

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**

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:

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

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**; 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 5th **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 9th **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.

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

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

Schedule 14.4, Schedule to Form 1: amended, on 24 March 2015, by clause 20 of the Electricity Industry Participation Code Amendment (Settlement and Prudential Security) 2014.

Schedule 14.4, Form 1, clause 2 **business day**: inserted, on 1 March 2024, by clause 100 of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.

Schedule 14.4, Form 1, clause 3(b): amended, on 1 March 2024, by clause 101(a) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.

Schedule 14.4, Form 1, clause 3(c): inserted, on 1 March 2024, by clause 101(b) of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.

Schedule 14.4, Form 1, clause 5: replaced, on 1 March 2024, by clause 102 of the Electricity Industry Participation Code Amendment (Code Review Programme) 2024.