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28 September 2020

Electricity Authority
Level 7, Harbour Tower
2 Hunter Street
Wellington

Dear Sir/Madam

Re: Revocation of Schedule 14.3

Reference to Electricity Authority "Authority" Consultation paper – Removing requirement for FTR manager to calculate the amount of LCE to be applied to FTRs dated 18 August 2020.

Please find enclosed NZX Clearing manager's submission on the matter.

The Clearing manager is happy with the proposed changes and will support the Authority in this matter. We have raised the impact that we expect to happen on the clearing manager and have proposed the solution to mitigate it.

We believe the suggested proposal is worth considering as it will make the LCE calculation simpler and reduce the annual cost for the Authority.

Please contact me if you require further information.

Yours sincerely

Abrar Saiyed
For the clearing manager
Energy Clearing House Ltd

Appendix B Format for submissions

Question 1: Do you agree the issues identified by the Authority are worthy of attention?
NZX acknowledges the issues raised by the Authority and believe that the proposal is worthy of attention and will result in net benefits.
Question 2: Do you agree with the objectives of the proposed amendment? If not, why not?
Yes, NZX agrees with most of the proposed objectives.
Question 3: Do you agree the benefits of the proposed amendment outweigh its costs?
Yes, as per the calculations provided by the Authority in the consultation paper.
Question 4: Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.
NZX agrees that the proposed amendment is the preferable option.
Question 5: Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?
Yes, NZX considers the proposed amendment will comply with section 32(1) of the Act.

Question 6: Do you have any comments on the drafting of the proposed amendment?

If the proposed changes are incorporated then the Authority should be aware that the proposed amendment in clause 14.16(2)(a) and (b) could potentially affect the clearing manager's monthly invoice processing.

In the situation of a provision of revised volume which arises from a volume/invoice dispute, there may be potential for the clearing manager to publish/republish invoices later than BD9 and if so, the clearing manager will need to recalculate the LCE amount (due to the revised volumes) and eventually breach the 1600 BD9 deadline in the proposed code amendment for the determination of LCE.

- ~~in accordance with clause 14.3.~~
- (2) The ~~FTR clearing manager~~ must—
- (a) determine the amount of **loss and constraint excess** for a **billing period** 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—~~
 - (a) **1600** hours on the **7⁹th business day** of the month following the ~~relevant billing period~~;
 - (b) 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 **6⁹th business day** of the month following the relevant **billing period**, **1 business day** after all **final prices** for the **billing period** are **published**.

Once the revised volumes are received, the clearing manager will go through the process of a volume or invoice dispute (reverse our process and recalculate amounts) which could take anywhere from 2-3 business days.

The proposed code amendment specifies a situation where final prices could be delayed for any trading period for the relevant billing period and provides the clearing manager 1 business day after all final prices have been published to determine the LCE amount.

The clearing manager proposes to insert a clause whereby in case of a volume/invoice dispute the LCE amount is required to be recalculated and be linked with publishing/republishing the invoices as early as possible or two days before the settlement date - whichever date falls earlier.

Due to the possible time sensitive nature that can arise from volume disputes the clearing manager suggests removing the 1600 time deadline on business day 9.