

## Clearing and Settlement

### Settlement Default Process and Communications

The market settles on the 20<sup>th</sup> of the month (or the next business day if the 20<sup>th</sup> does not fall on a business day). Participants are required to deposit cleared funds into the settlement account by 1300 hrs on settlement day.

The clearing manager subsequently makes same day cleared funds payments to participants by 1600 hrs.

A participant is in default if funds due are not received by 1300 hrs.

This document explains the process the clearing manager follows to minimise the impact on participants in a default situation.

#### The default process – settlement day

If payment is not received by the clearing manager from a party by 1300 hrs on settlement day, the clearing manager takes steps to:

- notify and seek payment from the defaulting party,
- advise the Electricity Authority,
- mitigate the financial impact to other participants, and
- advise participants if there is risk of reduced payment.

In an event of default, the clearing manager immediately contacts the defaulting party and notifies them of their default and seeks information on planned payment. NZX management and the Electricity Authority are also notified.

The clearing manager calculates the shortfall after first netting any payments due to the defaulting party. If a shortfall remains after netting, the clearing manager calculates scaled amounts payable for each participant.

While scaled amounts payable are being calculated, the clearing manager will access any available cash collateral. (Note that letters of credit cannot be negotiated the same day).

Participants are notified of the default and the potential for a reduction in amounts paid by the clearing manager.

The clearing manager pays all available funds to the participants by 1600 hrs.

#### Communication with the market

If default occurs *and* the clearing manager determines that scaling of amounts payable may be necessary, the clearing manager will email participants at the address provided to the clearing manager. This communication will include:

- Notification of a default in the market.
- Information on the clearing manager's expectations with regard to the likelihood of scaled payments.
- Information as to the degree to which payments would be reduced if scaled payment is necessary.
- Further communications will provide updates.

The clearing manager will not identify the defaulting party nor the amount of default. The clearing manager will contact the defaulting party and remain in contact with that party until the default has been resolved.

For more information regarding default, please see clauses 14.44 -14.65 of the Code or contact the clearing manager at [cm@nzx.com](mailto:cm@nzx.com)