Electricity Industry Participation Code Amendment (Clearing Manager to Settle Fixed Price Variable Volume Hedges) 2025

Under section 38 of the Electricity Industry Act 2010, and having complied with section 39 of that Act, I make the following amendment to the Electricity Industry Participation Code 2010.

At Wellington on the __30____ day of April 2025

Anna Kominik
Chair
Electricity Authority

Certified in order for signature:

Nichola Lambie	Nick Crang
Manager – Legislation	Partner
Electricity Authority	Duncan Cotterill
29 April 2025	28 April 2025

Contents

Amendment

1 Title

This is the Electricity Industry Participation Code Amendment (Clearing Manager to Settle Fixed Price Variable Volume Hedges) 2025.

2 Commencement

This amendment comes into force on 1 January 2026.

3 Code amended

This amendment amends the Electricity Industry Participation Code 2010.

4 Clause 14.36 amended (Clearing manager to conduct washups)

After clause 14.36(1), insert:

“(2) Subclause (1) does not apply to **hedge settlement agreements** that are submitted to the **clearing manager** in the form set out in Form 4 in Schedule 14.4.”

5 Schedule 14.4 amended

In Schedule 14.4, after Form 3: Cap/Floor Average Price, insert Form 4: Fixed Price Variable Volume in Schedule 1 of this amendment.

Explanatory Note

This note is not part of the amendment, but is intended to indicate its general effect.

This amendment to the Electricity Industry Participation Code 2010 (“Code”) comes into force on 1 January 2026.

The amendment amends Part 14 of the Code as part of the Electricity Authority’s Code amendment omnibus number four to permit the clearing manager to settle fixed price variable volume (“FPVV”) hedges using a new form of hedge settlement agreement. The hedge settlement agreement will cater for different types of FPVV hedges.

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:

> fixed amount = (**variable quantity percentage** x **variable quantity**) x **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:

> floating amount = (**variable quantity percentage** x **variable quantity**) x **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:

> **variable quantity** = lesser of: (total reconciled **electricity** volume for the calculation period – **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 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.

EXECUTION

[Execution Block Party A]

[Execution Block Party B]

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

[Execution Block clearing manager]

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]
Fixed Price	$[insert amount] /**MWh**
Baseload	[insert amount] MWh
Maximum variable quantity	[insert amount] MWh
Variable quantity percentage	[insert percentage]
Hedge Reference Point	[insert **grid exit point**]