Variation #	Date	Annotation
1	18/07/2018	Tables 2.1 and 3 to set starting CPI Index to 979 (as at 1 April 2016). Increased Services fee by $4,049 (from $146,805 to $150,854) from 1 May 2018 to reflect increased costs of Energy Link PPM model due to introduction of 3 new FTR nodes

SCHEDULE 1

FEES

1. The **fees** (exclusive of GST) are:
   1.1. the monthly fee in paragraph 2; and
   1.2. the fees under this **agreement** that are to be calculated in accordance with the hourly rates in paragraph 3;
   1.3. any termination fee calculated in accordance with paragraph 8;
   1.4. the actual premiums payable by the **Provider** for the fidelity insurance contemplated by clause 15.3 of the **agreement**. The **Provider** may invoice the **Authority** for these costs in advance, but the **Authority** need not pay any such invoice until 2 days before the **Provider** is due to pay the relevant costs; and

   less: any rebate(s) calculated in accordance with paragraphs 5 and 6 of this schedule.

2. The monthly fee:
   2.1. The monthly fee is as follows (the "**Monthly Fee**"):

Monthly Fee		Starting CPI Index
Infrastructure	$2,083	*979*
System	$12,668	*979*
Services	$150,854	*979*

18/07/2018 – Clause 2.1 Services row and all starting indexes amended variation #1

2.2. On 1 July 2021, the Services **Monthly Fee** will reduce by 5% from the **Monthly Fee** applicable in June 2021. For the avoidance of doubt, the reduced Monthly Fee will become the Current fee for the annual indexing process described in paragraph 4.1.

2.3. If the **agreement** is renewed in accordance with clause 4.2 of the **agreement**:

2.3.1. the Infrastructure Monthly Fee will immediately reduce to $0 (zero);

2.3.2. the System Monthly Fee will immediately reduce to $0 (zero); and

2.3.3. on 1 July 2024, the Services Monthly Fee will reduce by a further 10% from the Monthly Fee applicable in June 2024. For the avoidance of doubt, the reduced Monthly Fee will become the Current fee for the annual indexing process described in paragraph 4.1.

3. The hourly rates for unplanned chargeable work are as follows:

Resource	Hourly Rate (excl GST)	Starting CPI Index
Sponsor	$275	*979*
Project manager	$210	*979*
Senior developer	$195	*979*
Developer	$175	*979*
Test manager	$195	*979*
Test analyst	$170	*979*
Business analyst	$180	*979*
Auditor	Actual cost pass through	No indexing applies

18/07/2018 – Clause 3 All starting indexes amended variation #1

It is expected that the **Provider** will agree to lower hourly rates for a major project, such as a major variation to the **System** under clause 7 of this **agreement**. Nothing in this schedule prevents the parties agreeing on lower hourly rates for the above resources or different hourly rates for specialist contractors for a major project.

4. Annual indexing

4.1. On 1 July 2017 and thereafter on each subsequent 1 July (each an "**Indexing Date**"), the Monthly Fees in paragraph 2 that have a Starting CPI Index and the hourly rates in paragraph 3 that have a Starting CPI Index, will increase according to the following formula:

New fee = Current fee x (Current CPI Index / Last CPI Index)

Where:

New fee:	the Monthly Fee or hourly rate that will apply from 1 July in the relevant year
Current fee:	the applicable fee or rate that is specified in paragraphs 2 or 3 or that otherwise applies immediately before the relevant **Indexing Date**
Current CPI Index:	the CPI (as published by Statistics New Zealand) for the March immediately before the relevant **Indexing Date**
Last CPI Index:	the CPI, (as published by Statistics New Zealand) for the March 15 months before the relevant **Indexing Date**, or for any new fee added by variation, the Starting CPI Index agreed in that variation,

provided that where the ratio of 'Current CPI Index / Last CPI Index' is less than 1 (one), the new fee will remain unchanged.

4.2. To avoid doubt, any new **fees** calculated under this paragraph 4 shall be agreed between the parties in writing and shall not require a more formal variation to this **agreement** to take effect.

5. **Mandatory Enhancements**: The **Provider** has planned for the development and implementation of the agreed mandatory enhancements to the **system** as specified in schedule 4 of the **agreement**. The system component of the Monthly Fee set out above includes the provision by the **Provider** for these enhancements. To the extent one or more of the mandatory enhancements is not supplied by 1 September 2018 the **fees** will be reduced by a rebate calculated in accordance with clause 7 (Changes) of this **agreement**, but the reduction will be at least the cost assigned to the applicable mandatory enhancement(s) detailed in schedule 4 adjusted by the ratio of the CPI for March 2018 divided by the CPI index for March 2016.

6. **Infrastructure lifecycle maintenance**: The **Provider** has planned for infrastructure lifecycle maintenance, and the infrastructure component of the Monthly Fee set out above includes the cost of this maintenance. The amount included for the infrastructure of the four market operations service provider agreements (WITS manager, Pricing Manager, Reconciliation Manager, and Clearing Manager) is $680,000. If the **Provider** has not proceeded with infrastructure lifecycle maintenance to the full value of $680,000 (indexed by CPI) by 1 July 2020, then the **fees** will be reduced by a rebate equal to the difference between $680,000 (increased by the ratio of the CPI for March 2020 divided by the CPI index for March 2016) and the actual amount spent on infrastructure lifecycle maintenance. If the cost of the infrastructure maintenance exceeds $680,000, the **Provider** will bear the cost of the excess.

7. **Third party innovation rebate:** For any third party innovation (provided under section 22 of the **non-functional specification**) where the **Provider's** client(s) pays a fee to the **Provider**,

the **Authority** shall be rebated a portion of that fee. The amount and timing of the rebate to the **Authority** shall be agreed on a case by case at the time each third party innovation agreement is agreed with the **Provider's** client. The underlying principle by which each case is to be agreed is that where the fee:

7.1. is a one off fee, whether paid as one lump sum or paid as a series of payments with a fixed end date, the **Authority** will be rebated between 15-25% of the gross revenue for developing and implementing the service.

7.2. is a subscription type of fee, the **Authority** will be rebated between 15-25% of the gross subscription revenue.

8. **Termination Fee**: If this **agreement** is terminated in accordance with clauses 12.1.5 or 12.3 of this **agreement,** then the **Provider** may charge the **Authority** a termination fee calculated as follows:

   Enhancement Termination fee = Enhancement cost x (Remaining months / 96)

   Where:

Enhancement cost:	the sum of the costs assigned to each mandatory enhancement listed in schedule 4 that has been fully commissioned in accordance with this **agreement** and the **software** change audit accepted by the **Authority**
Remaining months:	the number of whole months from the date of termination or the end of any transition period, whichever is the later, until 30 June 2024

   And:

   Services Termination fee = (Services fee x 6) x (Remaining months / 96)

   Where:

Services fee:	the monthly Services fee in clause 2.1 payable in the month prior to termination
Remaining months:	the number of whole months from the date of termination or the end of any transition period, whichever is the later, until 30 June 2024

9. **Software maintenance and support costs:** To avoid doubt, the **fees** cover all third party software maintenance and support costs for the **System** (to the extent that those costs are required for the **Provider** to perform its obligations under this **agreement**). The fees for new third party software including updates, provided by the **Provider** pursuant to a change under clause 7 of the **agreement** shall be passed through to the **Authority** at cost.

10. **Optional Enhancements**: The parties record that the Provider has offered to provide the optional enhancements to the **System** detailed in Schedule 4 for the following indicative prices

during the **Initial Term.** If the **Provider** is requested by the **Authority**, under clause 7 of the **agreement**, to provide costs for a **System** change for any of the following developments, the parties must follow the change management process in clause 7 of the **agreement** provided that the **Provider** must base any proposed changes to the **fees** on the indicative prices set out in schedule 4 (adjusted for CPI). If any charges or prices proposed by the **Provider** for such a **System** change are 10% or more above the indicated pricing (adjusted for CPI) then the **Provider** must provide justification for the price difference to the reasonable satisfaction of the **Authority**. If the **Provider** does not demonstrate such a change to the **Authority's** reasonable satisfaction, any increase in pricing beyond 10% will not apply:

11. **Transfer of Infrastructure**: The parties shall execute a separate agreement before 30 April 2016 to govern the arrangements for transferring the **Authority** owned infrastructure equipment to the **Provider**. The principles of the agreement shall be :

    11.1. all of the infrastructure and equipment used to provide the **services**, including supporting software and licences, will be transferred to the **Provider**; and

    11.2. the consideration paid by the **Provider** to the **Authority** will be set by the **Authority** and will be no more than the book value of infrastructure and equipment at the date of that agreement, and no less than one dollar.

    11.3. The **Provider** may charge a monthly fee to the **Authority** to recover the consideration paid to the **Authority**. The period of time over which the monthly instalments will be charged shall be agreed, but will be as short a period of time as possible depending on the **Authority’s** available appropriation, and will cease once the **Provider** has recovered the consideration paid.