

09 September 2019

Shane Dinnan  
Head of Energy  
NZX Limited  
11 Cable Street  
PO Box 2959  
Wellington 6140

By Email

Dear Shane

**Amendment to Reconciliation Manager Market Operator Service Provider Agreement**

I refer to the Reconciliation Manager Market Operator Service Provider Agreement (MOSPA) between the Electricity Authority (Authority) and NZX Limited, dated 30 October 2015, relating to services provided by NZX Limited as the reconciliation manager.

The Authority would like to amend the end date stated in Schedule 1, Clause 7 – 'Infrastructure Lifecycle Maintenance', to be amended from 01 July 2020 to 01 July 2024.

A copy of the MOSPA with these proposed amendments incorporated in Schedule 1 is attached to this letter. If you agree to it, the amended MOSPA will become version 2.

Please confirm your acceptance of the amendments proposed in this letter by signing and returning a copy of this letter to me. These proposed amendments to the MOSPA will take effect on the date you sign this letter.

Yours sincerely



Rory Blundell  
General Manager Market Performance

I, Shane Dinnan, agree for and on behalf of NZX Limited to the amendment to the MOSPA set out in this letter dated

 \_\_\_\_\_ Date: 13/9/19



## SCHEDULE 1

### FEES

1. The **fees** (exclusive of GST) are:
  - 1.1. the monthly fee in paragraph 2; and
  - 1.2. the fees under this **agreement** that are to be calculated in accordance with the hourly rates in paragraph 3;
  - 1.3. any fees above the base commitment for agreed work performed as part of the **upgrade and improvement services** that are calculated in accordance with paragraph 5.3 and 5.4;
  - 1.4. any termination fee calculated in accordance with paragraph 9;  
less: any rebate(s) calculated in accordance with paragraphs 6 and 7 of this schedule.
2. The monthly fee:
  - 2.1. The monthly fee is as follows (the "**Monthly Fee**"):

Monthly Fee		Starting CPI Index
Infrastructure	\$2,083	<i>The actual CPI index for March 2016, to be inserted after 1 April 2016</i>
System	\$9333	<i>The actual CPI index for March 2016, to be inserted after 1 April 2016</i>
Services	\$60,749	<i>The actual CPI index for March 2016, to be inserted after 1 April 2016</i>
Upgrade and Improvement Services	\$35,700	<i>The actual CPI index for March 2016, to be inserted after 1 April 2016</i>

- 2.2. On 1 July 2021, the Services **Monthly Fee** will reduce by 5% from the **Monthly Fee** applicable in June 2021. For the avoidance of doubt, the reduced Monthly Fee will become the Current fee for the annual indexing process described in paragraph 4.1.
- 2.3. If the **agreement** is renewed in accordance with clause 4.2 of the **agreement**:
  - 2.3.1. the Infrastructure Monthly Fee will immediately reduce to \$0 (zero);
  - 2.3.2. the System Monthly Fee will immediately reduce to \$0 (zero); and

2.3.3. on 1 July 2024, the Services Monthly Fee will reduce by a further 10% from the Monthly Fee applicable in June 2024. For the avoidance of doubt, the reduced Monthly Fee will become the Current fee for the annual indexing process described in paragraph 4.1.

3. The hourly rates for unplanned chargeable work are as follows:

Resource	Hourly Rate (excl GST)	Starting CPI Index
Sponsor	\$275	<i>The actual CPI index for March 2016, to be inserted after 1 April 2016</i>
Project manager	\$210	<i>The actual CPI index for March 2016, to be inserted after 1 April 2016</i>
Senior developer	\$195	<i>The actual CPI index for March 2016, to be inserted after 1 April 2016</i>
Developer	\$175	<i>The actual CPI index for March 2016, to be inserted after 1 April 2016</i>
Test manager	\$195	<i>The actual CPI index for March 2016, to be inserted after 1 April 2016</i>
Test analyst	\$170	<i>The actual CPI index for March 2016, to be inserted after 1 April 2016</i>
Business analyst	\$180	<i>The actual CPI index for March 2016, to be inserted after 1 April 2016</i>
Auditor	Actual cost pass through	No indexing applies

It is expected that the **Provider** will agree to lower hourly rates for a major project, such as a major variation to the **System** under clause 7 of this **agreement**. Nothing in this schedule prevents the parties agreeing on lower hourly rates for the above resources or different hourly rates for specialist contractors for a major project.

4. Annual indexing

4.1. On 1 July 2017 and thereafter on each subsequent 1 July (each an "**Indexing Date**"), the Monthly Fees in paragraph 2 that have a Starting CPI Index, the hourly rates in paragraph 3 that have a Starting CPI Index, and the hourly rates in paragraph 5.3 will increase according to the following formula:

$$\text{New fee} = \text{Current fee} \times (\text{Current CPI Index} / \text{Last CPI Index})$$

Where:

New fee: the Monthly Fee or hourly rate that will apply from 1 July in the relevant year

Current fee: the applicable fee or rate that is specified in paragraphs 2 or 3 or that otherwise applies immediately before the relevant **Indexing Date**

Current CPI Index: the CPI (as published by Statistics New Zealand) for the March immediately before the relevant **Indexing Date**

Last CPI Index: the CPI, (as published by Statistics New Zealand) for the March 15 months before the relevant **Indexing Date**, or for any new fee added by variation, the Starting CPI Index agreed in that variation,

provided that where the ratio of 'Current CPI Index / Last CPI Index' is less than 1 (one), the new fee will remain unchanged.

4.2. To avoid doubt, any new **fees** calculated under this paragraph 4 shall be agreed between the parties in writing and shall not require a more formal variation to this **agreement** to take effect.

#### 5. Upgrade and improvement Services:

5.1. The Monthly Fee set out in paragraph 2 includes the provision of 2,720 hours of **upgrade and improvement services** per **year** to be provided by appropriate resources made available by the **Provider** as appropriate for the required **upgrade and improvement service** and at the rates specified in paragraph 5.3.

5.2. The parties will agree in writing each **year**, acting reasonably and in good faith, the total number of hours over and above the base commitment to be committed for all resources for the **year** and the priority of any **upgrade and improvement services** requested by the **Authority**. The work programme is to be agreed by the parties with the objective of providing a steady stream of work over the relevant **year**.

5.3. In return for the **Authority** committing to a minimum number of hours in paragraph 5.1, the Provider will charge monthly in arrears for **upgrade and improvement services** actually performed per **year** at the following maximum rates:

Resource	Base Commitment (0 to 2720 hours)	Tier 2 (2721 to 5400 hrs) 12% discount	Tier 3 (5401 to 7200 hrs) 15% discount	Tier 4 (over 7201 hrs) 17% discount
Sponsor	\$261	\$242	\$234	\$228
Project manager	\$200	\$185	\$179	\$174
Senior developer	\$185	\$172	\$166	\$162
Developer	\$157.50	\$154	\$149	\$145
Test manager	\$185	\$172	\$166	\$162
Test analyst	\$157.50	\$150	\$145	\$141
Business analyst	\$157.50	\$157	\$153	\$149

Resource	Base Commitment (0 to 2720 hours)	Tier 2 (2721 to 5400 hrs) 12% discount	Tier 3 (5401 to 7200 hrs) 15% discount	Tier 4 (over 7201 hrs) 17% discount
Contractor	N/A	Above rates +3%	Above rates +3%	Above rates

5.4. **Calculation of the fee:** The monthly fee for **Upgrade and improvement services** shall consist of up to three parts:

5.4.1. an **Upgrade and Improvement Services** Base Commitment fee, which is charged as part of the monthly fee in paragraph 2 shall be calculated as  $(2720 \times \text{the Developer base commitment rate})/12$ ;

5.4.2. a Base Commitment washup fee which will apply to any hours within the base commitment (2720 hours) that are provided by a resource other than Developer, Test Analyst or Business Analyst. These hours shall be charged at  $(\text{the applicable rate for the resource} - \text{the developer rate}) \times (\text{number of hours for the resource})$ ; and

5.4.3. once 2720 hours have been expended during the year starting 1 July, additional hours will be charged at the tier rate for the relevant resource.

5.5. **Reporting of hours expended:** The **Provider** shall, in the monthly report, report:

5.5.1. the number of hours expended on **upgrade and improvement services** for each resource type for the month, and

5.5.2. a running total of the number of hours expended for the year starting 1 July to date for each resource type, and

5.5.3. a forecast of the hours expected to be expended in the remainder of the year starting 1 July for each resource type.

5.6. **Upgrade and improvement services** are designed to provide a steady stream of work to the **Provider's** internal resources. Before engaging a contractor to perform any **Upgrade and improvement services** the **Provider** will obtain the **Authority's** prior consent (such consent not to be unreasonably withheld or delayed).

5.7. If, in a year, less than the number of hours agreed in accordance with paragraphs 5.1 and 5.2 of such services are used, the unused hours will be carried over to the following year.

5.8. The agreed number of hours are to be applied each year to **upgrade and improvement services** across the Reconciliation Manager, Clearing Manager, Pricing Manager, Extended Reserves Manager and/or WITS systems. If not enough **upgrade and improvement services** were agreed at the start of the year to use all of the agreed hours, then the hours may be applied to additional **upgrade and improvement services** as determined by the **Authority**, and agreed to by the

**Provider**, such agreement not to be unreasonably withheld or delayed, or carried over under paragraph 5.7.

5.9. **Upgrade and improvement services** will be provided by the **Provider** in accordance with this agreement as **services** for the purposes of this agreement.

6. **Mandatory Enhancements:** The **Provider** has planned for the development and implementation of the agreed mandatory enhancements to the **system** as specified in schedule 4 of the **agreement**. The system component of the Monthly Fee set out above includes the provision by the **Provider** for these enhancements. To the extent one or more of the mandatory enhancements is not supplied by 1 September 2018 the **fees** will be reduced by a rebate calculated in accordance with clause 7 (Changes) of this **agreement**, but the reduction will be at least the cost assigned to the applicable mandatory enhancement(s) detailed in schedule 4 adjusted by the ratio of the CPI for March 2018 divided by the CPI index for March 2016.

7. **Infrastructure lifecycle maintenance:** The **Provider** has planned for infrastructure lifecycle maintenance, and the infrastructure component of the Monthly Fee set out above includes the cost of this maintenance. The amount included for the infrastructure of the four market operations service provider agreements (WITS manager, Pricing Manager, Reconciliation Manager, and Clearing Manager) is \$680,000. If the **Provider** has not proceeded with infrastructure lifecycle maintenance to the full value of \$680,000 (indexed by CPI) by 1 July 2024, then the **fees** will be reduced by a rebate equal to the difference between \$680,000 (increased by the ratio of the CPI for March 2024 divided by the CPI index for March 2016) and the actual amount spent on infrastructure lifecycle maintenance. If the cost of the infrastructure maintenance exceeds \$680,000, the **Provider** will bear the cost of the excess.

02/09/2019 – end date amended from 01 July 2020 to 01 July 2024

8. **Third party innovation rebate:** For any third party innovation (provided under section 22 of the **non-functional specification**) where the **Provider's** client(s) pays a fee to the **Provider**, the **Authority** shall be rebated a portion of that fee. The amount and timing of the rebate to the **Authority** shall be agreed on a case by case at the time each third party innovation agreement is agreed with the **Provider's** client. The underlying principle by which each case is to be agreed is that where the fee:

8.1. is a one off fee, whether paid as one lump sum or paid as a series of payments with a fixed end date, the **Authority** will be rebated between 15-25% of the gross revenue for developing and implementing the service.

8.2. is a subscription type of fee, the **Authority** will be rebated between 15-25% of the gross subscription revenue.

9. **Termination Fee:** If this **agreement** is terminated in accordance with clauses 12.1.5 or 12.3 of this **agreement**, then the **Provider** may charge the **Authority** a termination fee calculated as follows:

Enhancement Termination fee = Enhancement cost x (Remaining months / 96)

Where:

Enhancement cost: the sum of the costs assigned to each mandatory enhancement listed in schedule 4 that has been fully commissioned in accordance with this **agreement** and the **software** change audit accepted by the **Authority**

Remaining months: the number of whole months from the date of termination or the end of any transition period, whichever is the later, until 30 June 2024

And:

Services Termination fee = (Services fee x 6) x (Remaining months / 96)

Where:

Services fee: the monthly Services fee in clause 2.1 payable in the month prior to termination

Remaining months: the number of whole months from the date of termination or the end of any transition period, whichever is the later, until 30 June 2024

10. **Software maintenance and support costs:** To avoid doubt, the **fees** cover all third party software maintenance and support costs for the **System** (to the extent that those costs are required for the **Provider** to perform its obligations under this **agreement**). The fees for new third party software including updates, provided by the **Provider** pursuant to a change under clause 7 of the **agreement** shall be passed through to the **Authority** at cost.

11. **Optional Enhancements:** The parties record that the **Provider** has offered to provide the optional enhancements to the **System** detailed in Schedule 4 for the indicative prices set out in Schedule 4 during the **Initial Term**. If the **Provider** is requested by the **Authority**, under clause 7 of the **agreement**, to provide costs for a **System** change for any of the following developments, the parties must follow the change management process in clause 7 of the **agreement** provided that the **Provider** must base any proposed changes to the **fees** on the indicative prices set out in Schedule 4 (adjusted for CPI). If any charges or prices proposed by the **Provider** for such a **System** change are 10% or more above the indicated pricing (adjusted for CPI) then the **Provider** must provide justification for the price difference to the reasonable satisfaction of the **Authority**. If the **Provider** does not demonstrate such a change to the **Authority's** reasonable satisfaction, any increase in pricing beyond 10% will not apply:

12. **Transfer of Infrastructure:** The parties shall execute a separate agreement before 30 April 2016 to govern the arrangements for transferring the **Authority** owned infrastructure equipment to the **Provider**. The principles of the agreement shall be :

12.1. all of the infrastructure and equipment used to provide the **services**, including supporting software and licences, will be transferred to the **Provider**; and

12.2. the consideration paid by the **Provider** to the **Authority** will be set by the **Authority** and will be no more than the book value of infrastructure and equipment at the date of that agreement, and no less than one dollar.

The **Provider** may charge a monthly fee to the **Authority** to recover the consideration paid to the **Authority**. The period of time over which the monthly instalments will be charged shall be agreed, but will be as short a period of time as possible depending on the **Authority's** available appropriation, and will cease once the **Provider** has recovered the consideration paid.