

Electricity Industry Participation Code Amendment (Hedge Market Arrangements) 2022

Under section 38 of the Electricity Industry Act 2010, and having complied with section 39 of that Act, I make the following amendment to the Electricity Industry Participation Code 2010.

At Los Angeles on the 14th day of July 2022

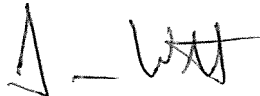


Dr Nicola Lane Crauford
Chair
Electricity Authority

Certified in order for signature:



Mark Dunlop
Senior Legal Counsel
Electricity Authority



Simon Watt
Consultant
Bell Gully

13 July 2022

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Amendment

1 Title

This is the Electricity Industry Participation Code Amendment (Hedge Market Arrangements) 2022.

2 Commencement

This amendment comes into force on 1 September 2022.

3 Code amended

This amendment amends the Electricity Industry Participation Code 2010.

4 Clause 1.1 amended (Interpretation)

(1) In clause 1.1(1), definition of **NZ electricity future**,—

(a) before "base load", insert "0.1 MW"; and

(b) after "base load", insert "equivalent".

(2) In clause 1.1(1), insert in their appropriate alphabetical order:

"**order**, for the purposes of subpart 5B of Part 13, means a **quote**, or a bundle of **quotes** (at the same price) in relation to a particular month or calendar quarter, and particular reference **node** simultaneously, placed on an **exchange** by a **participant** referred to in clause 13.236K(1)

"**total required volume**, for the purposes of subpart 5B of Part 13, means 2.4 MW base load equivalent of **NZ electricity futures**, taking into account traded **NZ electricity futures** across both buy **quotes** and sell **quotes**

"**total traded NZEF**, for the purposes of subpart 5B of Part 13, means the cumulative total amount of buy **quotes** and sell **quotes** traded by that **participant** as **NZ electricity futures** up to the start of the current **volume refresh period** in that **NZEF market-making period** in relation to the applicable reference **node** (Benmore or Otahuhu) and for the particular month or calendar quarter referred to in clause 13.236L(1) for the **participant** to which the **total traded NZEF** is being applied

"**volume refresh**, for the purposes of subpart 5B of Part 13, means the requirement in accordance with clause 13.236L(3) to refresh the number of **quotes** provided by that **participant**

"**volume refresh period**, for the purposes of subpart 5B of Part 13, means, for a particular **volume refresh**, the time period from the time the most recent buy or sell **quotes** were traded as **NZ electricity futures** until the time the **volume refresh** is completed".

5 Clause 13.236L replaced (Requirement to quote)

Replace clause 13.236L with:

"13.236L Requirement to quote

(1) Subject to subclauses (2) to (5), the **participant** must, for a minimum of 25 minutes in every **NZEF market-making period**, provide **quotes** for a minimum of—

(a) 24 monthly **NZ electricity futures** for each of the Otahuhu reference **node** and the Benmore reference **node** (being 24 buy **quotes** and 24 sell **quotes** for each reference **node**) for the current month and each of the five months following the current month; and

(b) 24 quarterly **NZ electricity futures** for each of the Otahuhu reference **node** and the Benmore reference **node** (being 24 buy **quotes** and 24 sell **quotes** for each reference **node**) for each calendar quarter that is available for trade on an **exchange**.

(2) The **participant** must not provide a **quote** under subclause (1) with a **bid-ask spread** that exceeds the greater of 3% or NZ\$2. For the avoidance of doubt, where there are multiple buy **orders** and sell **orders** for a particular reference **node** for a particular month or calendar quarter in a **NZEF market-making period**, the requirement in this subclause means the **bid-ask spread** between the lowest priced

buy **order** and the highest priced sell **order** (across those multiple **orders**) must not exceed the greater of 3% or NZ\$2.

- (3) Under subclause (1) for each **NZEF market-making period**, the **participant** must provide a quantity of initial **quotes** and (as applicable) **volume refresh** its **quotes** until it has traded the **total required volume** for each of the Otahuhu reference **node** and the Benmore reference **node** in relation to each particular month and calendar quarter as follows:
- (a) when first placing **orders** at or after the start of the **NZEF market-making period**, the **participant** is required to place a buy **order** of at least 12 **quotes** in total and a sell **order** of at least 12 **quotes** in total:
 - (b) if either initial buy **order** or sell **order** is fully traded then that **participant** must (as applicable) **volume refresh** its **order(s)** such that where the amount of the **total traded NZEF** up to that point in time in the **NZEF market-making period** is—
 - (i) 12, then at the end of the **volume refresh period** the buy **order** must comprise at least 12 **quotes** and the sell **order** must comprise at least 12 **quotes**;
 - (ii) greater than 12, then at the end of the **volume refresh period** that **participant** must ensure that the number of **quotes** comprising each of the buy **order** and sell **order** respectively are a minimum of X , where—

$$X = 24 \text{ quotes} - \text{total traded NZEF}$$

- (c) once the **participant** has traded the **total required volume** it may withdraw any remaining **quotes**.
- (4) A participant required to **volume refresh** in accordance with clause 13.236L(3)(b) may also carry out any other changes not inconsistent with their obligations under this subpart that the **participant** chooses to make to any other **order(s)** for the particular month or calendar quarter and particular reference **node** that is the subject of the **volume refresh**.
- (5) For the purpose of determining whether a **participant** has met the minimum time requirement of 25 minutes under clause 13.236L(1), a **quote** will not be treated as being provided during a **volume refresh period**."

6 **Clause 13.236N amended (Exemptions from requirement to quote)**

- (1) In clause 13.236N(1)(b), replace "each month" with "within any 20 consecutive **NZEF market-making periods**".
- (2) In clause 13.236N(3),—
 - (a) delete "immediately"; and
 - (b) after "basis for the exemption", insert "as soon as practicable but in any case no later than 1700 New Zealand time on the same **business day** that an exemption is relied on".

Explanatory Note

This note is not part of the amendment, but is intended to indicate its general effect.

This amendment to the Electricity Industry Participation Code 2010 comes into force on 1 September 2022.

The amendment amends Part 1 and Part 13 of the Code to update regulated market-making requirements for the trading of financial hedge contracts for electricity. The amendments to Part 1 of the Code include the amendment of the definition of "NZ electricity future", and the insertion of a number of new defined terms for the purposes of subpart 5B of Part 13 only. Part 13 is amended by the replacement of clause 13.236L (Requirement to quote) to introduce a voluntary volume refresh mechanism and alter the total maximum volume required of each regulated market-maker for every NZEF market-making period (to 2.4 MW from the current 3.0 MW). Clause 13.236N (Exemptions from requirement to quote) of Part 13 is also amended. These amendments are intended to align the regulated market-making requirements for the trading of financial hedge contracts for electricity with the introduction of commercial market-making.
