

**COMPARISON OF PROPOSED NEW PART 14A (PRUDENTIAL REQUIREMENTS) AND CURRENT PRUDENTIAL REQUIREMENTS IN PART 14**

Proposed new provision	Related current provision	Comments
<p><b>14A.1 Purpose of prudential requirements</b>                      The purpose of this Part is to impose prudential requirements on each participant who has incurred or will incur financial obligations under this Code to ensure that the participant can meet those obligations.</p>	<p><b>14.2 Object and administration of prudential requirements</b>                      (1) The purpose of the prudential requirements in this Part is to ensure that payers can meet their financial obligations under this Code.                      (2) The clearing manager is responsible for administering the prudential requirements set out in this Part.</p>	<p>Drafting changes.</p> <p>The term "payer" has been removed from this Part, and replaced with "participant" or similar, due to proposed changes to invoicing provisions in Part 14 to provide for partial net settlement.</p> <p>Subclause (2) of current clause 14.2 has been removed because it is unnecessary.</p>
<p><b>14A.2 Participants must comply with prudential requirements</b>                      (1) Before incurring any financial obligations under this Code, a participant must comply with prudential requirements in this Part.                      (2) A participant complies with prudential requirements in this Part in 1 of the following ways:                      (a) by maintaining an acceptable credit rating under clause 14A.3:                      (b) by providing acceptable security that complies with clause 14A.4.</p>	<p><b>14.3 Payers must satisfy prudential requirements</b>                      (1) Before a payer may purchase, and at all times while it purchases, electricity or ancillary services under this Code, that payer must meet the prudential requirements by—                      (a) maintaining an acceptable credit rating in accordance with clause 14.6; or                      (b) providing to the clearing manager, and maintaining, acceptable security under clause 14.5.                      (2) Before a payer may purchase an FTR, and at all times while it has any obligations in relation to an FTR, the payer must meet the prudential requirements as set out in subclause (1).</p> <p><b>14.4 Acceptable credit rating satisfies prudential requirements</b>                      If a payer satisfies the clearing manager that it has an acceptable credit rating, the payer is not required to provide any security under clause 14.5 at the same time.</p>	<p>Drafting changes/clarifications.</p>

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<p><b>14A.3 Acceptable credit rating</b></p> <p>(1) For the purposes of this Part, a person has an acceptable credit rating if—</p> <p>(a) the person has a long-term credit rating no lower than—</p> <p>(i) A3 (Moody's Investor Services Inc.); or</p> <p>(ii) A- (Standard &amp; Poor's Rating Group); or</p> <p>(iii) B+ (AM Best); or</p> <p>(iv) A- (Fitch Ratings); and</p> <p>(b) in the case of a person who has a credit rating at the minimum level required under paragraph (a), the person is not subject to negative credit watch (or any equivalent arrangement) by the agency that gave the credit rating.</p> <p>(2) The clearing manager may require a participant whose compliance with prudential requirements in this Part is dependent on the credit rating of a person to provide evidence of the person's credit rating.</p> <p>(3) The participant must provide the evidence required by the clearing manager.</p>	<p><b>14.6 Acceptable credit rating and security</b></p> <p>(1) For the purposes of clauses 14.3(1)(a), 14.4, 14.5(b) to (d), and 14.7(2)(a), an acceptable credit rating means that a payer, surety, bank or guarantor of the payer (as the case may be)—</p> <p>(a) must carry a long term credit rating of at least—</p> <p>(i) A3 (Moody's Investor Services Inc.); or</p> <p>(ii) A- (Standard &amp; Poors Ratings Group); or</p> <p>(iii) B+ (AM Best); or</p> <p>(iv) A- (Fitch Ratings); and</p> <p>(b) if it carries a credit rating at the minimum level required by paragraph (a), must not be subject to negative credit watch or any similar arrangement by the agency that gave it the credit rating.</p> <p>(2) Each payer must provide such evidence as the clearing manager may from time to time reasonably require in order to determine whether that payer, surety, bank or guarantor of that payer has an acceptable credit rating in terms of this clause.</p> <p>(3) For the purposes of clause 14.3(1)(b), "acceptable security" means valid, effective and enforceable security set out in, and complying with, clause 14.5.</p>	<p>Drafting changes/clarifications.</p> <p>Subclause (3) of the current clause 14.6 has not been included as it is not necessary.</p> <p>Subclause (4) of the current clause 14.6 (about a payer's security agreement) is in clause 2 of the Schedule.</p>
<p><b>14A.4 Acceptable security</b></p> <p>(1) A participant provides acceptable security by—</p> <p>(a) providing an acceptable form of security in accordance with Part 1 of Schedule 14A.1; and</p> <p>(b) providing security for an amount that is no less than the amount required under clause 14A.[6].</p> <p>(2) If a participant has financial obligations under this Code in respect of 1 or more hedge settlement agreements that exceed its other financial obligations under this Code by the amount calculated under [clause 11 of Schedule 14A.1], the calculation of the</p>	<p><b>14.5 Acceptable forms of security</b></p> <p>A payer who is required to provide acceptable security under clause 14.3(1)(b) must—</p> <p>...</p> <p>(h) take any other action the Authority reasonably requires in respect of the validity, enforceability and effectiveness of the security being provided under this clause.</p>	<p>Changes to provide for the new structure of the Part, and new requirement to provide security based on the clearing manager's forward estimate (proposed new clauses 14A.5 and 14A.6).</p> <p>The new subclause (2) provides for different prudential obligations to be imposed on participants who are primarily HSA traders.</p>

Proposed new provision	Related current provision	Comments
<p>minimum amount for which security is required to be provided by the <b>participant</b> must comply with [clause 11 of Schedule 14A.1].</p> <p>(3) A <b>participant</b> who provides acceptable security must do anything the <b>Authority</b> requires to ensure that the security is valid, enforceable, and effective.</p>		
<p><b>14A.5 Clearing manager must determine forward estimate of minimum security</b></p> <p>(1) At least once in every <b>business day</b>, the <b>clearing manager</b> must determine a forward estimate of the minimum amount for which security will be required to be provided by a <b>participant</b> under this Part on each of the next 3 <b>business days</b> in accordance with Part 2 of Schedule 14A.1.</p> <p>(2) The <b>clearing manager</b> must formulate and <b>publish</b> a methodology for determining the forward estimate under subclause (1).</p> <p>(3) The consultation and approval requirements set out in [Schedule 14.2] apply to the methodology.</p>	<p><b>14.18 Clearing manager to assess and call for minimum level of security</b></p> <p>(1) If a <b>payer</b> is required to provide security under clause 14.5, the <b>clearing manager</b> must determine, in accordance with clause 14.19, the minimum amount of that security at least once in every week.</p> <p>(2) The <b>clearing manager</b> must determine the initial amount of security for <b>ancillary services</b> for a new <b>payer</b> in consultation with the <b>system operator</b>.</p> <p>(3) Following each determination under subclauses (1) or (2), the <b>clearing manager</b> must, unless it determines that the existing minimum level of security should either reduce or remain unchanged, give written notice to the <b>payer</b> requiring it to provide security in an amount of at least the minimum determined by the <b>clearing manager</b> (a <b>call</b>). In making such a <b>call</b>, the <b>clearing manager</b> must set out the grounds upon which the <b>clearing manager</b> has based its determination.</p> <p>...</p> <p>(5) Failure to satisfy a <b>call</b> made under this clause constitutes an event of default.</p>	<p>The proposed new clause 14A.5 replaces the current call provisions in clause 14.18.</p> <p>Subclause (2) of the current clause 14.18 has been amended (to remove the requirement for consultation with the system operator) and included in the proposed methodology under Schedule 14A.1 (see clause 10(7) of Schedule 14A.1).</p>
<p><b>14A.6 Participant must provide minimum security required</b></p> <p>(1) Each <b>participant</b> who is required to provide acceptable security under this Part must provide security for an amount that is the lowest of all of the estimates determined by the <b>clearing manager</b> for the</p>	<p><b>14.18 Clearing manager to assess and call for minimum level of security</b></p> <p>(4) A <b>payer</b> who receives notice of a <b>call</b> made under subclause (3) must satisfy that <b>call</b> by 1600 hours 3 <b>business days</b> following the <b>business day</b> on which the notice of the <b>call</b> was received.</p>	<p>The proposed new clause 14A.6 is essentially a new requirement (to replace the current call provisions in clause 14.18).</p>

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<p><b>participant</b> for that <b>business day</b>.</p> <p>(2) The <b>participant</b> must provide security for the amount required under subclause (1) no later than 1600 hours on the relevant <b>business day</b>.</p>		
<p><b>14A.7 Participant</b> may change form of security</p> <p>The <b>clearing manager</b> must release a <b>participant's</b> existing security <b>when the participant provides a</b> different form of security notified under this clause, if <b>the participant</b>—</p> <p>(a) gives the <b>clearing manager</b> notice of its intention to substitute a different form of security for any security provided by it to the <b>clearing manager</b>; and</p> <p>(b) has not committed an <b>event of default that has not been remedied</b>; and</p> <p>(c) satisfies the <b>clearing manager</b> that—</p> <p>(i) the proposed new form of security <b>is an acceptable form of security under Part 1 of [Schedule 14A.1]</b>; and</p> <p>(ii) the security provided by the <b>participant</b> will continue to be for an amount that is <b>no less than the amount required under clause [14A.6]</b>.</p>	<p><b>14.13 Payer</b> may change form of security</p> <p>The <b>clearing manager</b> must release <b>the payer's</b> existing security <b>upon provision by the payer of the</b> different form of security notified under this clause, if <b>a payer</b>—</p> <p>(a) gives the <b>clearing manager at least 2 business days' notice</b> of its intention to substitute a different form of security for any security provided by it to the <b>clearing manager</b>; and</p> <p>(b) has not committed an <b>unremedied event of default</b>; and</p> <p>(c) satisfies the <b>clearing manager</b> that the proposed new form of security <b>meets the requirements in clauses 14.5 and 14.18 to 14.22</b>.</p>	<p>Drafting changes.</p> <p>The requirement to provide at least 2 business days' notice has been removed.</p> <p>The changes to paragraph (c) are not substantive.</p>
<p><b>14A.8 Reductions and releases</b></p> <p>The <b>clearing manager</b> must reduce or release a <b>participant's</b> existing security to the extent requested by the <b>participant</b>, if the <b>participant</b>—</p> <p>(a) gives the <b>clearing manager</b> notice that it seeks a partial or complete reduction or release of any security provided by it to the <b>clearing manager</b>; and</p> <p>(b) has not committed an <b>event of default that has not been remedied</b>; and</p> <p>(c) satisfies the <b>clearing manager</b> that, following</p>	<p><b>14.14 Reductions and releases</b></p> <p>The <b>clearing manager</b> must reduce or release a <b>payer's</b> existing security to the extent requested by the <b>payer</b>, if the <b>payer</b>—</p> <p>(a) gives the <b>clearing manager at least 2 business days' notice</b> that it seeks a partial or complete reduction or release of any security provided by it to the <b>clearing manager</b>; and</p> <p>(b) has not committed an <b>unremedied event of default</b>; and</p> <p>(c) satisfies the <b>clearing manager</b> that, following</p>	<p>Drafting changes.</p> <p>The requirement to provide at least 2 business days' notice has been removed.</p> <p>The changes to paragraph (c) are not substantive.</p>

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<p>the reduction or release of the security, it will—</p> <p>(i) continue to meet the requirements in [clause 14A.4]; or</p> <p>(ii) meet the requirements in [clause 14A.3].</p>	<p>the reduction or release of the security, it will continue to meet the requirements in clauses 14.5 and 14.18 to 14.22, or that it will meet the requirements in clause 14.4.</p>	
<p><b>14A.9 Release of security on ceasing to be participant</b> The <b>clearing manager</b> must release a <b>participant's</b> existing security if the <b>participant</b>—</p> <p>(a) gives the <b>clearing manager</b> notice of it ceasing to be a <b>participant</b>; and</p> <p>(b) ceases to be a <b>participant</b> and the <b>Authority</b> advises the <b>clearing manager</b> that the <b>person</b> has ceased to be a <b>participant</b>; and</p> <p>(c) has paid all amounts that it owes under this Code (excluding, for the avoidance of doubt, any <b>washup</b> amount that has not yet been invoiced).</p>	<p><b>14.16 Release of security on ceasing to be participant</b> The <b>clearing manager</b> must release a <b>payer's</b> existing security if the <b>payer</b>—</p> <p>(a) ceases to be a <b>participant</b> and the <b>Authority</b> advises the <b>clearing manager</b> that the <b>payer</b> has ceased to be a <b>participant</b>; and</p> <p>(b) gives the <b>clearing manager</b> at least 2 <b>business days'</b> notice of it ceasing to be a <b>participant</b>; and</p> <p>(c) has paid all amounts that it owes under this Code (excluding, for the avoidance of doubt, any <b>washup</b> amount that has not yet been invoiced).</p>	<p>Drafting changes.</p> <p>The requirement to provide at least 2 business days' notice has been removed.</p> <p>Paragraphs (a) and (b) have been switched around.</p>
<p><b>14A.10 Clearing manager to release security within 1 business day</b></p> <p>(1) If a <b>participant</b> becomes entitled under [clauses 14A.7, 14A.8, 14A.9 or 14A.23] to a reduction or release of any security, the <b>clearing manager</b> must reduce or release that security within 1 <b>business day</b> of the <b>participant</b> becoming entitled to that reduction or release.</p> <p>(2) If a <b>cash deposit</b> is to be reduced or refunded under subclause (1), the <b>clearing manager</b> must pay the amount of the reduction or refund to a <b>bank</b> account nominated by the <b>participant</b> for that purpose.</p>	<p><b>14.17 Clearing manager to release security within 1 business day</b></p> <p>(1) If a <b>payer</b> becomes entitled under clauses 14.13, 14.14, 14.16 or 14.29 to a reduction or release of any security, the <b>clearing manager</b> must reduce or release that security within 1 <b>business day</b> of the <b>payer</b> becoming entitled to that reduction or release.</p> <p>(2) If a <b>cash deposit</b> is to be reduced or refunded under subclause (1), the <b>clearing manager</b> must pay the amount of the reduction or refund to a <b>bank</b> account nominated by the <b>payer</b> for that purpose.</p>	<p>"Payer" replaced with "participant".</p>
<p><b>14A.11 Cash deposit accounts</b></p> <p>(1) The <b>clearing manager</b> must establish, in <b>the clearing manager's</b> name, 2 or more interest bearing <b>cash deposit accounts</b>.</p>	<p><b>14.7 Cash deposit accounts to be established by clearing manager</b></p> <p>(1) The <b>clearing manager</b> must establish, in <b>its</b> name, 2 or more interest bearing <b>cash deposit accounts</b>.</p>	<p>Drafting changes/clarifications. The reference to the operating account has been removed as it is unnecessary, and the reference to the</p>

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<p>(2) The <b>cash deposit accounts</b> must be—</p> <p>(a) held with <b>more than 1 bank</b> that <b>each</b> has and maintains <b>an acceptable credit rating in accordance with</b> clause 14A.3(1); and</p> <p>(b) clearly identified as such and be entirely separate from any other <b>bank</b> account of the <b>clearing manager</b>.</p> <p>(3) The <b>clearing manager</b> must obtain acknowledgement from each <b>bank</b> with which it has a <b>cash deposit account</b>, that the <b>cash deposits</b> are held on trust in the <b>cash deposit accounts</b> for the purposes <b>of</b> clause 14A.[13], and that the <b>bank</b> has no right of set-off or right of combination in relation to the <b>cash deposits</b>.</p>	<p>(2) The <b>cash deposit accounts</b> must be—</p> <p>(a) held with <b>banks</b> that <b>have</b> and maintain acceptable credit ratings <b>as defined in</b> clause 14.6; <b>or</b></p> <p>(b) <b>with more than 1 such bank; and</b></p> <p>(c) clearly identified as such and entirely separate <b>from the operating account, the FTR account,</b> and any other <b>bank</b> account of the <b>clearing manager</b>.</p> <p>(3) The <b>clearing manager</b> must obtain acknowledgement from each <b>bank</b>, with which it has a <b>cash deposit account</b>, that the <b>cash deposits</b> are held on trust in the <b>cash deposit accounts</b> for the purposes <b>set out in</b> clause 14.9 and that the <b>bank</b> has no right of set-off or right of combination in relation to the <b>cash deposits</b>.</p>	<p>FTR account has been removed due to the proposed move to partial net settlement.</p>
<p><b>14A.12 Cash deposits to be paid into cash deposit accounts</b></p> <p>(1) <b>Every cash deposit</b> received by the <b>clearing manager</b> must be paid by the <b>clearing manager</b> immediately into the <b>cash deposit accounts</b>.</p> <p>(2) Each <b>cash deposit</b> must be held between <b>cash deposit accounts</b> in <b>approximately</b> equal amounts.</p> <p>(3) <b>If a cash deposit is debited under this Part, the clearing manager must ensure that the debit is allocated on a pro rata basis from each cash deposit account.</b></p>	<p><b>14.8 Cash deposits to be paid into cash deposit accounts</b></p> <p><b>All cash deposits</b> received by the <b>clearing manager</b> must be paid by the <b>clearing manager</b> immediately into the <b>cash deposit accounts</b>. Each <b>cash deposit</b> must be held <b>equally</b> between <b>cash deposit accounts</b>.</p>	<p>Change to enable the clearing manager to hold cash deposits between accounts in approximately equal amounts (rather than exactly equal).</p> <p>The new subclause (3) is based on the current clause 14.9(a) (see below).</p>
<p><b>14A.13 Cash deposits to be applied subject to conditions</b></p> <p>The <b>clearing manager</b> must hold each <b>cash deposit</b> in the <b>cash deposit accounts</b> on trust to be applied, subject to this Code, only in accordance with the following:</p> <p>(a) following any <b>event of default</b>, the <b>clearing manager</b> must <b>use</b> such amount of the</p>	<p><b>14.9 Cash deposits to be applied subject to conditions</b></p> <p>The <b>clearing manager</b> must hold each <b>cash deposit</b> in the <b>cash deposit accounts</b> on trust to be applied, subject to this Code, only in accordance with the following:</p> <p>(a) following any <b>event of default</b>, the <b>clearing manager</b> must <b>transfer to the operating</b></p>	<p>Drafting changes.</p> <p>Sentence in paragraph (a) moved to clause 14A.12(3) (see above).</p> <p>The reference to the operating account has been removed as it is unnecessary, and the reference to the</p>

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<p>defaulter's <b>cash deposit</b> as is necessary or available in order to satisfy (to the extent possible) any amounts that may be due and owing by the defaulter to the <b>clearing manager</b> under this Code:</p> <p>(b) if there has been no <b>event of default</b> that <b>has not been remedied</b>, the <b>participant</b> who provided the <b>cash deposit</b> is entitled to be paid the part of the <b>cash deposit</b> that has not been transferred under paragraph (a) in accordance with [clauses 14A.7, 14A.8, 14A.9, or 14A.23]:</p> <p>(c) <b>to satisfy an amount payable under clause 14.[33] if the participant satisfies the clearing manager that, immediately following the application of the cash deposit, it will continue to comply with prudential requirements in this Part:</b></p> <p>(d) the <b>participant</b> is not entitled to receive back any part of its <b>cash deposit</b>, other than in accordance with this clause, irrespective of whether the <b>participant</b> is in liquidation, receivership, or subject to statutory management or other analogous situation.</p>	<p><b>account</b> such amount <b>on account</b> of the defaulter's <b>cash deposit</b> as is necessary or available in order to satisfy (to the extent possible) any amounts that may be due and owing by the defaulter to the <b>clearing manager</b> under this Code <b>that have not been transferred in accordance with paragraph (aa). Cash deposit accounts must be debited on a pro rata basis:</b></p> <p>(aa) following any <b>event of default</b>, the <b>clearing manager</b> must transfer to the <b>FTR account</b> such amount on account of the defaulter's <b>cash deposit</b> as is necessary or available in order to satisfy (to the extent possible) any amounts that may be due and owing by the defaulter to the <b>clearing manager</b> in respect of <b>FTRs</b> under this Code in accordance with clause 14.62A:</p> <p>(b) if there has been no <b>unremedied event of default</b>, the <b>payer</b> that provided the <b>cash deposit</b> is entitled to be paid the part of the <b>cash deposit</b> that has not been transferred under paragraph (a) in accordance with clauses 14.13, 14.14, 14.16, and 14.29:</p> <p>(c) the <b>payer</b> is not entitled to receive back any part of its <b>cash deposit</b>, other than in accordance with this clause, irrespective of whether the <b>payer</b> is in liquidation, receivership, or subject to statutory management or other analogous situation.</p>	<p>FTR account has been removed due to the move to partial net settlement.</p> <p>New paragraph (d) added to provide for cash deposits to be used to satisfy amounts owing to the clearing manager.</p>
<p><b>14A.14 Interest on cash deposits</b></p> <p>(1) Subject to [clauses 14A.13 and 14A.15], the <b>clearing manager</b> must credit to each <b>participant</b> on behalf of whom the <b>clearing manager</b> holds a <b>cash deposit</b> all interest <b>received by the clearing manager</b> on the</p>	<p><b>14.10 Interest will be earned on cash deposits</b></p> <p>(1) Subject to clauses 14.9(a) and 14.11, a <b>payer</b> is entitled to the interest <b>earned in accordance with subclause (2) on its cash deposit</b>. If a <b>payer</b> does not wish the interest to accumulate in the <b>cash deposit</b></p>	<p>Drafting changes/clarifications.</p>

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<p><b>cash deposit</b>, less any <b>applicable</b> deduction for tax purposes.</p> <p>(2) <b>Subject to subclause (3)</b>, if a <b>participant</b> does not wish the interest to accumulate in the <b>cash deposit accounts</b>, the <b>clearing manager</b> must, at the request of the <b>participant</b>, pay the interest (less any <b>applicable</b> deduction for tax purposes) within 2 <b>business days</b> of the end of the month to a <b>bank</b> account nominated by the <b>participant</b> for this purpose.</p> <p>(3) <b>Subclause (2) does not apply if</b> the <b>participant</b> has committed an <b>event of default that has not been remedied</b>.</p>	<p><b>accounts</b>, <b>then</b> the <b>clearing manager</b> must, at the request of the <b>payer</b>, <b>provided that</b> the <b>payer</b> has <b>not</b> committed an <b>unremedied event of default</b>, pay the interest (less any deduction for <b>resident withholding tax</b>) within 2 <b>business days</b> of the end of the month to a <b>bank</b> account nominated by the <b>payer</b> for this purpose.</p> <p>(2) <b>Interest on cash deposits accrues daily and must be calculated at the cash interest rate.</b></p>	
<p><b>14A.15 Fees and taxes payable by participants</b></p> <p>(1) A <b>participant</b> is liable to reimburse the <b>clearing manager</b> for all <b>bank</b> fees in relation to its <b>cash deposit</b> and any taxes that may from time to time be imposed either on its <b>cash deposit</b> or on interest earned on such <b>cash deposit</b>.</p> <p>(2) Such payments must be deducted by the <b>clearing manager</b> from any amounts paid to the <b>participant</b> under [clause 14A.14(2)].</p> <p>(3) If the amounts are less than the payments owed by that <b>participant</b> under this clause, the shortfall must be invoiced <b>separately by the clearing manager</b>.</p>	<p><b>14.11 Fees and taxes payable by payers</b></p> <p>(1) A <b>payer</b> is liable to reimburse the <b>clearing manager</b> for all <b>bank</b> fees in relation to its <b>cash deposit</b> and any taxes that may from time to time be imposed either on its <b>cash deposit</b> or on interest earned on such <b>cash deposit</b>.</p> <p>(2) Such payments must be deducted by the <b>clearing manager</b> from any amounts paid to the <b>payer</b> under clause 14.10(1).</p> <p>(3) If the amounts are less than the payments owed by that <b>payer</b> under this clause, <b>then</b> the shortfall must be invoiced <b>in accordance with clause 14.36</b>.</p>	<p>Change to provide for fees and taxes to be invoiced separately by the clearing manager, rather than under Part 14.</p> <p>Drafting changes.</p>
<p><b>14A.16 Information required from new purchasers</b></p> <p>Before a new <b>purchaser purchases electricity</b>, it must submit to the <b>clearing manager</b> either—</p> <p>(a) historical records of the quantity of <b>electricity</b> purchased and sold by that person before that person became a <b>purchaser</b>; or</p> <p>(b) if the <b>clearing manager</b> is not satisfied with the records provided under paragraph (a), or if there are no such records, a bona fide <b>business</b></p>	<p><b>14.23 Information required from new purchasers</b></p> <p>Before a new <b>purchaser commences trading</b>, it must submit to the <b>clearing manager</b> either—</p> <p>(a) historical records of the quantity of <b>electricity</b> purchased and sold by that person before that person became a <b>purchaser</b>; or</p> <p>(b) if the <b>clearing manager</b> is not satisfied with the records provided under paragraph (a), or if there are no such records, a bona fide <b>business</b></p>	<p>Drafting change/clarification.</p>



Proposed new provision	Related current provision	Comments
<p>plan prepared in good faith to permit a realistic estimate of the <b>purchaser's</b> future trading.</p>	<p>plan prepared in good faith to permit a realistic estimate of the <b>purchaser's</b> future trading.</p>	
<p><b>14A.17 Participants subject to prudential requirements must provide information to clearing manager</b></p> <p>(1) The clearing manager may require a <b>participant</b> who is required to comply with prudential requirements in this Part to provide, within any time specified by the <b>clearing manager</b>, any information that the <b>clearing manager</b> requires for the purposes of carrying out its functions under this Part.</p> <p>(2) A <b>participant</b> who is required to provide information to the <b>clearing manager</b> under subclause (1) must provide the information to the <b>clearing manager</b> by the date specified by the <b>clearing manager</b>.</p> <p>(3) Each <b>participant</b> who is required to comply with prudential requirements under this Part must provide the following information to the <b>clearing manager</b> immediately upon the <b>participant</b> becoming aware of the situation:</p> <p>(a) if the <b>participant</b> is a <b>purchaser</b>, any significant change to that <b>purchaser's business</b>, including a merger or acquisition, loss or gain of a <b>customer</b>, or sale or purchase of assets, that could significantly affect the quantity of <b>electricity</b> purchased or generated by the <b>participant</b> in its capacity as a <b>purchaser</b> or <b>generator</b> over the course of any <b>billing period</b>:</p> <p>(b) any change or likely change to the <b>participant's</b> credit rating (if the <b>participant</b> has a credit rating), regardless of whether or not the <b>participant</b> is relying on a credit rating as a prudential requirement in terms of [clause 14A.3]:</p> <p>(c) if a letter of credit, guarantee, or bond is</p>	<p><b>14.24 Payers must provide information to clearing manager</b></p> <p>Each <b>payer</b> must provide any information that the <b>clearing manager</b> or the <b>Rulings Panel</b> may from time to time reasonably require, and must provide the following information to the <b>clearing manager</b> immediately upon the <b>payer</b> becoming aware of the situation:</p> <p>(a) if the <b>payer</b> is a <b>purchaser</b>, any significant changes to that <b>purchaser's business</b>, including a merger or acquisition, loss or gain of a <b>customer</b>, or sale or purchase of assets, that would significantly affect the quantity of <b>electricity</b> purchased or generated by the <b>payer</b> in its capacity as a <b>purchaser</b> or <b>generator</b> over the course of any <b>billing period</b>:</p> <p>(b) any change or likely change to the <b>payer's</b> credit rating (if the <b>payer</b> has a credit rating), regardless of whether or not that the <b>payer</b> is relying on a credit rating as a prudential requirement in terms of clause 14.4:</p> <p>(c) if a letter of credit, guarantee or bond is provided, or <b>hedge settlement agreement is lodged</b>, in respect of the <b>payer</b> in accordance with clause 14.5—</p> <p>(i) any change or likely change to the credit rating of the provider of the guarantee, letter of credit or bond such that the provider's credit rating would, as a result, not be an acceptable credit rating as defined in clause 14.6; or</p> <p>(ii) any claim by the provider of the guarantee, letter of credit, bond or <b>hedge</b></p>	<p>Drafting changes and clarifications relating to the requirement to provide information. Requirement to provide information to the Rulings Panel has been removed.</p> <p>The requirement to provide adverse information in advance (under the current clause 14.26) has been broadened to cover all participants who owe an amount to the clearing manager (not just payers who purchase electricity or ancillary services).</p>

Proposed new provision	Related current provision	Comments
<p>provided in respect of the <b>participant</b> in accordance with [Part 1 of Schedule 14A.1]—</p> <p>(i) any change or likely change to the credit rating of the provider of the guarantee, letter of credit, or bond such that the provider's credit rating would, as a result, not be an acceptable credit rating as defined in [clause 14A.3]; or</p> <p>(ii) any claim by the provider of the guarantee, letter of credit, or bond that the guarantee, letter of credit, or bond provided has ceased to be valid and enforceable.</p> <p>(4) If, at any time, a <b>participant</b> believes that its financial position is likely to be materially adversely affected so that its ability to <b>pay an amount owing to the clearing manager under this Code</b> will be affected, the <b>participant</b> must provide the <b>clearing manager</b> with details of that fact immediately.</p>	<p><b>settlement agreement</b> that the guarantee, letter of credit, bond or <b>hedge settlement agreement</b> provided has ceased to be valid and enforceable.</p> <p><b>14.26 Adverse information will be notified in advance</b>  If, at any time, a <b>payer</b> reasonably believes that its financial position is likely to be materially adversely affected so that its ability to <b>purchase electricity or ancillary services</b> will be <b>consequently</b> affected, the <b>payer</b> must provide the <b>clearing manager</b> with details of that fact immediately.</p>	
<p><b>14A.18 System operator to provide information</b>  The <b>system operator</b> must provide the <b>clearing manager</b> with the following information immediately upon becoming aware of the information:</p> <p>(a) any likely significant change to any amount to be allocated to a <b>participant</b> in respect of <b>ancillary services</b>:</p> <p>(b) the amount incurred by a <b>participant</b> as a result of the <b>participant</b> causing an <b>under-frequency event</b>.</p>	<p><b>14.25 System operator to provide information</b>  The <b>system operator</b>, immediately upon becoming aware of the information <b>set out in this clause</b>, must provide the <b>clearing manager</b> with the following information:</p> <p>(a) any likely significant change to any amount to be allocated to a <b>payer</b> in respect of <b>ancillary services</b>:</p> <p>(b) the amount incurred by a <b>payer</b> as a result of that <b>payer</b> causing an <b>under-frequency event</b>.</p>	Drafting changes.
<p><b>14A.19 Clearing manager must keep information confidential</b>  The <b>clearing manager</b> must keep all information received by it under [clauses 14A.16 to 14A.18] confidential and the information must not be disclosed</p>	<p><b>14.27 Clearing manager must keep information confidential</b>  The <b>clearing manager</b> must keep all information received by it under clauses 14.23 to 14.26 confidential and the information must not be disclosed</p>	The words "or any other law" have been added to ensure that this clause is consistent with the Official Information Act.

Proposed new provision	Related current provision	Comments
<p>to any other person except—</p> <p>(a) with the written consent of the person who provided the information; <b>or</b></p> <p>(b) if the information is required to be disclosed to or by the <b>Rulings Panel</b> or the <b>Authority</b> under this Code, regulations made under section 112 of the <b>Act</b>, <b>or any other law</b>.</p>	<p>to any other person except with the written consent of the person who provided it, except if that information is required to be disclosed to or by the <b>Rulings Panel</b> or the <b>Authority</b> under this Code or regulations made under section 112 of the <b>Act</b>.</p>	
<p><b>14A.20 Clearing manager must provide information about cash deposits</b></p> <p>Each month the <b>clearing manager</b> must provide each <b>participant</b> who has provided a <b>cash deposit</b> with a statement regarding the balance of the <b>participant's cash deposit</b>.</p>	<p><b>14.12 Clearing manager must issue trust account statements each month</b></p> <p>Each month the <b>clearing manager</b> must <b>issue or procure the issue of</b> statements to each <b>payer</b> who has provided a <b>cash deposit</b> regarding the balance of <b>its cash deposit</b>.</p>	<p>Drafting changes/clarifications.</p>
<p><b>14A.21 Clearing manager must provide information about required security</b></p> <p>(1) The <b>clearing manager</b> must provide each <b>participant</b> who is required to comply with prudential requirements under this Part with information about the amount for which security is required to be provided by the <b>participant</b> under clause 14A.[6].</p> <p>(2) The <b>clearing manager</b> must provide the information to the <b>participant</b> through the <b>information system</b>.</p>	<p><b>14.28 Clearing manager must report weekly</b></p> <p>Each week the <b>clearing manager</b> must provide—</p> <p>(a) each <b>payer</b> with a report detailing the amount estimated by the <b>clearing manager</b> under clause 14.19. The report must also state whether the <b>clearing manager</b> considers that an adjustment to the current level of security is likely to be required within the current or next <b>billing periods</b>. The <b>clearing manager</b> must summarise the grounds for its opinion in the weekly report; and</p> <p>(b) each <b>payee</b> with a report containing a summary of the position of all <b>payers</b>. The report must not identify any individual <b>payer</b>, unless identification is authorised by the <b>Authority</b>. Each report must include—</p> <p>(i) information of any increased or decreased levels of security required by the <b>clearing manager</b> under clauses 14.18 to 14.22, provided that, in the case of a decrease, the <b>payer</b> elects to</p>	<p>The requirement for the clearing manager to provide payee report has been removed.</p> <p>Changes to the drafting relating to information required to be provided to participants who are required to comply with the prudential requirements.</p>

Proposed new provision	Related current provision	Comments
	<p>withdraw the refund or reduce the amount or value of its guarantee, letter of credit, bond or <b>hedge settlement agreement</b>; and</p> <p>(ii) information relating to the behaviour of a <b>payer</b> that the <b>Authority</b> has authorised to be <b>published</b>; and</p> <p>(iii) notice of the occurrence of an <b>event of default</b> in relation to any <b>payer</b>.</p>	
<p><b>14A.22 Clearing manager must keep register of specified time periods</b></p> <p>(1) The <b>clearing manager</b> must keep a register of the following time periods for each <b>participant</b> who is required to comply with prudential requirements in this Part (except a <b>participant</b> to whom subclause (2) applies):</p> <p>(a) a prudential exit period determined in accordance with subclause (3):</p> <p>(b) a post-default exit period determined in accordance with subclause (4).</p> <p>(2) The <b>clearing manager</b> is not required to keep a register of time periods for a <b>participant</b> who is required to comply with prudential requirements in this Part only because the <b>participant</b> has an obligation in relation to 1 or more <b>FTRs</b>.</p> <p>(3) The prudential exit period for a <b>participant</b> is the number of <b>trading days</b> that elapse over the sum of the following:</p> <p>(a) <b>1 business day</b>:</p> <p>(b) the post-default exit period for the <b>participant</b>.</p> <p>(4) The post-default exit period for a <b>participant</b> is as follows, unless the <b>Authority</b> has approved a shorter period elected by the <b>participant</b>:</p> <p>(a) for a <b>retailer</b>, <b>13 business days</b>:</p> <p>(b) for a <b>direct purchaser</b>, <b>7 business days</b>:</p>	<p>No equivalent provision.</p>	<p>New clause provides for a register of time periods that are relevant to the calculation of a participant's prudential security.</p>

Proposed new provision	Related current provision	Comments
<p>(c) for a <b>participant</b> who is not a <b>retailer</b> or a <b>direct purchaser</b>, <b>7 business days</b>.</p> <p>(5) The post-default exit period for a <b>participant</b> begins from the day on which the <b>clearing manager</b> advises the <b>participant</b> under clause 14.[45] that the <b>participant</b> has committed an <b>event of default</b>.</p> <p>(6) A <b>participant</b> who has a shorter post-default exit period approved by the <b>Authority</b> may increase the period to no more than the number of <b>business days</b> set out in subclause (4) by giving <b>20 business days</b> notice to the <b>clearing manager</b>.</p>		
<p><b>14A.23 Disputes regarding prudential requirements</b></p> <p>(1) If a <b>participant</b> disputes a decision of the <b>clearing manager</b> made under [this Part], it may refer the matter to the <b>Rulings Panel</b>.</p> <p>(2) Until such time as the <b>Rulings Panel</b> makes a decision on the matter, all <b>participants</b> must comply with the decisions of the <b>clearing manager</b>.</p> <p>(3) If a dispute is referred to it under subclause (1), the <b>Rulings Panel</b> must, after hearing from the <b>participant</b> who disputed the <b>clearing manager's</b> decision and from the <b>clearing manager</b>, make a decision in accordance with [this Part].</p> <p>(4) If the <b>Rulings Panel</b> overturns or varies a decision by the <b>clearing manager</b>, the <b>clearing manager's</b> original decision, and the process that led to that decision, is not a breach of this Code by the <b>clearing manager</b>, unless the <b>Rulings Panel</b> determines that the <b>clearing manager's</b> decision was made negligently or in bad faith.</p>	<p><b>14.29 Disputes regarding prudential requirements</b></p> <p>(1) If a <b>participant</b> disputes a decision of the <b>clearing manager</b> made under clauses 14.2 to 14.28, it may refer the matter to the <b>Rulings Panel</b>.</p> <p>(2) Until such time as the <b>Rulings Panel</b> makes a decision on the matter, all <b>payers</b> must comply with the decisions of the <b>clearing manager</b>.</p> <p>(3) If a dispute is referred to it under subclause (1), the <b>Rulings Panel</b> must, after hearing from the <b>participant</b> that disputed the <b>clearing manager's</b> decision and from the <b>clearing manager</b>, make a decision in accordance with clauses 14.2 to 14.28.</p> <p>(4) If the <b>Rulings Panel</b> overturns or varies a decision by the <b>clearing manager</b>, the <b>clearing manager's</b> original decision, and the process that led to that decision, is not a breach of this Code by the <b>clearing manager</b>, unless the <b>Rulings Panel</b> determines that the <b>clearing manager's</b> decision was made negligently or in bad faith.</p>	<p>"Payers" replaced with "participants".</p>
<p><b>14A.24 Notices</b></p> <p>(1) Except as expressly provided in this Code, a notice or demand given or required to be given under this Part may be given by being delivered or transmitted to the</p>	<p><b>14.83 Notices</b></p> <p>(1) Except as expressly provided in this Code, a notice or demand given or required to be given under this Part may be given by being delivered or transmitted to the</p>	<p>Drafting changes/clarifications.</p> <p>The reference to facsimile transmission has been removed.</p>

Proposed new provision	Related current provision	Comments
<p>intended recipient at its address or electronic address as last advised in writing to the sender and may be posted to such address by prepaid post.</p> <p>(2) <b>Subject to</b> subclause (3),—</p> <p>(a) a notice or demand delivered by hand is deemed to be delivered on the date of such delivery; and</p> <p>(b) a notice or demand delivered by post is deemed to be delivered on the 2<sup>nd</sup> <b>business day</b> following the date of posting; and</p> <p>(c) a notice or demand transmitted through the <b>information system</b> is deemed to be delivered on the date it was transmitted.</p> <p>(3) Any notice or demand delivered, or deemed to be delivered, on a day that is not a <b>business day</b>, or after 1600 hours on a <b>business day</b>, is deemed to have been delivered on the next <b>business day</b>.</p>	<p>intended recipient at its address, electronic address <b>or facsimile number</b> as last advised in writing to the sender and may be posted to such address by prepaid post.</p> <p>(2) <b>If any such</b> notice or demand is delivered by hand, it is deemed to be delivered on the date of such delivery, if posted, it is deemed to be delivered on the 2<sup>nd</sup> <b>business day</b> following the date of posting and, if transmitted <b>by facsimile (in good order) or through the information system</b>, it is deemed to be delivered on the date it was transmitted, <b>except that</b> any notice or demand delivered, or deemed to be delivered, on a day that is not a <b>business day</b>, or after 1600 hours on a <b>business day</b>, is deemed to have been delivered on the next <b>business day</b>.</p>	
<b>Schedule 14A.1</b>		
<p><b>1 Acceptable forms of security</b> A <b>participant</b> may provide acceptable security in any of the following forms:</p> <p>(a) a <b>cash deposit</b> (see clause 2):</p> <p>(b) an unconditional guarantee or letter of credit (see clause 3):</p> <p>(c) a security bond (see clause 4):</p> <p>(d) another form of security (see clause 5):</p> <p>(e) a combination of the forms of security listed in paragraphs (a) to (d) that in aggregate secures the required amount.</p>	<p>Summary of clause 14.5, which is set out below.</p>	<p>Drafting change/clarification, as a result of the proposed structure of the new Part.</p>
<p><b>2 Cash deposit</b> (1) A <b>participant</b> must pay a <b>cash deposit</b> into the <b>cash</b></p>	<p><b>14.5 Acceptable forms of security</b> A <b>payer</b> who is required to provide acceptable</p>	<p>Drafting changes/clarifications. Paragraph (b) of new clause 2(3) has</p>

Proposed new provision	Related current provision	Comments
<p><b>deposit accounts</b> or to the <b>clearing manager</b>.</p> <p>(2) The <b>participant</b> must provide and maintain an acceptable <b>participant's</b> security agreement in respect of the <b>cash deposit</b>.</p> <p>(3) A <b>participant's</b> security agreement must—</p> <p>(a) be a security agreement as defined in <b>section 16(1)</b> of the Personal Property Securities Act 1999; and</p> <p>(b) <b>create a first ranking security interest in the participant's rights in relation to the cash deposit; and</b></p> <p>(c) <b>secure</b> the payment and performance obligation of the <b>participant</b> to the <b>clearing manager</b> under this <b>Code</b>; and</p> <p>(d) be <b>in a form</b> approved by the <b>Authority</b>.</p>	<p>security under clause 14.3(1)(b) must—</p> <p>(a) pay a <b>cash deposit, of the amount required by clauses 14.18 to 14.22</b>, into the <b>cash deposit accounts</b> or to the clearing manager and provide and maintain an acceptable <b>payer's</b> security agreement in respect of that <b>cash deposit</b>; or</p> <p><b>14.6 Acceptable credit rating and security</b></p> <p>...</p> <p>(4) For the purposes of clause 14.5(a), “<b>payer's</b> security agreement” means a security agreement as defined in the Personal Properties Securities Act 1999 <b>securing</b> the payment and performance of the obligations of the <b>payer</b> to the <b>clearing manager</b> under this <b>Part on terms</b> approved by the <b>Authority</b>.</p>	<p>been added to provide that the security agreement must create a first ranking security interest in the participant's rights in relation to the cash deposit.</p>
<p><b>3 Guarantee or letter of credit</b></p> <p>(1) A guarantee or letter of credit <b>must be given</b> in favour of the <b>clearing manager</b>.</p> <p>(2) A letter of credit is <b>only an acceptable form of security if it is given by a bank</b>.</p> <p>(3) A guarantee or letter of credit must be given on terms <b>as follows</b>, or as otherwise approved by the <b>Authority</b>:</p> <p>(a) <b>for a guarantee given by a bank</b>, the terms in Schedule 14A.2;</p> <p>(b) <b>for a guarantee given by another person</b>, the terms in Schedule 14A.3;</p> <p>(c) <b>for a letter of credit, the terms in Schedule 14A.4</b>.</p> <p>(4) A guarantee or letter of credit is <b>only an acceptable form of security while the person giving it has an acceptable credit rating as defined in [clause 14A.3]</b>.</p>	<p><b>14.5 Acceptable forms of security</b></p> <p>A <b>payer</b> who is required to provide acceptable security under clause 14.3(1)(b) must—</p> <p>...</p> <p>(b) <b>procure the provision and maintenance of an unconditional</b> guarantee or letter of credit in favour of the <b>clearing manager for the amount required by clauses 14.18 to 14.22</b>. The guarantee or letter of credit must be on the terms <b>set out</b> in Schedule 14.1 or Schedule 14.2, or as otherwise approved by the <b>Authority</b>, and <b>be provided by a bank that maintains an acceptable credit rating as defined in clause 14.6</b>; or</p> <p>(c) <b>procure the provision and maintenance of an unconditional third party</b> guarantee in favour of the <b>clearing manager for the amount required by clauses 14.18 to 14.22 provided the guarantee is on the terms set out</b> in Schedule</p>	<p>Drafting changes/clarifications.</p>

Proposed new provision	Related current provision	Comments
	14.3 or as otherwise approved by the <b>Authority</b> , and the <b>third party guarantor maintains</b> an acceptable credit rating as defined in clause 14.6; or	
<p><b>4 Security bond</b></p> <p>(1) A security bond <b>must be given</b> in favour of the <b>clearing manager</b>.</p> <p>(2) A security bond <b>must be given</b> on the terms in Schedule 14A.5 or as otherwise approved by the <b>Authority</b>.</p> <p>(3) <b>A security bond is only an acceptable form of security while</b> the surety <b>has</b> an acceptable credit rating as defined in [clause 14A.3].</p>	<p><b>14.5 Acceptable forms of security</b></p> <p>A <b>payer</b> who is required to provide acceptable security under clause 14.3(1)(b) must—</p> <p>...</p> <p>(d) <b>procure the provision and maintenance</b> of a security bond in favour of the <b>clearing manager for the amount required by clauses 14.18 to 14.22, provided</b> the bond is on the terms set out in Schedule 14.4 or as otherwise approved by the <b>Authority</b>, and the surety <b>maintains</b> an acceptable credit rating as defined in clause 14.6; or</p>	Drafting changes/clarifications.
<p><b>5 Other security</b></p> <p>(1) Any other form of security is <b>only an acceptable form of security if it has been</b> approved by the <b>Authority</b>.</p> <p>(2) <b>The Authority may approve another form of security if the Authority is satisfied that the form of security ensures that the relevant participant can meet its financial obligations under the Code to the same extent as if the participant provided a form of security specified in paragraphs (a) to (d) of clause 1.</b></p>	<p><b>14.5 Acceptable forms of security</b></p> <p>A <b>payer</b> who is required to provide acceptable security under clause 14.3(1)(b) must—</p> <p>...</p> <p>(f) provide any security <b>similar</b> to those listed in paragraphs (a) to (e), and approved by the <b>Authority as to type, terms, counterparty and amount from time to time, for the amount required by clauses 14.18 to 14.22; or</b></p> <p>(g) <b>provide any combination of the securities listed in paragraphs (a) to (f), totalling to the clearing manager's satisfaction the amount required by clauses 14.18 to 14.22; and</b></p>	<p>Drafting changes/clarifications.</p> <p>The reference to "similar" has been removed.</p> <p>Subclause (2) has been added to clarify the situations in which the Authority may approve another form of security, and reference to "as to type, terms, counterparty and amount" removed.</p> <p>Paragraph (g) of current clause 14.5 is included in clause 1 of Schedule 14A.1 (see above).</p>
<p><b>6 Determination of minimum security</b></p> <p>(1) The minimum <b>amount for which</b> security <b>is</b> required <b>to be provided by a participant under clause 14A.[6]</b></p>	<p><b>14.19 Determination of security level</b></p> <p>The <b>clearing manager</b> must determine the minimum <b>level of security required from a payer by assessing</b></p>	Changes due to new prudential requirements and structure of Part.



Proposed new provision	Related current provision	Comments
<p>is the sum of the following amounts:</p> <p>(a) the general prudential requirement calculated in accordance with clause 7:</p> <p>(b) the FTR prudential requirement calculated in accordance with clause 12.</p> <p>(2) If the sum of the amounts under subclause (1) is negative, the minimum amount for which security is required to be provided is 0.</p>	<p>the expected amount of the clearing manager's financial exposure to that payer based on the sum of the following amounts...</p>	
<p><b>7 General prudential requirement</b></p> <p>The general prudential requirement is the sum of the following amounts calculated in accordance with the methodology approved under [clause 8]:</p> <p>(a) the expected amount of the clearing manager's outstanding financial exposure to the participant; and</p> <p>(b) the exit period prudential margin for the participant.</p>	<p>No equivalent provision.</p>	<p>Changes due to new prudential requirements and structure of Part.</p>
<p><b>8 Methodology for determining general prudential requirement amounts</b></p> <p>(1) The clearing manager must formulate and publish a methodology for determining the amounts specified in [clause 7].</p> <p>(2) The methodology must comply with the requirements specified in clauses 9 to 11.</p> <p>(3) The consultation and approval requirements set out in [Schedule 14.2] apply to the methodology.</p>	<p>No equivalent provision.</p>	<p>Changes due to new prudential requirements and structure of Part.</p>
<p><b>9 Requirements for calculation of clearing manager's outstanding financial exposure to participant</b></p> <p>(1) The expected amount of the clearing manager's outstanding financial exposure to a participant is an estimate of all unsettled amounts incurred and earned by the participant in respect of amounts that are</p>	<p><b>14.19 Determination of security level</b></p> <p>... to that payer based on the sum of the following amounts:</p> <p>(a) the clearing manager's estimate of the amount (including GST) incurred, and to be incurred, by that payer in purchasing electricity;</p> <p>(b) the clearing manager's estimate of the amount</p>	<p>Changes to the calculation of the minimum amount for which security is required to be provided.</p> <p>Note: FTR prudential requirements are set out in new clause 12 below.</p> <p>The clause relating to washups has</p>

Proposed new provision	Related current provision	Comments
<p>owing to or by the <b>clearing manager</b> to the end of the last <b>trading day</b>, including the <b>clearing manager's</b> estimate of the following amounts:</p> <p>(a) the amount incurred or earned by the <b>participant</b> in purchasing and selling <b>electricity</b>:</p> <p>(b) the amount <b>incurred or earned</b> by the <b>participant</b> in relation to <b>ancillary services</b>:</p> <p>(c) the <b>net</b> amount incurred or earned by the <b>participant</b> in respect of any <b>hedge settlement agreement</b> lodged with the <b>clearing manager</b> under clause 14.[8]:</p> <p>(d) the amount of any <b>GST</b> payable by the <b>participant</b> in respect of the above amounts.</p> <p>(2) For the purposes of subclause (1), any amount prepaid by the <b>participant</b> under clause 14.[32] is not an unsettled amount.</p> <p>(3) The <b>clearing manager</b> must use <b>final prices</b> in calculating amounts under subclause (1) unless—</p> <p>(a) <b>final prices</b> are not available, in which case the <b>clearing manager</b> must use <b>interim prices</b>; or</p> <p>(b) <b>final prices</b> and <b>interim prices</b> are not available, or an <b>undesirable trading situation</b> has been claimed in respect of a <b>trading period</b> or <b>trading day</b> that is included in the <b>clearing manager's</b> estimate, in which case the <b>clearing manager</b> must use the price calculated in accordance with clause 10(2)(c) that is used in the methodology for determining the exit period prudential margin.</p> <p>(4) The <b>clearing manager</b> must take <b>washup</b> amounts that have been calculated by the <b>clearing manager</b> into account in estimating the amounts described in this clause.</p>	<p>(including <b>GST</b>) allocated, and to be allocated, to that <b>payer</b> in relation to <b>ancillary services</b>:</p> <p>(c) the <b>clearing manager's</b> estimate of the amount (including <b>GST</b>) earned, and to be earned, by that <b>payer</b> on account of gross revenue from sales of <b>electricity</b>:</p> <p>(d) the <b>clearing manager's</b> estimate of the amount (including <b>GST</b>) incurred or earned, and to be incurred or earned, by that <b>payer</b> in respect of any <b>hedge settlement agreement</b> lodged with the <b>clearing manager</b> under clause 14.5(e):</p> <p>(da) the <b>clearing manager's</b> estimate of an amount to be required by that <b>payer</b> in respect of any <b>FTR</b> in respect of which the <b>payer</b> is named in the <b>FTR register</b>, calculated in accordance with the methodology approved by the <b>Authority</b> under clause 14.19B—</p> <p>during the complete <b>billing period</b> that precedes the next date on which invoices are due for payment under clause 14.37(1) (“the next invoice payment date”), the period from the end of that <b>billing period</b> up to and including the next invoice payment date and the 7 days following the next invoice payment date:</p> <p>(db) the amount of any <b>FTR acquisition cost</b> due in respect of an <b>FTR</b>:</p> <p>(dc) any amount payable by that <b>payer</b> to the <b>clearing manager</b> under clause 13.249(4) minus any amount payable by the <b>clearing manager</b> to that <b>payer</b> under clause 13.249(7):</p> <p>(e) any amount that the <b>system operator</b> advises the <b>clearing manager</b> that a <b>payer</b> has incurred as a result of that <b>payer</b> causing an <b>under-frequency event</b>, where the <b>payer</b> has not yet paid that liability.</p>	<p>been amended so that the clearing manager is required to take known washup amounts into account in estimating amounts under new clause 9.</p>

Proposed new provision	Related current provision	Comments
	<p><b>14.22 Washup amounts not to be considered</b>            To avoid doubt, the <b>clearing manager must not</b> take <b>washup</b> amounts into account in estimating the amounts described in <b>clauses 14.19 or 14.21</b>.</p>	
<p><b>10 Requirements for exit period prudential margin</b></p> <p>(1) The exit period prudential margin for a <b>participant</b> is the <b>clearing manager's</b> estimate of the amount that the <b>participant</b> will incur and earn during the prudential exit period for the <b>participant</b> in respect of the following:</p> <ul style="list-style-type: none"> <li>(a) the sale and purchase of <b>electricity</b>;</li> <li>(b) <b>ancillary services</b>;</li> <li>(c) any <b>hedge settlement agreement</b> lodged with the clearing manager under clause 14.[8];</li> <li>(d) any <b>GST</b> payable in respect of the above amounts.</li> </ul> <p>(2) The estimated amounts to be incurred and earned by the <b>participant</b> in respect of the sale and purchase of <b>electricity</b> under subclause (1)(a) are based on—</p> <ul style="list-style-type: none"> <li>(a) the number of <b>trading days</b> in the prudential exit period for the <b>participant</b> determined under clause 14A.[22(3)]; and</li> <li>(b) the expected value of <b>electricity</b> to be purchased by the <b>participant</b> minus the expected value of <b>electricity</b> to be sold by the <b>participant</b> during that period based on the prices in paragraph (c); and</li> <li>(c) the sum of the following amounts:           <ul style="list-style-type: none"> <li>(i) the prices of <b>electricity</b> expected to apply during the quarter to which the calculation relates in accordance with subclauses (3) and (4);</li> <li>(ii) an amount determined as set out in subclause (5).</li> </ul> </li> </ul> <p>(3) In determining the prices under subclause (2)(c)(i),</p>	<p>No equivalent provision.</p>	<p>Changes to the calculation of the minimum amount for which security is required to be provided.</p>

Proposed new provision	Related current provision	Comments
<p>the <b>clearing manager</b> must use prices of <b>electricity</b> futures products that are available and that the <b>clearing manager</b> considers provide a reasonable estimate of the average price of <b>electricity</b> for the relevant quarter.</p> <p>(4) The <b>clearing manager</b> must determine the prices under subclause (2)(c)(i)—</p> <p>(a) for each quarter beginning 1 January, 1 April, 1 July, and 1 October; and</p> <p>(b) no later than 2 months before the beginning of each quarter.</p> <p>(5) The amount determined under subclause (2)(c)(ii) must—</p> <p>(a) be an amount expressed in \$/MWh of not less than \$0/MWh; and</p> <p>(b) be determined on the basis that the exit period prudential margin for a hypothetical <b>purchaser</b> who purchases a constant proportion of total <b>electricity</b> purchased from the <b>clearing manager</b> for every <b>trading period</b> is greater than the general exit period exposure for the <b>purchaser</b> on 75% of the days in the relevant quarter in a modeling period of 3 to 10 years selected by the <b>clearing manager</b>.</p> <p>(6) The <b>clearing manager</b> must determine the amount under subclause (2)(c)(ii)—</p> <p>(a) for each quarter in a calendar year; and</p> <p>(b) no later than 2 months before the beginning of each calendar year.</p> <p>(7) The methodology must specify how the clearing manager will estimate the initial amount of security for <b>ancillary services</b> for a new <b>participant</b>.</p> <p>(8) The expected amounts to be incurred and earned by the <b>participant</b> in respect of a <b>hedge settlement agreement</b> must be based on the price determined by the <b>clearing manager</b></p>		

Proposed new provision	Related current provision	Comments
under subclause (2)(c).		
<p><b>11 Requirements for exit period prudential margin for hedge settlement agreement participants</b></p> <p>(1) This clause applies if a <b>participant's</b> net <b>hedge settlement agreement</b> position in <b>MW</b> is larger than 3 times the greater of the following:</p> <p>(a) the total name plate capacity of all of the <b>participant's generating plant</b>:</p> <p>(b) the <b>participant's</b> average purchases of <b>electricity</b> over the last 12 months in <b>MW</b>:</p> <p>(c) the <b>participant's</b> average purchases of <b>electricity</b> over the last month in <b>MW</b>.</p> <p>(2) The <b>clearing manager</b> must determine the exit period prudential margin for a <b>participant</b> to whom this clause applies on the basis that, if the <b>participant</b> commits a <b>settlement default</b>, the <b>clearing manager</b> will have sufficient funds so that a reduction in payments under Part 14 is not necessary in 98% of such situations.</p> <p>(3) The <b>clearing manager</b> may use information provided by a new <b>purchaser</b> under clause 14A.[16] to assess whether this clause applies to the <b>purchaser</b>.</p> <p>(4) If a <b>participant</b> provides information to the <b>clearing manager</b> under clause 14A.[17(3)], the <b>clearing manager</b> may use the information to assess whether this clause applies to a <b>participant</b> if the <b>clearing manager</b> considers that the information will provide a more accurate result.</p>	No equivalent provision.	New clause to provide for different prudential obligations to be imposed on participants who are primarily HSA traders.
<p><b>12 FTR prudential requirement</b></p> <p>The <b>FTR</b> prudential requirement for a <b>participant</b> is the sum of the following amounts:</p> <p>(a) the <b>clearing manager's</b> estimate of an amount to be <b>incurred or earned by the participant</b> in</p>	<p><b>14.19 Determination of security level</b></p> <p>... to that <b>payer</b> based on the sum of the following amounts:</p> <p>...</p> <p>(da) the <b>clearing manager's</b> estimate of an amount</p>	Changes due to the proposed structure of the new Part and drafting changes/clarifications.

Proposed new provision	Related current provision	Comments
<p>respect of any <b>FTR</b> in respect of which the <b>participant</b> is named in the <b>FTR register</b>, calculated in accordance with the methodology approved by the <b>Authority</b> under [clause 13]:</p> <p>(b) the amount of any <b>FTR acquisition cost</b> in respect of an <b>FTR held by the participant</b>:</p> <p>(c) any amount payable by the <b>participant</b> to the <b>clearing manager</b> under clause 13.249(4) minus any amount payable by the <b>clearing manager</b> to that <b>participant</b> under clause 13.249(7).</p>	<p>to be <b>required by that payer</b> in respect of any <b>FTR</b> in respect of which the <b>payer</b> is named in the <b>FTR register</b>, calculated in accordance with the methodology approved by the <b>Authority</b> under clause 14.19B—</p> <p>during the complete <b>billing period</b> that precedes the next date on which invoices are due for payment under clause 14.37(1) (“the next invoice payment date”), the period from the end of that <b>billing period</b> up to and including the next invoice payment date and the 7 days following the next invoice payment date:</p> <p>(db) the amount of any <b>FTR acquisition cost due</b> in respect of an <b>FTR</b>:</p> <p>(dc) any amount payable by that <b>payer</b> to the <b>clearing manager</b> under clause 13.249(4) minus any amount payable by the <b>clearing manager</b> to that <b>payer</b> under clause 13.249(7):</p>	
<p><b>13 Methodology for determining minimum security required in respect of FTRs</b></p> <p>(1) The <b>clearing manager</b> must formulate and <b>publish</b> a methodology for determining the minimum <b>amount for which security is required to be provided</b> in relation to a matter set out in [clause 12(a)].</p> <p>(2) The methodology formulated by the <b>clearing manager</b> under subclause (1) must comply with the principle that the amount taken into account under [clause 12(a)] is an estimate of the <b>FTR hedge value</b> (being an amount that may be positive or negative) of the <b>FTR</b> at the time that the estimate is made and the potential for that value to change <b>before the clearing manager is able to realise the value of the FTR following an event of default committed by the holder of the FTR</b>.</p> <p>(3) The consultation and approval requirements set out in</p>	<p><b>14.19A Methodology for determining minimum level of security required in respect of FTRs</b></p> <p>(1) The <b>clearing manager</b> must formulate and <b>publish</b> a methodology for determining the minimum <b>level of security</b> required from a <b>payer</b> in relation to a matter set out in clause 14.19(da).</p> <p>(2) The methodology formulated by the <b>clearing manager</b> under subclause (1) must comply with the principle that the amount taken into account under clause 14.19(da) is an estimate of the <b>FTR hedge value</b> (being an amount that may be positive or negative) of the <b>FTR</b> at the time that the estimate is made and the potential for that value to change <b>prior to settlement</b>.</p>	<p>Change to subclause (2) in relation to the principle for the methodology.</p> <p>The consultation and approval requirements referred to in the new subclause (3) are the requirements currently set out in clauses 14.19B and 14.19C.</p>

Proposed new provision	Related current provision	Comments
[Schedule 14.2] apply to the methodology.		
<p><b>14 Information to be considered by clearing manager</b> In estimating the amounts described in <b>this Part</b>, the <b>clearing manager</b> may take into account a substantial change to a <b>participant's business</b>.</p>	<p><b>14.20 Information to be considered by clearing manager</b> In estimating the amounts described in <b>clause 14.19</b>, the <b>clearing manager</b> may take into account—</p> <ul style="list-style-type: none"> <li>(a) a substantial change to a <b>payer's business</b>; and</li> <li>(b) a substantial change in the price of <b>electricity</b>; and</li> <li>(c) any information that is relevant obtained by the <b>clearing manager</b> under clauses 14.23 to 14.26; and</li> <li>(d) quantities of <b>electricity</b> being purchased or generated by the <b>payer</b> in its capacity as a <b>purchaser</b> or <b>generator</b> under this Code, compared with any quantity previously purchased or generated or previously estimated (as the case may be); and</li> <li>(e) any advice from the <b>system operator</b> of any significant change in the costs of <b>ancillary services</b> allocated under clauses 8.55 to 8.59, 8.64 and 8.67.</li> </ul>	<p>This clause has been simplified as the Authority and the clearing manager did not consider that some of the paragraphs were necessary.</p>

Note: The remaining schedules of Part 14A are still being reviewed, so are not included in the above table. The form of hedge settlement agreement in Schedule 14.5 of the Code has been moved (with amendments) to the draft Part 14.