

Electricity Industry Participation (Financial Transmission Rights) Code Amendment 2012


Pursuant to section 38 of the Electricity Industry Act 2010, I make
the following amendments to the Electricity Industry Participation
Code 2010.

At Wellington on the 2nd day of October 2012



Dr Thomas Brent Layton
Chairperson
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Certified in order for signature:



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26 September 2012



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Amendment

- 1 Title**
This is the Electricity Industry Participation (Financial Transmission Rights) Code Amendment 2012.
- 2 Commencement**
This amendment comes into force on 1 November 2012.
- 3 Code amended**
This amendment amends the Electricity Industry Participation Code 2010.
- 4 Clause 1.1 amended (Interpretation)**
 - (1) In clause 1.1(1), insert in its appropriate alphabetical order:
"FTR hedge value means the gross amount that becomes

due and payable by the **clearing manager** or the holder of an **FTR** on the settlement of the **FTR** in accordance with the terms of the **FTR** (excluding the **FTR acquisition cost** and any amount payable under clause 13.249(4) or (7)).

- (2) In clause 1.1(1), definition of **FTR payment**, replace "**FTR payment**" in the defined term with "**FTR acquisition cost**".
- (3) In clause 1.1(1), definition of **obligation FTR**:
 - (a) replace "any amount payable by, or to be paid to, the holder of the **FTR** in respect of the acquisition of the **FTR**" with "the **FTR acquisition cost**";
 - (b) replace "any amount payable for the acquisition of the **FTR**" with "the **FTR acquisition cost**".
- (4) In clause 1.1(1), definition of **option FTR**:
 - (a) replace "any amount payable by, or to be paid to, the holder of the **FTR** in respect of the acquisition of the **FTR**" with "the **FTR acquisition cost**";
 - (b) replace "any amount payable for the acquisition of the **FTR**" with "the **FTR acquisition cost**".

5 Clause 13.247 amended (FTR manager must operate FTR register)

In clause 13.247(1)(b), replace "**FTR payment**" with "**FTR acquisition cost**".

6 Clause 13.249 amended (Liability for FTR payments when FTR assigned and price disclosed)

- (1) In the heading to clause 13.249, replace "**FTR payments**" with "**FTR acquisition cost**".
- (2) In clause 13.249(1)(b), after "discloses the price", insert "(being an amount that may be positive or negative)".
- (3) In clause 13.249(4), replace "**FTR payment**" with "**FTR acquisition cost**" in each place.
- (4) In clause 13.249(7):
 - (a) replace "**FTR payment**" in the first place it appears with "**FTR acquisition cost**";
 - (b) replace "the **FTR payment** and the price at which the **FTR** has been assigned" with "the price at which the **FTR** has been assigned and the **FTR acquisition cost**".

7 Clause 13.250 amended (Liability for FTR payments when FTR assigned and price not disclosed)

- (1) In the heading to clause 13.250, replace "**FTR payments**" with "**FTR acquisition cost**".
- (2) In clause 13.250(3), replace "**FTR payment**" with "**FTR acquisition cost**".

- 8 **Clause 13.252 amended (Information to be provided to clearing manager)**
In clause 13.252(1):
- (a) replace "amount payable or to be paid" with "**FTR hedge value**";
 - (b) replace "the price at which each **FTR** has been allocated" with "the **FTR acquisition cost** in respect of each **FTR**".
- 9 **Clause 14.19 amended (Determination of security level)**
- (1) In clause 14.19(db), replace "**FTR payment**" with "**FTR acquisition cost**".
 - (2) In clause 14.19, after paragraph (db), insert:
"(dc) any amount payable by that **payer** to the **clearing manager** under clause 13.249(4) minus any amount payable by the **clearing manager** to that **payer** under clause 13.249(7):".
- 10 **Clause 14.19A amended (Methodology for determining minimum level of security required in respect of FTRs)**
In clause 14.19A(2), replace "the value" with "the **FTR hedge value**".
- 11 **Clause 14.36 amended (Issue of invoices)**
Replace clause 14.36(3) with:
"(3) At the same time as the **clearing manager** issues invoices under subclause (1), the **clearing manager** must issue an invoice in respect of any amount due in respect of an **FTR**".
- 12 **Clause 14.37 amended (Payment of invoices)**
Replace clause 14.37(3) with:
"(3) The **clearing manager** must transfer to the **FTR account** any amount received under subclause (1) in respect of an amount referred to in clause 14.40(fa) or (fb)".
- 13 **Clause 14.40 amended (Content of invoice)**
- (1) Replace clause 14.40(fa) with:
"(fa) for each **FTR** applying to that **billing period** in respect of which the **payer** is registered as the holder of the **FTR**, the net amount of the **FTR acquisition cost** for the **FTR** minus the **FTR hedge value** for the **FTR**, if that net amount is positive:".
 - (2) In clause 14.40, after paragraph (fa), insert:
"(fb) any amount payable to the **clearing manager** under clause 13.249(4):".

- 14 Clause 14.45 amended (Content of pro forma invoice)**
 (1) Replace clause 14.45(ga) with:
 "(ga) for each **FTR** applying to that **billing period** in respect of which the **payee** is registered as the holder of the **FTR**, the net amount of the **FTR hedge value** minus the **FTR acquisition cost** for the **FTR**, if that net amount is positive:".
- (2) In clause 14.45, after paragraph (ga), insert:
 "(gb) any amount payable by the **clearing manager** under clause 13.249(7):".
- 15 Clause 14.46 amended (Clearing manager to make payments)**
 In clause 14.46(4), replace "14.47A" with "14.48C".
- 16 Clause 14.47 amended (Clearing manager to prioritise payment of funds)**
 In clause 14.47, replace "any amount in respect of an **FTR** or an **FTR payment**" with "any amount referred to in clause 14.40(fa) or (fb)".
- 17 Clause 14.47A amended (Payments in respect of FTRs)**
 Replace clause 14.47A(4) and (5) with:
 "(4) Subclause (5) applies if, in respect of a **billing period**, the total amount to be invoiced by the **clearing manager** under clause 14.45(ga) and (gb) exceeds the sum of the following amounts:
 "(a) the total amount to be invoiced by the **clearing manager** under clause 14.40(fa):
 "(b) any amount available under clause 13.249(6) for the settlement of **FTRs** in the **billing period**:
 "(c) the amount of the **loss and constraint excess** to be paid into the **FTR account** under clause 14.73(2C) or (2D).
 "(5) The **clearing manager** must, in calculating the amount included on an invoice in respect of each **FTR** under clause 14.40(fa) or 14.45(ga), use an amended **FTR hedge value** scaled according to the following formula:

$$A = B \times (C/D)$$

"where

"A is the scaled **FTR hedge value**

"B is the original **FTR hedge value** that would be invoiced if this subclause did not apply

"C is the amount calculated in accordance with the formula in subclause (6)

"D is the amount calculated in accordance with the formula in subclause (7)

"(6) The value for C in the formula in subclause (5) is as follows:

$$"C = E + F + G - H - I$$

"where

"E is the amount of the **loss and constraint excess** to be paid into the **FTR account** under clause 14.73(2C) or (2D)

"F is the sum of any **FTR acquisition costs** payable to the **clearing manager**

"G is the sum of any amounts payable to the **clearing manager** under clause 13.249(4)

"H is the sum of any **FTR acquisition costs** payable by the **clearing manager**

"I is the sum of any amounts payable by the **clearing manager** under clause 13.249(7)

"(7) The value for D in the formula in subclause (5) is as follows:

$$"D = J - K$$

"where

"J is the sum of any **FTR hedge values** payable by the **clearing manager**

"K is the sum of any **FTR hedge values** payable to the **clearing manager**".

18 Clause 14.48B amended (Allocation of funds to FTR account)

In clause 14.48B(1)(b), replace "payable in respect of an FTR" with "referred to in clause 14.40(fa) or (fb)".

19 New clause 14.48C inserted (Inadequate funds in respect of FTRs)

After clause 14.48B, insert:

"14.48C Inadequate funds in respect of FTRs

"(1) Subclauses (2) to (4) apply if, in respect of a **billing period**,—

"(a) a **payer** fails to pay an amount invoiced in respect of an **FTR**; and

"(b) as a result, the total amount required to be paid by the **clearing manager** in respect of **FTRs** and any amount to be paid under clause 14.73(4)(b) exceeds the amount of all funds in the **FTR account** available for the settlement of **FTRs** in the relevant **billing period**.

"(2) The **clearing manager** must first apply the funds in the **FTR account** available for the settlement of **FTRs** in the relevant **billing period** to satisfy each amount payable to a person in respect of an **FTR**.

"(3) If there are any funds remaining in the **FTR account** available for settlement of **FTRs** in the relevant **billing period** after the **clearing manager** has satisfied each amount payable to a person in respect of an **FTR**, the **clearing manager** must pay those funds to each **grid owner** under clause 14.73(4)(b).

"(4) If there are insufficient funds to satisfy each amount payable under subclause (2), the **clearing manager** must adjust each amount payable to a person in respect of an **FTR** according to the following formula:

$$A = B \times (C/D)$$

"where

"A is the amount payable in respect of the **FTR**

"B is the amount specified in a pro forma invoice issued under clause 14.44 as being payable to the **payee** in respect of that **billing period** in respect of an amount specified in clause 14.45(ga) or (gb)

"C is the total amount in the **FTR account** available for the settlement of **FTRs** in the relevant **billing period**

"D is the sum of all amounts required to settle **FTRs** in respect of the **billing period**".

- 20 **Clause 14.49 amended (Inadequate funds reduces amounts paid to generators)**
In clause 14.49 replace "in respect of an **FTR** or an **FTR payment**" with "referred to in clause 14.40(fa) or (fb)".
- 21 **Clause 14.51 amended (Further funds paid according to priority)**
In clause 14.51(1), replace "in respect of an **FTR** or an **FTR payment**" with "referred to in clause 14.40(fa) or (fb)".
- 22 **Clause 14.51A amended (Late payments in respect of FTRs)**
- (1) In clause 14.51A(1), replace "**FTRs** or **FTR payments**" with "an amount referred to in clause 14.40(fa) or (fb)".
 - (2) In clause 14.51A(2), after "late payments were owed", insert "by paying the persons who have received adjusted payments under clause 14.48C in proportion to the amounts owed to each person".
 - (3) After clause 14.51A(2), insert:

"(3) To avoid doubt,—

 - "(a) the **clearing manager** must first apply late payments received under subclause (1) to satisfy amounts owed to a person in respect of an **FTR**; and
 - "(b) if the amount received under subclause (1) exceeds the amount required to satisfy amounts owed to a person in respect of an **FTR**, the **clearing manager** must pay the residual late payments to each **grid owner** under clause 14.73(4)(b)."
- 23 **Clause 14.58 amended (Event of default gives clearing manager certain remedies)**
In clause 14.58(3), replace "value of the **FTRs** held by the defaulting **payer** exceeds" with "**FTR hedge values** or estimated **FTR hedge values** held by the defaulting **payer** exceed".
- 24 **Clause 14.63 amended (Rights of generators to exercise rights)**
In clause 14.63(1)(b), replace "in respect of the settlement of an **FTR** or an **FTR payment**" with "referred to in clause 14.40(fa) or (fb)".
- 25 **Schedule 14.6 amended (Calculation of amount of loss and constraint excess to be paid into FTR account)**
- (1) In Schedule 14.6, clause 2(1), revoke the definition of **unbalanced**.

- (2) In Schedule 14.6, clause 5, replace "**unbalanced**" with "**balanced**" in each place.
- (3) In Schedule 14.6, clause 5(2)(e), replace "modelled" with "set to 0".
- (4) In Schedule 14.6, clause 5, revoke subclauses (4) and (5).
- (5) In Schedule 14.6, clause 5(6), delete "a new set of **unbalanced** extreme **FTR injection patterns** and".

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 November 2012.

This amendment:

- (a) amends and clarifies the mechanism for the scaling of invoiced amounts in respect of FTRs; and
- (b) provides for the priority and calculation of payments from the FTR account if a payer defaults on settlement and, as a result, there are insufficient funds in the FTR account; and
- (c) clarifies the amounts to be included on payer and payee invoices in respect of FTRs; and
- (d) amends the timing requirement for issuing invoices in respect of FTRs when the publication of final prices is delayed; and
- (e) amends the requirement for the FTR manager to determine a set of unbalanced extreme FTR injection patterns; and
- (f) amends some of the terminology used in relation to FTRs, and makes minor clarifications and drafting changes in relation to FTRs.

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