

**Electricity Industry Participation (Settlement and
Prudential Security) Code Amendment 2013**

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 9th day of December 2013



Dr Thomas Brent Layton
Chairperson
Electricity Authority

Certified in order for signature:



Barbara Sole
Senior Legal Counsel
Electricity Authority

6 December 2013



Tony Dellow
Partner
Buddle Findlay

6 December 2013

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Amendment

1 Title

This is the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013.

2 Commencement

This amendment comes into force on 24 March 2015.

3 Code amended

This amendment amends the Electricity Industry Participation Code 2010.

4 Clause 1.1 amended (Interpretation)

(1) Amend clause 1.1(1) as follows:

- (a) in the definition of **auction revenue**,—
 - (i) replace "payable" with "owing by the **generator**"; and
 - (ii) replace "receivable" with "owing to the **purchaser**":
- (b) revoke the definition of **call**:
- (c) in the definition of **cash deposit**,—
 - (i) replace "**payer**" with "**participant**"; and
 - (ii) replace "14.5" with "2 of Schedule 14A.1"; and
 - (iii) replace "14.10(1)" with "14A.14":
- (d) in the definition of **cash deposit accounts**, replace "14.7(1)" with "14A.11":
- (e) revoke the definition of **cash interest rate**:
- (f) in the definition of **constrained on compensation**, in each place where it appears, replace "payable" with "owing":
- (g) in the definition of **constrained off compensation**, in each place where it appears, replace "payable" with "owing":
- (h) in the definition of **distributor**, after "in Parts 10, 11, 13" insert ", 14,":
- (i) in the definition of **event of default**, replace "14.55" with "14.41":
- (j) revoke the definition of **FTR account**:
- (k) in the definition of **FTR hedge value**, in each place where it appears, replace "payable" with "owing":
- (l) in the definition of **FTR acquisition cost**,—
 - (i) replace "must pay or be paid" with "owes or is owed"; and

- (ii) replace "payable" with "owing":
 - (m) in the definition of **hedge settlement agreement**, replace "the form set out in Schedule 14.5 between a **generator** and a **purchaser**" with "a form set out in Schedule 14.4 between **participants**":
 - (n) in the definition of **loss and constraint excess**, replace "14.73(2)" with "14.16":
 - (o) in the definition of **operating account**, replace "14.43(1)" with "14.66":
 - (p) revoke the definition of **payee**:
 - (q) revoke the definition of **payer**:
 - (r) revoke the definition of **relevant contracts**:
 - (s) in the definition of **residual loss and constraint excess**,—
 - (i) replace "remaining in the **FTR account**" with "available for the settlement of **FTRs**"; and
 - (ii) replace "clauses" with "clause":
 - (t) insert in its appropriate alphabetical order: "**settlement default** means failure of a **participant** to pay any amount payable when it becomes due under Part 14":
 - (u) in the definition of **total auction revenue**, replace "payable" with "owing":
 - (v) in the definition of **washup**,—
 - (i) replace "clauses 14.65 to 14.72" with "subpart 6 of Part 14"; and
 - (ii) replace "preparing any **payer's** or **payee's** invoice" with "calculating an amount owing under Part 14".
- (2) Amend clause 1.5 as follows:
- (a) in the heading, replace "**payer**" with "**participant**":
 - (b) in subclause (1), replace "Parts 8, 13, or 14 of this Code to a **purchaser** or a **payer**" with "Parts 8, 13, 14, or 14A of this Code to a **purchaser** or a **participant** that incurs financial obligations under this Code or owes an amount to the **clearing manager**":
 - (c) in subclause (2),—
 - (i) replace "Parts 8, 13, and 14" with "Parts 8, 13, 14, and 14A"; and
 - (ii) replace "**payer**" with "**participant** that incurs financial obligations under this Code or owes an amount to the **clearing manager**":
 - (d) in subclause (9),—
 - (i) replace "Parts 8, 13, or 14" with "Parts 8, 13, 14, or 14A"; and

- (ii) replace "**payer**" with "**participant** that incurs financial obligations under this Code or owes an amount to the **clearing manager**".

5 Schedule 1.1 amended

- (1) In the heading to Schedule 1.1, replace "**8, 13, and 14**" with "**8, 13, 14, and 14A**".
- (2) In Schedule 1.1, replace "8, 13, and 14 of the Electricity Industry Participation Code 2010 in participant B's capacity as a purchaser and as a payer" with "8, 13, 14, and 14A of the Electricity Industry Participation Code 2010 in participant B's capacity as a purchaser and as a participant that incurs financial obligations under this Code or owes an amount to the clearing manager".

6 Schedule 1.2 amended

- (1) In the heading to Schedule 1.2, replace "**8, 13, and 14**" with "**8, 13, 14, and 14A**".
- (2) In Schedule 1.2,—
 - (a) replace "8, 13, and 14" with "8, 13, 14, and 14A"; and
 - (b) replace "payer" with "participant that incurs financial obligations under this Code or owes an amount to the clearing manager".

7 Clause 8.68 amended (Clearing manager to determine amounts payable and receivable)

- (1) In the heading to clause 8.68, replace "**payable and receivable**" with "**owing**".
- (2) Amend clause 8.68(1) as follows:
 - (a) in each place where it appears, replace "payable" with "owing"; and
 - (b) replace "invoices issued by the **clearing manager**" with "amounts advised by the **clearing manager** as owing"; and
 - (c) replace "14.47" with "14.56".

8 Clause 8.69 amended (Clearing manager to determine washup amounts payable and receivable)

- (1) In the heading to clause 8.69, replace "**payable and receivable**" with "**owing**".
- (2) Amend clause 8.69(1) as follows:
 - (a) in each place where it appears, replace "payable" with "owing"; and
 - (b) replace "14.65" with "subpart 6 of Part 14"; and
 - (c) replace "invoices issued by the **clearing manager**" with "amounts advised by the **clearing manager** as owing"; and
 - (d) replace "14.47" with "14.56".

- 9 **Clause 13.110 amended (Clearing manager must calculate amounts payable)**
(1) In the heading to clause 13.110, replace "payable" with "owing".
(2) Amend clause 13.110 as follows:
(a) in each place where it appears, replace "payable" with "owing";
(b) in subclause (2), replace "included in an invoice issued to the **generator** by the **clearing manager** under clause 14.45(d)" with "advised to the **generator** by the **clearing manager** under subpart 4 of Part 14".
- 10 **Clause 13.112 amended (Clearing manager must calculate amounts receivable)**
Amend clause 13.112 as follows:
(a) in each place where it appears, replace "payable" with "owing";
(b) in subclause (2), replace "included in an invoice issued to the **purchaser** by the **clearing manager** under clauses 14.36 and 14.40" with "advised to the **purchaser** by the **clearing manager** under subpart 4 of Part 14".
- 11 **Clause 13.127 amended (Auction payment)**
In clause 13.127, replace "payable" with "owing".
- 12 **Clause 13.201A amended (Dispatched purchasers entitled to constrained off compensation and purchasers to pay constrained off compensation)**
Amend clause 13.201A as follows:
(a) in subclause (1), replace "entitled to be paid" with "owed";
(b) in subclause (2),—
(i) replace "must pay", with "incurs an amount owing to the **clearing manager** for"; and
(ii) after "subclause (6)", delete ", to the **clearing manager**";
(c) after subclause (2), insert:
"(2A) The **clearing manager** must advise each **purchaser** of the amount owing by the **purchaser** for **constrained off compensation** for a **billing period** when the **clearing manager** advises amounts owing under subpart 4 of Part 14."
(d) replace subclause (3) with:
"(3) The **clearing manager** owes **constrained off compensation** received under subclause (2),

for each **dispatch-capable load station**, to the **dispatched purchaser** that purchased electricity for the **dispatch-capable load station**.":

- (e) replace subclause (4) with:

"(4) The **clearing manager** must advise each **dispatched purchaser** of the amount owing to the **dispatched purchaser** for **constrained off compensation** for a **billing period** when the **clearing manager** advises amounts owing under subpart 4 of Part 14."
- (f) revoke subclause (5):
- (g) in subclause (6),—
 - (i) replace "and invoice **constrained off compensation** to be paid by each **purchaser**" with "**constrained off compensation** owing by a **purchaser**"; and
 - (ii) replace "payable" with "owing".

13 Clause 13.212 amended (Payment of constrained on compensation)

Amend clause 13.212 as follows:

- (a) in subclause (1), in each place where it appears, replace "entitled to be paid" with "owed":
- (b) in subclause (1A), replace "must be paid" with "is an amount owing":
- (c) replace subclause (3) with:

"(3) The **clearing manager** must advise each **generator, ancillary service agent, and dispatched purchaser** of the amount owing to the **generator, ancillary service agent, or dispatched purchaser** for **constrained on compensation** for a **billing period** when the **clearing manager** advises amounts owing under subpart 4 of Part 14."
- (d) revoke subclause (4):
- (e) replace subclause (5) with:

"(5) Each **purchaser** that purchases **electricity** at a **grid exit point** incurs an amount owing to the **clearing manager** for **constrained on compensation**, calculated under subclause (7)."
- (f) revoke subclause (5A):
- (g) in subclause (7),—
 - (i) delete "and invoice **purchasers** for"; and
 - (ii) replace "payable" with "owing":
- (h) replace subclause (8) with:

"(8) The **clearing manager** must advise each **purchaser** of the amount owing by the **purchaser** for **constrained on compensation** for a **billing period** when the **clearing manager** advises amounts owing under subpart 4 of Part 14."

- 14 **Clause 13.243 amended (Participation in FTR auction)**
In clause 13.243, replace "meets the prudential security requirements in Part 14" with "complies with prudential requirements in Part 14A".
- 15 **Clause 13.244 amended (Acceptance of bids in FTR auction)**
In clause 13.244(1), replace "14" with "14A".
- 16 **Clause 13.248 amended (Assignment of FTRs)**
In clause 13.248(3), replace "meets the prudential security requirements in Part 14" with "complies with prudential requirements in Part 14A".
- 17 **Clause 13.249 amended (Liability for FTR acquisition cost when FTR assigned and price disclosed)**
Amend clause 13.249 as follows:
 - (a) in subclause (3), replace "becomes liable for the price" with "owes the **clearing manager** the amount":
 - (b) in subclause (4),—
 - (i) replace "due" with "owing"; and
 - (ii) replace "becomes liable to pay" with "owes":
 - (c) in subclause (5), replace "include the amount payable under subclause (4) in the invoice" with "advise the assignor of the amount owing under subclause (4) when the **clearing manager** advises amounts owing under subpart 4 of Part 14":
 - (d) replace subclause (6) with:

"(6) The **clearing manager** must apply any amount owing by a **participant** to the **clearing manager** under this clause to the settlement of **FTRs**, but an amount must not be applied to the settlement of an **FTR** until the **billing period** in which the **FTR** is settled."
 - (e) in subclause (7), replace "due on settlement of the **FTR**, the assignor becomes entitled to be paid by the **clearing manager**" with "owing on settlement of the **FTR**, the **clearing manager** owes the assignor".

- 18 Clause 13.250 amended (Liability for FTR acquisition cost when FTR assigned and price not disclosed)**
In clause 13.250(3), replace "becomes liable to pay" with "owes the clearing manager".
- 19 Clause 13.251 amended (Information to be provided to FTR manager)**
Amend clause 13.251 as follows:
(a) in subclause (4),—
 (i) in paragraph (a), replace "meets the prudential security requirements in Part 14" with "complies with prudential requirements in Part 14A"; and
 (ii) in paragraph (b), replace "Part 14" with "Parts 14 and 14A":
(b) in subclause (7), replace "14" with "14A".
- 20 Part 14 replaced**
Replace Part 14 of the Electricity Industry Participation Code 2010 with the new Part 14 and Part 14A set out in Schedule 1 of this amendment.
- 21 Clause 15.1 amended (Contents of this Part)**
In clause 15.1(f), replace "preparation of invoices" with "calculation of amounts owing under Part 14".
- 22 Clause 15.19 amended (Seasonal adjustment and profiling)**
In clause 15.19(4), replace "14.64" with "14.25".
- 23 Clause 15.20A amended (Reconciliation manager to update revised dispatchable load information)**
In clause 15.20A(4), replace "14.64" with "14.28".
- 24 Clause 15.26 amended (Reconciliation manager to correct information)**
Amend clause 15.26(5) as follows:
(a) replace "of issue of the invoice" with "on which information about an amount owing":
(b) after "(if any)" insert "has been advised under Part 14".
- 25 Clause 15.27 amended (Reconciliation manager must reconcile revised information)**
In clause 15.27(3), replace "14.64" with "14.28".
- 26 Clause 15.29 amended (Volume information disputes)**
Amend clause 15.29 as follows:

- (a) in subclause (2), replace "an invoice based on the **volume information** has been issued" with "information about an amount owing based on the **volume information** has been advised under Part 14";
- (b) in subclause (5), replace "clauses 14.65 to 14.72" with "subpart 6 of Part 14";
- (c) in subclause (14), replace "clauses 14.65 to 14.72" with "subpart 6 of Part 14".

27 Schedule 15.4, clause 28 amended

In Schedule 15.4, amend clause 28(c) as follows:

- (a) replace "**payee or payer**" with "**participant**";
- (b) replace "payable" with "owing";
- (c) replace "**payee** and by each **payer**" with "**participant** and by each **participant**".

28 New clauses 17.210A to 17.210O inserted

After clause 17.210, insert:

"17.210A Acceptable forms of security

- "(1) An unconditional guarantee, letter of credit, or unconditional third party guarantee provided under clause 14.5(b) or 14.5(c) and still in effect immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be an unconditional guarantee or letter of credit provided under clause 3 of Schedule 14A.1.
- "(2) A security bond provided and maintained under clause 14.5(d) immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be a security bond provided under clause 4 of Schedule 14A.1.
- "(3) If the **Authority** has approved a similar security under clause 14.5(f) and the approval was still in effect immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force, the security is deemed to be approved by the **Authority** under clause 5 of Schedule 14A.1.
- "(4) A **hedge settlement agreement** lodged under clause 14.5(e) and still in effect immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force ceases to be lodged.

"17.210B Cash deposits

- "(1) A **cash deposit account** established under clause 14.7(1) immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be a **cash deposit account** established under clause 14A.11(1).
- "(2) The **clearing manager** must, as soon as practicable after the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 comes into force, obtain the acknowledgement referred to in clause 14A.11(3).
- "(3) Bank fees that were owed in relation to a **cash deposit** under clause 14.11 immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force are deemed to be bank fees owed under clause 14A.15.
- "(4) Interest accrued under clause 14.10 immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is payable under that clause as if the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 had not been made.

"17.210C Change in form of security

A notice given under clause 14.13 that was in force immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be a notice given under clause 14A.7.

"17.210D Reductions and releases

A notice given under clause 14.14 that was in force immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be a notice given under clause 14A.8.

"17.210E Release of security

A notice given under clause 14.16 that was in force immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be a notice given under clause 14A.9.

"17.210F Level of security

A call made under clause 14.18 and not satisfied

immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force must be satisfied under that clause as if the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 had not been made.

"17.210G Information, monitoring, and reporting

- "(1) Historical records or a business plan submitted under clause 14.23 immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force are deemed to be historical records or a business plan, as the case may be, submitted under clause 14A.16.
- "(2) Information provided under clause 14.24 or 14.26 before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be information provided under clause 14A.17.
- "(3) Information provided under clause 14.25 before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be information provided under clause 14A.18.
- "(4) If a person had consented to the disclosure of information under clause 14.27 before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force, the person is deemed to have consented to the disclosure of the information under clause 14A.19(a).

"17.210H Disputes

A matter that was referred to the **Rulings Panel** under clause 14.29(1) that was not resolved immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 is to be dealt with as if the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 had not been made.

"17.210I Invoices and payments

- "(1) An invoice issued under clause 14.36 or a pro forma invoice issued under clause 14.44 that remained unpaid immediately before the Electricity Industry

Participation (Settlement and Prudential Security) Code Amendment 2013 came into force remains in effect as if the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 had not been made.

- "(2) Interest that was owed under clause 14.50 immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be interest owed under clause 14.64 and continues to accrue accordingly.

"17.210J Operating account

- "(1) An **operating account** established under clause 14.43(1) immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be an **operating account** established under clause 14.66(1).
- "(2) The **clearing manager** must, as soon as practicable after the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 comes into force, obtain the acknowledgement referred to in clause 14.43(2).

"17.210K FTR account

The **clearing manager** must, as soon as practicable after the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 comes into force, close the **FTR account** established under clause 14.43A and deposit the proceeds into the **operating account**.

"17.210L Defaults

An **event of default** under clause 14.55 that had occurred and was continuing immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be an **event of default** under clause 14.41.

"17.210M Disputed invoices

- "(1) A dispute notified under clause 14.64 that was not resolved immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is to be dealt with as if the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 had not been made.

- "(2) A dispute that was referred to the Rulings Panel under clause 14.64(1) that was not resolved immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is to be dealt with as if the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 had not been made.

"17.210N Washups

- "(1) Corrected information received under clause 14.65 before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be corrected information received under clause 14.36.
- "(2) An invoice issued under clause 14.72 that remained unpaid immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force remains in effect as if the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 had not been made.

"17.210O Reporting obligations

- "(1) A report made under clause 14.74 before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be a report made under clause 14.68 and may be **published** accordingly.
- "(2) A request made under clause 14.76 immediately before the Electricity Industry Participation (Settlement and Prudential Security) Code Amendment 2013 came into force is deemed to be a request made under clause 14.70."

Schedule 1
Part 14 replaced

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Electricity Industry Participation Code
2010

Part 14
Clearing and settlement

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Notices

- 14.75 Notices

Schedule 14.1

Formula for scaling amount owing in respect of FTRs

Schedule 14.2
Consultation and approval requirements for methodologies

Schedule 14.3
**Calculation of amount of loss and constraint excess to be
applied to the settlement of FTRs**

Schedule 14.4
Form of hedge settlement agreement

14.1 Contents of this Part

This Part provides for—

- (a) the sale and purchase of **electricity** to and from the **clearing manager**; and
- (b) the calculation and invoicing of amounts owing to and by the **clearing manager** for **electricity**, **ancillary services**, **FTRs**, and other payments that may be received or paid by the **clearing manager**; and
- (c) the settlement of amounts payable under this Part; and
- (d) processes and remedies for an **event of default**; and
- (e) obligations of the **clearing manager** in relation to clearing and settlement, including reporting obligations and requirements for the **operating account** that must be established and held by the **clearing manager**.

Subpart 1—Sale and purchase of electricity

14.2 Sale and purchase of electricity

- (1) The **clearing manager** must—
 - (a) purchase **electricity** sold to the **clearing manager** in accordance with clauses 14.3 to 14.5; and
 - (b) sell **electricity** purchased from the **clearing manager** in accordance with clause 14.6.
- (2) Each **generator** must sell **electricity** in accordance with clauses 14.3 and 14.4.
- (3) Each **purchaser** must purchase **electricity** in accordance with clause 14.6.
- (4) Each **participant** that sells or purchases **electricity** through a **local network** or **embedded network** must sell and purchase the **electricity** in accordance with clauses 14.4, 14.5, and 14.7.
- (5) The amount owing for **electricity** purchased under this Part must be determined in accordance with clause 14.8.

14.3 Sale by generators with point of connection to grid

- (1) This clause applies to each **generator** that has a **generating station** or **generating unit** with a **point of connection** to the **grid**.

- (2) Each **generator** to which this clause applies must sell to the **clearing manager** all **electricity** generated by the **generator's generating station** or **generating unit** injected through a **point of connection** to the **grid**.

14.4 Sale by generators with point of connection to local network or embedded network

- (1) This clause—
 - (a) applies to each **generator** that has an **embedded generating station**; but
 - (b) does not apply to a **generator** in respect of an **embedded generating station** in relation to a **point of connection** for which a notification under clause 15.14 is in force.
- (2) Each **generator** to which this clause applies must sell all **electricity** generated by the **embedded generating station** and injected through a **point of connection** with the **local network** or **embedded network** to—
 - (a) the **clearing manager**; or
 - (b) a **participant** trading on the **local network** or **embedded network**.
- (3) Despite anything to the contrary in this Code, the relevant **point of connection** to the **grid** is, for the purposes of reconciliation under this Code, deemed to be a **grid injection point**.

14.5 On sale by participants

If an **embedded generator** sells **electricity** to a **participant** under clause 14.4, the **participant** must at the same time on-sell that **electricity** to the **clearing manager**.

14.6 Purchase of offtake through point of connection to grid

Each **purchaser** must purchase from the **clearing manager** the **electricity** allocated to the **purchaser** under Part 15 in respect of a **point of connection** to the **grid**.

14.7 Purchase of offtake through local network by embedded generator

- (1) A **generator** that purchases **electricity** at the same **point of connection** with a **local network** at which it sells **electricity** in accordance with clause 14.4 must purchase the **electricity** from the same **participant** to which it sold its **electricity** under clause 14.4.
- (2) The **participant** from which **electricity** is purchased under subclause (1) must sell the **electricity** as set out in this Code.

Subpart 2—Hedge settlement agreements

14.8 Hedge settlement agreement lodgement

- (1) If a **hedge settlement agreement** that is signed by 2 **participants** is submitted to the **clearing manager**, subject to subclauses (2) and (3), it is validly lodged when it is signed by the **clearing manager**.
- (2) A **hedge settlement agreement** must be in 1 of the forms set out in Schedule 14.4, or in an alternative form approved by the **Authority**.
- (3) The **clearing manager** may only sign a **hedge settlement agreement** submitted under subclause (1) if the **clearing manager** is satisfied that, after the **hedge settlement agreement** is lodged, at least 1 **participant** to the **hedge settlement agreement** will have a physical position in **MW** that is 33% or more of its **hedge settlement agreement** position in **MW** in any month calculated under paragraph (b) of subclause (4).
- (4) For the purposes of subclause (3),—
 - (a) a **participant's** physical position in **MW** is the greater of the following:
 - (i) the average of the **participant's** generation in **MW** over the last 12 months based on **reconciled quantities**;
 - (ii) the average of the **participant's** generation in **MW** over the last month based on **reconciled quantities**;
 - (iii) the average of the **participant's** purchases in **MW** over the last 12 months based on **reconciled quantities**;
 - (iv) the average of the **participant's** purchases in **MW** over the last month based on **reconciled quantities**; and
 - (b) the sum of the average **MW** of each of the **participant's hedge settlement agreements** for any month to which the **hedge settlement agreement** applies.
- (5) When a **participant** submits a **hedge settlement agreement** to the **clearing manager**, the **participant** must also provide any other information relating to the **hedge settlement agreement** that the **clearing manager** requires.
- (6) A **participant** must provide information under subclause (5) in a form prescribed by the **clearing manager** and notified to **participants**.

14.9 Cancellation of hedge settlement agreement

- (1) A **hedge settlement agreement** may be cancelled only in the following situations:

- (a) if an **event of default** has occurred and is continuing in relation to a party to the **hedge settlement agreement**, in accordance with clause 14.48;
 - (b) if no **event of default** is continuing in relation to either of the parties to the **hedge settlement agreement**, in accordance with subclause (2).
- (2) A party to a **hedge settlement agreement** may cancel the **hedge settlement agreement** under subclause (1)(b) if both parties to the **hedge settlement agreement** agree in writing to the cancellation and either—
 - (a) the parties give the **clearing manager** at least 90 days' notice of the cancellation; or
 - (b) the parties give the **clearing manager** less than 90 days' notice of the cancellation and the **clearing manager** agrees to the cancellation in accordance with subclause (3).
- (3) The **clearing manager** may agree to the cancellation of a **hedge settlement agreement** under subclause (2)(b) only if the **clearing manager** is satisfied that—
 - (a) immediately following the cancellation of the **hedge settlement agreement**, each party will—
 - (i) continue to meet the requirements in clause 14A.4(1); or
 - (ii) meet the requirements in clause 14A.3; and
 - (b) the cancellation of the **hedge settlement agreement** is not otherwise contrary to the interests of **participants** to which an amount is payable under this Part.
- (4) In deciding whether to agree to the cancellation of a **hedge settlement agreement**, the **clearing manager** may consult with the **Authority**.

Subpart 3—Amounts owing

14.10 Amounts owing for electricity

- (1) The **clearing manager** must determine the amount owing for **electricity** purchased under clauses 14.2 to 14.7 using the following formula:

$$Q * P_f$$

where

Q is the quantity of **electricity** allocated to the **participant** for each **trading period** for each **point of connection** to the **grid** determined in accordance with **reconciliation information** and summarised and loss adjusted **dispatchable load information**

P_f is the **final price** determined by the **pricing manager** for each relevant **point of connection** to the **grid** for each **trading period**

- (2) The **clearing manager** must determine the amount owing

for **electricity** sold under clauses 14.2 to 14.7 using the following formula:

$$Q * P_f$$

where

Q is the quantity of **electricity** allocated to the **participant** for each **trading period** for each **point of connection** to the **grid** determined in accordance with **reconciliation information**

P_f is the **final price** determined by the **pricing manager** for each relevant **point of connection** to the **grid** for each **trading period**

- (3) The quantity of **electricity** bought by a **purchaser** or sold by a **generator** under subpart 1 must be determined in accordance with clauses 15.20A to 15.26.
- (4) The **final price** of **electricity** bought by a **purchaser** or sold by a **generator** under subpart 1 must be determined in accordance with clauses 13.135 and 13.171 to 13.185.

14.11 Amounts owing for constrained off compensation and constrained on compensation

The **clearing manager** must determine amounts owing in respect of **constrained off compensation** and **constrained on compensation** in accordance with clauses 13.192 to 13.212.

14.12 Amounts owing for washup amounts

The **clearing manager** must determine amounts owing in respect of **washup** amounts in accordance with subpart 6.

14.13 Amounts owing for auction revenue

The **clearing manager** must determine amounts owing in respect of **auction revenue** in accordance with clauses 13.110 to 13.112.

14.14 Amounts owing for ancillary services

The **clearing manager** must determine amounts owing in respect of **ancillary services** in accordance with clauses 8.6, 8.31, 8.55, and 8.68.

14.15 Amounts owing for hedge settlement agreements

The **clearing manager** must calculate amounts owing under a **hedge settlement agreement** in respect of the current **billing period** in accordance with the terms of the **hedge settlement agreement**.

14.16 Calculation of loss and constraint excess

- (1) A **loss and constraint excess** accrues for a **billing period** when the total of the amounts owing by the **clearing**

manager to generators for that billing period for the electricity sold and purchased in accordance with clause 14.3 is less than the total amount owing to the clearing manager for that billing period for the electricity sold and purchased in accordance with clause 14.6.

- (2) The **FTR manager** must—
 - (a) determine the amount of **loss and constraint excess** 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 1600 hours on the 7th **business day** of the month following the relevant **billing period**.
- (3) Each **grid owner** and the **pricing manager** must provide information to the **FTR manager** in accordance with Schedule 14.3.
- (4) Subject to subpart 8, the **clearing manager** must apply the amount advised under subclause (2) to the settlement of **FTRs**.
- (5) Subject to subpart 8, if the amount that the **FTR manager** advises the **clearing manager** under subclause (2) exceeds the amount of the **loss and constraint excess** for the **billing period**, the **clearing manager** must apply all of the **loss and constraint excess** to the settlement of **FTRs**.
- (6) The **Authority** must advise the **clearing manager** of the proportion of the **loss and constraint excess** and **residual loss and constraint excess** owing to each **grid owner**.
- (7) Unless the **Authority** has directed otherwise under this clause, the amount owing to each **grid owner** in the proportions advised under subclause (6) is—
 - (a) the amount of any **loss and constraint excess** less the amount to be applied to the settlement of **FTRs** under subclause (4) or (5); and
 - (b) the amount of any **residual loss and constraint excess**.

14.17 Amounts owing for FTRs

- (1) The **clearing manager** must calculate, for each **billing period**, the amount owing—
 - (a) by a **participant** to the **clearing manager** in respect of each **FTR** for which the **participant** is registered as the holder of the **FTR**; and
 - (b) by the **clearing manager** to a **participant** in respect of each **FTR** for which the **participant** is registered as the holder of the **FTR**; and
 - (c) by a **participant** to the **clearing manager** in respect of the assignment of an **FTR** under clause 13.249(4); and
 - (d) by the **clearing manager** to a **participant** in respect of the assignment of an **FTR** under clause 13.249(7).
- (2) The amount owing by a **participant** to the **clearing manager** in respect of an **FTR** is 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.
- (3) The amount owing by the **clearing manager** to a **participant** in respect of an **FTR** is the net amount of the **FTR hedge value** for the **FTR** minus the **FTR acquisition cost** for the **FTR**, if that net amount is positive.
 - (4) The **clearing manager** must **publish**, for each **billing period**,—
 - (a) the amount owing by a **participant** to the **clearing manager** for each **FTR**; and
 - (b) the amount owing by the **clearing manager** to a **participant** for each **FTR**.
 - (5) Subclause (6) applies if, in respect of a **billing period**, the total amount to be advised as owing by the **clearing manager** under paragraphs (b) and (d) of subclause (1) exceeds the sum of the following amounts:
 - (a) the total amount to be advised as owing to the **clearing manager** under subclause (1)(a):
 - (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 applied to the settlement of **FTRs** under clause 14.16(4) or (5).
 - (6) The **clearing manager** must, in calculating the amount owing in respect of each **FTR** under paragraph (a) or (b) of subclause (1), use an amended **FTR hedge value** scaled according to the formula specified in Schedule 14.1.

Subpart 4—Notification of amounts owing and payable

Information about amounts owing and payable

14.18 Clearing manager to advise participant of amounts owing and payable

- (1) The **clearing manager** must advise each **participant**, for which the **clearing manager** has determined that the **participant** owes or is owed an amount under subpart 3, the following:
 - (a) amounts owing by the **participant** to the **clearing manager** in accordance with clause 14.19:
 - (b) amounts owing by the **clearing manager** to the **participant** in accordance with clause 14.20:
 - (c) the amount of the settlement retention amount calculated in accordance with the methodology published by the **clearing manager** under clause 14.21:
 - (d) any amount payable by the **participant** to the **clearing manager** and any amount payable by the **clearing manager** to the **participant** under subpart 5 in accordance with clause 14.22.

- (2) The **clearing manager** must advise each **participant** of each amount owing and each amount payable no later than—
 - (a) the 9th **business day** of the month following the **billing period**; or
 - (b) if the **clearing manager** has not received **reconciliation information** in accordance with clause 28(c) of Schedule 15.4 or **dispatchable load information** under clause 15.20C(a) in respect of the prior **billing period** from the **reconciliation manager**, 2 **business days** after the **clearing manager** has received both the **reconciliation information** and the **dispatchable load information**.
- (3) A **participant** must not issue a **GST** invoice for supplies of **electricity** or **ancillary services** or **ancillary service administrative costs** to the **clearing manager**.

14.19 Amounts owing by participant to clearing manager

- (1) When advising a **participant** of amounts owing under clause 14.18(1)(a), the **clearing manager** must specify any amount owing by the **participant** to the **clearing manager** for—
 - (a) the relevant **billing period**, to the extent that the **clearing manager** has received the necessary information; and
 - (b) any prior **billing period** if the **clearing manager** receives the necessary information for that **billing period** after the date that amounts owing for that **billing period** were required to be advised by the **clearing manager**.
- (2) The **clearing manager** must specify any amount owing by the **participant** to the **clearing manager** in respect of the periods referred to in subclause (1) for the following:
 - (a) **electricity** purchased under clauses 14.2 to 14.7;
 - (b) **constrained off compensation** under clause 13.201A;
 - (c) **constrained on compensation** under clause 13.212;
 - (d) a **washup** amount and any interest on that amount under subpart 6;
 - (e) **auction revenue** under clause 13.110;
 - (f) **ancillary services** under clauses 8.6, 8.31(1)(a), and 8.68;
 - (g) payment of an amount under any **hedge settlement agreement**;
 - (h) for each **FTR** in respect of which the **participant** 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;
 - (i) any amount owing in respect of the assignment of any **FTR** under clause 13.249(4);
 - (j) **GST**.
- (3) The **clearing manager** must specify the sum of the amounts

referred to in subclause (2).

14.20 Amounts owing by clearing manager to participant

- (1) When advising a **participant** of amounts owing under clause 14.18(1)(b), the **clearing manager** must specify any amount owing by the **clearing manager** to the **participant** for—
 - (a) the relevant **billing period**, to the extent that the **clearing manager** has received the necessary information; and
 - (b) any prior **billing period** if the **clearing manager** receives the necessary information for that **billing period** after the date that amounts owing for that **billing period** were required to be advised by the **clearing manager**.
- (2) The **clearing manager** must specify any amount owing by the **clearing manager** to the **participant** in respect of the periods referred to in subclause (1) for the following:
 - (a) **electricity** sold under clauses 14.2 to 14.7;
 - (b) **constrained off compensation** under clause 13.201A;
 - (c) **constrained on compensation** under clause 13.212;
 - (d) a **washup** amount and any interest on that amount under subpart 6;
 - (e) **auction revenue** under clause 13.112;
 - (f) **ancillary services** under clause 8.55(a);
 - (g) payment of an amount under any **hedge settlement agreement**;
 - (h) for each **FTR** in respect of which the **participant** is registered as the holder of the **FTR**, the net amount of the **FTR hedge value** for the **FTR** minus the **FTR acquisition cost** for the **FTR**, if that net amount is positive:
 - (i) any amount owing in respect of the assignment of any **FTR** under clause 13.249(7);
 - (j) **GST**;
 - (k) **loss and constraint excess** and **residual loss and constraint excess** under clause 14.16(7).
- (3) The **clearing manager** must specify the sum of the amounts referred to in subclause (2).

14.21 Methodology for determining settlement retention amount

- (1) The **clearing manager** must formulate and **publish** a methodology for determining the settlement retention amount to be advised to a **participant** in accordance with clause 14.18(1)(c).
- (2) The methodology formulated by the **clearing manager** under subclause (1) must comply with the principle that the settlement retention amount is set to ensure that the **clearing manager** has sufficient funds to pay each non-defaulting **participant** the amount payable to that **participant** under

subpart 5 if both of the following occur:

- (a) a **settlement default** that results in the largest percentage reduction in payments that would be made in the absence of the settlement retention amount in respect of amounts other than **FTRs**; and
 - (b) a **settlement default** that results in the largest percentage reduction in payments that would be made in the absence of the settlement retention amount in respect of **FTRs** (other than in respect of the **residual loss and constraint excess**).
- (3) For the purposes of subclause (2), multiple **settlement defaults** by parties related in any way specified in the methodology must be treated as 1 **settlement default**.
 - (4) The consultation and approval requirements set out in Schedule 14.2 apply to the methodology.

14.22 Calculation of amount payable

- (1) The amount payable by a **participant** to the **clearing manager** under clause 14.31 is determined in accordance with the following formula:

$$AP_P = \text{Max} [0, AO_P - AO_{CM} + SRA]$$

where

AP_P is the amount payable by the **participant** to the **clearing manager**

AO_P is the sum of the amounts owing by the **participant** to the **clearing manager**, calculated under clause 14.19

AO_{CM} is the sum of the amounts owing by the **clearing manager** to the **participant**, calculated under clause 14.20

SRA is the settlement retention amount, calculated in accordance with the methodology **published** by the **clearing manager** under clause 14.21

- (2) Subject to subpart 8, the amount payable by the **clearing manager** to a **participant** in accordance with clause 14.34 is determined in accordance with the following formula:

$$AP_{CM} = AO_{CM} - AO_P + AP_P$$

where

AP_{CM} is the amount payable by the **clearing manager** to the **participant**

AO_{CM} is the sum of the amounts owing by the **clearing manager** to the **participant**, calculated under clause 14.20

AO_p is the sum of the amounts owing by the **participant** to the **clearing manager**, calculated under clause 14.19

AP_p is the amount payable under subclause (1) (if any)

Procedure for advising participants of amounts owing and payable

14.23 Procedure for advising participant of amounts owing and payable

- (1) When advising a **participant** of amounts owing and payable under this subpart, the **clearing manager** must—
 - (a) post the information to each relevant **participant** through the electronic facility contained in the **information system** for the purpose; and
 - (b) if the **participant** requests, post or hand deliver the information to the **participant**.
- (2) Proof of dispatch by the electronic facility contained in the **information system** for the purpose is deemed to be proof of the advice under subclause (1), despite the procedures set out in this clause and in clause 14.24.

14.24 Participant to confirm receipt

- (1) Each **participant** that receives information from the **clearing manager** under this subpart must immediately confirm, through the electronic facility contained in the **information system** for the purpose, receipt of the information sent by the **clearing manager** under clause 14.23(1)(a) or (b).
- (2) If the **clearing manager** has not received a confirmation that the information has been received by a **participant** by 1200 hours on the **business day** after the day of dispatch of the information, the **clearing manager** must telephone the **participant** to check if the information has been received.
- (3) If the information has not been received by the **participant**, the **clearing manager** must resend the information.
- (4) Delayed confirmation by a **participant** that the information has been received does not extend the payment period set out in clause 14.31.

Disputes about amounts

14.25 Participant may dispute amount

- (1) A **participant** may dispute information about an amount that is provided by the **clearing manager** under this subpart by notice in writing to the **clearing manager**.
- (2) A **participant** may not—
 - (a) dispute the information under subclause (1) after the expiry of 2 years after the date that the information is provided; or
 - (b) commence a dispute under subclause (1) if the

participant has commenced a dispute in relation to the **volume information** on which the information is based under clause 15.29.

- (3) The **clearing manager** must advise all **participants** materially affected by the dispute and the **Authority** of the dispute no later than 1 **business day** after the dispute is notified to the **clearing manager** under subclause (1).
- (4) On receiving a notification of a dispute that relates to **volume information** under subclause (3), the **Authority** may direct that no further action be taken in respect of the dispute.
- (5) If the **Authority** gives a direction under subclause (4), clauses 14.26 to 14.28 cease to apply to the dispute.
- (6) A direction under subclause (4) does not affect the validity of information provided under clause 14.26(2) or clause 14.37 before the direction was given.

14.26 Resolution of dispute about amount

- (1) The disputing **participant** and the **clearing manager** must attempt to resolve the dispute.
- (2) The **clearing manager** must revise the disputed amount and any other affected amount if—
 - (a) the dispute is resolved by the parties advised of the dispute agreeing that information used to determine the amount is incorrect; and
 - (b) the dispute is resolved 2 **business days** or more before the disputed amount is due to be paid or received by the disputing **participant**; and
 - (c) the **clearing manager** has received all information necessary to revise the amount and any other affected amount (including revised **volume information** if necessary).
- (3) If the **participant** and the **clearing manager** do not resolve the dispute 2 **business days** or more before the disputed amount is due to be paid or received, the disputing **participant** must pay or receive the amount in accordance with clauses 14.31 and 14.34.

14.27 Dispute about amount may be referred to Rulings Panel

- (1) If the dispute is not resolved within 15 **business days** after the date on which the dispute was notified to the **clearing manager** under clause 14.25(1), the disputing **participant** or the **clearing manager** may refer the dispute to the **Rulings Panel** for resolution.
- (2) The **Rulings Panel** may make such determination as it thinks fit.
- (3) The **Rulings Panel** must give notice of its determination to the parties to the dispute and affected **participants**.

14.28 Correction of information about amount as result of dispute

- (1) If a dispute (other than a dispute resolved 2 **business days** or more before the disputed amount is due to be paid or received) is resolved by the parties to the dispute agreeing, or the **Rulings Panel** determining, that information used to determine the amount is incorrect, the **clearing manager** and the **reconciliation manager** must correct the information as follows:
 - (a) if the information to be corrected is **volume information**, the information must be corrected in accordance with subclause (2);
 - (b) if the information to be corrected is not **volume information**—
 - (i) the **clearing manager** must either correct the information, or advise the appropriate **market operation service provider** or the **Authority** so that the information may be corrected; and
 - (ii) if a **market operation service provider** or the **Authority** corrects the information, the **market operation service provider** or the **Authority**, as the case may be, must provide the corrected information to the **clearing manager**.
- (2) The **reconciliation manager** must correct **volume information** as follows:
 - (a) if a revised **seasonal adjustment shape** must be issued in order for the **volume information** to be corrected—
 - (i) the **reconciliation manager** must provide each **reconciliation participant** whose **submission information** is required to be corrected with a revised **seasonal adjustment shape**; and
 - (ii) each **reconciliation participant** must provide corrected **submission information** to the **reconciliation manager** no later than 4 **business days** after being provided with the revised **seasonal adjustment shape**;
 - (b) if a revised **seasonal adjustment shape** is not required to be issued in order for the **volume information** to be corrected, each **reconciliation participant** whose **submission information** or **dispatchable load information** is required to be corrected must provide corrected **submission information** or **dispatchable load information** to the **reconciliation manager** no later than 4 **business days** after being notified of the resolution of the dispute;
 - (c) the **reconciliation manager** must provide the corrected **volume information** to the **clearing manager**.
- (3) If corrected information is provided to the **clearing manager** under subclauses (1) or (2), the **clearing manager**

must conduct **washups** in accordance with subpart 6.

Subpart 5—Payments

14.29 Payment of amounts payable

- (1) If the calculation under clause 14.22 provides for a **participant** to pay an amount to the **clearing manager**, the **participant** must pay that amount to the **clearing manager** in accordance with clauses 14.31 and 14.32.
- (2) If the calculation under clause 14.22 provides for the **clearing manager** to pay an amount to a **participant**, the **clearing manager** must pay that amount to the **participant** in accordance with clause 14.34.

14.30 Prepayment of amounts payable

- (1) A **participant** may elect to pay an amount to the **clearing manager** before the **participant** incurs the amount owing to the **clearing manager**.
- (2) If a **participant** prepays an amount to the **clearing manager** under subclause (1),—
 - (a) the **participant** must advise the **clearing manager** of 1 or more **billing periods** to which the payment relates; and
 - (b) the **clearing manager** must deduct the amount paid by the **participant** from the amount advised to the **participant** as owing by the **participant** to the **clearing manager** under subpart 4.
- (3) Any amount paid to the **clearing manager** under this clause must not be returned to the **participant**, except as provided in subclause (4).
- (4) If an amount prepaid by a **participant** is more than the actual amount payable by the **participant** to the **clearing manager** for the relevant **billing periods**, the **clearing manager** must—
 - (a) apply the amount to the amount payable in the next **billing period**; or
 - (b) if the **participant** requests the **clearing manager** to pay the residual amount to the **participant** and satisfies the **clearing manager** that it will continue to comply with prudential requirements in Part 14A, pay the residual amount to the **participant** in accordance with clause 14.34.
- (5) The **clearing manager** must credit to a **participant** that has prepaid an amount under this clause all interest received by the **clearing manager** on the prepaid amount, less any applicable deduction for tax purposes.

14.31 Deadlines for payments

- (1) Subject to subclauses (3) and (4), each **participant** must pay the **clearing manager** the amount advised to the **participant**

under subpart 4 as payable by the **participant** to the **clearing manager** by—

- (a) 1300 hours on the 20th calendar day of the month following the **billing period** in respect of which the amount was advised; or
 - (b) if that day is not a **business day**, 1300 hours on the next **business day**.
- (2) If the **clearing manager** does not advise a **participant** of an amount payable by the time specified in clause 14.18(2), payment may, if the **participant** so elects, be delayed for a period corresponding to the period of delay in advising the **participant** of the amount payable.
 - (3) In the case of advice of an amount payable being delayed, the **clearing manager** must advise the **participant** of the new payment date.
 - (4) If the **clearing manager** revises an amount advised to the **participant** 2 **business days** or more before the amount is due to be paid, the **participant** must pay the amount by the date for payment under subclause (1).

14.32 Methods of payment

- (1) Subject to subclause (2), each **participant** must pay the **clearing manager** in **cleared funds** into the **operating account**.
- (2) A **participant** may instruct the **clearing manager** to pay all or part of an amount payable by the **participant** under clause 14.31 from a **cash deposit** held by the **clearing manager** in respect of the **participant** in accordance with clause 14A.13.

14.33 Allocation of payments

- (1) Subject to subpart 8, the allocation by the **clearing manager** of a payment received from a **participant** under this Part must be dealt with in accordance with this clause.
- (2) The **clearing manager** must hold each amount paid into the **operating account** by or on behalf of a **participant** in payment or part payment of an amount payable under this subpart upon trust for those persons that are entitled to receive payment from the **clearing manager**.
- (3) A **participant** may not direct the **clearing manager** to apply any funds paid under this Part other than in accordance with this clause.
- (4) The **clearing manager** must separately account for any amount received under clause 14.31 in respect of an amount referred to in clause 14.19(2)(h) and (i).

14.34 Payments by clearing manager

- (1) Subject to subparts 7 and 8, the **clearing manager** must pay each **participant** the amount advised to the **participant** under subpart 4 as payable by the **clearing manager** to the **participant** by 1600 hours on the final **business day** for

- payment under clause 14.31.
- (2) The **clearing manager** must pay each **participant** in **cleared funds**.
 - (3) A **participant** may instruct the **clearing manager** to treat all or part of an amount payable to the **participant** under this clause as a **cash deposit** under Part 14A.
 - (4) The **clearing manager** is not required to pay a **participant** under this clause if a **settlement default** is continuing in relation to the **participant**.

14.35 Payment of residual loss and constraint excess

Each **grid owner** must treat **residual loss and constraint excess** paid to it under this Part as **loss and constraint excess**.

Subpart 6—Washups

14.36 Clearing manager to conduct washups

If the **clearing manager** receives corrected information in accordance with clauses 8.68, 8.69, 14.28, 15.20C(b), 15.26(4), 15.29, or clause 28 of Schedule 15.4, it must conduct **washups** and advise **participants** of amounts owing in accordance with this subpart.

14.37 Clearing manager to advise participants of washup amounts

The **clearing manager** must advise relevant **participants** of amounts owing in respect of **washup** amounts in accordance with subpart 4 and clauses 14.38 to 14.40, except that the **clearing manager** must, if requested by a **participant** affected by the **washup**, issue corrected information covered by the **washup** to the **participant**.

14.38 Washup amounts

- (1) All **washup** amounts and interest accrued in accordance with subclause (2) must be expressed as an amount owing by the **participant** to the **clearing manager** or an amount owing by the **clearing manager** to the **participant** in respect of the current **billing period**.
- (2) Daily interest (less any deduction for resident withholding tax) on the **washup** amount, calculated at the **bank bill bid rate**, accrues from the date that payment of the amount based on the incorrect information to which the **washup** relates was due as set out in clauses 14.31 and 14.34 (as applicable) until the date of advice of the revised **washup** amount in accordance with clause 14.18, and must be compounded at the end of each calendar month.

14.39 Washups for grid owners

If a **washup** has occurred due to incorrect **consumption**

information being used to determine amounts owing in accordance with subpart 4 that affects **grid owners**, the **clearing manager** must credit or debit a **washup** amount to or from each **grid owner** as follows:

- (a) if a **grid owner's washup** amount is a credit, the **clearing manager** must add the credit to any amount owing to the **grid owner** in accordance with clause 14.16(7) in respect of the current **billing period**:
- (b) if a **grid owner's washup** amount is a debit, the **clearing manager** must subtract the debit from any amount owing to the **grid owner** in accordance with clause 14.16(7) in respect of the current **billing period**:
- (c) if the **washup** amount is greater than the amount owing, the **clearing manager** must advise the **grid owner** of any amount owing for the **washup** amount concurrently with advising **participants** of any amount owing under clause 14.18, and payment of the **washup** amount must be made by the **grid owner** by the time for payment set out in clause 14.31:
- (d) daily interest (less any deduction for resident withholding tax) on the **washup** amount, calculated at the **bank bill bid rate**, must be debited or credited (as the case may be) to the amount owing to the **grid owner** in accordance with clause 14.16(7), and accrues from the date that payment based on the incorrect information to which the **washup** relates was made until the date of advice in accordance with clause 14.18 resulting in the **grid owner's washup** amount, and must be compounded at the end of each calendar month.

14.40 Payment where no longer participant

- (1) Despite clauses 14.38 and 14.39, if a **washup** amount affects a person that is no longer a **participant**, the **clearing manager** must advise the person of the **washup** amount owing and payable in accordance with clauses 14.31 and 14.32.
- (2) The person remains liable for outstanding obligations in accordance with section 30(3) of the **Act**.
- (3) Daily interest (less any deduction for resident withholding tax) on the **washup** amount, calculated at the **bank bill bid rate**, must be added to the **washup** amount and accrues from the date that payment of the amount based on the incorrect information to which the **washup** relates was due as set out in 14.31 and 14.34 (as applicable) until the date of advice of the revised **washup** amount in accordance with clause 14.18, and must be compounded at the end of each calendar month.

Subpart 7—Events of default

Types of default

14.41 Definition of an event of default

Each of the following events constitutes an **event of default**:

- (a) failure of a **participant** to provide security for the minimum amount required in accordance with clause 14A.6:
- (b) a **settlement default**:
- (c) any action taken for, or with a view to, the declaration of a **participant** that is required to comply with Part 14A as a corporation at risk under the Corporations (Investigation and Management) Act 1989:
- (d) appointment of a statutory manager in respect of **participant** that is required to comply with Part 14A under the Corporations (Investigation and Management) Act 1989 (or a recommendation or submission is made by a person to the Financial Markets Authority supporting such an appointment):
- (e) appointment of a person under section 19 of the Corporations (Investigation and Management) Act 1989 to investigate the affairs or run the **business** of a **participant** that is required to comply with Part 14A:
- (f) if a **participant** that is required to comply with Part 14A is (or admits that it is or is deemed under any applicable law to be) unable to pay its debts as they fall due or is otherwise insolvent, or stops or suspends, or threatens to stop or suspend, or a moratorium is declared on, payment of its indebtedness generally, or makes or commences negotiations or takes any other steps with a view to making any assignment or composition with, or for the benefit of, its creditors, or any other arrangement for the rescheduling of its indebtedness or otherwise with a view to avoiding, or in expectation of its inability to pay, its debts:
- (g) a holder of a security interest or other encumbrancer taking possession of, or a receiver, manager, receiver and manager, liquidator, provisional liquidator, trustee, statutory or official manager or inspector, administrator or similar officer being appointed in respect of the whole or any part of the assets of a **participant** that is required to comply with Part 14A or if the **participant** requests that such an appointment be made.

Procedure for event of default

14.42 Clearing manager to advise Authority of anticipated event of default

If the **clearing manager** believes that an **event of default** is likely to occur, the **clearing manager** must advise the **Authority** so that the **Authority** can consider an appropriate course of action.

14.43 Procedure upon event of default

- (1) If an **event of default** occurs in relation to a **participant**, the **participant** must immediately advise the **clearing manager** and the **Authority** of the **event of default**.
- (2) Despite subclause (1), a **participant** is not required to advise the **clearing manager** or the **Authority** if the **participant** would breach section 36 of the Corporations (Investigation and Management) Act 1989 by advising the **clearing manager** or the **Authority**.
- (3) If subclause (2) applies, the **participant** must seek the consent of the Registrar of Companies or the Financial Markets Authority (as applicable) to disclose the matter to the **clearing manager** and the **Authority**.
- (4) If the **clearing manager** becomes aware that an **event of default** has occurred and is continuing in relation to a **participant** and the **participant** has not advised the **clearing manager** of the **event of default**, the **clearing manager** must advise the defaulting **participant** that the **event of default** has occurred.
- (5) The **clearing manager** must advise the **Authority** of an **event of default**.

Remedies and rights of recovery

14.44 Event of default gives clearing manager remedies

- (1) If an **event of default** has occurred, the **clearing manager** has the power to exercise, as appropriate, all or any of the following remedies without prejudice to any other remedy it may have at law:
 - (a) apply the balance of the **cash deposit** of the defaulting **participant** in accordance with clause 14A.13(a);
 - (b) make a demand under a guarantee, letter of credit, or bond provided under Part 14A in respect of the defaulting **participant**;
 - (c) if the defaulting **participant** has not paid an amount due under this Part by the due date for payment, set-off any amount payable by the **clearing manager** to the defaulting **participant** against the unpaid amount payable by the defaulting **participant** to the **clearing manager**;
 - (d) take possession of any **FTR** held by the defaulting **participant** in accordance with clause 14.47.

- (2) If an **event of default** is continuing at the expiry of the **participant's** post-default exit period registered under clause 14A.22,—
 - (a) the **clearing manager** must cancel a **hedge settlement agreement** to which the defaulting **participant** is a party in accordance with clause 14.48;
 - (b) the **Authority** may direct a **grid owner** or **distributor** to exercise any contractual right the **grid owner** or **distributor** has to disconnect a defaulting **participant** that is a **direct purchaser** in accordance with clause 14.49.

14.45 Remedies for settlement default

If the **clearing manager** elects to exercise any of the remedies specified in clause 14.44 in the event of a **settlement default**, the **clearing manager** must exercise the remedies in the following order:

- (a) set-off the amount payable by the **clearing manager** to the defaulting **participant** against any amount that is payable by the defaulting **participant** to the **clearing manager** in respect of the current **billing period** or any other **billing period**;
- (b) apply the balance of the **cash deposit** of the defaulting **participant**;
- (c) if the amounts set-off or applied under paragraphs (a) and (b) are not sufficient to remedy the default,—
 - (i) make a demand under a guarantee, letter of credit, or bond provided under Part 14A in respect of the defaulting **participant**;
 - (ii) take possession of any **FTR** held by the defaulting **participant** in accordance with clause 14.47.

14.46 Remedies for other types of default

If an **event of default** other than a **settlement default** occurs in relation to a **participant**, the **clearing manager** must exercise all or any of the remedies specified in clause 14.44 to ensure that it has sufficient funds for the next settlement date.

14.47 Application to take possession of FTR

- (1) The **clearing manager** on application to the **FTR manager** is entitled to be registered on the **FTR register** as the holder of any **FTR** that the **clearing manager** takes possession of under clause 14.44(1)(d) without any further authorisation than this subclause.
- (2) If the **FTR hedge values** or estimated **FTR hedge values** of the **FTRs** held by the defaulting **participant** exceed the amount required to remedy the **event of default**, the **clearing manager** may exercise its discretion in deciding which

- FTRs are transferred to the **clearing manager**.
- (3) If the amount received by the **clearing manager** on settlement or sale of an **FTR** taken possession of under clause 14.44(1)(d) exceeds the amount required to remedy the **event of default**, the **clearing manager** must repay the excess amount to the defaulting **participant**.
 - (4) If the **clearing manager** holds an **FTR** in respect of which an amount would be owing if the **FTR** was held by another person, no amount is owing by the **clearing manager**.

14.48 Cancellation of hedge settlement agreement in event of default

- (1) If the defaulting **participant** is a party to a **hedge settlement agreement** and the **event of default** is continuing at the expiry of the **participant's** post-default exit period registered under clause 14A.22, the **clearing manager** must cancel the **hedge settlement agreement** on the first **business day** after the expiry of the **participant's** post-default exit period.
- (2) The **clearing manager** must give written notice to the parties to the **hedge settlement agreement** if a **hedge settlement agreement** is cancelled under this clause.

14.49 Disconnection of direct purchaser

- (1) Each **direct purchaser** must at all times ensure that the terms of each of its contracts that provide for the connection of the **direct purchaser** to a **network** permit the relevant **grid owner** or **distributor** to disconnect the **direct purchaser** on the direction of the **Authority** if an **event of default** occurs in relation to the **direct purchaser** and is continuing at the expiry of its post-default exit period registered under clause 14A.22.
- (2) Each **grid owner** or **distributor** must at all times ensure that the terms of each of its contracts that provide for the connection of a **direct purchaser** to a **network** permit the **grid owner** or **distributor** to disconnect the **direct purchaser** on the direction of the **Authority** if an **event of default** occurs in relation to the **direct purchaser** and is continuing at the expiry of its post-default exit period registered under clause 14A.22.
- (3) If an **event of default** occurs in relation to a **direct purchaser** and is continuing at the expiry of the **direct purchaser's** post-default exit period registered under clause 14A.22, the **Authority** may direct a **grid owner** or **distributor** to exercise any contractual right the **grid owner** or **distributor** has to disconnect the defaulting **direct purchaser**.
- (4) A **grid owner** or **distributor** that receives a direction under subclause (3) must comply with the direction.

14.50 Clearing manager to exercise rights to recover amounts outstanding

The **clearing manager** must exercise such rights, including those rights under the **Act** and this Code, as is reasonable to recover any amounts outstanding from a defaulting participant.

14.51 Participants assigned or subrogated to all clearing manager's rights of recovery

- (1) If a participant's default means that the **clearing manager** is unable to pay participants the full outstanding amount that would otherwise be payable to them so that any amount paid to participants is reduced under subpart 8, the participants are entitled to be assigned or subrogated to the rights of the **clearing manager** in respect of amounts payable to the **clearing manager** by the relevant defaulting participant which, if paid, would have been required to be held on trust by the **clearing manager** for the participants in accordance with this Code.
- (2) The **clearing manager** must do all that is reasonably necessary, including the granting of a power of attorney in favour of the participants, to assist the participants in the exercise of the rights.
- (3) The participants may, in the name of the **clearing manager** (if requested),—
 - (a) take any step to enforce repayment or exercise any other rights of the **clearing manager** in respect of money for the time being due to the **clearing manager**—
 - (i) from a defaulting participant; or
 - (ii) from a guarantor of the defaulting participant; or
 - (iii) from any person that has provided a letter of credit or bond in favour of the **clearing manager** in respect of the defaulting participant; or
 - (iv) in respect of any other security held by the **clearing manager** in respect of the defaulting participant; and
 - (b) directly or indirectly, prove in, claim, share in, or receive the benefit of any distribution, dividend, or payment arising out of—
 - (i) any insolvency of a defaulting participant; or
 - (ii) a guarantor of the defaulting participant; or
 - (iii) any person that has provided a letter of credit or bond in favour of the **clearing manager** in respect of the defaulting participant; or
 - (iv) any other security held by the **clearing manager** in respect of the defaulting participant.

14.52 Rights of participants to exercise rights

- (1) Any 1 or more **participants** is entitled to exercise rights under clause 14.51, if—
 - (a) the **clearing manager** has not, within 3 **business days** of receiving notice of, or otherwise becoming aware of, the occurrence of an **event of default**, taken any action under clauses 14.44 to 14.46; or
 - (b) the **clearing manager** has failed within 2 months of an **event of default** to collect all amounts due from the defaulting **participant**.
- (2) Nothing in subclause (1) or this subpart limits the statutory right of the **clearing manager** to apply to the Court for the appointment of a receiver, interim liquidator, or liquidator.

Publication of information about event of default

14.53 Authority may publicise information about event of default

- (1) The **Authority** may **publicise** information about an **event of default** if the **Authority** considers it is appropriate.
- (2) If an **event of default** results in a reduction in payments under subpart 8, the **Authority** must **publicise** information about the following:
 - (a) the nature of the **event of default**;
 - (b) the extent of the **event of default**;
 - (c) the identity of the defaulting **participant**.

Subpart 8—Payments in event of settlement default

14.54 Application of this subpart

- (1) This subpart applies if—
 - (a) a **participant** commits a **settlement default**; and
 - (b) the amount received from the defaulting **participant** and recovered or set-off under clause 14.44 by 1500 hours on the final day for payment under clause 14.31 is less than the amount payable by the **participant** to the **clearing manager**.
- (2) In this subpart a reference to 1 or more general amounts is a reference to any amount that is not required to be applied to the settlement of **FTRs** or paid to the **grid owner** as **residual loss and constraint excess**.

14.55 Allocation of shortfall to settlement of general amounts and FTRs

- (1) The **clearing manager** must allocate any shortfall as a result of a **settlement default** to adjust the settlement of general amounts and **FTRs** in accordance with this clause.
- (2) The shortfall is—
 - (a) the amount payable by the defaulting **participant** to the **clearing manager** under subpart 5; minus

- (b) any amount received from the defaulting **participant** and recovered or set-off under clause 14.44.
- (3) In respect of each defaulting **participant**, the amount of the shortfall that must be allocated to adjust the settlement of general amounts is the total shortfall, less the amount of the shortfall that must be allocated to adjust the settlement of **FTRs** in accordance with subclause (4).
- (4) In respect of each defaulting **participant**, the amount of the shortfall that must be allocated to adjust the settlement of **FTRs** is determined in accordance with the following formula:

$$X_{FTR} = X_{TOT} * (O_{FTR}/O_{TOT})$$

where

X_{FTR} is the amount of the shortfall that must be allocated to adjust the settlement of **FTRs**

X_{TOT} is the total amount owing by the defaulting **participant** to the **clearing manager** as specified in clause 14.19 minus the amount of the shortfall

O_{FTR} is the total amount owing by the defaulting **participant** to the **clearing manager** in respect of **FTRs** as specified under clause 14.19(2)(h) and (i)

O_{TOT} is the total amount owing by the defaulting **participant** to the **clearing manager** as specified under clause 14.19(3)

- (5) If the total amount owing by a defaulting **participant** as specified under clause 14.19(3) includes an amount owing in respect of the assignment of any **FTR** under clause 14.19(2)(i) that relates to a future **billing period** or **billing periods**, a portion of the amount of the shortfall that must be allocated to adjust the settlement of **FTRs** under subclause (4) must be allocated to each future **billing period** in accordance with the following formula:

$$F_{FTR} = X_{FTR} * (O_{FTR (future)}/O_{FTR})$$

where

F_{FTR} is the amount of the shortfall that must be allocated to adjust the settlement of **FTRs** in the future **billing period**

X_{FTR} is the amount of the shortfall that must be allocated to adjust the settlement of **FTRs**, calculated under subclause (4)

$O_{FTR (future)}$ is the amount owing by the defaulting **participant** to the **clearing manager** in respect of the assignment of an **FTR** under clause 14.19(2)(i) that relates to the future **billing period**

O_{FTR} is the total amount owing by the defaulting **participant** to the **clearing manager** in respect of **FTRs** as specified under clause 14.19(2)(h) and (i)

14.56 Calculation of revised amount owing for general amounts

- (1) The **clearing manager** must apply any amount available for the settlement of general amounts in accordance with the following order of priority:
 - (a) to satisfy any liability to pay **GST** and other governmental charges or levies, that are payable by the **clearing manager** in respect of the amounts owing and payable under subparts 4 to 6, taking into account any **GST** input tax credits available to the **clearing manager** in respect of payments under paragraphs (b) to (e):
 - (b) to satisfy any amount owing to the **system operator** for **ancillary services** under clauses 8.6, 8.31(1)(a), and 8.55 to 8.67:
 - (c) to satisfy any amount of **loss and constraint excess** to be applied to the settlement of **FTRs** under clause 14.16(4) or (5):
 - (d) to satisfy any amount owing to each **grid owner** for any **loss and constraint excess** in accordance with clause 14.16(7)(a):
 - (e) to satisfy any other general amount owing by the **clearing manager** to a **participant**.
- (2) If there is an insufficient amount available for the settlement of general amounts, the **clearing manager** must calculate the revised amounts owing by the **clearing manager** to **participants** in respect of general amounts as follows:
 - (a) first apply the full amount available to satisfy each amount owing in the order of priorities in subclause (1):
 - (b) if there is an insufficient amount to satisfy the full amount owing under any of paragraphs (a) to (e) of subclause (1), calculate the revised amount owing to each **participant** under that paragraph according to the following formula:

$$AO_{CM (revised)} = AO_{CM (general)} \times (A_{general}/R_{general})$$

where

$AO_{CM (revised)}$ is the revised amount owing by the **clearing manager** to the **participant** in respect of the general amounts

$AO_{CM (general)}$ is the amount owing by the **clearing manager** to the **participant** in respect of that **billing period** under the relevant paragraph in subclause (1)

A_{general} is the total amount available for the settlement of amounts owing by the **clearing manager** in the relevant **billing period** under the relevant paragraph in subclause (1)

R_{general} is the sum of all amounts required to settle those amounts in respect of the **billing period**

14.57 Calculation of revised amount owing for FTR amounts

- (1) The **clearing manager** must apply any amount available for the settlement of **FTRs** in accordance with the following order of priority:
 - (a) to satisfy any amount owing to a **participant** in respect of **FTRs**:
 - (b) to satisfy any amount owing to each **grid owner** for any **residual loss and constraint excess** under clause 14.16(7)(b).
- (2) If there is an insufficient amount available for the settlement of **FTRs**, the **clearing manager** must calculate the revised amount owing in respect of **FTRs** as follows:
 - (a) first apply the amount available for the settlement of **FTRs** in the relevant **billing period** to satisfy each amount owing to a **participant** in respect of an **FTR**:
 - (b) if there is an amount remaining for the settlement of **FTRs** in the relevant **billing period** after the **clearing manager** has satisfied each amount owing to a **participant** in respect of an **FTR**, the **clearing manager** must allocate that amount to each **grid owner** under clause 14.16(7)(b):
 - (c) if there is an insufficient amount to satisfy each amount owing under paragraph (a), the **clearing manager** must adjust each amount owing to a **participant** in respect of an **FTR** according to the following formula:

$$AO_{\text{CM (revised)}} = AO_{\text{CM (FTRs)}} * (C_{\text{FTR}}/FTR_{\text{required}})$$

where

$AO_{\text{CM (revised)}}$ is the revised amount owing by the **clearing manager** to the **participant** in respect of **FTRs**

$AO_{\text{CM (FTRs)}}$ is the amount advised to the **participant** under clause 14.20 as being owing to the **participant** in respect of that **billing period** in respect of an amount specified in clause 14.20(2)(h) or (i)

C_{FTR} is the total amount available for the settlement of **FTRs** in the relevant **billing period**

FTR_{required} is the sum of all amounts required to settle **FTRs** in respect of the **billing period**

14.58 Calculation of scaled amount payable

The **clearing manager** must calculate the scaled amount payable for each **participant** to which an amount is payable by the **clearing manager** under subpart 5 in accordance with the following formula:

$$AP_{CM \text{ (scaled)}} = AO_{CM \text{ (revised)}} - AO_P + P$$

where

$AP_{CM \text{ (scaled)}}$ is the scaled amount payable by the **clearing manager** to the **participant**

$AO_{CM \text{ (revised)}}$ is the sum of the revised amounts owing by the **clearing manager** to the **participant**, calculated under clauses 14.56 and 14.57

AO_P is the sum of the amounts owing by the **participant** to the **clearing manager**, calculated under clause 14.19

P is any amount paid by the **participant** under clause 14.31 and, in the case of a defaulting **participant**, any amount recovered or set-off under clause 14.44

14.59 Calculation of revised amount payable

- (1) If the application of the formula in clause 14.58 results in a scaled amount payable that is positive or 0 for every **participant** to which an amount is payable by the **clearing manager**, the scaled amount payable by the **clearing manager** to a **participant** is the revised amount payable by the **clearing manager** under clause 14.60.
- (2) If the application of the formula in clause 14.58 results in a scaled amount payable that is negative for a defaulting **participant**, the **clearing manager** seek to recover the absolute value of that amount by exercising its powers under clause 14.44 by 1530 hours before applying subclause (4).
- (3) If the **clearing manager** recovers an amount from a defaulting **participant** under subclause (2), the **clearing manager** must add the amount recovered to the scaled amount payable by the **clearing manager** to the defaulting **participant** before applying subclause (4).
- (4) If the application of the formula in clause 14.58 (as adjusted by subclause (3)) results in a scaled amount payable that is negative for 1 or more **participants** to which an amount is payable by the **clearing manager**, the **clearing manager** must calculate the revised amount payable by the **clearing manager** under clause 14.60 as follows:

- (a) for each **participant** for which the scaled amount payable is negative, set the revised amount payable for the **participant** to 0:
- (b) for each **participant** for which the scaled amount payable is positive, calculate the revised amount payable to the **participant** in accordance with the following formula:

$$AP_{CM (revised)} = AP_{CM (scaled)} + AO_{negative} (AO_{CM (revised)} / AO_{positive})$$

where

$AP_{CM (revised)}$ is the revised amount payable by the **clearing manager** to the **participant**

$AP_{CM (scaled)}$ is the scaled amount payable by the **clearing manager** to the **participant**, calculated under clause 14.58

$AO_{negative}$ is the sum of all revised amounts owing by the **clearing manager** to a **participant** for every **participant** for which the scaled amount payable is negative

$AO_{CM (revised)}$ is the sum of the revised amounts owing by the **clearing manager** to the **participant**, calculated under clauses 14.56 and 14.57

$AO_{positive}$ is the sum of all revised amounts owing by the **clearing manager** to a **participant** for every **participant** for which the scaled amount payable is positive

- (5) If the application of the formula in subclause (4)(b) results in a **participant** having a revised amount payable that is negative, the **clearing manager** must recalculate the revised amount payable for each **participant** under subclause (4) using the revised amount payable by the **clearing manager** to the **participant** as the scaled amount payable by the **clearing manager** to the **participant**.

14.60 Payment of revised amount payable

The **clearing manager** must pay each **participant** the revised amount payable in accordance with clause 14.34 as if references to the amount payable were references to the revised amount payable.

14.61 Payment by participant with negative scaled amount payable

- (1) If the application of the formula in clause 14.58 results in a scaled amount payable for a **participant** that is negative, the

participant must pay an amount that is equal to the absolute value of the scaled amount payable in accordance with this clause.

- (2) The **clearing manager** must advise the **participant** of the amount payable.
- (3) The **participant** must pay the amount payable to the **clearing manager** by 1300 hours on the next **business day** after the day on which the **clearing manager** advises the **participant** of the amount.
- (4) Clause 14.32 applies to a payment under this clause.
- (5) If the **clearing manager** receives further funds from the defaulting **participant**, the **clearing manager** may revise or cancel the amount payable under this clause to reflect the need for the amount payable.

14.62 Application of payment by participant with negative scaled amount payable

- (1) The **clearing manager** must allocate the funds received under clause 14.61 to each **participant** for which the scaled amount payable is positive.
- (2) The amount allocated to each **participant** under this clause is the difference between the scaled amount payable and revised amount payable for the **participant**.
- (3) The **clearing manager** must pay each **participant** the amount allocated under this clause by 1600 hours on the day that funds are received under clause 14.61.
- (4) If there are insufficient funds to pay each **participant** the amount allocated under this clause, the **clearing manager** must adjust the amount payable for each **participant** based on the proportion that the amount payable by the **clearing manager** to the **participant** bears to the total amount payable to all **participants** under this clause.

14.63 Further funds paid according to priority

- (1) As further funds are received or recovered from a defaulting **participant** by the **clearing manager**, those funds must be allocated to the settlement of general amounts and **FTRs** and paid in accordance with this subpart as if—
 - (a) the further funds had been paid by the defaulting **participant** on the final day for payment under clause 14.31; but
 - (b) with the amount already paid by the **clearing manager** to a **participant** under this subpart deducted from the amount calculated as payable by the **clearing manager** to the **participant**.
- (2) If funds received or recovered by the **clearing manager** are identifiable as relating to a specific **billing period**, the **clearing manager** must apply those funds in satisfaction or part satisfaction of amounts payable by the **clearing manager** in respect of that **billing period**.
- (3) If it is not clear to which **billing period** the funds relate, the

funds must be applied in satisfaction or part satisfaction of amounts payable by the **clearing manager** in respect of the earliest **billing period** in respect of which amounts are outstanding to the extent that full payment has not been received by the relevant **participants** in respect of that **billing period**.

14.64 Interest payable to participants

- (1) If a **participant** does not receive the full amount payable under this Part, the **clearing manager** is liable to pay interest on the unpaid amount.
- (2) The interest must be calculated daily from the date payment would otherwise have been due, at the **default interest rate**, until the date that payment is actually made by the **clearing manager** to the **participant** and compounded at the end of each calendar month.
- (3) If a **participant** has not paid any amount payable under this Part after the due date for payment, the **participant** must pay interest on the unpaid amount.
- (4) The interest must be calculated daily from the date on which the payment was due, at the **default interest rate**, until the date that full payment is received in **cleared funds** and compounded at the end of each calendar month.

14.65 Participant to remain in default

Despite anything else in this Code, the application of money under this Part that does not satisfy the full amount payable by a **participant** does not—

- (a) satisfy the obligation of the **participant** to pay the full amount payable together with the interest due on that amount to the **clearing manager** or to a **participant** acting in accordance with clause 14.51; or
- (b) prejudice any remedy available to the **clearing manager** in an **event of default** or to a **participant** under clause 14.51.

Subpart 9—Administrative obligations of
clearing manager

Clearing manager operating account

14.66 Clearing manager to establish operating account

- (1) The **clearing manager** must establish, in its name, an **operating account** with a **bank**.
- (2) The **operating account** must—
 - (a) be held by the **clearing manager** as a trust account for the benefit of the persons who are entitled to receive payment from the **clearing manager** under this Part; and
 - (b) be clearly identified as such; and

- (c) subject to this Code, be entirely separate from the **cash deposit accounts** and any other account of the **clearing manager**.
- (3) The **clearing manager** must obtain an acknowledgement from the **bank** with which the **operating account** is held that—
 - (a) the funds in that account are held on trust for the purposes set out in clause 14.33; and
 - (b) the **bank** has no right of set-off or combination in relation to the funds.

14.67 Payment by clearing manager

- (1) Each payment required to be made by the **clearing manager** to the person entitled to the payment must be made by direct payment to the **bank** account that the person entitled to the payment may advise the **clearing manager** in writing from time to time.
- (2) Any payment by the **clearing manager** under this Part must be made from the **operating account**.
- (3) Except as expressly permitted by this Code or as required by law, all payments by the **clearing manager** under this Part must be free and clear of any withholding or deduction and without any set-off or counter claim.

Reporting obligations of the clearing manager

14.68 Monthly divergence reports to be prepared by clearing manager

- (1) The **clearing manager** must report to the **market administrator** in writing under this clause.
- (2) The **clearing manager** must give the report to the **market administrator**—
 - (a) on the 10th **business day** of each calendar month; or
 - (b) if exceptional circumstances prevent the **clearing manager** from providing the report by that day, as soon as reasonably practicable after that day.
- (3) The report must include—
 - (a) information on any situations where the **clearing manager** believes, on reasonable grounds, that the **clearing manager**, or another **participant**, has breached this Code in the previous calendar month; and
 - (b) the date and time at which each alleged breach took place; and
 - (c) the nature of each alleged breach, including—
 - (i) details of the person alleged to be in breach; and
 - (ii) any **participants** believed to be affected by the alleged breach; and
 - (iii) in the case of a delay in advising a **participant** of an amount owing under clause 14.18, the part of the process that was delayed; and

- (d) the reason for the alleged breach occurring if the **clearing manager** is aware of the reason; and
- (e) situations in which information about an amount owing was or will be issued late and whether or not the delay was caused by the **clearing manager**.

14.69 Market administrator to publish clearing manager reports

- (1) By the 15th **business day** of each calendar month, the **market administrator** must **publish** the sections of the report, received in the previous calendar month from the **clearing manager** in accordance with clause 14.68, that relate to any breaches of this Code by the **clearing manager**.
- (2) By the 15th **business day** of each calendar month the **market administrator** must also refer the report received in the previous calendar month to the **Authority**.

14.70 Right to information concerning clearing manager's action

- (1) A **participant** may, by notice in writing to the **clearing manager**, request further information related to a situation set out in a **clearing manager's** report **published** under clause 14.69 that has materially affected that person.
- (2) The **clearing manager** must provide the requested information to that person, but the information provided must not include any information that is confidential in respect of any other person.

14.71 Clearing manager to publish block dispatch settlement differences

- (1) By 0900 hours on the 2nd **business day** after the **clearing manager** has advised **participants** of amounts owing under clause 14.18, the **clearing manager** must **publish** the following information for **participants** on the **information system**:
 - (a) the maximum block dispatch settlement difference for each **block dispatch group** for the previous **billing period** as determined by the following formula:

$$\text{Settlement Difference} = \text{Max} \left\{ \sum_{gip=1}^{gip} P_{gip} \left\{ \text{Gen}_{gip} - \text{Set}_{gip} \left\{ \frac{\sum \text{Gen}_{gip}}{\sum \text{Set}_{gip}} \right\} \right\} \right\}$$

- (b) the total block dispatch settlement differences for each **block dispatch group** for the previous **billing period** as determined by the following formula:

$$\text{Settlement Difference} = \sum_{i=1}^i \left\{ \sum_{gip=1}^{gip} P_{gip,i} \left\{ \text{Gen}_{gip,i} - \text{Set}_{gip,i} \left\{ \frac{\sum \text{Gen}_{gip,i}}{\sum \text{Set}_{gip,i}} \right\} \right\} \right\}$$

where

- P_{gip} is the **final price** at the relevant **grid injection point** for the **generating plant** or **generating unit** that forms part of the **block dispatch group** for the relevant **trading period** of the **billing period**
- Gen_{gip} is the final quantity of **electricity** sold by that **generator** to the **clearing manager** at the relevant **grid injection point** for the **generating plant** or **generating unit** that forms part of the **block dispatch group**, obtained from the **reconciliation information** for the relevant **trading period** of the **billing period**
- Set_{gip} is the generation quantity at the **relevant grid injection point** for the **generating plant** or **generating unit** that forms part of the **block dispatch group** for the relevant **trading period** of the **billing period**
- $P_{gip,i}$ is the **final price** at the relevant **grid injection point** for the **generating plant** or **generating unit** that forms part of the **block dispatch group** for the relevant **trading period** of the **billing period**
- $Gen_{gip,i}$ is the final quantity of **electricity** sold by that **generator** to the **clearing manager** at the relevant **grid injection point** for the **generating plant** and **generating units** that form part of the **block dispatch group**, obtained from the **reconciliation information** for the relevant **trading period** of the **billing period**
- $Set_{gip,i}$ is the generation quantity at the relevant **grid injection point** for the **generating plant** and **generating units** that form part of the **block dispatch group** for the relevant **trading period** of the **billing period**.

- (2) For the purposes of this clause “generation quantity” means the time-weighted average quantity of **electricity** for that **generating plant** or **generating unit** for the relevant **trading period**, taking into account—
- (a) the quantity in **MW** provided to the **clearing manager** by the **system operator** in accordance with clauses 13.76 to 13.80; and
 - (b) the ramp rate applying to the relevant **trading period** that is specified in the **offer** submitted by that

generator.

14.72 Clearing manager to publish block dispatch settlement differences later if information system is unavailable

- (1) If the **information system** is unavailable to **publish** the information set out in clause 14.71 in accordance with that clause, the **clearing manager** is not obliged to follow any backup procedures in respect of **publishing** the information.
- (2) The **clearing manager** must **publish** the information as soon as reasonably possible on the **information system** after the **information system** becomes available.

14.73 Clause 14.71 applies to block dispatch groups only

The calculation of the block dispatch settlement differences under clause 14.71 must be completed on a **block dispatch group** basis, even if a **block dispatch group** has been divided into **sub-block dispatch groups** during one or more **trading periods** of the relevant **billing period**.

14.74 No washup calculation under clause 14.71 if revised reconciliation information is received

Following the calculation and **publication** of the information relating to block dispatch settlement differences in a **billing period** under clause 14.71, the **clearing manager** is not required to recalculate any block dispatch settlement differences as a result of subsequently receiving revised **reconciliation information**.

Notices

14.75 Notices

- (1) Except as expressly provided in this Code, a notice or demand given or required to be given under this Part may be given by being delivered or transmitted to the intended recipient at its address or electronic address as last advised in writing to the sender and may be posted to such address by prepaid post.
- (2) Subject to subclause (3),—
 - (a) a notice or demand delivered by hand is deemed to be delivered on the date of such delivery; and
 - (b) a notice or demand delivered by post is deemed to be delivered on the 2nd **business day** following the date of posting; and
 - (c) a notice or demand transmitted through the **information system** is deemed to be delivered on the date it was transmitted.
- (3) Any notice or demand delivered, or deemed to be delivered, on a day that is not a **business day**, or after 1600 hours on a **business day**, is deemed to have been delivered on the next **business day**.

Schedule 14.1
Formula for scaling amount owing in
respect of FTRs

cl 14.17

1 Purpose of this Schedule

The purpose of this Schedule is to set out the formula for scaling the amount owing in respect of **FTRs** if clause 14.17(6) applies.

2 Formula

- (1) The formula for scaling the **FTR hedge value** under clause 14.17(6) is as follows:

$$HV_{\text{Scaled}} = HV \times (C/D)$$

where

HV_{Scaled} is the scaled **FTR hedge value**

HV is the original **FTR hedge value** that would be owing if this subclause did not apply

C is the amount calculated in accordance with the formula in subclause (2)

D is the amount calculated in accordance with the formula in subclause (3)

- (2) The value for C in the formula in subclause (1) is as follows:

$$C = LCE_{\text{FTR}} + AC_P + A_P - AC_{\text{CM}} - A_{\text{CM}}$$

where

LCE_{FTR} is the amount of the **loss and constraint excess** to be applied to the settlement of **FTRs** under clause 14.16(4) or (5)

AC_P is the sum of any **FTR acquisition costs** owing to the **clearing manager**

A_P is the sum of any amounts owing to the **clearing manager** under clause 13.249(4)

AC_{CM} is the sum of any **FTR acquisition costs** owing by the **clearing manager**

A_{CM} is the sum of any amounts owing by the **clearing manager** under clause 13.249(7)

- (3) The value for D in the formula in subclause (1) is as follows:

$$D = HV_{\text{CM}} - HV_P$$

where

HV_{CM} is the sum of any **FTR hedge values** owing by the **clearing manager**

HV_P is the sum of any **FTR hedge values** owing to the **clearing manager**

Schedule 14.2 cl 14.21, 14A.5, Schedule 14A.1

**Consultation and approval
requirements for methodologies**

1 Purpose of this Schedule

This Schedule sets out the consultation and approval requirements that apply to the following methodologies formulated and **published** by the **clearing manager**:

- (a) the methodology for determining the settlement retention amount under clause 14.21;
- (b) the methodology for determining the forward estimate of the minimum amount for which security will be required to be provided by a **participant** under clause 14A.5;
- (c) the methodology for determining the general prudential requirement under clause 8 of Schedule 14A.1;
- (d) the methodology for determining the minimum security required in respect of **FTRs** under clause 12 of Schedule 14A.1.

2 Approval of methodology

- (1) The **clearing manager** must submit to the **Authority** for approval a draft methodology.
- (2) In preparing the draft methodology, the **clearing manager** must—
 - (a) consult with persons that the **clearing manager** thinks are representative of the interests of persons likely to be substantially affected by the methodology; and
 - (b) consider submissions made on the methodology.
- (3) The **clearing manager** must provide a copy of each submission received under subclause (2) to the **Authority**.
- (4) The **Authority** must, as soon as practicable after receiving the draft methodology, by notice in writing to the **clearing manager**—
 - (a) approve the methodology; or
 - (b) decline to approve the methodology.
- (5) If the **Authority** declines to approve the draft methodology, the **Authority** must **publish** the changes that the **Authority** wishes the **clearing manager** to make to the draft methodology.

3 Consultation on proposed changes to methodology

- (1) When the **Authority** publishes the changes that the **Authority** wishes the **clearing manager** to make to the draft methodology under clause 2(5), the **Authority** must **notify** the **clearing manager** and interested parties of the date by which submissions on the changes must be received by the **Authority**.

- (2) Each submission on the changes to the draft methodology must be made in writing to the **Authority** and be received on or before the date specified by the **Authority** under subclause (1).
- (3) The **Authority** must—
 - (a) provide a copy of each submission received to the **clearing manager**; and
 - (b) **publish** the submissions.
- (4) The **clearing manager** may make its own submission on the changes to the draft methodology and the submissions received in relation to the changes.
- (5) The **Authority** must **publish** the **clearing manager's** submission when it is received.
- (6) The **Authority** must consider the submissions made to it on the changes to the draft methodology.
- (7) Following the consultation required by subclauses (1) to (6), the **Authority** may approve the methodology subject to the changes that the **Authority** considers appropriate being made by the **clearing manager**.

4 **Variations to methodology**

- (1) A **participant** or the **Authority** may submit a proposal for a variation to the methodology.
- (2) The **clearing manager** must provide a copy of each proposed variation received from a **participant** under subclause (1) to the **Authority**.
- (3) The **clearing manager** must consider a proposed variation to the methodology submitted under subclause (1).
- (4) The **clearing manager** may submit a request for a variation to the methodology to the **Authority**.
- (5) The consultation and approval requirements under clauses 2 and 3 apply to a request for a variation submitted under subclause (4) as if references to the draft methodology were a reference to the requested variation.
- (6) If the **clearing manager** does not submit a request for a variation submitted under subclause (1) to the **Authority** under subclause (4), the **Authority** may consider the proposal and require the **clearing manager** to submit a request for a variation based on the proposal to the **Authority**, and subclause (5) applies accordingly.
- (7) The **Authority** may approve a variation requested under subclause (4) or subclause (6) without complying with the provisions referred to in subclause (5) if—
 - (a) the **Authority** considers that it is necessary or desirable in the public interest that the requested variation be made urgently; and
 - (b) the **Authority publishes** a notice of the variation and a statement of the reasons why the urgent variation is needed.

- (8) Every variation made under subclause (7) expires on the date that is 9 months after the date on which the variation is made.

Schedule 14.3 cl 14.16(2)
Calculation of amount of loss and constraint excess to be applied to the settlement of FTRs

1 Purpose

The purpose of this Schedule is to set out the formulae and process for the calculation under clause 14.16(2) of the amount of the **loss and constraint excess** to be applied to the settlement of **FTRs**.

2 Interpretation

(1) In this Schedule, unless the context otherwise requires,—

AC line means any **AC branch**

balanced, in relation to an **FTR injection pattern**, means that the total positive and negative **hub injections** sum to 0. A **balanced FTR injection pattern** is consistent with a **grid** in which **losses** are not modelled

binding, in relation to a **constraint**, means that the **constraint** has a non-zero **shadow price**

branch constraint means a **constraint** in which all the **LHS** variables are branch flows

canonical form means a linear programming problem that is expressed in the following form:

maximise $c^T x$

subject to $Ax \leq b$

where

x is the vector of variables to be determined

c and b are vectors of constants

A is a matrix of coefficients

$c^T x$ is the objective function to be maximised

$Ax \leq b$ is the set of **constraints**, each row of Ax being the **LHS** of a **constraint** and each element of b being the corresponding **RHS**

Minimum **constraints** are assumed to have been multiplied through by -1 to form an equivalent maximum **constraint**

Equality **constraints** are assumed to have initially been represented by a pair of minimum and maximum **constraints** with the same **LHS** and **RHS**, and then the resulting minimum **constraint** is assumed to have been multiplied through by -1 to form an equivalent maximum **constraint**

closed, in relation to a **branch**, means that the **branch** is connected at both ends

feasible region, in relation to an n-dimensional linear programming problem, means the n-dimensional solution space filled by the set of all possible feasible solutions

final pricing schedule means the schedule that the **pricing manager** uses to produce the **interim prices** on which **final prices** are based

FTR injection pattern means the combination of positive or negative net **hub injections** implied by a combination of **FTRs**

hub injection means the actual or notional flow of **electricity** into the **grid**, if positive, or out of the **grid**, if negative, at any **hub**

HVDC link has the same meaning as in the **model formulation**

LHS means the left hand side of a **constraint** expressed in **canonical form**

mixed constraint has the same meaning as in the **model formulation**

open, in relation to a **branch**, means that the **branch** is disconnected at 1 or both ends

operational system split means an instance where a **grid owner** chooses to operate with a switch or **branch open** for reasons such as—

- (a) breaking loops that would otherwise constrain flows; or
- (b) reducing the size of the maximum fault duty that switchgear needs to withstand

RHS means the right hand side of a **constraint** when expressed in **canonical form**

scheduled, in relation to a variable, means the value of the variable in the **final pricing schedule**

shadow price, in relation to an **AC line capacity**, **branch constraint** or **mixed constraint**, means the absolute value of the shadow price in \$/MWh for the **AC line** or **constraint** reported in the **final pricing schedule**

simultaneously feasible, in relation to an **FTR injection pattern**, means that the implied flows can be carried by the transmission system, subject to the **constraints** as defined by clause 5(2)

- (2) For the purposes of this Schedule, **constraints** that are not expressed in **canonical form** in the **model formulation** must be translated into the equivalent **canonical form**.

3 Amount of loss and constraint excess to be applied to settlement of FTRs

The amount of the **loss and constraint excess** that must be applied to the settlement of **FTRs** under clause 14.16(4) is the amount calculated under clause 9(6)(b).

4 Grid owner must determine normal grid configuration

- (1) Each **grid owner** must determine a normal **grid** configuration for the **grid owner's grid**.
- (2) The normal **grid** configuration determined under subclause (1) must be a **grid** configuration with all existing **branches** and switches **closed** except where the **grid owner** has implemented **operational system splits** and the **grid owner** considers that the normal state of those **operational system splits** is for the relevant **branch** or switch to be **open**.
- (3) Each **grid owner** must provide to the **FTR manager** the model data describing the normal **grid** configuration for the **grid owner's grid** determined under subclause (1).
- (4) Each **grid owner** must determine a new normal **grid** configuration for the **grid owner's grid** if the **grid owner** considers it necessary because, for example, any of the following occur:
 - (a) some **grid** equipment is commissioned or decommissioned;
 - (b) there is a change in the capacity or impedance of some **grid** equipment;
 - (c) the **grid owner** considers that the normal state of any **operational system split** has changed.
- (5) Each **grid owner** must provide new model data to the **FTR manager** if the **grid owner** determines a new normal **grid** configuration for the **grid owner's grid** under subclause (4), unless otherwise agreed with the **FTR manager**.

5 FTR manager must determine FTR injection patterns

- (1) The **FTR manager** must determine a set of **balanced extreme FTR injection patterns**.
- (2) Each **balanced extreme FTR injection pattern** determined under subclause (1) must be **simultaneously feasible** assuming—
 - (a) the normal **grid** configuration determined under clause 4; and
 - (b) the absence of all other **grid** flows; and
 - (c) all **AC line** and **HVDC link** capacity limits applied; and
 - (d) all risk and reserve **constraints** disabled; and
 - (e) all **branch** variable **losses** set to 0; and
 - (f) all **branch** fixed **losses** set to 0.
- (3) The set of **balanced extreme FTR injection patterns** determined under subclause (1) must, in the reasonable opinion of the **FTR manager**, be the set of **FTR injection patterns** that best represents the extreme limits of the

feasible region of FTR injection patterns as defined by the assumptions listed under subclause (2).

- (4) The **FTR manager** must determine a new set of **balanced extreme FTR injection patterns** if—
 - (a) a **grid owner** provides the **FTR manager** with new model data under clause 4(5) that results in a change to the **feasible region of FTR injection patterns**; or
 - (b) there is a change to the **hubs** or set of **hubs** specified in the **FTR allocation plan**.

6 FTR manager must determine matrix of lossless shift factors

- (1) For each **trading period** of the relevant **billing period**, following the **publication of final prices**, the **FTR manager** must determine a matrix of lossless shift factors referenced to a set of reference **nodes**, from the **input information** or revised data used to produce the **final pricing schedule**, in accordance with the following:
 - (a) one reference **node** must be chosen within each electrical island;
 - (b) **nodes** are in the same electrical island if a transmission path exists between them.
- (2) The matrix of lossless shift factors determined under subclause (1) must be calculated in accordance with the following matrix formula:

$$[\text{ShiftFactor}] = [\text{AdmittancePrimitive}] \times [\text{Inc}] \times [\text{Impedance}]$$

where

$[\text{ShiftFactor}]$ is the m by n matrix of lossless shift factors, which defines the increment in flow in the conventional forward flow direction on any **branch** in the transmission **network** resulting from an increment in net **injection** at any **node** together with an equal decrement in net **injection** at the reference **node** in the electrical island in which the **node** resides, while neglecting the effect of **losses**

$[\text{AdmittancePrimitive}]$ is the m by m diagonal matrix formed from the set of m **branch** susceptances

$[\text{Inc}]$ is the m by n lossless **branch-node** incidence matrix, which denotes the conventional from and to **nodes** for a

- branch** by matrix entries of 1 and -1 respectively
- [Impedance] is the n by n matrix formed from the inverse of [AdmittanceNodal] with the columns and rows associated with the reference **nodes** reinserted and filled with zeroes
- [AdmittanceNodal] is the $n-r$ by $n-r$ matrix obtained from [AdmittanceNodalComplete] by deleting the column and row associated with each of the reference **nodes**
- [AdmittanceNodalComplete] is the n by n matrix = $[\text{Inc}^T] \times [\text{AdmittancePrimitive}] \times [\text{Inc}]$
- $[\text{Inc}^T]$ is the n by m matrix transpose of [Inc]
- (3) For the purposes of subclauses (1) and (2) —
- (a) the set of inter-island **HVDC links** must be replaced by a single **AC line** with a nominal susceptance value between the Benmore and Haywards HVDC terminal **nodes**, whether or not any **HVDC link** is actually in service during the relevant **trading period**; and
 - (b) the nominal susceptance value determined under paragraph (a) may be any suitable value that will avoid numerical difficulties; and
 - (c) any switches between the Benmore HVDC terminal **node** and other Benmore **nodes** operating at the same nominal voltage that are normally **closed** must be treated as **closed**; and
 - (d) any switches between the Haywards HVDC terminal **node** and other Haywards **nodes** operating at the same nominal voltage that are normally **closed** must be treated as **closed**; and
 - (e) in any **trading period** in which any of the **hubs** reside in different electrical islands (as defined in subclause (1)(b)), the shift factor matrix for the previous **trading period** in which all the **hubs** resided in the same electrical island must be used.
- 7 **FTR manager must determine branch participation loading and constraint participation loading**
- (1) For each **trading period** of the relevant **billing period**, the **FTR manager** must determine a **branch** participation loading for each **AC line** k .

- (2) Each **branch** participation loading determined under subclause (1) must be calculated—
- (a) in accordance with the following formula if the **scheduled** flow on the **AC line** is in the conventional forward flow direction:

$$\max \left(\sum_{h \in Hubs} SF_{k,h} \times Inj_{h,p} : p \in 1, \dots, P \right); \text{ and}$$

- (b) in accordance with the following formula if the **scheduled** flow on the **AC line** is in the conventional reverse flow direction:

$$- \min \left(\sum_{h \in Hubs} SF_{k,h} \times Inj_{h,p} : p \in 1, \dots, P \right)$$

where

$SF_{k,h}$ is the shift factor relating flows on **AC line** k to **injections** at **hub** h , determined under clause 6(1)

$Inj_{h,p}$ is the positive or negative **hub injection** at **hub** h in **FTR injection pattern** p in the set of P **balanced extreme FTR injection patterns** determined under clause 5(1)

- (3) For each **trading period** of the relevant **billing period**, for each **binding branch constraint** v involving **AC line** flows, the **FTR manager** must determine a **constraint** participation loading in accordance with the following formula:

$$\max \left(\sum_{k \in ACLineGroup_v} \sum_{h \in Hubs} weight_{k,v} \times SF_{k,h} \times Inj_{h,p} : p \in 1, \dots, P \right)$$

where

$SF_{k,h}$ and $Inj_{h,p}$ are as defined in subclause (2)

$ACLineGroup_v$ is the set of **AC lines** involved in **branch constraint** v (any **HVDC link** flow terms in the **constraint** must be excluded from this calculation)

$weight_{k,v}$ is the weight associated with **AC Line** k in **branch constraint** v expressed in **canonical form**

- (4) For each **trading period** of the relevant **billing period**, for each **binding mixed constraint** v (if any) involving **AC line** flow terms or **AC line** variable loss terms, the **FTR**

manager must determine a **constraint** participation loading in accordance with the following formula:

$$\max \left(\sum_{k \in ACLineGroup_v} (flowweight_{k,v} \times flow_{k,p} + lossweight_{k,v} \times loss_{k,p}) : p \in 1, \dots, P \right)$$

where

$ACLineGroup_v$ is the set of **AC lines** whose flows or variable **losses** are involved in **mixed constraint** v (all other terms in the **mixed constraint** must be excluded from this calculation)

$flowweight_{k,v}$ is the weight associated with the flow on **AC Line** k in **mixed constraint** v expressed in **canonical form**

$lossweight_{k,v}$ is the weight associated with the variable **losses** on **AC Line** k in **mixed constraint** v expressed in **canonical form**

$flow_{k,p}$ is the flow on **AC Line** k due to **FTR injection pattern** p , which equals $\sum_{h \in Hubs} SF_{k,h} \times Inj_{h,p}$

$loss_{k,p}$ is the variable **losses** on **AC Line** k due to $flow_{k,p}$

$SF_{k,h}$ and $Inj_{h,p}$ are as defined in subclause (2)

- (5) For the purposes of this clause, if **hub** h is a group of **nodes**, the positive or negative **hub injection** at **hub** h must be split into its individual nodal components in a manner consistent with the **hub** definition in the **FTR allocation plan**, and each nodal component must be treated as a separate **hub injection**.

8 FTR manager must assign portions of capacities

- (1) For each **trading period** of the relevant **billing period**, the **FTR manager** must assign a portion of the capacity of each **AC line**, **AC line loss curve block**, **binding branch constraint RHS** and **binding mixed constraint RHS** (if any) for the purpose of determining amounts to be applied to the settlement of **FTRs** under clause 9(3) to (5).
- (2) The portion of the capacity of each **AC line** to be assigned under subclause (1) must be the minimum of—
- (a) the line capacity applicable in the **trading period** in the **final pricing schedule**; and
 - (b) the relevant **branch** participation loading determined under clause 7(1).

- (3) The portion of the capacity of each **AC line** loss curve block to be assigned under subclause (1) must be the portion of the loss curve block that would be utilised by a flow at the level of the capacity of the associated **AC line** assigned, as determined under subclause (2), assuming that loss curve blocks are utilised in order from lowest to highest **loss factor**, in the direction of flow.
- (4) Subject to subclause (5), the portion of the capacity of each **binding branch constraint RHS** or **binding mixed constraint RHS** (if any) to be assigned under subclause (1) must be the minimum of—
 - (a) the **constraint RHS** applicable in the **trading period** in the **final pricing schedule**, minus the contribution of any **LHS** terms not involving **AC line** flows or **AC line** variable losses, calculated assuming the values of the relevant variables applicable in the **trading period** in the **final pricing schedule**; and
 - (b) the relevant **constraint** participation loading determined under clause 7(3) or clause 7(4).
- (5) If the capacity determined under subclause (4) for any **constraint** is negative, the capacity to be assigned for that **constraint** must be 0.

9 FTR manager must calculate amounts to be applied to settlement of FTRs

- (1) The amounts calculated under this clause must be calculated using the flow quantities, nodal prices and **shadow prices** from the **final pricing schedule**.
- (2) The **HVDC loss and constraint excess** to be applied to the settlement of **FTRs** for each **trading period** of the relevant **billing period** must be calculated in accordance with the following formula:

$$\max \left(0, \sum_{n(NI)} price_n \times \left(\sum_{l \in R_{HVDC}(n)} (HVDCLinkFlow_l - HVDCLinkLosses_l) - \sum_{l \in S_{HVDC}(n)} HVDCLinkFlow_l \right) \right) + \sum_{n(SI)} price_n \times \left(\sum_{l \in R_{HVDC}(n)} (HVDCLinkFlow_l - HVDCLinkLosses_l) - \sum_{l \in S_{HVDC}(n)} HVDCLinkFlow_l \right) \right) \div 2$$

where

$price_n$ is the energy price at AC node n

$n(NI)$ is the set of North Island AC nodes to which any HVDC links are connected

$n(SI)$ is the set of South Island AC nodes to which any

	HVDC links are connected
$HVDCLinkFlow_l$	is the MW flow at the sending end scheduled for HVDC link l
$HVDCLinkLosses_l$	is the variable MW losses for HVDC link l
$S_{HVDC}(n)$	is the set of HVDC links for which n is the sending AC node
$R_{HVDC}(n)$	is the set of HVDC links for which n is the receiving AC node

- (3) The amount of the **loss and constraint excess** generated by each **AC line** that is to be applied to the settlement of **FTRs** must be calculated in accordance with the following formula:

$$AssignedCapacity_k \times ShadowPrice_k \div 2$$

where

$AssignedCapacity_k$	is the portion of the capacity of AC line k assigned under clause 8(1)
$ShadowPrice_k$	is the shadow price of the line capacity on AC line k

- (4) The amount of the **loss and constraint excess** generated by each **binding branch constraint** and **binding mixed constraint** (if any) involving **AC line** flow terms or **AC line** variable loss terms to be applied to the settlement of **FTRs** must be calculated in accordance with the following formula:

$$AssignedCapacity_v \times ShadowPrice_v \div 2$$

where

$AssignedCapacity_v$	is the portion of the capacity of the RHS of branch constraint or mixed constraint v assigned under clause 8(1)
$ShadowPrice_v$	is the shadow price of branch constraint or mixed constraint

constraint v

- (5) The amount of the **loss and constraint excess** generated by each **AC line** loss curve block that is to be applied to the settlement of **FTRs** must be calculated in accordance with the following formula:

$$\min(ACLineFlowBlock_{k,j}, AssignedCapacity_{k,j}) \times ReceivingEndPrice_k \\ \times (ACLineLossFactor_{k, \text{marg}} - ACLineLossFactor_{k,j}) \div 2$$

where

$$ACLineLossFactor_{k, \text{marg}} = \min(ACLineLossFactor_{k,j}) \text{ for which } \\ ACLineFlowBlock_{k,j} < ACLineLossMW_{k,j}$$

$ACLineFlowBlock_{k,j}$ is the **MW** flow on the j^{th} block of the loss curve of **AC line** k in the direction of **scheduled** positive flow, assuming that loss curve blocks are utilised in order from lowest to highest **loss factor**, in each direction

$AssignedCapacity_{k,j}$ is the portion of the capacity of the j^{th} block of the loss curve of **AC line** k assigned under clause 8(1)

$ReceivingEndPrice_k$ is the nodal energy price at the receiving end of the **scheduled** flow on **AC line** k

$ACLineLossFactor_{k,j}$ is the **loss factor** of the j^{th} block of the loss curve of **AC line** k

$ACLineLossMW_{k,j}$ is the **MW** capacity of the j^{th} block of the loss curve of **AC line** k

- (6) The **FTR manager** must calculate the amount of the **loss and constraint excess** that must be applied to the settlement of **FTRs** for each **billing period** by—
- (a) determining the sum of the amounts calculated in accordance with subclauses (2) to (5) for each **trading period** of the **billing period**; and
 - (b) determining the sum of the amounts calculated in accordance with paragraph (a) for all **trading periods** of the **billing period**.

Schedule 14.4
Forms of hedge settlement agreement

cl 14.8

Form 1

Date: [Enter date]

Party A	
Party B	

1 Lodging of hedge settlement agreement

- (1) Party A and Party B (the **parties**) submit this **hedge settlement agreement** to the **clearing manager**, as contemplated by clause 14.8 of the Electricity Industry Participation Code 2010 (the **Code**). Terms that are used in this agreement but not defined bear the meaning given to them in the **Code**.
- (2) By submitting this **hedge settlement agreement** to the **clearing manager** in accordance with clause 14.8 of the **Code**, the **parties** agree to be bound by the terms set out below from the time at which the **clearing manager** counter-signs it.
- (3) If the **clearing manager** counter-signs this document then, from the time it counter-signs, it has obligations relating to it under the **Code**. However, the **parties** acknowledge the **clearing manager** is not bound by this document and that its obligations in relation to it are limited to those set out in the **Code**.

2 Definitions

The following definitions apply in this document:

aggregate fixed amount means, in relation to a **billing period**, the sum of the **fixed amounts** for each **calculation period** in that **billing period**

aggregate floating amount means, in relation to a **billing period**, the sum of the **floating amounts** for each **calculation period** in that **billing period**

calculation period means a **trading period** during the **term**

commencement date means the date specified as such in the schedule

expiry date means the date specified as such in the schedule

fixed amount means, in relation to a **calculation period**, an amount calculated using the following formula:

$$\text{fixed amount} = \text{notional quantity} \times \text{fixed price}$$

fixed price means, in relation to a **calculation period**, the amount specified as such for that **calculation period** in the schedule

fixed price payer means, in relation to a **hedge settlement agreement**, the party specified as such in the schedule

floating amount means, in relation to a **calculation period**, an amount calculated using the following formula:

$$\text{floating amount} = \text{notional quantity} \times \text{floating price}$$

floating price means, in relation to a **calculation period**, the **final price** per MWh for that **calculation period** by reference to the **hedge reference point** [rounded to two decimal places]

floating price payer means, in relation to a **hedge settlement agreement**, the party specified as such in the schedule

hedge reference point means the **grid exit point** specified as such in the schedule

hedge settlement amount means, in relation to a **billing period**, the absolute value of the amount calculated by subtracting the **aggregate floating amount** from the **aggregate fixed amount**

notional quantity means, in relation to a **calculation period**, the number of MWhs specified as such in the schedule for that **calculation period**

settlement date means the date on which payments are due under clause 14.31 of the Code

term means the period from 00.00 hours on the **commencement date** until 23.59 hours on the date on which the **hedge settlement agreement** terminates.

3 **Payment of hedge settlement amounts**

In relation to a **billing period**:

- (a) if the **aggregate floating amount** exceeds the **aggregate fixed amount**:
 - (i) the **floating price payer** must pay the **clearing manager** an amount equal to the **hedge settlement amount** in relation to that **billing period**; and
 - (ii) the **clearing manager** must pay the **fixed price payer** an amount equal to the **hedge settlement amount** in relation to that **billing period**, on the relevant **settlement date**; and

- (b) if the **aggregate fixed amount** exceeds the **aggregate floating amount**:
- (i) the **fixed price payer** must pay the **clearing manager** an amount equal to the **hedge settlement amount** in relation to that **billing period**; and
 - (ii) the **clearing manager** must pay the **floating price payer** an amount equal to the **hedge settlement amount** in relation to that **billing period**,
- on the relevant **settlement date**.

4 Termination

This **hedge settlement agreement** terminates on the earlier of:

- (a) the **expiry date**; and
- (b) the date on which it is cancelled under the **Code**.

5 Other provisions

The **fixed price** is inclusive of any additional costs arising due to carbon charges.

EXECUTION

[Execution Block Party A]

[Execution Block Party B]

The **clearing manager** accepts the lodgement of this **hedge settlement agreement** by counter-signing it.

[Execution Block Clearing Manager]

SCHEDULE TERMS OF HEDGE SETTLEMENT AGREEMENT

Hedge settlement agreement terms	
Commencement Date	[Insert date]
Expiry Date	[Insert date]
Fixed Price Payer	[Party A] [Party B]
Floating Price Payer	[Party A] [Party B]
Notional Quantity	[insert number] MWhs [for each calculation period]

Fixed Price	[\$insert amount] [for each calculation period]
Hedge Reference Point	[insert grid exit point]

Form 2: Cap/Floor Calculation Period Price

[Note (not for inclusion in form): This form can be used to achieve both a capped price and a floor price.]

Date: [Enter date]

Party A	
Party B	

1 Lodging of hedge settlement agreement

- (1) Party A and Party B (the **parties**) submit this **hedge settlement agreement** to the **clearing manager**, as contemplated by clause 14.8 of the Electricity Industry Participation Code 2010 (the **Code**). Terms that are used in this agreement but not defined bear the meaning given to them in the **Code**.
- (2) By submitting this **hedge settlement agreement** to the **clearing manager** in accordance with clause 14.8 of the **Code**, the **parties** agree to be bound by the terms set out below from the time at which the **clearing manager** counter-signs it.
- (3) If the **clearing manager** counter-signs this document then, from the time it counter-signs, it has obligations relating to it under the **Code**. However, the **parties** acknowledge the **clearing manager** is not bound by this document and that its obligations in relation to it are limited to those set out in the **Code**.

2 Definitions

The following definitions apply in this document:

calculation period means a **trading period** during the **term**

calculation period premium means, in relation to a **calculation period**, the amount specified as such in the schedule for that **calculation period**

calculation period settlement amount means, in relation to a **calculation period**, an amount calculated using the following formula:

$$\text{calculation period settlement amount} = \text{notional quantity} \times \text{strike price differential}$$

cash settlement amount means, in relation to a **billing period**, the sum of the **calculation period settlement amounts** for each **calculation period** in that **billing period**

commencement date means the date specified as such in the schedule

expiry date means the date specified as such in the schedule

floating price means, in relation to a **calculation period**, the **final price** per MWh for that **calculation period** by reference to the **hedge reference point** [rounded to two decimal places]

hedge reference point means the **grid exit point** specified as such in the schedule

notional quantity means, in relation to a **calculation period**, the number of MWhs specified as such in the schedule for that **calculation period**

option buyer means, in relation to a **hedge settlement agreement**, the party specified as such in the schedule

option premium means, in relation to a **billing period**, the sum of the **calculation period premiums** for each **calculation period** in that **billing period**

option seller means, in relation to a **hedge settlement agreement**, the party specified as such in the schedule

option type means either a put option or a call option as specified in the schedule

settlement date means the date on which payments are due under clause 14.31 of the Code

strike price means, in relation to a **calculation period**, the amount specified as such in the schedule

strike price differential means, in relation to a **calculation period**, an amount equal to:

- (a) if the **option type** is a put option, the greater of the **strike price** minus the **floating price** and zero;
- (b) if the **option type** is a call option, the greater of the **floating price** minus the **strike price** and zero

term means the period from 00.00 hours on the **commencement date** until 23.59 hours on the date on which the **hedge settlement agreement** terminates.

3 Payment of hedge settlement amounts

In relation to a **billing period**:

- (a) the **option buyer** must pay the **clearing manager** an amount equal to the **option premium** for that **billing period**; and
- (b) the **clearing manager** must pay the **option seller** an amount equal to the **option premium** for that **billing period**; and
- (c) the **option seller** must pay the **clearing manager** an amount equal to the **cash settlement amount** for that **billing period**; and

- (d) the **clearing manager** must pay the **option buyer** an amount equal to the **cash settlement amount** for that **billing period**, on the relevant **settlement date**.

4 Termination

This **hedge settlement agreement** terminates on the earlier of:

- (a) the **expiry date**; and
(b) the date on which it is cancelled under the **Code**.

5 Other provisions

The **strike price** is inclusive of any additional costs arising due to carbon charges.

EXECUTION

[Execution Block Party A]

[Execution Block Party B]

The **clearing manager** accepts the lodgement of this **hedge settlement agreement** by counter-signing it.

[Execution Block Clearing Manager]

**SCHEDULE
TERMS OF HEDGE SETTLEMENT AGREEMENT**

Hedge settlement agreement terms	
Commencement Date	[Insert date]
Expiry Date	[Insert date]
Option Buyer	[Party A] [Party B]
Option Seller	[Party A] [Party B]
Option Type	[Call Option] [Put Option]
Notional Quantity	[insert number] MWhs [for each calculation period]
Strike Price	[\$[insert amount] [for each calculation period]
Calculation Period	[\$[insert amount] [for each

Premium	calculation period]
Hedge Reference Point	[insert grid exit point]

Form 3: Cap/Floor Average Price

[Note (not for inclusion in form): This form can be used to achieve both a capped average price over a defined period and a floor average price over a period.]

Date: [Enter date]

Party A	
Party B	

1 Lodging of hedge settlement agreement

- (1) Party A and Party B (the **parties**) submit this **hedge settlement agreement** to the **clearing manager**, as contemplated by clause 14.8 of the Electricity Industry Participation Code 2010 (the **Code**). Terms that are used in this agreement but not defined bear the meaning given to them in the **Code**.
- (2) By submitting this **hedge settlement agreement** to the **clearing manager** in accordance with clause 14.8 of the **Code**, the **parties** agree to be bound by the terms set out below from the time at which the **clearing manager** counter-signs it.
- (3) If the **clearing manager** counter-signs this document then, from the time it counter-signs, it has obligations relating to it under the **Code**. However, the **parties** acknowledge the **clearing manager** is not bound by this document and that its obligations in relation to it are limited to those set out in the **Code**.

2 Definitions

The following definitions apply in this document:

average floating price means, in relation to an **option period**, an amount calculated using the following formula:

$$\text{average floating price} = \frac{\text{option period floating amount}}{\text{notional quantity}}$$

calculation period means a **trading period** during the term

calculation period floating amount means, in relation to a **calculation period**, an amount calculated using the following formula:

$$\text{calculation period floating amount} = \frac{\text{calculation period notional quantity} \times \text{floating price}}{\text{notional quantity}}$$

calculation period notional quantity means, in relation to a **calculation period**, the number of **MWhs** specified as such in the schedule for that **calculation period**

cash settlement amount means, in relation to a **billing period**, the sum of the **option period settlement amounts** for each **option period** in that **billing period**

commencement date means the date specified as such in the schedule

expiry date means the date specified as such in the schedule

floating price means, in relation to a **calculation period**, the **final price** per MWh for that **calculation period** by reference to the **hedge reference point** [rounded to two decimal places]

hedge reference point means the **grid exit point** specified as such in the schedule

notional quantity means, in relation to an **option period**, the sum of the **calculation period notional quantities** for each **calculation period** in that **option period**

option buyer means, in relation to a **hedge settlement agreement**, the party specified as such in the schedule

option period means each period during the **term** specified as such in the schedule

option period floating amount means, in relation to an **option period**, an amount equal to the aggregate of the **calculation period floating amounts** for each **calculation period** in that **option period**

option period premium means, in relation to an **option period**, the amount specified as such in the schedule for that **option period**

option period settlement amount means, in relation to an **option period**, an amount calculated using the following formula:

option period settlement amount = **notional quantity** x **strike price differential**

option premium means, in relation to a **billing period**, the sum of the **option period premiums** for each **option period** in that **billing period**

option seller means, in relation to a **hedge settlement agreement**, the party specified as such in the schedule

option type means either a put option or a call option as specified in the schedule

settlement date means the date on which payments are due under clause 14.31 of the Code

strike price means, in relation to an **option period**, the amount specified as such in the schedule

strike price differential means, in relation to an **option period**, an amount equal to:

- (a) if the **option type** is a put option, the greater of the **strike price** minus the **average floating price** and zero;
- (b) if the **option type** is a call option, the greater of the **average floating price** minus the **strike price** and zero

term means the period from 00.00 hours on the **commencement date** until 23.59 hours on the date on which the **hedge settlement agreement** terminates.

3 Payment of hedge settlement amounts

In relation to a **billing period**:

- (a) the **option buyer** must pay the **clearing manager** an amount equal to the **option premium** for that **billing period**; and
- (b) the **clearing manager** must pay the **option seller** an amount equal to the **option premium** for that **billing period**; and
- (c) the **option seller** must pay the **clearing manager** an amount equal to the **cash settlement amount** for that **billing period**; and
- (d) the **clearing manager** must pay the **option buyer** an amount equal to the **cash settlement amount** for that **billing period**,
on the relevant **settlement date**.

4 Termination

This **hedge settlement agreement** terminates on the earlier of:

- (a) the **expiry date**; and
- (b) the date on which it is cancelled under the **Code**.

5 Other provisions

The **strike price** is inclusive of any additional costs arising due to carbon charges.

EXECUTION

[Execution Block Party A]

[Execution Block Party B]

The **clearing manager** accepts the lodgement of this **hedge settlement agreement** by counter-signing it.

[Execution Block Clearing Manager]

SCHEDULE TERMS OF HEDGE SETTLEMENT AGREEMENT

Hedge settlement agreement terms	
Commencement Date	[Insert date]
Expiry Date	[Insert date]
Option Buyer	[Party A] [Party B]
Option Seller	[Party A] [Party B]
Option Type	[Call Option] [Put Option]
Option Period	[Each day (from 00.00 hours until immediately before 00.00 hours on the next day) during the term .]
Calculation Period Notional Quantity	[insert number] MWhs [for each calculation period]
Strike Price	[\$[insert amount] [for each option period]
Option Period Premium	[\$[insert amount] [for each option period]
Hedge Reference Point	[insert grid exit point]

Electricity Industry Participation Code 2010

Part 14A Prudential requirements

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14A.1 Purpose of prudential requirements

The purpose of this Part is to impose prudential requirements on each **participant** that has incurred or will incur financial obligations under this Code to ensure that the **participant** can meet those obligations.

14A.2 Participants to comply with prudential requirements

- (1) Before incurring any financial obligations under this Code, a **participant** must comply with prudential requirements in this Part.
- (2) A **participant** complies with prudential requirements in this Part in 1 of the following ways:
 - (a) by maintaining an acceptable credit rating under clause 14A.3;
 - (b) by providing acceptable security that complies with clause 14A.4.

14A.3 Acceptable credit rating

- (1) For the purposes of this Part, a person has an acceptable credit rating if—
 - (a) the person has a long-term credit rating no lower than—
 - (i) A3 (Moody's Investor Services Inc.); or
 - (ii) A– (Standard & Poor's Rating Group); or
 - (iii) B+ (AM Best); or
 - (iv) A– (Fitch Ratings); and
 - (b) in the case of a person who has a credit rating at the minimum level required under paragraph (a), the person is not subject to negative credit watch (or any equivalent arrangement) by the agency that gave the credit rating.
- (2) The **clearing manager** may require a **participant** whose compliance with prudential requirements in this Part depends

on the credit rating of a person to provide evidence of the person's credit rating.

- (3) The **participant** must provide the evidence required by the **clearing manager**.

14A.4 Acceptable security

- (1) A **participant** provides acceptable security by—
 - (a) providing an acceptable form of security in accordance with Part 1 of Schedule 14A.1; and
 - (b) providing security for an amount that is no less than the amount required under clause 14A.6.
- (2) A **participant** that provides acceptable security must do anything the **Authority** requires to ensure that the security is valid, enforceable, and effective.

14A.5 Clearing manager to determine estimate of minimum security

- (1) At least once in every **business day**, the **clearing manager** must estimate the minimum amount for which security will be required to be provided by a **participant** under this Part on that **business day** and on each of the following 3 **business days** in accordance with Part 2 of Schedule 14A.1.
- (2) The **clearing manager** must formulate and **publish** a methodology for estimating the amounts under subclause (1).
- (3) The consultation and approval requirements set out in Schedule 14.2 apply to the methodology.

14A.6 Participant to provide minimum security required

- (1) Each **participant** that is required to provide acceptable security under this Part on a **business day** must provide security for an amount that is the lowest of all of the estimates determined by the **clearing manager** for the **participant** for that **business day**.
- (2) The **participant** must provide security for the amount required under subclause (1) no later than 1600 hours on the relevant **business day**.

14A.7 Participant may change form of security

The **clearing manager** must release a **participant's** existing security when the **participant** provides a different form of security notified under this clause, if—

- (a) the **participant** gives the **clearing manager** notice of its intention to substitute a different form of security for any security provided by it to the **clearing manager**; and
- (b) no **event of default** is continuing in relation to the **participant**; and
- (c) the **participant** satisfies the **clearing manager** that—
 - (i) the proposed new form of security is an acceptable form of security under Part 1 of

- Schedule 14A.1; and
- (ii) the security provided by the **participant** will continue to be for an amount that is no less than the amount required under clause 14A.6.

14A.8 Reductions and releases

The **clearing manager** must reduce or release a **participant's** existing security to the extent requested by the **participant**, if—

- (a) the **participant** gives the **clearing manager** notice that it seeks a partial or complete reduction or release of any security provided by it to the **clearing manager**; and
- (b) no **event of default** is continuing in relation to the **participant**; and
- (c) the **participant** satisfies the **clearing manager** that, following the reduction or release of the security, the **participant** will—
 - (i) continue to meet the requirements in clause 14A.4; or
 - (ii) meet the requirements in clause 14A.3.

14A.9 Release of security on ceasing to be participant

The **clearing manager** must release a **participant's** existing security if the **participant**—

- (a) gives the **clearing manager** notice of it ceasing to be a **participant**; and
- (b) ceases to be a **participant** and the **Authority** advises the **clearing manager** that the person has ceased to be a **participant**; and
- (c) has paid all amounts that it owes under this Code (excluding any **washup** amount that has not yet been invoiced).

14A.10 Clearing manager to release security within 1 business day

- (1) If a **participant** becomes entitled under clause 14A.7 or 14A.8 or 14A.9 or 14A.23 to a reduction or release of any security, the **clearing manager** must reduce or release that security within 1 **business day** of the **participant** becoming entitled to the reduction or release.
- (2) If a **cash deposit** is to be reduced or refunded under subclause (1), the **clearing manager** must pay the amount of the reduction or refund to a **bank** account nominated by the **participant** for that purpose.

Cash deposits to be held on trust

14A.11 Cash deposit accounts

- (1) The **clearing manager** must establish, in the **clearing manager's** name, 2 or more interest bearing **cash deposit**

accounts.

- (2) The **cash deposit accounts** must be—
 - (a) held with more than 1 **bank** that each has and maintains an acceptable credit rating in accordance with clause 14A.3(1); and
 - (b) clearly identified as such and be entirely separate from any other **bank** account of the **clearing manager**.
- (3) The **clearing manager** must obtain acknowledgement from each **bank** with which it has a **cash deposit account** that—
 - (a) the **cash deposits** are held on trust in the **cash deposit accounts** for **participants** (including the **clearing manager**) that become entitled to receive money from the **clearing manager** from time to time under clause 14A.13; and
 - (b) the **bank** has no right of set-off or right of combination in relation to the **cash deposits**.

14A.12 Cash deposits to be paid into cash deposit accounts

- (1) Every **cash deposit** received by the **clearing manager** must be paid by the **clearing manager** immediately into the **cash deposit accounts**.
- (2) Each **cash deposit** must be held between **cash deposit accounts** in approximately equal amounts.
- (3) If a **cash deposit** is debited under this Part, the **clearing manager** must ensure that approximately equal amounts of the **cash deposit** are debited from each **cash deposit account**.

14A.13 Cash deposits to be applied subject to conditions

The **clearing manager** must hold each **cash deposit** in the **cash deposit accounts** on trust to be applied, subject to this Code, only in accordance with the following:

- (a) following any **event of default**, the **clearing manager** must use such amount of the defaulting **participant's cash deposit** as is necessary or available in order to satisfy (to the extent possible) any amounts that may be due and owing by the defaulting **participant** to the **clearing manager** under this Code;
- (b) if no **event of default** is continuing in relation to the **participant** that provided the **cash deposit**, the **participant** is entitled to be paid the part of the **cash deposit** that has not been transferred under paragraph (a) in accordance with clause 14A.7 or 14A.8 or 14A.9 or 14A.23;
- (c) to satisfy an amount payable under clause 14.31 if the **participant** satisfies the **clearing manager** that, immediately following the application of the **cash deposit**, it will continue to comply with prudential requirements in this Part;
- (d) the **participant** is not entitled to receive back any part of its **cash deposit**, other than in accordance with this

clause, even if the **participant** is in liquidation, receivership, or subject to statutory management or other analogous situation.

14A.14 Interest on cash deposits

- (1) Subject to clauses 14A.13 and 14A.15, the **clearing manager** must credit to each **participant** on behalf of which the **clearing manager** holds a **cash deposit** all interest received by the **clearing manager** on the **cash deposit**, less any applicable deduction for tax purposes.
- (2) Subject to subclause (3), if a **participant** does not wish the interest to accumulate in the **cash deposit accounts**, the **clearing manager** must, at the request of the **participant**, pay the interest (less any applicable deduction for tax purposes) within 2 **business days** of the end of the month to a **bank** account nominated by the **participant** for this purpose.
- (3) Subclause (2) does not apply if an **event of default** has occurred in relation to the **participant** and is continuing.

14A.15 Fees and taxes payable by participants

- (1) A **participant** is liable to reimburse the **clearing manager** for all **bank** fees in relation to its **cash deposit** and any taxes that may from time to time be imposed either on its **cash deposit** or on interest earned on such **cash deposit**.
- (2) Such payments must be deducted by the **clearing manager** from any amounts paid to the **participant** under clause 14A.14(2).
- (3) If the amounts are less than the payments owed by the **participant** under this clause, the shortfall must be invoiced separately by the **clearing manager**.

Information, monitoring, and reporting

14A.16 Information required from new purchasers

Before a new **purchaser** purchases **electricity**, it must submit to the **clearing manager**—

- (a) historical records of the quantity of **electricity** purchased and sold by that person before that person became a **purchaser**; or
- (b) if the **clearing manager** is not satisfied with records provided under paragraph (a), or if there are no such records, a bona fide **business plan** prepared in good faith to permit a realistic estimate of the **purchaser's** future trading.

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.
- (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.18 System operator to provide information

The **system operator** must provide the **clearing manager** with the following information immediately upon becoming aware of the information:

- (a) any likely significant change to any amount to be allocated to a **participant** in respect of **ancillary services**;
- (b) the amount incurred by a **participant** as a result of the **participant** causing an **under-frequency event**.

14A.19 Clearing manager to keep information confidential

The **clearing manager** must keep all information received by it under clauses 14A.16 to 14A.18 confidential and must not disclose it to any other person except—

- (a) with the written consent of the person who provided the information; or
- (b) if the information is required to be disclosed to or by the **Rulings Panel** or the **Authority** under this Code, regulations made under section 112 of the **Act**, or any other law.

14A.20 Clearing manager to provide information about cash deposits

Each month the **clearing manager** must provide each **participant** that has provided a **cash deposit** with a statement regarding the balance of the **participant's cash deposit**.

14A.21 Clearing manager to provide information about required security

- (1) The **clearing manager** must provide each **participant** that is required to comply with prudential requirements under this Part with information about the amount for which security is required to be provided by the **participant** under clause 14A.6.
- (2) The **clearing manager** must provide the information to the **participant** through the **information system**.

14A.22 Clearing manager to keep register of specified 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 elected by the **participant**:
 - (a) for a **retailer**, 18 **trading days**;
 - (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 **business days** set out in subclause (4) 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.

Disputes

14A.23 Disputes regarding prudential requirements

- (1) A **participant** that disputes a decision of the **clearing manager** under this Part may refer the dispute to the **Rulings Panel**.
- (2) Until such time as the **Rulings Panel** makes a decision on the dispute, all **participants** must comply with the relevant decision of the **clearing manager**.
- (3) If a dispute is referred to it under subclause (1), the **Rulings Panel** must, after hearing from the **participant** that disputed the **clearing manager's** decision and from the **clearing manager**, make a decision in accordance with this Part.
- (4) If the **Rulings Panel** overturns or varies a decision by the **clearing manager**, the **clearing manager's** original decision, and the process that led to that decision, is not a breach of this Code by the **clearing manager**, unless the **Rulings Panel** determines that the **clearing manager's** decision was made negligently or in bad faith.

Notices

14A.24 Notices

- (1) Except as expressly provided in this Code, a notice or demand given or required to be given under this Part may be given by being delivered or transmitted to the intended recipient at its address or electronic address as last advised in writing to the sender and may be posted to such address by prepaid post.
- (2) Subject to subclause (3),—
 - (a) a notice or demand delivered by hand is deemed to be delivered on the date of such delivery; and
 - (b) a notice or demand delivered by post is deemed to be delivered on the 2nd **business day** following the date of posting; and

- (c) a notice or demand transmitted through the **information system** is deemed to be delivered on the date it was transmitted.
- (3) Any notice or demand delivered, or deemed to be delivered, on a day that is not a **business day**, or after 1600 hours on a **business day**, is deemed to have been delivered on the next **business day**.

Schedule 14A.1
Acceptable security

cl 14A.4

Part 1
Acceptable forms of security

1 Acceptable forms of security

A **participant** may provide acceptable security in any of the following forms:

- (a) a **cash deposit** (see clause 2);
- (b) an unconditional guarantee or letter of credit (see clause 3);
- (c) a security bond (see clause 4);
- (d) another form of security (see clause 5);
- (e) a combination of the forms of security listed in paragraphs (a) to (d) that in aggregate secures the required amount.

2 Cash deposit

- (1) A **participant** must pay a **cash deposit** into the **cash deposit accounts** or to the **clearing manager**.
- (2) The **participant** must provide and maintain an acceptable **participant's** security agreement in respect of the **cash deposit**.
- (3) A **participant's** security agreement must—
 - (a) be a security agreement as defined in section 16(1) of the Personal Property Securities Act 1999; and
 - (b) create a first ranking security interest in respect of the **cash deposit**; and
 - (c) secure the **participant's** payment and performance obligations to the **clearing manager** under this Code; and
 - (d) be in a form approved by the **Authority**.

3 Guarantee or letter of credit

- (1) A guarantee or letter of credit must be given in favour of the **clearing manager**.
- (2) A letter of credit is an acceptable form of security only if it is given by a **bank**.
- (3) A guarantee or letter of credit must be given on terms as follows, or as otherwise approved by the **Authority**:
 - (a) for a guarantee given by a **bank**, the terms in Schedule 14A.2;
 - (b) for a guarantee given by another person, the terms in Schedule 14A.3;
 - (c) for a letter of credit, the terms in Schedule 14A.4.
- (4) A guarantee or letter of credit is an acceptable form of security only while the person giving it has an acceptable credit rating as defined in clause 14A.3.

4 Security bond

- (1) A security bond must be given in favour of the **clearing manager**.
- (2) A security bond must be given on the terms in Schedule 14A.5 or as otherwise approved by the **Authority**.
- (3) A security bond is an acceptable form of security only while the surety has an acceptable credit rating as defined in clause 14A.3.

5 Other security

- (1) Any other form of security is an acceptable form of security only if it has been approved by the **Authority**.
- (2) The **Authority** may approve another form of security if the **Authority** is satisfied that the form of security ensures that the relevant **participant** can meet its financial obligations under the Code to the same extent as if the **participant** provided a form of security specified in paragraphs (a) to (d) of clause 1.

Part 2

Minimum security

6 Determining minimum security

- (1) The minimum amount for which security is required to be provided by a **participant** under clause 14A.6 is—
 - (a) the sum of the following amounts:
 - (i) the general prudential requirement calculated in accordance with clause 7;
 - (ii) the **FTR** prudential requirement calculated in accordance with clause 11; minus
 - (b) any amount prepaid by the **participant** under clause 14.30.
- (2) If the sum of the amounts under subclause (1) is negative, the minimum amount for which security is required to be provided is 0.

7 General prudential requirement

The general prudential requirement is the sum of the following amounts calculated in accordance with the methodology approved under clause 8:

- (a) the expected amount of the **clearing manager's** outstanding financial exposure to the **participant**; and
- (b) the exit period prudential margin for the **participant**.

8 Methodology for determining general prudential requirement amounts

- (1) The **clearing manager** must formulate and **publish** a methodology for determining the amounts specified in clause 7.
- (2) The methodology must comply with the requirements

specified in clauses 9 and 10.

- (3) The consultation and approval requirements set out in Schedule 14.2 apply to the methodology.

9 Calculating clearing manager's outstanding financial exposure to participant

- (1) The expected amount of the **clearing manager's** outstanding financial exposure to a **participant** on any **trading day** is an estimate of all unsettled amounts owing by the **participant** to the **clearing manager** and by the **clearing manager** to the **participant** to the end of the previous **trading day**, including the **clearing manager's** estimate of the following amounts:
 - (a) the amount owing to or by the **participant** for purchasing and selling **electricity**;
 - (b) the amount owing to or by the **participant** in relation to **ancillary services**;
 - (c) the net amount owing to or by the **participant** in respect of any **hedge settlement agreement** lodged with the **clearing manager** under clause 14.8;
 - (d) the amount of any **GST** payable by the **participant** in respect of the above amounts.
- (2) The **clearing manager** must use **final prices** in calculating amounts under subclause (1) unless—
 - (a) **final prices** are not available, in which case the **clearing manager** must use **interim prices**; or
 - (b) neither **final prices** nor **interim prices** are available, or an **undesirable trading situation** has been claimed in respect of a **trading period** or **trading day** that is included in the **clearing manager's** estimate, in which case the **clearing manager** must use the price calculated in accordance with clause 10(2)(c) that is used in the methodology for determining the exit period prudential margin.
- (3) The **clearing manager** must take **washup** amounts that have been calculated by the **clearing manager** into account in estimating the amounts described in this clause.

10 Exit period prudential margin

- (1) The exit period prudential margin for a **participant** is the **clearing manager's** estimate of the amount that the **participant** will incur and earn during the prudential exit period for the **participant** in respect of the following:
 - (a) the sale and purchase of **electricity**;
 - (b) **ancillary services**;
 - (c) any **hedge settlement agreement** lodged with the **clearing manager** under clause 14.8;
 - (d) any **GST** payable in respect of the above amounts.
- (2) The estimated amounts to be incurred and earned by the **participant** in respect of the sale and purchase of **electricity** under subclause (1)(a) are based on—

- (a) the number of **trading days** in the prudential exit period for the **participant** determined under clause 14A.22(3); and
 - (b) the expected value of **electricity** to be purchased by the **participant** minus the expected value of **electricity** to be sold by the **participant** during that period based on the prices in paragraph (c); and
 - (c) the sum of the following amounts:
 - (i) the prices of **electricity** expected to apply during the quarter to which the calculation relates in accordance with subclauses (3) and (4);
 - (ii) an amount determined as set out in subclause (5).
- (3) In determining the prices under subclause (2)(c)(i), the **clearing manager** must use prices of **electricity** futures products that are available and that the **clearing manager** considers provide a reasonable estimate of the average price of **electricity** for the relevant quarter.
- (4) The **clearing manager** must determine the prices under subclause (2)(c)(i)—
 - (a) for each quarter beginning 1 January, 1 April, 1 July, and 1 October; and
 - (b) no later than 2 months before the beginning of each quarter.
- (5) The amount determined under subclause (2)(c)(ii) must—
 - (a) be an amount expressed in \$/MWh of not less than \$0/MWh; and
 - (b) be determined on the basis that the exit period prudential margin for a hypothetical **purchaser** that purchases a constant proportion of total **electricity** purchased from the **clearing manager** for every **trading period** is greater than the general exit period exposure for the **purchaser** on 75% of the days in the relevant quarter in a modeling period of 3 to 10 years selected by the **clearing manager**.
- (6) The **clearing manager** must determine the amount under subclause (2)(c)(ii)—
 - (a) for each quarter in a calendar year; and
 - (b) no later than 2 months before the beginning of each calendar year.
- (7) The methodology must specify how the clearing manager will estimate the initial amount of security for **ancillary services** for a new **participant**.
- (8) The expected amounts to be incurred and earned by the **participant** in respect of a **hedge settlement agreement** must be based on the price determined by the **clearing manager** under subclause (2)(c).

11 **FTR prudential requirement**

The FTR prudential requirement for a **participant** is the

sum of the following amounts:

- (a) the **clearing manager's** estimate of an amount to be incurred or earned by the **participant** in respect of any **FTR** in respect of which the **participant** is named in the **FTR register**, calculated in accordance with the methodology approved by the **Authority** under clause 12;
- (b) the amount of any **FTR acquisition cost** in respect of an **FTR** held by the **participant**;
- (c) any amount payable by the **participant** to the **clearing manager** under clause 13.249(4) minus any amount payable by the **clearing manager** to that **participant** under clause 13.249(7).

12 Methodology for determining minimum security required in respect of FTRs

- (1) The **clearing manager** must formulate and **publish** a methodology for determining the minimum amount for which security is required to be provided in relation to a matter set out in clause 11(a).
- (2) The methodology formulated by the **clearing manager** under subclause (1) must comply with the principle that the amount taken into account under clause 11(a) is an estimate of the **FTR hedge value** (being an amount that may be positive or negative) of the **FTR** at the time that the estimate is made and the potential for that value to change before the **clearing manager** is able to realise the value of the **FTR** following an **event of default** occurring in relation to the holder of the **FTR**.
- (3) The consultation and approval requirements set out in Schedule 14.2 apply to the methodology.

13 Information to be considered by clearing manager

In estimating the amounts described in this Part, the **clearing manager** may take into account a substantial change to a **participant's business**.

Schedule 14A.2 Guarantee

Schedule 14A.1, cl 3

To: [Clearing manager] [address]

Attention: [name]

Dear Sir/Madam

1. [Bank] ("the Bank") refers to each and every obligation pursuant to the Electricity Industry Participation Code 2010 ("the Code") of [Participant] ("the Principal") to pay amounts the Principal, now or at any time, owes to, and is invoiced by, you (whether as principal or agent) together with default interest, if any, in relation to such amounts ("the Obligations") pursuant to the Code.
2. The Bank unconditionally guarantees the payment to you on demand of an amount specified in each such demand provided that—

[(a) the aggregate liability of the Bank under this guarantee will not exceed [amount determined from time to time by the clearing manager calculated in accordance with clause 14A.5 of the Code] (the "Maximum Amount"); and]

[Note: Bank to elect either this paragraph or the following paragraph].

[(a) the aggregate liability of the Bank under this guarantee in respect of which this guarantee is in effect will not exceed the Maximum Amount as defined below—

- (i) The sum of the amounts calculated for all trading periods to which this guarantee applies in any period to which a demand under this guarantee relates in accordance with the following formula:

$$A*B$$

where

A is [X] MWh

B is the final price for the trading period at the [specify] [grid injection point/grid exit point/reference point]

- (ii) For the purposes of subparagraph (i) this guarantee applies to every trading period within any period to which a demand under this guarantee relates as follows:
 - A. From the ["Starting Date" being] the later of—
 - 1. the start of the period; and
 - 2. [DATE]; and
 - B. Until the "Final Date" being the earlier of—
 - 1. the end of the period; and
 - 2. the Final Date as notified to the clearing manager under paragraph 2(a)(iii); and
 - 3. [DATE];
 - (iii) Notwithstanding anything in this guarantee or in the Code, the Bank may give the clearing manager notice of the Final Date for the purposes of paragraph 2(a)(ii)B. The Final Date is the later of the date specified in the notice or 2 business days after the date on which the clearing manager receives the notice; and]
 - (b) your demand is made in writing and is purported to be signed by an authorised signatory; and
 - (c) a certificate purported to be signed by your authorised signatory and certifying that the Principal has failed, in whole or in part, to fulfil the Obligations accompanies your demand, which certificate will be conclusive proof of such failure.
3. This guarantee will not be affected, discharged, or diminished by any act or omission which would, but for this provision, have exonerated a guarantor but would not have affected or discharged the Bank's liability had it been a principal debtor.
 4. Subject to paragraph 5 below, this guarantee will continue in force until the date at which the Principal has ceased to be bound by the Code and has discharged its obligations to you under the Code at which time you will return this guarantee to the Bank.
 - [5. Despite anything else in this guarantee, the Bank may at any time pay you the Maximum Amount less any amount or amounts the Bank may previously have paid under this guarantee or such lesser sum as you may require. Upon

payment of that sum, the liability of the Bank under this guarantee will cease and determine].

[Note: Bank to elect either this paragraph or the following paragraph as a method of cancellation].

- [5. Despite anything else in this guarantee, the Bank may cancel this guarantee as to subsequent liability by giving ninety (90) days' notice in writing to [clearing manager]; however, the Bank will remain liable with respect to the Obligations that relate to the period prior to the effective date of the ninety (90) days' notice.]
6. This guarantee may be assigned by you without the Bank's consent. It will bind the successors and assigns of the Bank, as well as any entity with which the Bank may amalgamate.
7. This guarantee is governed by and interpreted in all respects in accordance with New Zealand law and the parties irrevocably submit to the non-exclusive jurisdiction of the courts of New Zealand.

EXECUTED for and on behalf)	
of [BANK])	
by its Attorneys)	
.....)	
[Print Names])	Signature(s)

.....
in the presence of:
.....
Signature
.....
Full Name
.....
Address
.....
Occupation
.....
Signature(s)

Schedule 14A.3
Deed of guarantee and indemnity

Schedule 14A.1, cl 3

DATED

BY

1. [] (the “Guarantor”)

IN FAVOUR OF

2. [Clearing manager] (the “Beneficiary”)

1 Guarantee and indemnity

1. The Guarantor—

(a) unconditionally and irrevocably guarantees to the Beneficiary the due performance and observance by [Participant] (“the Debtor”) of each and every obligation the Debtor may now or hereafter have to the Beneficiary to pay amounts it owes to, and is invoiced by, the Beneficiary (whether as principal or agent) together with default interest, if any, in relation to such amounts (“the Obligations”) pursuant to the Electricity Industry Participation Code 2010 (“the Code”) and promises to pay to the Beneficiary on demand all amounts now or hereafter owing, due or payable by the Debtor to the Beneficiary in respect of the Obligations; and

(b) agrees as a primary obligation to indemnify the Beneficiary from time to time on demand from and against any loss incurred by the Beneficiary as a result of any of the Obligations being void, voidable or unenforceable for any reason, whether or not known to the Beneficiary, the amount of such loss being the amount that the Beneficiary would otherwise have been entitled to recover from the Debtor.

2. This Deed is to be security in respect of each and every one of the Obligations but, nevertheless, the total amount payable by the Guarantor under this Deed must not exceed the aggregate of [amount determined from time to time by the clearing manager calculated in accordance with clause 14A.5 of the Code] (the “Maximum Amount”) and any sums payable under clauses 1(3) and 9 of this Deed.

3. If any moneys payable by the Guarantor under this Deed are not paid on demand, the Guarantor must pay to the Beneficiary interest on such unpaid moneys (both before and after judgement) at the rate determined in accordance with clause 1(4) of this Deed from the date of demand to the date

of their actual receipt by the Beneficiary calculated on a daily basis and capitalised as the Beneficiary will determine.

4. The rate at which interest must be calculated is the aggregate of 5% per annum plus the then prevailing settlement bid rate for 90 day bills displayed on Reuters Screen BKBM at 10:45am on the date of demand or, if for any reason that rate is not displayed, the rate determined by the Beneficiary to be the nearest practicable equivalent.

2 Preservation of rights

1. The obligations of the Guarantor under this Deed are in addition to, and not in substitution for, any other security or guarantee that the Beneficiary may at any time hold in respect of the Obligations or any of them and may be enforced without the Beneficiary first having recourse to any such security and without the Beneficiary first taking steps or proceedings against the Debtor.
2. Neither the obligations of the Guarantor under this Deed nor the rights, powers, and remedies conferred in respect of the Guarantor upon the Beneficiary by this Deed or by law may be discharged, impaired, or otherwise affected by anything that might operate to discharge, impair, or otherwise affect the same, including—
 - (a) the insolvency, liquidation, or dissolution of the Debtor or any other person, the appointment of any receiver, manager, receiver and manager, inspector, trustee, statutory manager, or other similar person in respect of the Debtor or any other person, or any change in the Debtor's status, function, control, or ownership; and
 - (b) any of the Obligations, or the obligations of any person under any security or guarantee held in relation to any of the Obligations, being or becoming in whole or in part void, voidable, defective, illegal, invalid, or unenforceable in any respect or ranking after any other security; and
 - (c) any time, credit or other indulgence or other concession being granted or agreed to be granted by the Beneficiary to, or any composition or other arrangement made with or accepted from, the Debtor in respect of any of the Obligations or the obligations of any person under any security or guarantee held in relation to the same; and

- (d) any variation of the terms of any of the Obligations or of any security or guarantee (including this guarantee) held in relation to the same; and
 - (e) any failure to realise or fully realise the value of, or any release, discharge, exchange, or substitution of, any security or guarantee held in relation to any of the Obligations;
 - (f) any failure (whether intentional or not) to take, fully take or perfect any security now or hereafter agreed to be taken by the Beneficiary in relation to any of the Obligations; and
 - (g) any other act, event or omission that, but for this clause 2(2), would or might operate or discharge, impair, or otherwise affect any of the obligations of the Guarantor under this Deed or any of the rights, powers, or remedies conferred upon the Beneficiary by the rules or by law.
3. If any payment to the Beneficiary under this Deed is avoided by law, the Guarantor's obligation to have made such payment will be deemed not to have been affected or discharged and the Guarantor must on demand indemnify the Beneficiary against all costs sustained or incurred by the Beneficiary as a result of it being required for any reason to refund all or part of any amount received or recovered by it in respect of such payment and must in any event pay to the Beneficiary on demand the amount so refunded by it. The Beneficiary and the Guarantor will, in any such case, be deemed to be restored to the position in which each would have been and will be entitled to exercise the rights they respectively would have had if that payment had not been made.
 4. The Beneficiary is not obliged before exercising any of the rights, powers, or remedies conferred upon it in respect of the Guarantor by law to make any demand on the Debtor, take any action or obtain judgement in any court against the Debtor, make or file any claim or prove in any liquidation of the Debtor, or enforce or seek to enforce any security or guarantee taken in respect of the Obligations.
 5. After a demand has been made by the Beneficiary under this Deed, and so long as the Guarantor is under any actual or contingent liability under this Deed, the Guarantor must not—
 - (a) exercise in respect of any amount paid by the Guarantor under this Deed any right of subrogation or

any other right or remedy that the Guarantor may have in respect of such amount paid; or

- (b) except with the Beneficiary's consent in writing, claim or receive payment of any other moneys for the time being due to the Guarantor by the Debtor or exercise any other right or remedy that the Guarantor may have in respect of the same; or
- (c) unless so required by the Beneficiary, prove in the liquidation of the Debtor in competition with the Beneficiary for any moneys owing to the Guarantor by the Debtor on any account.

Any moneys obtained by the Guarantor from the Debtor with such consent or as so required or in breach of this clause must, in each case, be held by the Guarantor upon trust to pay such moneys to the Beneficiary in or towards discharge of the Guarantor's obligations under this Deed.

- 6. Any moneys received by the Beneficiary that may be applied in or towards discharge of any of the obligations of the Guarantor under this Deed must be regarded as a payment in gross so that, in the event of the liquidation of the Guarantor, the Beneficiary may prove in the liquidation for the whole of such moneys.

3 Representations and warranties

The Guarantor represents that—

- (a) it is duly incorporated and validly existing under the laws of [New Zealand], capable of suing and being sued and has the power to enter into and perform this Deed, and has taken all necessary corporate action to authorise it to enter into, execute, deliver, and perform its obligations under this Deed; and
- (b) its entry into, execution, delivery, and performance of this Deed will not contravene any law or regulation to which the Guarantor is subject or any provision of its constitutional documents and all things (including the obtaining of consents) requisite for such entry, execution, delivery, and performance have been taken, fulfilled, and done, and are in full force and effect; and
- (c) no obligation of the Guarantor under this Deed is secured by, and the execution, delivery and performance of this Deed will not result in the existence of, or oblige it to create, any mortgage, charge, pledge, lien or other encumbrance over any of its present or future revenues or assets; and

- (d) the execution, delivery of and performance of the Guarantor's obligations under this Deed will not cause the Guarantor to be in breach of or in default under any agreement binding on the Guarantor or any of its assets and no material litigation or administrative proceeding before, by or of any court or governmental authority is pending or (so far as the Guarantor knows) threatened against the Guarantor or any of its assets which, if decided against the Guarantor, would have a material adverse effect on the ability of the Guarantor to meet any or all of the obligations hereunder.

4 Payments

All payments to be made by the Guarantor to the Beneficiary under this Deed must be made without set-off or counterclaim and without any deduction or withholding. If the Guarantor is obliged by law to make any deduction or withholding from any such payment, the amount due from the Guarantor in respect of such payment will be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Beneficiary receives a net amount equal to the amount the Bank would have received had no such deduction or withholding been required to be made.

5 Continuing security

This Deed will be a continuing security to the Beneficiary in respect of each and every one of the Obligations and must not be (or be construed so as to be) discharged by any intermediate discharge or payment of or on account of the Obligations or any settlement of accounts between the Beneficiary and the Debtor or anyone else.

6 Termination

- [1. Despite anything else in this Deed, the Guarantor may at any time pay to you the Maximum Amount less any amount or amounts the Guarantor may previously have paid under this Deed or such lesser sum as you may require. Upon payment of that sum, the liability of the Guarantor under this Deed will cease and determine.]

[Note: Guarantor to elect either this clause or the following clause as a method of cancellation.]

- [1. Despite anything else in this Deed the Guarantor may cancel this Deed as to subsequent liability by giving ninety (90) days' notice in writing to [Clearing manager]; however, the

Guarantor will remain liable with respect to the Obligations that relate to the period prior to the effective date of the ninety (90) days' notice.]

7 Assignment

This Deed may be assigned by the Beneficiary without the Guarantor's consent. It will bind the successors and assigns of the Guarantor, as well as any entity with which the Guarantor may amalgamate.

8 Notices

1. Any demand to be made on the Guarantor by the Beneficiary under this Deed may be made in writing and delivered to the address set out below or to any other address in New Zealand from time to time notified under clause 8(2). The Guarantor's address, as at the date of this Deed is: [address]
2. The Guarantor must immediately notify the Beneficiary of any change in the above address.

9 Costs and expenses

The Guarantor must on demand indemnify and hold harmless the Beneficiary from and against all costs and expenses (including legal fees and any taxes or duties) incurred by the Beneficiary in the enforcement and protection of its rights under this Deed.

10 Governing law

This Deed is governed by, and construed in accordance with New Zealand law, and the Guarantor irrevocably submits to the non-exclusive jurisdiction of the courts of New Zealand.

EXECUTED for and on behalf)
of [Guarantor])
in the presence of:)

.....

.....

Director _____ Director/Secretary _____

.....

Signature

.....

Full Name

.....

Address

.....
Occupation

- Note I: If two directors sign, no witness is necessary. If a director and secretary sign, both signatories are to be witnessed. If the director and secretary are not signing together, a separate witness will be necessary for each signature.
- Note II: If the Guarantor is incorporated outside of New Zealand, insert an appropriate execution clause for the country of incorporation.

Schedule 14A.4
Letter of credit

Schedule 14A.1, cl 3

To: [Clearing manager] [address]
Attention: [name]

Dear Sir/Madam

We, [Bank] (“the Bank”) issue our irrevocable transferable standby letter of credit (“the Letter of Credit”) as follows:

IRREVOCABLE TRANSFERABLE STANDBY LETTER OF CREDIT NO. [number] DATED [date]

The Account Party: [Participant] (“the Account Party”)

Beneficiary: [Clearing manager] (“the Beneficiary”)

Issued in Connection With: Each and every obligation (“the Obligations”) of the Account Party to pay the amounts it, now or at any time, owes to, and is invoiced by, the Beneficiary (whether as principal or agent) together with default interest, if any, in relation to such amounts under the Electricity Industry Participation Code 2010 (“the Code”).

Maximum Amount: [insert amount].

Expiry: This Letter of Credit expires on the earliest of—

- (a) the date at which the Account Party has ceased to be bound by the Code and has discharged its obligations to the Beneficiary under the Code; or
- (b) the date of satisfaction of this Letter of Credit in accordance with its terms; or
- [(c) the date on which the Bank makes payment to the Beneficiary of the Maximum Amount either at its sole discretion or following demand by the Beneficiary under this Letter of Credit in accordance with its terms],

[Note: Bank to elect either this clause or the following clause as a method of cancellation.]

- [(c) ninety (90) days after notice in writing of cancellation of this Letter of Credit as to subsequent liability has been given to [Clearing manager]; however, the Bank will remain liable with respect to the Obligations that relate to the period prior to the effective date of the ninety (90) days’ notice.]

(“the Expiry Date”).

Payable at: [Sight or by demand using SWIFT]

Available at: [address]
By Drafts on: The Bank.
Enfaced: Drawn under [Bank] Irrevocable Standby Letter of Credit No. [number] dated [date].
Returnable to: The Bank upon expiry.

The proceeds of this Letter of Credit are transferable by the Beneficiary. A claim may be made under this Letter of Credit by delivering to the address at which this Letter of Credit is expressed to be available, by no later than [time] New Zealand time on or before the Expiry Date, draft drawn on the Bank (enfaced as specified above) accompanied by—

- (a) this Letter of Credit; and
- (b) a Certificate purported to be signed by an authorised signatory of the Beneficiary in the following form:

To [Bank] [date]

[Clearing manager] of [address] (“the Beneficiary”) hereby makes claim under the [Bank] Irrevocable Standby Letter of Credit No [number] (“the Letter of Credit”). Words and expressions defined in the Letter of Credit will have the same meaning in this Certificate.

[Participant] (“the Account Party”) has failed, in whole or in part, to fulfil the Obligations.

As at the date of this Certificate, the amount owed to the Beneficiary by the Account Party in respect of the Obligations is the sum of [amount outstanding].

Accordingly, the Beneficiary is entitled to claim and requests payment by [date] of the amount of [amount claimed] to be credited to account number [Beneficiary’s trust account number].

The signatory or signatories is/are authorised by the Beneficiary to make the statements in this Certificate on behalf of the Beneficiary.

Signed.....

Authorised Signatory

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision) International Chamber of Commerce Publication No. 600 [and the Supplement to the Uniform Customs and Practice for Documentary Credits for Electronic Presentation 2007], except as otherwise provided in this Letter of Credit. Subject to that, this Letter of Credit will be governed by, and construed in accordance with, the laws of New Zealand, and the parties irrevocably submit to the non-exclusive jurisdiction of the courts of New Zealand.

The Bank engages with the Beneficiary that drafts drawn under, and in compliance with, this Letter of Credit and, in aggregate, up to the Maximum Amount will be paid on presentation in the manner provided in this Letter of Credit.

EXECUTED for and on behalf)
of [BANK])
by its Attorneys)
.....)
[Print Names]) Signature(s)

.....
in the presence of:
.....
Signature
.....
Full Name
.....
Address
.....
Occupation

Schedule 14A.5
Surety bond

Schedule 14A.1, cl 4

To: [Clearing manager] [address]

Bond Number:

We, [Participant] as Principal, and [name of Surety], as Surety, are held and firmly bound to [Clearing manager], a corporation organised and existing under the laws of New Zealand, its successors and assigns, in the amount of [amount in words] New Zealand dollars (NZ\$), lawful money of New Zealand for the payment of which the Principal and Surety, their heirs, executors, administrators, successors and assigns are jointly and severally bound.

RECITALS

The Principal has obligations (the “Obligations”) pursuant to the Electricity Participation Code 2010 (the “Code”) to pay [Clearing manager] amounts invoiced to it by [Clearing manager].

The Surety agrees to deliver payment to [Clearing manager] of amounts invoiced to the Principal (together with any default interest payable in respect of those invoiced amounts) forthwith upon receipt of written demand for payment issued by a purported authorised representative of [Clearing manager]. Such written demands must be delivered to the Surety at its above address and certify that the Principal has failed, in whole or in part, to fulfil the Obligations.

The Surety is not liable for a larger amount, in the aggregate, than the amount of this Bond.

[The Surety may at any time pay to [Clearing manager] the amount of this Bond less any amount or amounts the Surety may previously have paid under this Bond or such lesser sum as [Clearing manager] may require. Upon payment of that sum, the liability of the Surety under this Bond will cease and determine.]

[Note: Surety to elect either this proviso or the following proviso as a method of cancellation.]

[This Bond may be cancelled by the Surety as to subsequent liability by giving ninety (90) days’ notice in writing to [Clearing manager]. However, the Surety remains liable with respect to the Principal’s Obligations that relate to the period prior to the effective date of the ninety (90) days’ notice.]

This Bond is not affected, discharged, or diminished by any act or omission that would, but for this provision, have exonerated a surety but would not have affected or discharged the Surety's liability had it been a principal debtor.

This Bond is governed by, and interpreted according to, the laws of New Zealand, and the Principal and the Surety agree to submit to the non-exclusive jurisdiction of the courts of New Zealand.

This Bond may be transferred or assigned by [Clearing manager] without the Surety's consent. Upon cancellation, the Bond will be returned to the Surety.

EXECUTION CLAUSE

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 24 March 2015.

The amendment replaces Part 14 of the Code with a new Part 14 and Part 14A, and makes consequential amendments to other parts of the Code. The amendment changes the prudential requirements for participants, and changes the clearing and settlement processes carried out by the clearing manager.

Date of notification in the *Gazette*: 12 December 2013