

# Schedule 1

## Schedule 14.4 amended

### Form 4: Fixed Price Variable Volume

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**.
- (4) The **parties** acknowledge this **hedge settlement agreement** is excluded from **washups** under clause 14.36 of the **Code**. Any revision in volume which the **parties** wish to be reflected in the settlement of the hedge must be resolved bilaterally between the **parties** outside of this **hedge settlement agreement** and with no facilitation obligations on the **clearing manager**.

#### 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**

**baseload** means the amount of **electricity** in **MWhs** that is to be excluded from the total reconciled **electricity** volume to calculate the **variable quantity**

**business day** means any day of the week except Saturdays, Sundays, **national holidays**, the day observed as Wellington Anniversary Day, and any other day from time to time declared by the **Authority** not to be a **business day** by notice to each **registered participant**

**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:

$$\text{fixed amount} = (\text{variable quantity percentage} \times \text{variable quantity}) \times \text{fixed price}$$

**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:

$$\text{floating amount} = (\text{variable quantity percentage} \times \text{variable quantity}) \times \text{floating price}$$

**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**

**maximum variable quantity** means the maximum amount in MWh that the **variable quantity** must not exceed

**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

**variable quantity** means, in relation to a **calculation period**, the amount of **MWhs** calculated using the following formula:

$$\text{variable quantity} = \text{lesser of: (total reconciled electricity volume for the calculation period} - \text{baseload) or maximum variable quantity}$$

**variable quantity percentage** means, in relation to the **variable quantity**, the percentage of the **variable quantity** to be hedged.

### 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**; and
- (c) the **clearing manager** must calculate the amounts to be payable by and to the **parties** and advise each **party** of those amounts by the 5<sup>th</sup> **business day** of the month following the **billing period**. If either **party** notifies the **clearing manager** in writing by the 7<sup>th</sup> **business day** of the month following the **billing period** of any issues with the amounts the **clearing manager** has advised are to be payable, the **clearing manager** will use reasonable endeavours to correct the issues before issuing invoices on the 9<sup>th</sup> **business day** of the month following the **billing period** under clause 14.18(2) of the **Code**.

#### 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

- (1) The **fixed price** is inclusive of any additional costs arising due to carbon charges.
- (2) Where the terms of this **hedge settlement agreement** include reference to—
  - (a) day, this means both **business days** and non-**business days**;
  - (b) weekday, this means a **business day**;
  - (c) weekend, this means non-**business days**.
- (3) Where daylight savings starts or ends during the **term** of this **hedge settlement agreement**, the **clearing manager** will calculate the **fixed amounts** and **floating amounts** for the days on which daylight savings starts or ends in the same way the **clearing manager** calculates the sale and purchase of **electricity** for these days.

**EXECUTION**

EXECUTED for and on behalf of [Party A] by:

.....  
[print name] [signature]

.....  
Position

in the presence of:

.....  
[signature]

.....  
Full Name

.....  
Address

.....  
Occupation

EXECUTED for and on behalf of [Party B] by:

.....  
[print name] [signature]

.....  
Position

in the presence of:

.....  
[signature]

.....  
Full Name

.....  
Address

.....  
Occupation

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

EXECUTED for and on behalf of Energy Clearing House Limited by:

.....  
[print name] [signature]

.....  
Position

in the presence of:

.....  
[signature]

.....  
Full Name

.....  
Address

.....  
Occupation

**SCHEDULE  
TERMS OF HEDGE SETTLEMENT AGREEMENT**

<b>Hedge settlement agreement terms</b>	
Commencement Date	[Insert date]
Expiry Date	[Insert date]
Fixed Price Payer	[Party A] [Party B]
Floating Price Payer	[Party A] [Party B]
Fixed Price	[\$[insert amount] /MWh
Baseload	[insert amount] MWh
Maximum variable quantity	[insert amount] MWh
Variable quantity percentage	[insert percentage]
Hedge Reference Point	[insert <b>grid exit point</b> ]