or any other billing period:
   (b) apply the balance of the cash deposit of the defaulting participant:
   (c) if the amounts set-off or applied under paragraphs (a) and (b) are not sufficient to
remedy the default,—
   (i) make a demand under a guarantee, letter of credit, or bond provided under Part 14A in respect of the defaulting participant;
   (ii) take possession of any FTR held by the defaulting participant in accordance with clause 14.47.

14.46 Remedies for other types of default
   If an event of default other than a settlement default occurs in relation to a participant, the clearing manager must exercise all or any of the remedies specified in clause 14.44 to ensure that it has sufficient funds for the next settlement date.

14.47 Application to take possession of FTR
   (1) The clearing manager on application to the FTR manager is entitled to be registered on the FTR register as the holder of any FTR that the clearing manager takes possession of under clause 14.44(1)(d) without any further authorisation than this subclause.
   (2) If the FTR hedge values or estimated FTR hedge values of the FTRs held by the defaulting participant exceed the amount required to remedy the event of default, the clearing manager may exercise its discretion in deciding which FTRs are transferred to the clearing manager.
   (3) If the amount received by the clearing manager on settlement or sale of an FTR taken possession of under clause 14.44(1)(d) exceeds the amount required to remedy the event of default, the clearing manager must repay the excess amount to the defaulting participant.
   (4) If the clearing manager holds an FTR in respect of which an amount would be owing if the FTR was held by another person, no amount is owing by the clearing manager.

14.48 Cancellation of hedge settlement agreement in event of default
   (1) If the defaulting participant is a party to a hedge settlement agreement and the event of default is continuing at the expiry of the participant's post-default exit period registered under clause 14A.22, the clearing manager must cancel the hedge settlement agreement on the first business day after the expiry of the participant's post-default exit period.
   (2) The clearing manager must give written notice to the parties to the hedge settlement agreement if a hedge settlement agreement is cancelled under this clause.

14.49 Electrical disconnection of direct purchaser
   (1) Each direct purchaser must at all times ensure that the terms of each of its contracts that provide for the electrical connection of the direct purchaser to a network permit the relevant grid owner or distributor to electrically disconnect the direct purchaser on the direction of the Authority if an event of default occurs in relation to the direct purchaser and is continuing at the expiry of its post-default exit period registered under clause 14A.22.
   (2) Each grid owner or distributor must at all times ensure that the terms of each of its contracts that provide for the electrical connection of a direct purchaser to a network
permit the grid owner or distributor to electrically disconnect the direct purchaser on the direction of the Authority if an event of default occurs in relation to the direct purchaser and is continuing at the expiry of its post-default exit period registered under clause 14A.22.

(3) If an event of default occurs in relation to a direct purchaser and is continuing at the expiry of the direct purchaser's post-default exit period registered under clause 14A.22, the Authority may direct a grid owner or distributor to exercise any contractual right the grid owner or distributor has to electrically disconnect the defaulting direct purchaser.

(4) A grid owner or distributor that receives a direction under subclause (3) must comply with the direction.


14.50 Clearing manager to exercise rights to recover amounts outstanding

The clearing manager must exercise such rights, including those rights under the Act and this Code, as is reasonable to recover any amounts outstanding from a defaulting participant.

14.51 Participants assigned or subrogated to all clearing manager’s rights of recovery

(1) If a participant’s default means that the clearing manager is unable to pay participants the full outstanding amount that would otherwise be payable to them so that any amount paid to participants is reduced under subpart 8, the participants are entitled to be assigned or subrogated to the rights of the clearing manager in respect of amounts payable to the clearing manager by the relevant defaulting participant which, if paid, would have been required to be held on trust by the clearing manager for the participants in accordance with this Code.

(2) The clearing manager must do all that is reasonably necessary, including the granting of a power of attorney in favour of the participants, to assist the participants in the exercise of the rights.

(3) The participants may, in the name of the clearing manager (if requested),—

(a) take any step to enforce repayment or exercise any other rights of the clearing manager in respect of money for the time being due to the clearing manager—

(i) from a defaulting participant; or

(ii) from a guarantor of the defaulting participant; or

(iii) from any person that has provided a letter of credit or bond in favour of the clearing manager in respect of the defaulting participant; or

(iv) in respect of any other security held by the clearing manager in respect of the defaulting participant; and

(b) directly or indirectly, prove in, claim, share in, or receive the benefit of any distribution, dividend, or payment arising out of—
(i) any insolvency of a defaulting participant; or
(ii) a guarantor of the defaulting participant; or
(iii) any person that has provided a letter of credit or bond in favour of the clearing manager in respect of the defaulting participant; or
(iv) any other security held by the clearing manager in respect of the defaulting participant.

14.52 Rights of participants to exercise rights
(1) Any 1 or more participants is entitled to exercise rights under clause 14.51, if—
   (a) the clearing manager has not, within 3 business days of receiving notice of, or otherwise becoming aware of, the occurrence of an event of default, taken any action under clauses 14.44 to 14.46; or
   (b) the clearing manager has failed within 2 months of an event of default to collect all amounts due from the defaulting participant.
(2) Nothing in subclause (1) or this subpart limits the statutory right of the clearing manager to apply to the Court for the appointment of a receiver, interim liquidator, or liquidator.

Publication of information about event of default

14.53 Authority may publish information about event of default
(1) The Authority may publish information about an event of default if the Authority considers it is appropriate.
(2) If an event of default results in a reduction in payments under subpart 8, the Authority must publish information about the following:
   (a) the nature of the event of default;
   (b) the extent of the event of default;
   (c) the identity of the defaulting participant.


Subpart 8—Payments in event of settlement default

14.54 Application of this subpart
(1) This subpart applies if—
   (a) a participant commits a settlement default; and
   (b) the amount received from the defaulting participant and recovered or set-off under clause 14.44 by 1500 hours on the final day for payment under clause 14.31 is less than the amount payable by the participant to the clearing manager.
(2) In this subpart a reference to 1 or more general amounts is a reference to any amount that is not required to be applied to the settlement of FTRs or paid to the grid owner as residual loss and constraint excess.
14.55 Allocation of shortfall to settlement of general amounts and FTRs

(1) The clearing manager must allocate any shortfall as a result of a settlement default to adjust the settlement of general amounts and FTRs in accordance with this clause.

(2) The shortfall is—
   (a) the amount payable by the defaulting participant to the clearing manager under subpart 5; minus
   (b) any amount received from the defaulting participant and recovered or set-off under clause 14.44.

(3) In respect of each defaulting participant, the amount of the shortfall that must be allocated to adjust the settlement of general amounts is the total shortfall, less the amount of the shortfall that must be allocated to adjust the settlement of FTRs in accordance with subclause (4).

(4) In respect of each defaulting participant, the amount of the shortfall that must be allocated to adjust the settlement of FTRs is determined in accordance with the following formula:

\[
X_{\text{FTR}} = X_{\text{TOT}} \times (O_{\text{FTR}} / O_{\text{TOT}})
\]

where

- \(X_{\text{FTR}}\) is the amount of the shortfall that must be allocated to adjust the settlement of FTRs.
- \(X_{\text{TOT}}\) is the amount of the total shortfall.
- \(O_{\text{FTR}}\) is the total amount owing by the defaulting participant to the clearing manager in respect of FTRs as specified under clause 14.19(2)(h) and (i).
- \(O_{\text{TOT}}\) is the total amount owing by the defaulting participant to the clearing manager as specified under clause 14.19(3).

(5) If the total amount owing by a defaulting participant as specified under clause 14.19(3) includes an amount owing in respect of the assignment of any FTR under clause 14.19(2)(i) that relates to a future billing period or billing periods, a portion of the amount of the shortfall that must be allocated to adjust the settlement of FTRs under subclause (4) must be allocated to each future billing period in accordance with the following formula:

\[
F_{\text{FTR}} = X_{\text{FTR}} \times (O_{\text{FTR} (\text{future})} / O_{\text{FTR}})
\]

where

- \(F_{\text{FTR}}\) is the amount of the shortfall that must be allocated to adjust the settlement of FTRs in the future billing period.
- \(X_{\text{FTR}}\) is the amount of the shortfall that must be allocated to adjust the settlement of FTRs, calculated under subclause (4).
- \(O_{\text{FTR} (\text{future})}\) is the amount owing by the defaulting participant to the clearing manager in respect of the assignment of an FTR under clause 14.19(2)(i) that relates to the future billing period.
OFTR is the total amount owing by the defaulting participant to the clearing manager in respect of FTRs as specified under clause 14.19(2)(h) and (i).


14.56 Calculation of revised amount owing for general amounts

(1) The clearing manager must apply any amount available for the settlement of general amounts in accordance with the following order of priority:

(a) to satisfy any liability to pay GST and other governmental charges or levies, that are payable by the clearing manager in respect of the amounts owing and payable under subparts 4 to 6, taking into account any GST input tax credits available to the clearing manager in respect of payments under paragraphs (b) to (e):

(ab) [Revoked]

(b) to satisfy any amounts owing to the following parties, pro rata according to the amounts owing to them for ancillary services or extended reserve (as the case may be):

(i) the system operator for ancillary services under clauses 8.6, 8.31(1)(a), and 8.55 to 8.67:

(ii) an extended reserve provider for extended reserve under clauses 8.55(2) and 8.68(4):

(c) to satisfy any amount of loss and constraint excess to be applied to the settlement of FTRs under clause 14.16(4) or (5):

(d) to satisfy any amount owing to each grid owner for any loss and constraint excess in accordance with clause 14.16(7)(a):

(e) to satisfy any other general amount owing by the clearing manager to a participant.

(2) If there is an insufficient amount available for the settlement of general amounts, the clearing manager must calculate the revised amounts owing by the clearing manager to participants in respect of general amounts as follows:

(a) first apply the full amount available to satisfy each amount owing in the order of priorities in subclause (1):

(b) if there is an insufficient amount to satisfy the full amount owing under any of paragraphs (a) to (e) of subclause (1), calculate the revised amount owing to each participant under that paragraph according to the following formula:

\[
A_{O_{CM\text{ (revised)}}} = A_{O_{CM\text{ (general)}}} \times \left( \frac{A_{\text{general}}}{R_{\text{general}}} \right)
\]

where

\(A_{O_{CM\text{ (revised)}}}\) is the revised amount owing by the clearing manager to the participant in respect of the general amounts

\(A_{O_{CM\text{ (general)}}}\) is the amount owing by the clearing manager to the participant in respect of that billing period under the relevant paragraph in subclause (1)

\(A_{\text{general}}\) is the total amount available for the settlement of amounts owing by
Part 14

14.57 Calculation of revised amount owing for FTR amounts

(1) The clearing manager must apply any amount available for the settlement of FTRs in accordance with the following order of priority:

(a) to satisfy any amount owing to a participant in respect of FTRs:

(b) to satisfy any amount owing to each grid owner for any residual loss and constraint excess under clause 14.16(7)(b).

(2) If there is an insufficient amount available for the settlement of FTRs, the clearing manager must calculate the revised amount owing in respect of FTRs as follows:

(a) first apply the amount available for the settlement of FTRs in the relevant billing period to satisfy each amount owing to a participant in respect of an FTR:

(b) if there is an amount remaining for the settlement of FTRs in the relevant billing period after the clearing manager has satisfied each amount owing to a participant in respect of an FTR, the clearing manager must allocate that amount to each grid owner under clause 14.16(7)(b):

(c) if there is an insufficient amount to satisfy each amount owing under paragraph (a), the clearing manager must adjust each amount owing to a participant in respect of an FTR according to the following formula:

\[ AO_{CM} \text{(revised)} = AO_{CM} \text{(FTRs)} \times \left( \frac{C_{FTR}}{FTR_{required}} \right) \]

where

- \( AO_{CM} \text{(revised)} \) is the revised amount owing by the clearing manager to the participant in respect of FTRs
- \( AO_{CM} \text{(FTRs)} \) is the amount advised to the participant under clause 14.20 as being owing to the participant in respect of that billing period in respect of an amount specified in clause 14.20(2)(h) or (i)
- \( C_{FTR} \) is the total amount available for the settlement of FTRs in the relevant billing period
- \( FTR_{required} \) is the sum of all amounts required to settle FTRs in respect of the billing period
14.58 Calculation of scaled amount payable

The clearing manager must calculate the scaled amount payable for each participant to which an amount is payable by the clearing manager under subpart 5 in accordance with the following formula:

\[ \text{APCM (scaled)} = \text{AOCM (revised)} - \text{AOP} + \text{P} \]

where

- \( \text{APCM (scaled)} \) is the scaled amount payable by the clearing manager to the participant
- \( \text{AOCM (revised)} \) is the sum of the revised amounts owing by the clearing manager to the participant, calculated under clauses 14.56 and 14.57
- \( \text{AOP} \) is the sum of the amounts owing by the participant to the clearing manager, calculated under clause 14.19
- \( \text{P} \) is any amount payable by the participant under clause 14.31 and, in the case of a defaulting participant, that amount minus any amount set-off under clause 14.44(1)(c)


14.59 Calculation of revised amount payable

(1) If the application of the formula in clause 14.58 results in a scaled amount payable that is positive or 0 for every participant to which an amount is payable by the clearing manager, the scaled amount payable by the clearing manager to a participant is the revised amount payable by the clearing manager under clause 14.60.

(2) [Revoked]

(3) [Revoked]

(4) If the application of the formula in clause 14.58 results in a scaled amount payable that is negative for 1 or more participants to which an amount is payable by the clearing manager, the clearing manager must calculate the revised amount payable by the clearing manager under clause 14.60 as follows:

(a) for each participant for which the scaled amount payable is negative, set the revised amount payable for the participant to 0:

(b) for each participant for which the scaled amount payable is positive, calculate the revised amount payable to the participant in accordance with the following formula:

\[ \text{APCM (revised)} = \text{APCM (scaled)} + \text{AP}_{\text{negative}} \left( \frac{\text{AOCM (revised)}}{\text{AO}_{\text{positive}}} \right) \]

where

- \( \text{APCM (revised)} \) is the revised amount payable by the clearing manager to the participant
- \( \text{APCM (scaled)} \) is the scaled amount payable by the clearing manager to the participant, calculated under clause 14.58
AP_{negative} is the sum of all scaled amounts payable by the clearing manager to the participant for every participant for which the scaled amount payable is negative.

AO_{CM}^{\text{(revised)}} is the sum of the revised amounts owing by the clearing manager to the participant, calculated under clauses 14.56 and 14.57.

AO_{positive} is the sum of all revised amounts owing by the clearing manager to a participant for every participant for which the scaled amount payable is positive.

(5) If the application of the formula in subclause (4)(b) results in a participant having a revised amount payable that is negative, the clearing manager must recalculate the revised amount payable for each participant under subclause (4) using the revised amount payable by the clearing manager to the participant as the scaled amount payable by the clearing manager to the participant.


Clause 14.59(2) and (3): revoked, on 24 March 2015, by clause 12(1) of the Electricity Industry Participation Code Amendment (Late and Revised Data) 2015.


Clause 14.59(4)(b): amended, on 24 March 2015, by clause 17(2) and (3) of the Electricity Industry Participation Code Amendment (Settlement and Prudential Security) 2014.

14.60 Payment of revised amount payable

The clearing manager must pay each participant the revised amount payable in accordance with clause 14.34 as if references to the amount payable were references to the revised amount payable.

14.61 Payment by participant with negative scaled amount payable

(1) If the application of the formula in clause 14.58 results in a scaled amount payable for a participant that is negative, the participant must pay an amount that is equal to the absolute value of the scaled amount payable with this clause.

(2) The clearing manager must advise the participant of the amount payable.

(3) The participant must pay the amount payable to the clearing manager by 1300 hours on the next business day after the day on which the clearing manager advises the participant of the amount.

(4) Clause 14.32 applies to a payment under this clause.

(5) If the clearing manager receives further funds from the defaulting participant, the clearing manager may revise or cancel the amount payable under this clause to reflect the need for the amount payable.

14.62 Application of payment by participant with negative scaled amount payable

(1) The clearing manager must allocate the funds received under clause 14.61 to each participant for which the scaled amount payable is positive.

(2) The amount allocated to each participant under this clause is the difference between the scaled amount payable and revised amount payable for the participant.
(3) The clearing manager must pay each participant the amount allocated under this clause by 1600 hours on the day that funds are received under clause 14.61.

(4) If there are insufficient funds to pay each participant the amount allocated under this clause, the clearing manager must adjust the amount payable for each participant based on the proportion that the amount payable by the clearing manager to the participant bears to the total amount payable to all participants under this clause.

14.63 Further funds paid according to priority

(1) As further funds are received or recovered from a defaulting participant by the clearing manager, those funds must be allocated to the settlement of general amounts and FTRs and paid in accordance with this subpart as if—
   (a) the further funds had been paid by the defaulting participant on the final day for payment under clause 14.31; but
   (b) with the amount already paid by the clearing manager to a participant under this subpart deducted from the amount calculated as payable by the clearing manager to the participant.

(2) If funds received or recovered by the clearing manager are identifiable as relating to a specific billing period, the clearing manager must apply those funds in satisfaction or part satisfaction of amounts payable by the clearing manager in respect of that billing period.

(3) If it is not clear to which billing period the funds relate, the funds must be applied in satisfaction or part satisfaction of amounts payable by the clearing manager in respect of the earliest billing period in respect of which amounts are outstanding to the extent that full payment has not been received by the relevant participants in respect of that billing period.

14.64 Interest payable to participants

(1) If a participant does not receive the full amount payable under this Part, the clearing manager is liable to pay interest on the unpaid amount.

(2) The interest must be calculated daily from the date payment would otherwise have been due, at the default interest rate, until the date that payment is actually made by the clearing manager to the participant and compounded at the end of each calendar month.

(3) If a participant has not paid any amount payable under this Part after the due date for payment, the participant must pay interest on the unpaid amount.

(4) The interest must be calculated daily from the date on which the payment was due, at the default interest rate, until the date that full payment is received in cleared funds and compounded at the end of each calendar month.

14.65 Participant to remain in default

Despite anything else in this Code, the application of money under this Part that does not satisfy the full amount payable by a participant does not—

(a) satisfy the obligation of the participant to pay the full amount payable together with the interest due on that amount to the clearing manager or to a participant acting in accordance with clause 14.51; or
(b) prejudice any remedy available to the clearing manager in an event of default or to a participant under clause 14.51.

Subpart 9—Administrative obligations of clearing manager

Clearing manager operating account

14.66 Clearing manager to establish operating account

(1) The clearing manager must establish, in its name, an operating account with a bank.

(2) The operating account must—
(a) be held by the clearing manager as a trust account for the benefit of the persons who are entitled to receive payment from the clearing manager under this Part; and
(b) be clearly identified as such; and
(c) subject to this Code, be entirely separate from the cash deposit accounts and any other account of the clearing manager.

(3) The clearing manager must obtain an acknowledgement from the bank with which the operating account is held that—
(a) the funds in that account are held on trust for the purposes set out in clause 14.33; and
(b) the bank has no right of set-off or combination in relation to the funds.

14.67 Payment by clearing manager

(1) Each payment required to be made by the clearing manager to the person entitled to the payment must be made by direct payment to the bank account that the person entitled to the payment may advise the clearing manager in writing from time to time.

(2) Any payment by the clearing manager under this Part must be made from the operating account.

(3) Except as expressly permitted by this Code or as required by law, all payments by the clearing manager under this Part must be free and clear of any withholding or deduction and without any set-off or counter claim.

Reporting obligations of the clearing manager

14.68 Monthly divergence reports to be prepared by clearing manager

(1) The clearing manager must report to the Authority in writing under this clause.

(2) The clearing manager must give the report to the Authority—
(a) on the 10th business day of each calendar month; or
(b) if exceptional circumstances prevent the clearing manager from providing the report by that day, as soon as reasonably practicable after that day.

(3) The report must include—
(a) [Revoked]
(b) [Revoked]
(c) [Revoked]
(d) [Revoked]
(e) situations in which information about an amount owing was or will be issued late and whether or not the delay was caused by the clearing manager; and
(f) if there is a delay in the clearing manager advising a participant of an amount owing under clause 14.18, the part of the process that was delayed.

Clause 14.68(3)(a), (b), (c) and (d): revoked, on 1 November 2018, by clause 104(a) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2018.

14.69 [Revoked]


14.70 [Revoked]


14.71 Clearing manager to make block dispatch settlement differences available

(1) By 0900 hours on the 2nd business day after the clearing manager has advised participants of amounts owing under clause 14.18, the clearing manager must make the following information available for participants on WITS:

(a) the maximum block dispatch settlement difference for each block dispatch group for the previous billing period as determined by the following formula:

\[
\text{Settlement Difference} = \max \left\{ \sum_{gip} \sum_{gip-1} P \left\{ \frac{\text{Gen}_{gip}}{\text{Set}_{gip}} - 1 \right\} \right\}
\]

(b) the total block dispatch settlement differences for each block dispatch group for the previous billing period as determined by the following formula:

\[
\text{Settlement Difference} = \sum_{i=1}^{i} \sum_{gip} \sum_{gip-1} P \left\{ \frac{\text{Gen}_{gip,i}}{\text{Set}_{gip,i}} - 1 \right\}
\]

where
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Part 14

$P_{gip}$ is the final price at the relevant grid injection point for the generating plant or generating unit that forms part of the block dispatch group for the relevant trading period of the billing period.

$\text{Gen}_{gip}$ is the final quantity of electricity sold by that generator to the clearing manager at the relevant grid injection point for the generating plant or generating unit that forms part of the block dispatch group, obtained from the reconciliation information for the relevant trading period of the billing period.

$\text{Set}_{gip}$ is the generation quantity at the relevant grid injection point for the generating plant or generating unit that forms part of the block dispatch group for the relevant trading period of the billing period.

$P_{gip,i}$ is the final price at the relevant grid injection point for the generating plant or generating unit that forms part of the block dispatch group for the relevant trading period of the billing period.

$\text{Gen}_{gip,i}$ is the final quantity of electricity sold by that generator to the clearing manager at the relevant grid injection point for the generating plant and generating units that form part of the block dispatch group, obtained from the reconciliation information for the relevant trading period of the billing period.

$\text{Set}_{gip,i}$ is the generation quantity at the relevant grid injection point for the generating plant and generating units that form part of the block dispatch group for the relevant trading period of the billing period.

(2) For the purposes of this clause “generation quantity” means the time-weighted average quantity of electricity for that generating plant or generating unit for the relevant trading period, taking into account—

(a) the quantity in MW provided to the clearing manager by the system operator in accordance with clauses 13.76 to 13.80; and

(b) the ramp rate applying to the relevant trading period that is specified in the offer submitted by that generator.


14.72 Clearing manager to make block dispatch settlement differences available later if WITS unavailable

(1) If WITS is unavailable to make the information set out in clause 14.71 available, the clearing manager is not obliged to follow any backup procedures in respect of making the information available.

(2) The clearing manager must make the information available on WITS as soon as reasonably possible after WITS becomes available.


14.73 Clause 14.71 applies to block dispatch groups only
The calculation of the block dispatch settlement differences under clause 14.71 must be completed on a block dispatch group basis, even if a block dispatch group has been divided into sub-block dispatch groups during one or more trading periods of the relevant billing period.

14.74 No washup calculation under clause 14.71 if revised reconciliation information is received
Following the calculation and publication of the information relating to block dispatch settlement differences in a billing period under clause 14.71, the clearing manager is not required to recalculate any block dispatch settlement differences as a result of subsequently receiving revised reconciliation information.

Notices

14.75 Notices
(1) Except as expressly provided in this Code, a notice or demand given or required to be given under this Part may be given by being delivered or transmitted to the intended recipient at its address or electronic address as last advised in writing to the sender and may be posted to such address by prepaid post.

(2) Subject to subclause (3),—
   (a) a notice or demand delivered by hand is deemed to be delivered on the date of such delivery; and
   (b) a notice or demand delivered by post is deemed to be delivered on the 2nd business day following the date of posting; and
   (c) a notice or demand transmitted through the WITS is deemed to be delivered on the date it was transmitted.

(3) Any notice or demand delivered, or deemed to be delivered, on a day that is not a business day, or after 1600 hours on a business day, is deemed to have been delivered on the next business day.
Schedule 14.1  cl 14.17

Formula for scaling amount owing in respect of FTRs

1 Purpose of this Schedule
The purpose of this Schedule is to set out the formula for scaling the amount owing in respect of FTRs if clause 14.17(6) applies.

2 Formula
(1) The formula for scaling the FTR hedge value under clause 14.17(6) is as follows:

\[ \text{HVScaled} = \text{HV} \times \left( \frac{\text{C}}{\text{D}} \right) \]

where

- \( \text{HVScaled} \) is the scaled FTR hedge value
- \( \text{HV} \) is the original FTR hedge value that would be owing if this subclause did not apply
- \( \text{C} \) is the amount calculated in accordance with the formula in subclause (2)
- \( \text{D} \) is the amount calculated in accordance with the formula in subclause (3)

(2) The value for \( \text{C} \) in the formula in subclause (1) is as follows:

\[ \text{C} = \text{LCEFTR} + \text{ACP} + \text{AP} - \text{ACCM} - \text{ACM} \]

where

- \( \text{LCEFTR} \) is the amount of the loss and constraint excess to be applied to the settlement of FTRs under clause 14.16(4) or (5)
- \( \text{ACP} \) is the sum of any FTR acquisition costs owing to the clearing manager
- \( \text{AP} \) is the sum of any amounts owing to the clearing manager under clause 13.249(4)
- \( \text{ACCM} \) is the sum of any FTR acquisition costs owing by the clearing manager
- \( \text{ACM} \) is the sum of any amounts owing by the clearing manager under clause 13.249(7)

(3) The value for \( \text{D} \) in the formula in subclause (1) is as follows:

\[ \text{D} = \text{HVCM} - \text{HVP} \]

where

- \( \text{HVCM} \) is the sum of any FTR hedge values owing by the clearing manager
- \( \text{HVP} \) is the sum of any FTR hedge values owing to the clearing manager
Schedule 14.2

Consultation and approval requirements for methodologies

1 Purpose of this Schedule
This Schedule sets out the consultation and approval requirements that apply to the following methodologies formulated and published by the clearing manager:
(a) the methodology for determining the settlement retention amount under clause 14.21;
(b) the methodology for determining the forward estimate of the minimum amount for which security will be required to be provided by a participant under clause 14A.5;
(c) the methodology for determining the general prudential requirement under clause 8 of Schedule 14A.1;
(d) the methodology for determining the minimum security required in respect of FTRs under clause 12 of Schedule 14A.1.

2 Approval of methodology
(1) The clearing manager must submit to the Authority for approval a draft methodology.
(2) In preparing the draft methodology, the clearing manager must—
(a) consult with persons that the clearing manager thinks are representative of the interests of persons likely to be substantially affected by the methodology; and
(b) consider submissions made on the methodology.
(3) The clearing manager must provide a copy of each submission received under subclause (2) to the Authority.
(4) The Authority must, as soon as practicable after receiving the draft methodology, by notice in writing to the clearing manager—
(a) approve the methodology; or
(b) decline to approve the methodology.
(5) If the Authority declines to approve the draft methodology, the Authority must publish the changes that the Authority wishes the clearing manager to make to the draft methodology.

3 Consultation on proposed changes to methodology
(1) When the Authority publishes the changes that the Authority wishes the clearing manager to make to the draft methodology under clause 2(5), the Authority must publish the date by which submissions on the changes must be received by the Authority.
(2) Each submission on the changes to the draft methodology must be made in writing to the Authority and be received on or before the date specified by the Authority under subclause (1).
(3) The Authority must—
(a) provide a copy of each submission received to the clearing manager; and
(b) publish the submissions.
4 Variations to methodology

(1) A participant or the Authority may submit a proposal for a variation to the methodology.

(2) The clearing manager must provide a copy of each proposed variation received from a participant under subclause (1) to the Authority.

(3) The clearing manager must consider a proposed variation to the methodology submitted under subclause (1).

(4) The clearing manager may submit a request for a variation to the methodology to the Authority.

(5) The consultation and approval requirements under clauses 2 and 3 apply to a request for a variation submitted under subclause (4) as if references to the draft methodology were a reference to the requested variation.

(6) If the clearing manager does not submit a request for a variation submitted under subclause (1) to the Authority under subclause (4), the Authority may consider the proposal and require the clearing manager to submit a request for a variation based on the proposal to the Authority, and subclause (5) applies accordingly.

(7) The Authority may approve a variation requested under subclause (4) or subclause (6) without complying with the provisions referred to in subclause (5) if—
   (a) the Authority considers that it is necessary or desirable in the public interest that the requested variation be made urgently; and
   (b) the Authority publishes a notice of the variation and a statement of the reasons why the urgent variation is needed.

(8) Every variation made under subclause (7) expires on the date that is 9 months after the date on which the variation is made.
Schedule 14.3
Calculation of amount of loss and constraint excess to be applied to the settlement of FTRs

1 Purpose
The purpose of this Schedule is to set out the formulae and process for the calculation under clause 14.16(2) of the amount of the loss and constraint excess to be applied to the settlement of FTRs.

2 Interpretation
(1) In this Schedule, unless the context otherwise requires,—
   AC line means any AC branch balanced, in relation to an FTR injection pattern, means that the total positive and negative hub injections sum to 0. A balanced FTR injection pattern is consistent with a grid in which losses are not modelled
   binding, in relation to a constraint, means that the constraint has a non-zero shadow price
   branch constraint means a constraint in which all the LHS variables are branch flows
   canonical form means a linear programming problem that is expressed in the following form:
   maximise $c^T x$
   subject to $Ax \leq b$
   where
   $x$ is the vector of variables to be determined
   $c$ and $b$ are vectors of constants
   $A$ is a matrix of coefficients
   $c^T x$ is the objective function to be maximised
   $Ax \leq b$ is the set of constraints, each row of $Ax$ being the LHS of a constraint and each element of $b$ being the corresponding RHS

Minimum constraints are assumed to have been multiplied through by $-1$ to form an equivalent maximum constraint

Equality constraints are assumed to have initially been represented by a pair of minimum and maximum constraints with the same LHS and RHS, and then the resulting minimum constraint is assumed to have been multiplied through by $-1$ to form an equivalent maximum constraint
closed, in relation to a branch, means that the branch is electrically connected at both ends

feasible region, in relation to an n-dimensional linear programming problem, means the n-dimensional solution space filled by the set of all possible feasible solutions

final pricing schedule means the schedule that the pricing manager uses to produce the interim prices on which final prices are based

FTR injection pattern means the combination of positive or negative net hub injections implied by a combination of FTRs

hub injection means the actual or notional flow of electricity into the grid, if positive, or out of the grid, if negative, at any hub

HVDC link has the same meaning as in the model formulation

LHS means the left hand side of a constraint expressed in canonical form

mixed constraint has the same meaning as in the model formulation

open, in relation to a branch, means that the branch is electrically disconnected at 1 or both ends

operational system split means an instance where a grid owner chooses to operate with a switch or branch open for reasons such as—
(a) breaking loops that would otherwise constrain flows; or
(b) reducing the size of the maximum fault duty that switchgear needs to withstand

RHS means the right hand side of a constraint when expressed in canonical form

scheduled, in relation to a variable, means the value of the variable in the final pricing schedule

shadow price, in relation to an AC line capacity, branch constraint or mixed constraint, means the absolute value of the shadow price in $/MWh for the AC line or constraint reported in the final pricing schedule

simultaneously feasible, in relation to an FTR injection pattern, means that the implied flows can be carried by the transmission system, subject to the constraints as defined by clause 5(2)

(2) For the purposes of this Schedule, constraints that are not expressed in canonical form in the model formulation must be translated into the equivalent canonical form. Clause 2(1) closed: amended, on 5 October 2017, by clause 508(1) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017. Clause 2(1) open: amended, on 5 October 2017, by clause 508(2) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2017.

3 Amount of loss and constraint excess to be applied to settlement of FTRs
The amount of the loss and constraint excess that must be applied to the settlement of FTRs under clause 14.16(4) is the amount calculated under clause 9(6)(b).
4 Grid owner must determine normal grid configuration

(1) Each grid owner must determine a normal grid configuration for the grid owner’s grid.

(2) The normal grid configuration determined under subclause (1) must be a grid configuration with all existing branches and switches closed except where the grid owner has implemented operational system splits and the grid owner considers that the normal state of those operational system splits is for the relevant branch or switch to be open.

(3) Each grid owner must provide to the FTR manager the information describing the normal grid configuration for the grid owner’s grid determined under subclause (1).

(4) Each grid owner must determine a new normal grid configuration for the grid owner’s grid if the grid owner considers it necessary because, for example, any of the following occur:

(a) some grid equipment is commissioned or decommissioned;
(b) there is a change in the capacity or impedance of some grid equipment;
(c) the grid owner considers that the normal state of any operational system split has changed.

(5) Each grid owner must provide new information to the FTR manager if the grid owner determines a new normal grid configuration for the grid owner’s grid under subclause (4), unless otherwise agreed with the FTR manager.


5 FTR manager must determine FTR injection patterns

(1) The FTR manager must determine a set of balanced extreme FTR injection patterns.

(2) Each balanced extreme FTR injection pattern determined under subclause (1) must be simultaneously feasible assuming—

(a) the normal grid configuration determined under clause 4; and
(b) the absence of all other grid flows; and
(c) all AC line and HVDC link capacity limits applied; and
(d) all risk and reserve constraints disabled; and
(e) all branch variable losses set to 0; and
(f) all branch fixed losses set to 0.

(3) The set of balanced extreme FTR injection patterns determined under subclause (1) must, in the reasonable opinion of the FTR manager, be the set of FTR injection patterns that best represents the extreme limits of the feasible region of FTR injection patterns as defined by the assumptions listed under subclause (2).

(4) The FTR manager must determine a new set of balanced extreme FTR injection patterns if—

(a) a grid owner provides the FTR manager with new information under clause 4(5) that results in a change to the feasible region of FTR injection patterns; or
(b) there is a change to the hubs or set of hubs specified in the FTR allocation plan.

6 FTR manager must determine matrix of lossless shift factors

(1) For each trading period of the relevant billing period, following the publication of final prices, the FTR manager must determine a matrix of lossless shift factors referenced to a set of reference nodes, from the input information or revised data used to produce the final pricing schedule, in accordance with the following:
   (a) one reference node must be chosen within each electrical island:
   (b) nodes are in the same electrical island if a transmission path exists between them.

(2) The matrix of lossless shift factors determined under subclause (1) must be calculated in accordance with the following matrix formula:

\[
[\text{ShiftFactor}] = [\text{AdmittancePrimitive}] \times [\text{Inc}] \times [\text{Impedance}]
\]

where

[ShiftFactor] is the \( m \) by \( n \) matrix of lossless shift factors, which defines the increment in flow in the conventional forward flow direction on any branch in the transmission network resulting from an increment in net injection at any node together with an equal decrement in net injection at the reference node in the electrical island in which the node resides, while neglecting the effect of losses.

[AdmittancePrimitive] is the \( m \) by \( m \) diagonal matrix formed from the set of \( m \) branch susceptances.

[Inc] is the \( m \) by \( n \) lossless branch-node incidence matrix, which denotes the conventional from and to nodes for a branch by matrix entries of 1 and \(-1\) respectively.

[Impedance] is the \( n \) by \( n \) matrix formed from the inverse of [AdmittanceNodal] with the columns and rows...
associated with the reference nodes reinserted and filled with zeroes

\[ [\text{AdmittanceNodal}] \]

is the \( n-r \) by \( n-r \) matrix obtained from \([\text{AdmittanceNodalComplete}]\) by deleting the column and row associated with each of the reference nodes

\[ [\text{AdmittanceNodalComplete}] \]

is the \( n \) by \( n \) matrix = \([\text{Inc}^T]\) \times \([\text{AdmittancePrimitive}]\) \times \([\text{Inc}]\)

\[ [\text{Inc}^T] \]

is the \( n \) by \( m \) matrix transpose of \([\text{Inc}]\)

(3) For the purposes of subclauses (1) and (2) —

(a) the set of inter-island HVDC links must be replaced by a single AC line with a nominal susceptance value between the Benmore and Haywards HVDC terminal nodes, whether or not any HVDC link is actually in service during the relevant trading period; and

(b) the nominal susceptance value determined under paragraph (a) may be any suitable value that will avoid numerical difficulties; and

(c) any switches between the Benmore HVDC terminal node and other Benmore nodes operating at the same nominal voltage that are normally closed must be treated as closed; and

(d) any switches between the Haywards HVDC terminal node and other Haywards nodes operating at the same nominal voltage that are normally closed must be treated as closed; and

(e) in any trading period in which any of the hubs reside in different electrical islands (as defined in subclause (1)(b)), the shift factor matrix for the previous trading period in which all the hubs resided in the same electrical island must be used.

7 FTR manager must determine branch participation loading and constraint participation loading

(1) For each trading period of the relevant billing period, the FTR manager must determine a branch participation loading for each AC line \( k \).

(2) Each branch participation loading determined under subclause (1) must be calculated—

(a) in accordance with the following formula if the scheduled flow on the AC line is in the conventional forward flow direction:

\[
\max \left( \sum_{h \in \text{Hubs}} SF_{h,k} \times \text{Inj}_{h,p} : p \in 1, \ldots, P \right); \text{ and}
\]
(b) in accordance with the following formula if the **scheduled** flow on the **AC line** is in the conventional reverse flow direction:

\[-\min \left( \sum_{h \in \text{Hubs}} SF_{k,h} \times \text{Inj}_{h,p} : p \in 1, \ldots, P \right)\]

where

- \(SF_{k,h}\) is the shift factor relating flows on **AC line** \(k\) to **injections** at **hub** \(h\), determined under clause 6(1)
- \(\text{Inj}_{h,p}\) is the positive or negative **hub injection** at **hub** \(h\) in **FTR injection pattern** \(p\) in the set of \(P\) balanced extreme **FTR injection patterns** determined under clause 5(1)

(3) For each **trading period** of the relevant **billing period**, for each **binding branch constraint** \(v\) involving **AC line** flows, the **FTR manager** must determine a **constraint participation loading** in accordance with the following formula:

\[
\max \left( \sum_{k \in \text{ACLineGroup}_v, h \in \text{Hubs}} \sum \text{weight}_{k,v} \times SF_{k,h} \times \text{Inj}_{h,p} : p \in 1, \ldots, P \right)
\]

where

- \(SF_{k,h}\) and \(\text{Inj}_{h,p}\) are as defined in subclause (2)
- \(\text{ACLineGroup}_v\) is the set of **AC lines** involved in **branch constraint** \(v\) (any **HVDC link** flow terms in the **constraint** must be excluded from this calculation)
- \(\text{weight}_{k,v}\) is the weight associated with **AC Line** \(k\) in **branch constraint** \(v\) expressed in **canonical form**

(4) For each **trading period** of the relevant **billing period**, for each **binding mixed constraint** \(v\) (if any) involving **AC line** flow terms or **AC line** variable loss terms, the **FTR manager** must determine a **constraint participation loading** in accordance with the following formula:

\[
\max \left( \sum_{k \in \text{ACLineGroup}_v} \left( \text{flowweight}_{k,v} \times \text{flow}_{k,p} + \text{lossweight}_{k,v} \times \text{loss}_{k,p} \right) : p \in 1, \ldots, P \right)
\]

where

- \(\text{ACLineGroup}_v\) is the set of **AC lines** whose flows or variable **losses** are involved in **mixed constraint** \(v\) (all other terms in the **mixed constraint** must be excluded)
from this calculation)

\( flowweight_{k,v} \) is the weight associated with the flow on AC Line \( k \) in mixed constraint \( v \) expressed in canonical form.

\( lossweight_{k,v} \) is the weight associated with the variable losses on AC Line \( k \) in mixed constraint \( v \) expressed in canonical form.

\( flow_{k,p} \) is the flow on AC Line \( k \) due to FTR injection pattern \( p \), which equals \( \sum_{h\in\text{Hubs}} SF_{k,h} \times Inj_{h,p} \).

\( loss_{k,p} \) is the variable losses on AC Line \( k \) due to \( flow_{k,p} \).

\( SF_{k,h} \) and \( Inj_{h,p} \) are as defined in subclause (2).

(5) For the purposes of this clause, if hub \( h \) is a group of nodes, the positive or negative hub injection at hub \( h \) must be split into its individual nodal components in a manner consistent with the hub definition in the FTR allocation plan, and each nodal component must be treated as a separate hub injection.

8 FTR manager must assign portions of capacities

(1) For each trading period of the relevant billing period, the FTR manager must assign a portion of the capacity of each AC line, AC line loss curve block, binding branch constraint RHS and binding mixed constraint RHS (if any) for the purpose of determining amounts to be applied to the settlement of FTRs under clause 9(3) to (5).

(2) The portion of the capacity of each AC line to be assigned under subclause (1) must be the minimum of—

(a) the line capacity applicable in the trading period in the final pricing schedule; and

(b) the relevant branch participation loading determined under clause 7(1).

(3) The portion of the capacity of each AC line loss curve block to be assigned under subclause (1) must be the portion of the loss curve block that would be utilised by a flow at the level of the capacity of the associated AC line assigned, as determined under subclause (2), assuming that loss curve blocks are utilised in order from lowest to highest loss factor, in the direction of flow.

(4) Subject to subclause (5), the portion of the capacity of each binding branch constraint RHS or binding mixed constraint RHS (if any) to be assigned under subclause (1) must be the minimum of—

(a) the constraint RHS applicable in the trading period in the final pricing schedule, minus the contribution of any LHS terms not involving AC line flows.
or AC line variable losses, calculated assuming the values of the relevant variables applicable in the trading period in the final pricing schedule; and
(b) the relevant constraint participation loading determined under clause 7(3) or clause 7(4).

(5) If the capacity determined under subclause (4) for any constraint is negative, the capacity to be assigned for that constraint must be 0.

9 FTR manager must calculate amounts to be applied to settlement of FTRs
(1) The amounts calculated under this clause must be calculated using the flow quantities, nodal prices and shadow prices from the final pricing schedule.
(2) The HVDC loss and constraint excess to be applied to the settlement of FTRs for each trading period of the relevant billing period must be calculated in accordance with the following formula:

\[
\max \left\{ 0, \sum_{n \in n(NI)} \text{price}_n \times \left( \sum_{i \in n(SI)} (\text{HVDCLinkFlow}_i - \text{HVDCLinkLosses}_i) - \sum_{i \in n(SI)} \text{HVDCLinkFlow}_i \right) \right\} + 2
\]

\[
+ \sum_{n \in n(MI)} \text{price}_n \times \left( \sum_{i \in n(MI)} (\text{HVDCLinkFlow}_i - \text{HVDCLinkLosses}_i) - \sum_{i \in n(MI)} \text{HVDCLinkFlow}_i \right)
\]

where

\( \text{price}_n \) is the energy price at AC node \( n \)

\( n(NI) \) is the set of North Island AC nodes to which any HVDC links are connected

\( n(SI) \) is the set of South Island AC nodes to which any HVDC links are connected

\( \text{HVDCLinkFlow}_i \) is the MW flow at the sending end scheduled for HVDC link \( l \)

\( \text{HVDCLinkLosses}_i \) is the variable MW losses for HVDC link \( l \)

\( S_{HVDC}(n) \) is the set of HVDC links for which \( n \) is the sending AC node
$R_{HVDC}(n)$ is the set of HVDC links for which $n$ is the receiving AC node

(3) The amount of the *loss and constraint excess* generated by each AC line that is to be applied to the settlement of FTRs must be calculated in accordance with the following formula:

$$\text{AssignedCapacity}_k \times \text{ShadowPrice}_k \div 2$$

where

- $\text{AssignedCapacity}_k$ is the portion of the capacity of AC line $k$ assigned under clause 8(1)
- $\text{ShadowPrice}_k$ is the *shadow price* of the line capacity on AC line $k$

(4) The amount of the *loss and constraint excess* generated by each binding branch constraint and binding mixed constraint (if any) involving AC line flow terms or AC line variable loss terms to be applied to the settlement of FTRs must be calculated in accordance with the following formula:

$$\text{AssignedCapacity}_v \times \text{ShadowPrice}_v \div 2$$

where

- $\text{AssignedCapacity}_v$ is the portion of the capacity of the RHS of branch constraint or mixed constraint $v$ assigned under clause 8(1)
- $\text{ShadowPrice}_v$ is the *shadow price* of branch constraint or mixed constraint $v$

(5) The amount of the *loss and constraint excess* generated by each AC line loss curve block that is to be applied to the settlement of FTRs must be calculated in accordance with the following formula:

$$\min\left\{\text{ACLineFlowBlock}_{k,j}, \text{AssignedCapacity}_{k,j}\right\} \times \text{ReceivingEndPrice}_k$$

$$\times \left(\text{ACLineLossFactor}_{k,m} - \text{ACLineLossFactor}_{s,j}\right) \div 2$$
where

\[ ACLineLossFactor_{k,m} = \min(ACLineLossFactor_{k,j}) \quad \text{for which} \]

\[ ACLineFlowBlock_{k,j} < ACLineLossMW_{k,j} \]

\( ACLineFlowBlock_{k,j} \) is the MW flow on the \( j^{th} \) block of the loss curve of AC line \( k \) in the direction of scheduled positive flow, assuming that loss curve blocks are utilised in order from lowest to highest loss factor, in each direction.

\( AssignedCapacity_{k,j} \) is the portion of the capacity of the \( j^{th} \) block of the loss curve of AC line \( k \) assigned under clause 8(1).

\( ReceivingEndPrice_k \) is the nodal energy price at the receiving end of the scheduled flow on AC line \( k \).

\( ACLineLossFactor_{k,j} \) is the loss factor of the \( j^{th} \) block of the loss curve of AC line \( k \).

\( ACLineLossMW_{k,j} \) is the MW capacity of the \( j^{th} \) block of the loss curve of AC line \( k \).

(6) The FTR manager must calculate the amount of the loss and constraint excess that must be applied to the settlement of FTRs for each billing period by—

(a) determining the sum of the amounts calculated in accordance with subclauses (2) to (5) for each trading period of the billing period; and

(b) determining the sum of the amounts calculated in accordance with paragraph (a) for all trading periods of the billing period.
Schedule 14.4
Forms of hedge settlement agreement

Form 1

Date: [Enter date]

<table>
<thead>
<tr>
<th>Party A</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Party B</td>
<td></td>
</tr>
</tbody>
</table>

1 Lodging of hedge settlement agreement

(1) Party A and Party B (the parties) submit this hedge settlement agreement to the clearing manager, as contemplated by clause 14.8 of the Electricity Industry Participation Code 2010 (the Code). Terms that are used in this agreement but not defined bear the meaning given to them in the Code.

(2) By submitting this hedge settlement agreement to the clearing manager in accordance with clause 14.8 of the Code, the parties agree to be bound by the terms set out below from the time at which the clearing manager counter-signs it.

(3) If the clearing manager counter-signs this document then, from the time it counter-signs, it has obligations relating to it under the Code. However, the parties acknowledge the clearing manager is not bound by this document and that its obligations in relation to it are limited to those set out in the Code.

2 Definitions

The following definitions apply in this document:

aggregate fixed amount means, in relation to a billing period, the sum of the fixed amounts for each calculation period in that billing period

aggregate floating amount means, in relation to a billing period, the sum of the floating amounts for each calculation period in that billing period

calculation period means a trading period during the term

commencement date means the date specified as such in the schedule

expiry date means the date specified as such in the schedule

fixed amount means, in relation to a calculation period, an amount calculated using the following formula:

\[ \text{fixed amount} = \text{notional quantity} \times \text{fixed price} \]

fixed price means, in relation to a calculation period, the amount specified as such for that calculation period in the schedule

fixed price payer means, in relation to a hedge settlement agreement, the party specified as such in the schedule
floating amount means, in relation to a calculation period, an amount calculated using the following formula:

\[
\text{floating amount} = \text{notional quantity} \times \text{floating price}
\]

floating price means, in relation to a calculation period, the final price per MWh for that calculation period by reference to the hedge reference point [rounded to two decimal places]

floating price payer means, in relation to a hedge settlement agreement, the party specified as such in the schedule

hedge reference point means the grid exit point specified as such in the schedule

hedge settlement amount means, in relation to a billing period, the absolute value of the amount calculated by subtracting the aggregate floating amount from the aggregate fixed amount

notional quantity means, in relation to a calculation period, the number of MWhs specified as such in the schedule for that calculation period

settlement date means the date on which payments are due under clause 14.31 of the Code

term means the period from 00.00 hours on the commencement date until 23.59 hours on the date on which the hedge settlement agreement terminates.

3 Payment of hedge settlement amounts
In relation to a billing period:
(a) if the aggregate floating amount exceeds the aggregate fixed amount:
   (i) the floating price payer must pay the clearing manager an amount equal to the hedge settlement amount in relation to that billing period; and

   (ii) the clearing manager must pay the fixed price payer an amount equal to the hedge settlement amount in relation to that billing period, on the relevant settlement date; and

(b) if the aggregate fixed amount exceeds the aggregate floating amount:
   (i) the fixed price payer must pay the clearing manager an amount equal to the hedge settlement amount in relation to that billing period; and

   (ii) the clearing manager must pay the floating price payer an amount equal to the hedge settlement amount in relation to that billing period, on the relevant settlement date.

4 Termination
This hedge settlement agreement terminates on the earlier of:
(a) the expiry date; and
(b) the date on which it is cancelled under the Code.
5 Other provisions

The fixed price is inclusive of any additional costs arising due to carbon charges.

EXECUTION

[Execution Block Party A]

[Execution Block Party B]

The clearing manager accepts the lodgement of this hedge settlement agreement by counter-signing it.

[Execution Block Clearing Manager]

SCHEDULE

TERMS OF HEDGE SETTLEMENT AGREEMENT

<table>
<thead>
<tr>
<th>Hedge settlement agreement terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commencement Date</td>
</tr>
<tr>
<td>Expiry Date</td>
</tr>
<tr>
<td>Fixed Price Payer</td>
</tr>
<tr>
<td>Floating Price Payer</td>
</tr>
<tr>
<td>Notional Quantity</td>
</tr>
<tr>
<td>Fixed Price</td>
</tr>
<tr>
<td>Hedge Reference Point</td>
</tr>
</tbody>
</table>

Form 2: Cap/Floor Calculation Period Price

[Note (not for inclusion in form): This form can be used to achieve both a capped price and a floor price.]

Date: [Enter date]

<table>
<thead>
<tr>
<th>Party A</th>
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<td>Party B</td>
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(2) By submitting this hedge settlement agreement to the clearing manager in accordance with clause 14.8 of the Code, the parties agree to be bound by the terms set out below from the time at which the clearing manager counter-signs it.

(3) If the clearing manager counter-signs this document then, from the time it counter-signs, it has obligations relating to it under the Code. However, the parties acknowledge the clearing manager is not bound by this document and that its obligations in relation to it are limited to those set out in the Code.

2 Definitions
The following definitions apply in this document:

calculation period means a trading period during the term

calculation period premium means, in relation to a calculation period, the amount specified as such in the schedule for that calculation period

calculation period settlement amount means, in relation to a calculation period, an amount calculated using the following formula:

calculation period settlement amount = notional quantity x strike price differential

cash settlement amount means, in relation to a billing period, the sum of the calculation period settlement amounts for each calculation period in that billing period

commencement date means the date specified as such in the schedule

expiry date means the date specified as such in the schedule

floating price means, in relation to a calculation period, the final price per MWh for that calculation period by reference to the hedge reference point [rounded to two decimal places]
hedge reference point means the grid exit point specified as such in the schedule

notional quantity means, in relation to a calculation period, the number of MWhs specified as such in the schedule for that calculation period

option buyer means, in relation to a hedge settlement agreement, the party specified as such in the schedule

option premium means, in relation to a billing period, the sum of the calculation period premiums for each calculation period in that billing period

option seller means, in relation to a hedge settlement agreement, the party specified as such in the schedule

option type means either a put option or a call option as specified in the schedule

settlement date means the date on which payments are due under clause 14.31 of the Code

strike price means, in relation to a calculation period, the amount specified as such in the schedule

strike price differential means, in relation to a calculation period, an amount equal to:
(a) if the option type is a put option, the greater of the strike price minus the floating price and zero:
(b) if the option type is a call option, the greater of the floating price minus the strike price and zero

term means the period from 00.00 hours on the commencement date until 23.59 hours on the date on which the hedge settlement agreement terminates.

3 Payment of hedge settlement amounts
In relation to a billing period:
(a) the option buyer must pay the clearing manager an amount equal to the option premium for that billing period; and
(b) the clearing manager must pay the option seller an amount equal to the option premium for that billing period; and
(c) the option seller must pay the clearing manager an amount equal to the cash settlement amount for that billing period; and
(d) the clearing manager must pay the option buyer an amount equal to the cash settlement amount for that billing period, on the relevant settlement date.

4 Termination
This hedge settlement agreement terminates on the earlier of:
(a) the expiry date; and
(b) the date on which it is cancelled under the Code.
5 Other provisions
The strike price is inclusive of any additional costs arising due to carbon charges.

EXECUTION

[Execution Block Party A]

[Execution Block Party B]

The clearing manager accepts the lodgement of this hedge settlement agreement by counter-signing it.

[Execution Block Clearing Manager]

SCHEDULE
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<tr>
<td>Expiry Date</td>
</tr>
<tr>
<td>Option Buyer</td>
</tr>
<tr>
<td>Option Seller</td>
</tr>
<tr>
<td>Option Type</td>
</tr>
<tr>
<td>Notional Quantity</td>
</tr>
<tr>
<td>Strike Price</td>
</tr>
<tr>
<td>Calculation Period Premium</td>
</tr>
<tr>
<td>Hedge Reference Point</td>
</tr>
</tbody>
</table>
Form 3: Cap/Floor Average Price

[Note (not for inclusion in form): This form can be used to achieve both a capped average price over a defined period and a floor average price over a period.]

Date: [Enter date]

<table>
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<tr>
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(3) If the clearing manager counter-signs this document then, from the time it counter-signs, it has obligations relating to it under the Code. However, the parties acknowledge the clearing manager is not bound by this document and that its obligations in relation to it are limited to those set out in the Code.

2 Definitions

The following definitions apply in this document:

average floating price means, in relation to an option period, an amount calculated using the following formula:

\[
\text{average floating price} = \frac{\text{option period floating amount}}{\text{option period notional quantity}}
\]

calculation period means a trading period during the term

calculation period floating amount means, in relation to a calculation period, an amount calculated using the following formula:

\[
\text{calculation period floating amount} = \text{notional quantity} \times \text{floating price}
\]

calculation period notional quantity [Revoked]

calculation period premium means, in relation to a calculation period, the amount specified as such in the schedule for that calculation period

cash settlement amount means, in relation to a billing period, the sum of the option period settlement amounts for each option period in that billing period

commencement date means the date specified as such in the schedule
expiry date means the date specified as such in the schedule

floating price means, in relation to a calculation period, the final price in dollars per MWh for that calculation period by reference to the hedge reference point [rounded to two decimal places]

hedge reference point means the grid exit point specified as such in the schedule

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

option buyer means, in relation to a hedge settlement agreement, the party specified as such in the schedule

option period means each period during the term specified as such in the schedule

option period floating amount means, in relation to an option period, an amount equal to the aggregate of the calculation period floating amounts for each calculation period in that option period

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

option period premium means, in relation to an option period, the sum of the calculation period premiums for each calculation period in the option period

option period settlement amount means, in relation to an option period, an amount calculated using the following formula:

\[
\text{option period settlement amount} = \text{option period notional quantity} \times \text{strike price differential}
\]

option premium means, in relation to a billing period, the sum of the option period premiums for each option period in that billing period

option seller means, in relation to a hedge settlement agreement, the party specified as such in the schedule

option type means either a put option or a call option as specified in the schedule

settlement date means the date on which payments are due under clause 14.31 of the Code

strike price means, in relation to an option period, the amount specified as such in the schedule

strike price differential means, in relation to an option period, an amount equal to:

(a) if the option type is a put option, the greater of the strike price minus the average floating price and zero:

(b) if the option type is a call option, the greater of the average floating price minus the strike price and zero

term means the period from 00.00 hours on the commencement date until 23.59 hours on the date on which the hedge settlement agreement terminates.
3 Payment of hedge settlement amounts
   In relation to a billing period:
   (a) the option buyer must pay the clearing manager an amount equal to the option premium for that billing period; and
   (b) the clearing manager must pay the option seller an amount equal to the option premium for that billing period; and
   (c) the option seller must pay the clearing manager an amount equal to the cash settlement amount for that billing period; and
   (d) the clearing manager must pay the option buyer an amount equal to the cash settlement amount for that billing period, on the relevant settlement date.

4 Termination
   This hedge settlement agreement terminates on the earlier of:
   (a) the expiry date; and
   (b) the date on which it is cancelled under the Code.

5 Other provisions
   The strike price is inclusive of any additional costs arising due to carbon charges.

EXECUTION

[Execution Block Party A]

[Execution Block Party B]

The clearing manager accepts the lodgement of this hedge settlement agreement by counter-signing it.

[Execution Block Clearing Manager]

SCHEDULE
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</tr>
<tr>
<td>Expiry Date</td>
</tr>
<tr>
<td>[Insert date]</td>
</tr>
<tr>
<td>Option Buyer</td>
</tr>
<tr>
<td>[Party A] [Party B]</td>
</tr>
<tr>
<td>Option Seller</td>
</tr>
<tr>
<td>[Party A] [Party B]</td>
</tr>
<tr>
<td>Option Type</td>
</tr>
<tr>
<td>[Call Option] [Put Option]</td>
</tr>
</tbody>
</table>
### Option Period

[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.]

### Notional Quantity

[insert number \text{MWh}] [Table of Notional Quantities (in \text{MWh per calculation period}) to be inserted]

### Strike Price

$[insert amount/\text{MWh}] – [Table of Strike Prices to be inserted]

### Calculation Period Premium

$[insert amount] for each \text{calculation period of option period}. [Table of Premiums to be inserted]

### Hedge Reference Point

[insert grid exit point]

---


Schedule 14.4, Form 3, clause 2, definition of \textit{calculation period notional quantity}: revoked, on 24 March 2015, by clause 22(1)(c) of the Electricity Industry Participation Code Amendment (Settlement and Prudential Security) 2014.


Schedule 14.4, Form 3, clause 2, definition of \textit{option period notional quantity}: inserted, on 24 March 2015, by clause 22(1)(g) of the Electricity Industry Participation Code Amendment (Settlement and Prudential Security) 2014.

Schedule 14.4, Form 3, clause 2, definition of \textit{option period premium}: substituted, on 24 March 2015, by clause 22(1)(h) of the Electricity Industry Participation Code Amendment (Settlement and Prudential Security) 2014.
