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## 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:

**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**

**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:

calculation period settlement amount = **notional quantity** x **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

(1) 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**.

(2) In relation to a billing period, 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 7th **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 **strike 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 **calculation period premium** and **calculation period settlement amounts** for these days in the same way the **clearing manager** calculates the sale and purchase of **electricity** for these days.





**SCHEDULE**  
**TERMS OF HEDGE SETTLEMENT AGREEMENT**

<b>Hedge settlement agreement terms</b>	
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] <b>MWh</b> for each <b>calculation period</b>
Strike Price	[\$[insert amount] / <b>MWh</b>
Calculation Period Premium	[\$[insert amount] for each <b>calculation period</b>
Hedge Reference Point	[insert <b>grid exit point</b> ]

**Electricity Industry Participation Code 2010**  
**Schedule 14.4**

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Schedule 14.4, Schedule to Form 2: amended, on 24 March 2015, by clause 21 of the Electricity Industry Participation Code Amendment (Settlement and Prudential Security) 2014.

Schedule 14.4, Form 2, clause 2 business day: inserted, on 1 March 2024, by clause 103 of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.

Schedule 14.4, Form 2, clause 3(2): inserted, on 1 March 2024, by clause 104 of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.

Schedule 14.4, Form 2, clause 5: replaced, on 1 March 2024, by clause 105 of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.