

Appendix A Glossary of abbreviations and terms

Auction revenue or auction income

The amount of money paid by participants to purchase FTRs. This amount is used to fund the settlement of the FTR market.

FTR rentals

The portion of loss and constraint excess that is used to fund payments to FTR holders. This amount is calculated by the FTR manager applying Schedule 14.3 of the Code.

Loss and constraint excess (LCE)

The total surplus generated by the New Zealand wholesale electricity market settlement process. This is a result of the aggregate difference between the amount that purchasers of electricity pay the clearing manager and the amount that the clearing manager pays generators of electricity.

Non-FTR rentals

The portion of loss and constraint excess that is not used to fund payments to FTR holders. This amount is passed to the Grid Owner to be rebated to transmission customers.

Residual LCE

Residual LCE is the portion of loss and constraint excess that remains in the FTR account after the settlement of the FTR market. Like non-FTR rentals, this amount is also passed to the Grid Owner to be rebated to transmission customers.

Revenue inadequacy

A situation that occurs when the amount of money available for the settlement of the FTR market (auction income plus FTR rentals) is less than the amount of money required to settle the FTR market. In such cases, FTR settlement payments are scaled by the clearing manager to the amount of money available.

Risk management contract

A contract used to reduce exposure to price risks in the wholesale electricity market. Risk management contracts include bilateral agreements between parties and ASX futures contracts et al, for the management of wholesale price risk and FTRs for the management of locational price risk.

Abbreviations and acronyms

Act	Electricity Industry Act 2010
ASX	Australian Securities Exchange
Authority	Electricity Authority Te Mana Hiko
Code	Electricity Industry Participation Code 2010
FTR	Financial Transmission Right
LCE	Loss and constraint excess
NPV	Net present value