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FTR POLICY: REGISTRATION

SEPTEMBER 2023

VER. 3.1.7

Disclaimer

1.

EMS, as FTR Manager, will only accept a person as an FTR participant, and will only offer and issue FTRs to that person, if the person meets all of the following requirements:

- (a) Meets the prudential requirements in relation to FTRs set out in Part 14 of the Electricity Industry Participation Code 2010 (**Code**), as determined by the Clearing Manager under the Code.
- (b) Is a natural person resident in New Zealand, a body corporate that is incorporated in New Zealand, or a person with a branch office or other substantial physical presence in New Zealand through which it conducts its FTR participation.
- (c) Has provided EMS as FTR Manager with either:
 - (i) a current and valid eligible investor certificate under clause 41 of Schedule 1 of the Financial Markets Conduct Act 2013 (FMCA) in respect of the issue or sale of FTRs; or
 - (ii) a current and valid wholesale investor certificate under clause 44 of Schedule 1 of the FMCA.
- (d) Is registered by the Electricity Authority as an Industry Participant under section 9 of the Electricity Industry Act 2010 as a trader in electricity.
- (e) Agrees to the standard FTR participation agreement, **(authorised persons)**.

2. Information about FTRs made available by EMS through any medium (**FTR information**) is not:

- (a) advice on, or a recommendation of, FTRs or any other investment, financial product or risk management arrangement;
- (b) an offer or solicitation by EMS to issue or deal in FTRs or any other investment, financial product or risk management arrangement; or
- (c) directed to any person who is not an authorised person.

3. Clause 2(c) applies to all FTR information including FTR information that is or may be accessible to persons who are not authorised persons, for example on the Internet or by being distributed outside New Zealand by persons to whom EMS initially made the FTR information available. No recipient of FTR information is authorised to distribute it outside New Zealand.

4. Prior to any person acquiring, entering into or dealing in any investment, financial product or risk management arrangement they should obtain their own tax, legal and financial advice.

5. The FTR auction, reconfiguration auction and assignment facilities provided by EMS as FTR Manager are not licensed financial product markets under the FMCA or otherwise. However, those facilities and the FTR Manager are regulated under the Electricity Industry Act 2010, Electricity Industry (Enforcement) Regulations 2010 and Electricity Industry Participation Code 2010.

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Document History

Version	Date	Status	Edited By	Revision Description
0.1	30/11/2012	Released	EMS	Initial draft.
0.2	19/12/2012	Released	EMS	Updated from FUG feedback. 1. Updated section 2.2 registration steps to reflect new participation agreement process. 2. Updated section 3.1 registration process diagram to reflect new participation agreement process.
0.3	23/01/2013	Released	EMS	Added footnotes to Section 3.1, steps 4 to 6. Removed “draft policy” from document.
0.4	18/12/2013	Released	EMS	Removed references to pre FTR NZ go live
0.5	18/07/2014	Released	EMS	Updated references to Allocation Plan 2014
0.6	24/11/2014	Released	EMS	Updated Disclaimer to incorporate FMCA changes.
0.7	05/04/2016	Released	MM	Updated document links
3.1.6	27/09/2021	Released	EMS	Branding update
3.1.7	13/09/2023	Released	EMS	Link and minor updates

1. Introduction

Section 1.6 of the FTR Allocation Plan states that the FTR Manager will develop, publish, apply and regularly review FTR Policies detailing how it will implement the FTR Allocation Plan, including an FTR Policy on:

- Registration
- Use of the FTR Information System
- FTR Calendar
- Determining the FTR Grid
- Application of Prudential Requirements

This Registration policy sets out the eligibility criteria for participation in the FTR market, and the steps an applicant must take to register to trade in financial transmission rights (FTRs).

1.1 Process for developing the policy

Furthermore, Section 1.6 of the FTR Allocation Plan provides that the FTR Manager will develop these FTR Policies transparently with the industry through:

- Open publication of current and proposed policies and their rationale
- Use of an FTR users' group
- Considering feedback from interested parties
- Keeping the industry up to date
- Advising the Authority on developments as they arise

The FTR Manager operates a public website that provides access to consultations on the FTR Allocation Plan and FTR policies, including the change process for these, and submissions received. This can be found at www.ftr.co.nz/ftr-docs.

1.2 Scope of this draft

This scope of this policy is to provide prospective FTR participants a guide to the process for registering as an FTR participant and the requirements that must be met to become registered.

1.3 Objectives of the Registration process

1. To set out the process for registering as an FTR participant
2. To ensure that all parties wishing to transact in the FTR Market understand the process they must follow to establish whether they meet the participation criteria.
3. Ensure that the procedures and policies detailed in the FTR Allocation Plan are enforceable on all parties operating in the FTR market.

GLOSSARY

Please refer to the FTR Glossary for an explanation of terms used in this policy¹.

¹ Available at <https://www.ftr.co.nz/ftr-manager-policies/documents/>

2. Registration as an FTR participant

2.1 Eligibility to become an FTR participant

Inherent in the Registration process is a check against the eligibility criteria before participation can begin. Any party may apply to the FTR Manager to be an FTR Participant, acceptance however, is determined through meeting all of the following requirements²:

- Meets the prudential requirements in relation to FTRs set out in Part 14 of the Code, as determined by the Clearing Manager.
- Is within the category of persons to whom the FTR Manager is authorised to issue FTRs. That is:
 - Is a natural person resident in New Zealand or a body corporate that is incorporated in New Zealand; and
 - Is within one of the categories of “approved participant” in The Authorised Futures Dealers (Financial Transmission Rights) Notice 2012.
- Is registered by the Authority as an Industry Participant under section 9 of the Electricity Industry Act 2010 as a trader in electricity.
- Agrees to the standard FTR participation agreement.

The FTR Manager will keep a register of FTR Participants.

- FTR participants must be natural persons resident in New Zealand, bodies corporate who are incorporated in New Zealand, or persons with a branch office or other substantial physical presence in New Zealand through which they participate in the FTR market
- FTR participants must be within one of the categories of “approved participant” in The Authorised Futures Dealers (Financial Transmission Rights) Notice 2012³

² Refer FTR Allocation Plan section 1.3

³ Refer <https://gazette.govt.nz/notice/id/2012-au1929>

2.2 Apply to become an FTR participant

Follow these steps to become an FTR participant:

Step 1: Register on the Electricity Authority’s Participant Register as an industry participant under the category “trader in electricity”. If you are an existing [New Zealand electricity] industry participant, check you are registered as a “trader in electricity”. If you are not an existing industry participant, apply to become one under this category. Go to <https://register.ea.govt.nz/> to check the register and apply using the **Apply for registration** application form <https://register.ea.govt.nz/apply/registration>

Explanation: Step 1 is a legal requirement. The Electricity Industry Participation Act 2010 requires all parties who are part of the electricity industry to register as an “industry participant” with the Electricity Authority. A “trader in electricity” is a person who trades in electricity or electricity derivatives. Financial transmission rights (FTRs) are electricity derivatives.

Step 2: Obtain a 4-letter participant identifier for FTR trading. Apply to have your existing 4-letter participant identifier (issued by the Electricity Authority) registered for FTR trading OR apply for one (or more) 4-letter participant identifier(s) for FTR trading. Go to <https://register.ea.govt.nz/identifiers/identifiers> to apply using the **Apply for an identifier** application form. <https://register.ea.govt.nz/apply/identifier>

Explanation: The Electricity Authority issues unique 4-letter participant identifiers to industry participants for use in a range of market processes. For FTRs, the FTR manager and clearing manager use these 4 letters to identify each unique FTR participant. Note that if you wish to trade under multiple “entities”, each “entity” must have a separate 4-letter participant identifier. The FTR manager will treat each 4-letter identifier as a different “FTR participant” for trading purposes.

Step 3: Satisfy the Clearing manager’s requirements for trading and set up prudential arrangements with the Clearing manager: The Clearing manager will contact you requesting your Delegated Financial Authority (DFA) to confirm any prudential arrangements specific to FTR trading you will want to put in place. The Clearing manager confirms that the applicant meets the Clearing manager’s requirement for trading and completes this step by providing details of the applicant to the FTR Manager. Refer [www.ftrclearing.co.nz] for further clarification of the Clearing Manager’s requirements for trading

Explanation: The Clearing Manager is NZX Limited. NZX requires all participants to post sufficient prudential security for the FTRs they wish to purchase, and arranges invoicing. The Clearing Manager needs to establish contact with the individual with the appropriate financial authority in the applicant company. See section 1.3 in this document.

Step 4: FTR manager receives application: The FTR manager receives and processes your application to become an FTR participant.

Details of this step:

1. The Clearing manager sends through the new FTR participant details.
2. The FIS automatically sends an email to the FTR Manager to let them know a new FTR participant has been setup in the system and needs 'Accepting'. (Also when the FTR Manager next logs into the Market Operator Interface (MOI), they will get a notification of a new FTR participant).
3. The FTR Manager sends the DFA via email the FTR participant agreement to sign. (see https://www.ftr.co.nz/documents/195/FTR_participation_agreement for a copy of the participation agreement)
4. The DFA nominates the super user for their organisation on the agreement form, agrees to the terms of the participant agreement and returns a signed copy to the FTR Manager via email.
5. The FTR manager logs into the MOI and processes the new FTR participant's application by clicking Accept/Decline on the screen.
6. Where the FTR manager accepts the new participant's application, the FIS then automatically sends an email to the new FTR participant's super user and provides instructions on how to access the FIS.

Step 5: FTR manager requests the "super user" to register. The FTR manager requests you register as a super user on the FTR information system.

Explanation: The super user needs to be the person in your company who has the financial authority to approve any FTR trading activity undertaken by your organisation. The super user will delegate rights to others in your company, e.g. to allow them to view the private FTR holding information or place bids.

The super user must agree to the following when registering:

"The person or organisation you represent will be bound by all bids, acquisitions and other activities conducted on the FTR information system using the authorisation information (secure log-ons and passwords) issued to or created by you. It is therefore very important that authorisation information is issued only to individuals who are authorised to conduct FTR activities on behalf of the person or organisation you represent, that the authorisation information is kept confidential and secure, and that the FTR manager is informed immediately if the confidentiality of the authorisation information is compromised.

Please acknowledge this by ticking this box []"

Explanation: this is to remind the super user of their responsibilities and obligations their employer/principal has signed up to.

Step 6: Gain access to Market User Interface and set up sub-accounts: Your super user gains access to the MUI on the FTR manager website and sets up sub accounts for individual users.

Details of this step:

- 1. Once the super user has completed the process above the super user will have access to the Market User Interface (MUI).*
- 2. Once the super user has logged into the MUI, there is a user setup option where the super user can create new users (sub accounts) with read or read/write access. Each time a user is created, an email is automatically sent to the user with instructions on how to log into the FIS.*

Once these steps have been completed you are registered as an FTR participant and are able to submit bids for FTRs or requests to assign FTRs.

2.3 Prudential assessment by the Clearing Manager

For both new and existing traders, the Clearing Manager assesses whether the trader meets the Clearing Manager's prudential requirements for registration as an FTR participant before confirming their eligibility to become an FTR participant

When a registered FTR participant bids for FTRs or applies to have FTRs assigned, the FTR Manger will assess whether they meet the prudential requirements to complete a specific transaction.

Please see the Prudential Policy for the process of assessing an FTR participant's prudential at the time bids are placed or requests are made to assign FTRs.

3. The FTR Participant Agreement

The FTR manager holds pre-defined terms and conditions that participants must agree to as a condition of participation. These can be accessed for review at the following URL.

Please refer to https://www.ftr.co.nz/documents/195/FTR_participation_agreement to review a copy of the participation agreement.

3.1 The FTR participant Registration process

The registration process is illustrated in the following flowchart:

Figure 1 – FTR participant Registration Process

