Improving prudential security arrangements

Decision paper

31/07/2026

ELECTRICITY AUTHORITY
TE MANA HIKO

Executive summary

The Electricity Authority Te Mana Hiko (the Authority) has decided to amend the Electricity Industry Participation Code 2010 (Code) to improve the fairness and efficiency of the settlement and prudential security arrangements.

We are proceeding with two Code amendments

After considering submissions on the Improving prudential security arrangements Code consultation paper, the Authority is proceeding with the following amendments that provide for:

- a four-day reduction in the post-default exit period for retailers with 1,000 or fewer ICPs
- the reallocation of residual funds held in the clearing manager's operating accounts from generators to wholesale market purchasers (including retailers) on the basis of purchase volume.

We expect the amendments will support the efficient operation of the electricity market by making it easier for small retailers to meet their prudential requirements while not increasing risk for other participants in the wider settlement and prudential security framework.

These changes will help to lower barriers to entry and competition

In 2025, some small retailers informed the Authority that the current prudential framework was constraining their ability to expand their businesses and compete effectively in the retail market.

We investigated these concerns and found that although prudential requirements have been operating as intended, they can exacerbate underlying issues with small retailers such as weak cashflow. This is because some small retailers:

- have a high proportion of their working capital tied up in prudential security, limiting their ability to grow and increasing their vulnerability to default in periods of market stress
- experience greater volatility in the cost of prudential requirements, complicating cash flow management and potentially requiring additional capital to be held as a buffer rather than put to productive use.

The Code amendments will provide modest relief in prudential costs to alleviate the impact of these issues on small retailers, thereby supporting a more diverse pool of retailers to grow and compete.

Next steps

The Code amendments will come into effect on Monday 30 November 2026.

Prior to this, the Authority will inform the clearing manager of which retailers are recorded in the registry as responsible for 1,000 ICPs or fewer. These retailers will be eligible for the reduced post default period.

Going forward, retailers will be required to inform the clearing manager of any changes to their customer base that affect their entitlement to the reduced post default period.

Contents

1 Purpose of this decision paper

1.1 This paper sets out the Electricity Authority Te Mana Hiko's (Authority's) decision to amend the Electricity Industry Participation Code 2010 (Code) to improve the efficiency of the wholesale settlement and prudential security settings.

1.2 This paper:

(a) explains the key elements of the final Code amendments, including where minor changes have been made to what was initially proposed in the consultation paper

(b) discusses other issues raised in feedback on our consultation paper and our response to these

(c) notes how the Code amendment is consistent with our statutory objectives

(d) sets out the final Code amendment

(e) outlines intended next steps.

2 Background

Previous consultation and identified issues

2.1 This paper follows two previous consultations on improving prudential security arrangements:

(a) an issues and options paper (the issues and options paper)[1]; and

(b) a Code amendment consultation paper (the consultation paper).[2]

2.2 This work was prompted by an increase in prudential breaches and defaults by small retailers since 2024. We had also heard from some retailers directly that the prudential framework was constraining their ability to expand their businesses and compete effectively.

2.3 Our issues and options paper identified two aspects of the current prudential settings that could be impacting small retailers:

(a) Small retailers often have a higher proportion of working capital tied up in prudential security. This is because they generally meet prudential requirements by using cash deposits whereas other retailers are more likely to use financial instruments.

(b) Small retailers cannot offset purchases with large-scale generation and may not have sufficient hedging offsets to reduce prudential exposure.

2.4 Our analysis indicated that these issues were exposing some small retailers to greater volatility in prudential costs, which could limit their ability to grow and compete in the retail market.

2.5 To address the issues, we developed four proposals to improve the efficiency of prudential requirements and reduce the minimum security required for retailers. We explored two of these in more detail in our consultation paper and have now decided to implement them.

Relevant components of the settlement and prudential security framework

2.6 Prudential requirements are financial obligations placed on all wholesale spot market purchasers to provide security for the electricity they buy from the clearing manager. They enable the efficient management of counterparty credit risk, ensuring that generators (who

[1] Improving prudentials security arrangements: issues and options paper.

[2] Improving prudentials security arrangements: Code consultation paper.

must sell all electricity via the clearing manager) are paid for all of the electricity they supply. This is particularly important because electricity, by nature, is consumed before it can be invoiced and paid for.

2.7 On each business day, the clearing manager must estimate the minimum security required[3] for each participant. This is calculated using a methodology formulated by the clearing manager[4] and approved by the Authority[5]. The current methodology has two main components:

(a) **General outstanding** – the net amount (purchases minus generation) a participant has accrued in the past month but has not yet paid for, and the present month's estimated charges.

(b) **Exit period prudential margin** – an amount intended to cover the clearing manager's exposure to a participant for the period of time necessary to exit them from the market following a default.

The post-default exit period

2.8 For retailers, the duration of the exit period prudential margin is 19 days consisting of an 18 day 'post-default exit period' and one additional trading day. The post-default exit period is the time required (currently), following a retailer's default, for the Authority to ensure that the defaulting retailer's customers are transferred to solvent retailers.

2.9 Other participants have shorter exit period prudential margins. For example, direct connect purchasers have a post-default exit period of seven days, reflecting that the Authority has fewer actions to undertake in the event of a direct connect purchaser default, which are primarily limited to disconnection.

2.10 Under clause 14A.22, any participant (including retailers) can apply to the Authority for a shorter post-default exit period. The Authority will be more disposed to approve an application for a reduced post-default exit period in circumstances where it is demonstrated that any credit risk is managed in another way.

The trader default process

2.11 Failure to comply with prudential requirements will trigger the Authority's trader default process. If a participant does not provide its minimum required security to the clearing manager by the deadline, an event of default is considered to have occurred.

2.12 Once an event of default (by a retailer) has occurred, a three-phase process is initiated by the Authority:

(a) **phase one (day 0 to day 7)** – the defaulting trader has seven days to resolve the default by meeting its financial obligations or transferring its customers to another trader

(b) **phase two (day 8 to day 14)** – if unresolved after seven days, the trader's customers are notified by the Authority and encouraged to switch to an alternative retailer within seven days

(c) **phase three (day 15 to day 18)** – the Authority has three days to ensure the registry has completed the switch of all customers who have transferred – remaining customers are assigned to another retailer by the Authority on day 18.

[3] Minimum security required is the least of four daily estimates the clearing manager makes of each participant's exposure. Security covering this amount must be provided to the clearing manager by 4.00 pm on each business day.

[4] As required under clause 14A.5(2).

[5] As required under Schedule 14.2.

Settlement amounts

2.13 Actual settlement of amounts owed to and by the clearing manager occurs on a monthly basis. Each month, some residual credit remains in the clearing manager's settlement accounts due to the accrual of interest on deferred payments. Deferred payments can occur when GST is paid after settlement or if funds are retained in the event of an undesirable trading situation.

3 Summary of the Code amendments we will make

3.1 In order to improve the efficiency and equity of settlement and prudential security arrangements, we have decided to make two small amendments to the Code to provide for:

(a) a four-day reduction in the post-default exit period for retailers with 1,000 or fewer ICPs

(b) the reallocation of residual funds held in the clearing manager's operating accounts from generators to wholesale market purchasers on the basis of purchase volume.

3.2 These amendments will provide a modest efficiency benefit to small retailers without increasing credit risk in the broader prudential framework.

We have made minor changes to the Code amendments proposed in the consultation paper

3.3 We have decided to amend the Code as consulted on, with additional minor, consequential changes to clause 14.34A(4) to reflect the proposed changes to clause 14.34A(3), and minor changes to correct typographical errors in the consultation paper version.

3.4 The final Code amendment is set out in Appendix A.

4 Context for our decisions

4.1 This section sets out the key context surrounding our decision to amend the Code, including how we arrived at our decision and the feedback we have received from stakeholders.

We received input from a range of stakeholders throughout the review

4.2 Eleven stakeholders provided feedback on the issues and options paper. The submitters were:

Table 1: Issues and options paper submitters

<table>
<tr><th></th><th>Submitter</th><th>Type</th></tr>
<tr><td>1</td><td>Contact Energy</td><td rowspan="4">Generator-retailer</td></tr>
<tr><td>2</td><td>Meridian Energy</td></tr>
<tr><td>3</td><td>Lodestone Energy</td></tr>
<tr><td>4</td><td>Nova Energy</td></tr>
<tr><td>5</td><td>Electricity Retailers and Generators Association of New Zealand (ERGANZ)</td><td>Industry association</td></tr>
<tr><td>6</td><td>Haast Energy Trading</td><td rowspan="2">Independent trading business</td></tr>
<tr><td>7</td><td>emh Trade Markets</td></tr>
<tr><td>8</td><td>Octopus Energy</td><td rowspan="2">Independent retailer</td></tr>
<tr><td>9</td><td>Electric Kiwi</td></tr>
</table>

10	For Our Good	
11	Paua to the People	

4.3 Our response to submitters' feedback on the issues and options paper is set out in our *Improving prudential security arrangements – Code consultation paper.*[6]

4.4 Four of these stakeholders also made submissions on our consultation paper. Their feedback, and the Authority's response, is set out in the following sections. These submitters were:

Table 2: Consultation paper submitters

	Submitter	Type
1	Contact Energy	Generator-retailer
2	Nova Energy	
3	Electricity Retailers and Generators Association of New Zealand (ERGANZ)	Industry association
4	Electric Kiwi	Independent retailer

We have reviewed submitters' feedback and are progressing the amendments

4.5 Having considered submitters' feedback on the consultation paper, we have decided to progress with the amendment to the post-default exit period and residual funds reallocation.

Submitters' feedback on reducing the post-default exit period

4.6 In our consultation paper, we proposed a four-day reduction to the post-default exit period for retailers with 1,000 ICPs or fewer with a commensurate reduction in the trader default process for these retailers (by reducing phase 2 of the reader default process by one day and phase 3 by three days).

4.7 Two submitters supported the proposal, one did not support the proposal, and one did not comment.

4.8 ERGANZ supported the proposal, noting that the mechanisms for changes in ICP responsibility are well designed and that the 20-business-day notice requirement for retailers seeking to restore their post-default exit period to 18 days would provide appropriate operational clarity for the clearing manager.

4.9 Contact Energy noted that it appreciated the intent of the proposal but recommended the Authority simplify some elements of the trader default process more broadly to ensure that shorter timeframes are workable including:

(a) enabling greater use of the standard BAU switching process post ICP allocation where the defaulting retailer can support it

(b) allowing retailers to complete switches themselves (instead of the Authority) during a default event.

4.10 The Authority acknowledges the suggestions raised by Contact Energy. However, for the purposes of the current amendments, the Authority considers that it can workably execute the trader default process without further change for retailers with 1,000 ICPs or fewer in a shorter timeframe.

[6] Improving prudential security arrangements – Code consultation paper.

4.11 Electric Kiwi considered that the eligibility threshold (retailers with 1,000 ICPs or fewer) provides only a marginal benefit to a small number of retailers and is unlikely to incentivise meaningful competition or growth. It considered that the proposal does not align with the Authority's stated objective of supporting retailer growth and market entry, and encouraged the Authority to provide for a broader, more inclusive threshold as soon as operational systems permit.

4.12 We note the eligibility threshold reflects the Authority's ability to execute the trader default process in a shorter timeframe for retailers of this size.

Submitters' feedback on residual funds reallocations

4.13 In our consultation paper, we proposed to return residual funds and interest to spot market purchasers in proportion to their relative purchase volumes.

4.14 ERGANZ was the only consultation paper submitter that commented on this amendment. It strongly supported the amendment on the basis that allocations would be made to all spot market purchasers in proportion to their purchase volumes.

4.15 ERGANZ highlighted that the amendment provides for residual funds allocations that are consistent with the origins of residual funds (ie, purchase payments) and maintain competitive neutrality across business models.

4.16 In its submission, ERGANZ also mentioned that the amendment appeared to provide for a six-monthly payment schedule for residual funds allocations. The Authority notes that under the clause 14.24A(4), the clearing manager is required to advise and pay participants of any residual funds owed to them at least once in each six-month period. In practice, residual funds payments are likely to be paid monthly.

Submissions raised a couple of other points but they do not impact our decision

4.17 This section addresses two other matters raised in submissions that are supplementary to the main amendments. These relate to:

(a) the treatment of goods and services tax (GST) in the prudential methodology (raised by Electric Kiwi)

(b) the treatment of dispatchable generation capacity in the prudential methodology (raised by Nova Energy).

GST treatment in the prudential methodology

4.18 Electric Kiwi raised the issue of GST treatment in prudential requirements in its submission on the issues and options paper and the consultation paper.

4.19 It maintains that including GST in prudential calculations obliges retailers to provide security for a statutory liability rather than a market risk that can be hedged, managed, or offset through financial instruments. It argues that GST need not be incorporated into the prudential methodology, as the related risk is merely one of timing and bad debt adjustments would still enable the clearing manager to claim an adjustment even without a GST prudential component.

4.20 The Authority's view on this matter (informed by discussions with Inland Revenue (IRD) and outlined in the consultation paper), is that if a retailer does not provide the GST component of its prudential margin, the remaining security would be insufficient, resulting in a loss for both the IRD and generators in the event of a default.

4.21 Electric Kiwi disagreed, recommending we consider options to reduce the GST prudential component such as:

(a) allowing the GST component to be secured differently

(b) introducing a weighting or haircut of the GST portion

(c) aligning the requirement timing with GST cycles

(d) exploring the feasibility of an IRD recognised mechanism in the event of a default.

4.22 The Authority notes that it is currently possible for retailers to secure the GST component of their prudential requirements separately; multiple acceptable forms of security may be used simultaneously. Noting that there are already some options available to reduce the GST component, the Authority has decided not to progress this proposal.

Dispatchable generation capacity treatment in the prudential methodology

4.23 Nova Energy raised the issue of prudential treatment of dispatchable generation capacity in its submission on both the issues and options paper and the consultation paper.

4.24 Its view is that the clearing manager's approach of projecting forward generation using a moving average of recent weeks generation quantities does not recognise the value of dispatchable generation that is intentionally not operating when wholesale prices are low. It considers this to be a penalty for participants using price-responsive generation, as prudential requirements can increase when market risk is low, while ignoring the natural mitigation that occurs if prices rise and the plant begins generating.

4.25 In the issues and options paper, Nova suggested that transitioning to more dynamic adjustment of exit period or base prices could remedy this issue. We decided that we would not progress this proposal on the basis that dynamic pricing has the potential to distort hedge behaviour and increase prudential volatility.

4.26 Nova Energy noted in its submission on the consultation paper that it will provide analysis of this issues impact on Nova Energy to the Authority on a confidential. This analysis has not yet been received.

4.27 As noted above, any participant (including retailers) may apply to the Authority for a reduced post-default exit period. The likelihood of approval will depend on the extent to which the applicant can demonstrate that its credit risk is effectively managed through other means. The treatment of dispatchable generation capacity could be a relevant factor in this assessment.

5 We have not progressed other options due to their complexity and risk of unintended consequences

5.1 Our issues and options paper identified two other options to achieve the policy objectives:

(a) adjusting the 'adder' component of the exit period prudential margin on a dynamic basis (the adder is to account for potential unexpected upswings in wholesale prices)

(b) enabling ASX hedges to be taken into account in the calculation of prudential requirements (eg, by providing a potential offset similar to hedge settlement agreements).[7]

5.2 Our detailed reasons for not progressing these options are set out in our consultation paper. In summary, we considered that:

[7] Hedge settlement agreements (HSAs) are a hedging arrangements between two market participant's and the clearing manager. Two participants who have entered into an over-the-counter hedge can lodge that contract with the clearing manager who will settle it on their behalf. HSAs can extend the price stability benefits of an ordinary hedging arrangement to prudentials prices.

(a) transitioning to a dynamic adder would provide little practical prudential savings for participants and could unintentionally amplify prudential volatility in ways that are difficult for participants to anticipate or manage

(b) providing for an ASX offsetting arrangement would introduce significant complexity and risk without offering a clear and material benefit.

5.3 One of the recommendations in the Australian National Electricity Market (NEM) wholesale market settings review was that Australian Energy Ministers commission a review of counter party credit risk and prudential arrangements in the NEM. This review may result in consideration of a physical and futures offsetting arrangements. The Authority will monitor developments in this area.

6 Our decision supports our statutory objectives

6.1 This section sets out our view that the revised Code amendment supports the Authority's main statutory objective to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.

6.2 The Authority's additional objective is to protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers. The additional objective only applies to the Authority's activities in relation to the direct dealings between participants and these consumers. It does not apply for the purposes of these amendments.

6.3 We remain of the view that the Code amendments are necessary or desirable to promote each limb of the main statutory objective for the reasons set out in the table below:

Table 3: Application of the statutory objectives

Limb	Application
Competition	The amendment promotes competition because: • reduced prudential requirements will free up cash-flow for investment in innovation and expansion activities; and • a more diverse pool of retailers (brought about by ensuring small retailers can better enter and remain in the market) will increase consumer choice and support downward pressure on retail prices.
Reliability	The amendment promotes reliability because: • to the extent that reducing prudential requirements eases financial pressure on retailers, there is less likelihood of participants exiting the market and generators incurring losses • maintaining the risk profile of the prudential regime will continue to give generators the necessary credit confidence to make investment decisions which may improve security of supply
Efficiency	The amendment promotes efficiency in the settlement and prudential security framework because minimising the cost to retailers of providing sufficient security allows them to allocate more capital to their core business without needing new resources.

6.4 For the same reasons as set out in Table 3, we consider the amendments are necessary or desirable to promote competition in, reliable supply by, and the efficient operation of the electricity industry under section 32(1) of the Act.

We expect the amendments to result in benefits that would support our statutory objectives

6.5 Our assessment of the benefits of the amendments has not changed from that set out in our consultation paper. The primary benefits include:

(a) A 21% reduction in total exit period prudential costs for retailers with 1,000 ICPs or fewer (this amounted to a combined reduction of $124,285 in required security for these retailers over the modelled period of 1 October 2025 – 10 November 2025. However, we expect the value of this reduction to increase in more volatile seasonal periods over the course of each year).

(b) A small financial benefit to all wholesale purchasers of electricity (including retailers) from residual funds allocations. Had the proposals been in effect from March 2025 – December 2025, these participants would have received a combined $72,063 in residual funds payments.

6.6 We also expect these proposals to provide some modest benefits over time from:

(a) **Lower operating costs for retailers**, which can improve efficiency and reduce the cost of serving customers.

(b) **More diversity and competition in the retail market**, as smaller retailers will have less money tied up in security requirements and can instead use those funds to grow and improve their businesses.

(c) **A stronger and more resilient retail market**, with a lower risk of retailer failure, because retailers will face less financial pressure in meeting prudential requirements.

6.7 ERGANZ was the only submitter on the consultation paper that explicitly commented on our evaluation of the costs and benefits of the amendments. It agreed with the Authority’s conclusion that the benefits of the amendments outweigh their costs and noted that the residual funds proposal is cost-neutral in aggregate.

7 Next steps

7.1 The Authority has amended the Code to give effect to this decision.

7.2 The Code amendments will come into effect on 30 November 2026.

Appendix A Final Code amendment

A.1 This appendix shows changes the Authority will make to the existing Code. Code amendments are displayed as follows:

(a) black underlined – for additions that were proposed in the consultation paper

(b) ~~black strikethrough~~ – for deletions that were proposed in the consultation paper

(c) red underlined – for additions made following consultation

(d) ~~red strikethrough~~ – for deletions made following consultation.

Electricity Industry Participation Code 2010

Schedule 11.5

Process for trader or retailer event of default

4 Failure by defaulting trader or defaulting retailer to remedy event of default

(1) This clause applies if—

(a) 7 days or more have elapsed since the **Authority** gave notice to the defaulting **trader** or defaulting **retailer** under clause 2(1); and

(b) the **Authority** considers that—

(i) the defaulting **trader** or defaulting **retailer** has not remedied the **event of default** or, in the case of an **event of default** under clause 14.41(1)(b) in respect of which there is an unresolved invoice dispute under clause 14.25, has not reached an agreement with the **Authority** to resolve the **event of default**; and

(ii) the defaulting **trader** or defaulting **retailer** still has 1 or more contracts under which a customer of the defaulting **trader** or defaulting **retailer** purchases **electricity** from the defaulting **trader** or defaulting **retailer** or is still recorded in the **registry** as being responsible for 1 or more **ICPs**.

(2) The **Authority** must—

(a) give written notice to the defaulting **trader** or defaulting **retailer** that the **Authority** considers that this clause applies; and

(b) unless the **Authority** considers there is good reason not to, attempt to advise customers of the defaulting **trader** or defaulting **retailer** that the defaulting **trader** or defaulting **retailer** has committed an **event of default** and one or more of the following:

(i) *[Revoked]*

(ii) the customer should enter into a contract for the purchase of **electricity** with another **trader** or **retailer** by the date that is:

(A) 13 days after the day on which the **Authority** gave written notice to the defaulting **trader** or defaulting **retailer** under clause 2(1) if the defaulting **trader** or defaulting **retailer** is recorded in the **registry** as being responsible for 1,000 or~~f~~ fewer **ICPs**; or

(B) otherwise 14 days after the day on which the **Authority** gave written notice to the defaulting **trader** or defaulting **retailer** under clause 2(1):

(iii) if the customer fails to enter into a contract with another **trader** or **retailer** by that date, the **Authority** may assign the defaulting **trader's** or defaulting **retailer's** rights and obligations under the customer's contract with the defaulting **trader** or defaulting **retailer** to another **trader** under clause 5:

(iv) any other information the **Authority** considers appropriate.

(3) *[Revoked]*

(4) *[Revoked]*

5 Authority may assign contracts and ICPs

(1) This clause applies if, by the end of the 17th day after the defaulting **trader** or defaulting **retailer** was given notice under clause 2(1), or the end of the 13th day after the defaulting **trader** or defaulting **retailer** was given notice under clause 2(1) if the defaulting **trader** or defaulting **retailer** is recorded in the **registry** as being responsible for 1,000 or fewer **ICPs**,—

(a) the defaulting **trader** or defaulting **retailer** has not remedied the **event of default** or, in the case of an **event of default** under clause 14.41(1)(b) in respect of which there is an unresolved invoice dispute under clause 14.25, has not reached an agreement with the **Authority** to resolve the **event of default**; and

(b) the defaulting **trader** or defaulting **retailer** continues to have 1 or more contracts under which a customer of the defaulting **trader** or defaulting **retailer** purchases **electricity** from the defaulting **trader** or the defaulting **retailer** or the defaulting **trader** is still recorded in the **registry** as being responsible for 1 or more **ICPs**.

(2) The **Authority** may—

(a) exercise its right under a contract under which a customer purchases **electricity** from the defaulting **trader** or defaulting **retailer** to assign the rights and obligations of the defaulting **trader** or defaulting **retailer** under the contract to a recipient **trader** in accordance with the contract; and

(b) assign an **ICP** to a recipient **trader** and direct the **registry manager** to amend the record in the **registry** so that the recipient **trader** is recorded as being responsible for the **ICP**; and

(c) specify the recipient **trader** to whom the rights and obligations under the contract or the **ICP** will be assigned.

(2A) When determining an assignment under subclause (2), the **Authority** may do 1 or both of the following:

(a) exercise its discretion to determine the recipient **trader** without going through a tender or other competitive process:

(b) undertake a tender or other competitive process to determine the recipient **trader**.

(3) The **Authority** must, by notice in writing to each recipient **trader**, direct the recipient **trader** to accept an assignment under subclause (2).

(4) Before the **Authority** gives notice to a recipient **trader** under subclause (3), the **Authority** may decide not to assign rights and obligations of the defaulting **trader** or defaulting **retailer** under a contract or an **ICP** to a recipient **trader** if the recipient trader satisfies the **Authority** that the assignment would pose a serious threat to the financial viability of the recipient **trader**.

(5) A recipient **trader** must comply with a direction given to it under subclause (3).

(6) The **registry manager** must comply with a direction given to it under subclause (2).

(7) Before the **Authority** exercises its right to assign rights and obligations or an **ICP** under subclause (2), the **Authority** must, if the **Authority** considers it is practicable, consult with the defaulting **trader** or defaulting **retailer** as to the need for the notice.

Part 14

Clearing and Settlement

14.34A Payment of residual funds from operating accounts

(1) In this clause,—

(a) applicable period means the period from the last date the **clearing manager** determined the amount of residual funds to be paid to each **participant** under subclause (3), if applicable, up to the date the **clearing manager** determines the amount of residual funds to be paid to each **participant** under subclause (3):

(b) residual funds means any monies left in the **clearing manager's operating accounts** after all amounts owed by the **clearing manager** have been paid in accordance with this Part, less—

(i) any applicable deduction for tax purposes; and

(ii) any amounts that are allocated to be paid to **participants** in accordance with this Part that have not yet been paid; and

(iii) any amounts required to pay any bank fees due for the next two months for the **operating account**; and

(iv) any amounts required to maintain a positive balance in each **operating account** at a level that the **clearing manager** considers is reasonably prudent.

(2) The **clearing manager** may use monies in the **operating accounts**, that are not paid or due to be paid to **participants** in accordance with this Part, to pay any bank fees due or applicable tax owing for the **operating accounts**.

(3) The **clearing manager** will determine the amount of residual funds to be paid to each **participant** in accordance with subclause (4) as follows:

(a) by determining the amount of residual funds available in its **operating accounts**:

(b) by identifying the **participants** that ~~the~~ have paid the **clearing manager** ~~has paid~~ in accordance with ~~clause 14.20(2)(a),~~ clause 14.19(2)(a), other than **grid owners**, in the applicable period:

(c) by allocating the residual funds available to the **participants** identified under paragraph (b), in direct proportion to the amount ~~the **clearing manager**~~ each **participant** has paid ~~each **participant**~~ the **clearing manager** in the applicable period compared to the total amount ~~the **clearing manager**~~ all **participants** identified under paragraph (b) have ~~has~~ paid ~~all **participants**~~ the **clearing manager** in accordance with ~~clause 14.20(2)(a)~~ clause 14.19(2)(a)~~, other than **grid owners**,~~ in that period:

(d) by deducting, from any residual funds allocated to a defaulting **participant** under paragraph (c), any amount the **clearing manager** sets-off against the unpaid amount payable by the defaulting **participant** to the **clearing manager** under clause 14.44(1)(c):

(e) by rounding down the amount allocated to each **participant** to the nearest cent.

(4) At least once in each six-month period, but no later than 1600 hours on the final **business day** in the months of March and September, the **clearing manager** must—

(a) advise each **participant** that has paid the **clearing manager** ~~has paid~~ in accordance with clause 14.19(2)(a) ~~14.20(2)(a)~~ in the **applicable period**, other than **grid owners**, of the amount of residual funds to be paid to that **participant**, as determined under subclause (3); and

(b) pay the residual funds to each **participant** in accordance with subclause (3).

Part 14A

Prudential Requirements

14A.17 Participants subject to prudential requirements must provide information to clearing manager

(1) The **clearing manager** may require a **participant** that is required to comply with prudential requirements in this Part to provide, by any date specified by the **clearing manager**, any information that the **clearing manager** requires for the purposes of carrying out its functions under this Part.

(2) A **participant** that is required to provide information to the **clearing manager** under subclause (1) must provide the information to the **clearing manager** by the date specified by the **clearing manager**.

(3) Each **participant** that is required to comply with prudential requirements under this Part must provide the following information to the **clearing manager** immediately upon the **participant** becoming aware of the situation:

(a) if the **participant** is a **purchaser**, any significant change to that **purchaser's business**, including a merger or acquisition, loss or gain of a customer, or sale or purchase of assets, that could significantly affect the quantity of **electricity** purchased or generated by the **participant** in its capacity as a **purchaser** or **generator**:

(b) any change or likely change to the **participant's** credit rating (if the **participant** has a credit rating), regardless of whether or not the **participant** is relying on a credit rating as a prudential requirement in terms of clause 14A.3:

(c) if a letter of credit or guarantee or bond is provided in respect of the **participant** in accordance with Part 1 of Schedule 14A.1—

(i) any change or likely change to the credit rating of the provider of the guarantee, letter of credit, or bond such that the provider's credit rating would, as a result, not be an acceptable credit rating as defined in clause 14A.3; or

(ii) any claim by the provider of the guarantee, letter of credit, or bond that the guarantee, letter of credit, or bond has ceased to be valid and enforceable.

(d) if the **participant** is a **retailer**, any change to the number of **ICPs** the **retailer** is recorded in the **registry** as being responsible for, if that change will result in the **retailer**:

(i~~i~~) being responsible for 1,000 **ICPs** or fewer, if the **retailer's** post-default exit period is currently determined under clause 14A.22(4)(a)(ii); or

(ii) being responsible for more than 1,000 **ICPs**, if the **retailer's** post-default exit period is currently determined under clause 14A.22(4)(a)(i).

(4) If, at any time, a **participant** believes that its ability to pay an amount owing to the **clearing manager** under this Code is or is likely to be materially adversely affected, the **participant** must provide the **clearing manager** with details of that fact immediately.

14A.22 Clearing manager to keep register of specific time periods

(1) The **clearing manager** must keep a register of the following time periods for each **participant** that is required to comply with prudential requirements in this Part (except a **participant** to which subclause (2) applies):

(a) a prudential exit period determined in accordance with subclause (3):

(b) a post-default exit period determined in accordance with subclause (4).

(2) The **clearing manager** is not required to keep a register of time periods for a **participant** that is required to comply with prudential requirements in this Part only because the **participant** has an obligation in relation to 1 or more **FTRs**.

(3) The prudential exit period for a **participant** is the number of **trading days** that elapse over the sum of the following:

(a) 1 **trading day**:

(b) the post-default exit period for the **participant**.

(4) The post-default exit period for a **participant** is as follows, unless the **Authority** has approved a shorter period requested by the **participant**:

(a) for a **retailer**~~, 18 **trading days**:~~,—

(i) 14 **trading days** if the **retailer** is recorded in the **registry** as being responsible for 1,000 **ICPs** or fewer; or

(ii) 18 **trading days** if the **retailer** is recorded in the **registry** as being responsible for more than 1,000 **ICPs**:

(b) for a **direct purchaser**, 7 **trading days**:

(c) for a **participant** that is not a **retailer** or a **direct purchaser,** 7 **trading days**.

(5) The post-default exit period for a **participant** begins from the day on which the **participant** advises the **clearing manager** or the **clearing manager** advises the **participant** under clause 14.43 that an **event of default** has occurred in relation to the **participant**.

(6) A **participant** that has a shorter post-default exit period approved by the **Authority** may increase the period to no more than the number of **trading days** set out in subclause (4) by giving 20 **business days'** notice to the **clearing manager**.

(6A) A **retailer** to whom subclause (4)(a)(i) applies may increase the post-default exit period to no more than 18 **trading days** by giving 20 **business days'** notice to the **clearing manager.**

(7) A shorter post-default exit period approved by the **Authority** takes effect 20 **business days** after the date of the **Authority's** approval.

(7A) The post-default exit period under subclause (4)(a)(i) takes effect 20 **business days** after the date a **retailer** advises the **clearing manager** that it is recorded in the **registry** as being responsible for 1,000 **ICPs** or fewer.

(8) If the **Authority** has approved a shorter post-default exit period for a **participant**—

(a) the **participant** must immediately advise the **Authority** if the **participant's** circumstances change such that the criteria against which the **Authority** approved the shorter post-default exit period may no longer be met:

(b) the **clearing manager** must immediately advise the **Authority** if the **clearing manager** becomes aware that the **participant's** circumstances have changed such that the criteria against which the **Authority** approved the shorter post-default exit period may no longer be met:

(c) if the **Authority** considers the **participant's** circumstances have changed such that the criteria against which the **Authority** approved the **participant** having a shorter post-default exit period are no longer met, the **Authority** may—

(i) amend the **participant's** post-default exit period; or

(ii) rescind its approval of the shorter post-default exit period for the **participant**.

(9) If the Authority amends or rescinds its approval of a **participant's** shorter post-default exit period, the **Authority** must—

(a) give the **participant** at least 1 month's notice in writing before the amendment or the rescission comes into effect; and

(b) advise the **participant** of the reasons for amending or rescinding the approval.