

Auction Fundamentals

Auction

Auctions are single round, sealed-bid. Bids are collected during the bidding window and ordered from highest to lowest price.

The clearing price is set when the demanded bid volume is equal to the available auction volume. However, when the auction volume exceeds the bid volume the clearing price is set by the lowest bid within the available volume. Bids that fall below the clearing price and available volume will not be successful.

A bid at the clearing price may be partially filled to complete the auction volume available. If there are multiple bids at the clearing price, each bid is prorated and partially filled to complete the auction volume available.

Bidding

When placing a bid at auction, your bid is made up of the following: Bid

Price: Bid price in NZD

Quantity: Number of NZU

Reference: Free text

Create and enter the details of your bid. The bid price must be higher than the price floor. Bid price increments are \$0.05. The minimum quantity of a bid is 500 NZUs (with 100 NZU increments).

Once a bid is submitted it enters into the bid stack. Bids can be placed, edited, or deleted by every bidder of an eligible participant during the auction.

Settlement

When the bid price is above the final cleared price, your bid is successful and will be added to your invoice. Any bids that are made under the clearing price will not be allocated. Once your invoice has been fully paid, the NZUs will be delivered to your Registry account.

Payments made by 1:00pm NZST during the settlement period will receive same day NZU delivery by the end of the business day. For payments made outside of the daily 1:00pm NZST cut-off, NZU delivery will be by the end of the following business day. You will receive an email notification from the Register once this is complete.

Cost Containment Reserve (CCR)

Cost Containment Reserve (CCR) volume is used when the auction clearing price exceeds a certain level (CCR trigger price).

Scenario one: If the interim clearing price is lower than the CCR trigger price, CCR volume will not be included in the auction.

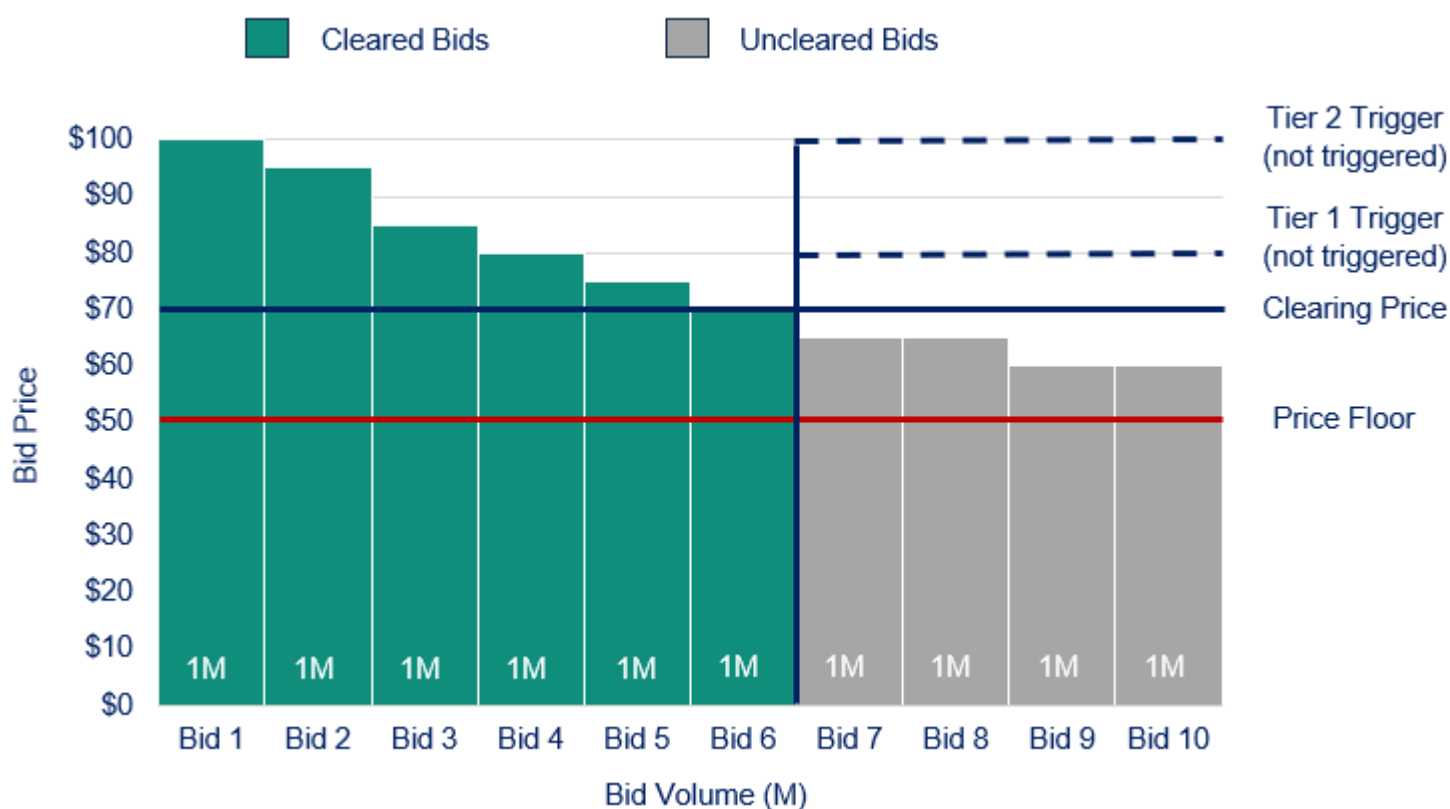
Scenario two: If the interim clearing price is equal to or above the tier 1 CCR trigger price, then tier 1 CCR volume will be added to the auction volume available and the clearing price will be recalculated.

Scenario three: If the tier 1 CCR has been triggered and the interim clearing price then becomes equal to or above the tier 2 CCR trigger price, then tier 2 CCR volume will be added to the auction volume available and the clearing price will be recalculated.

Please see graphical examples

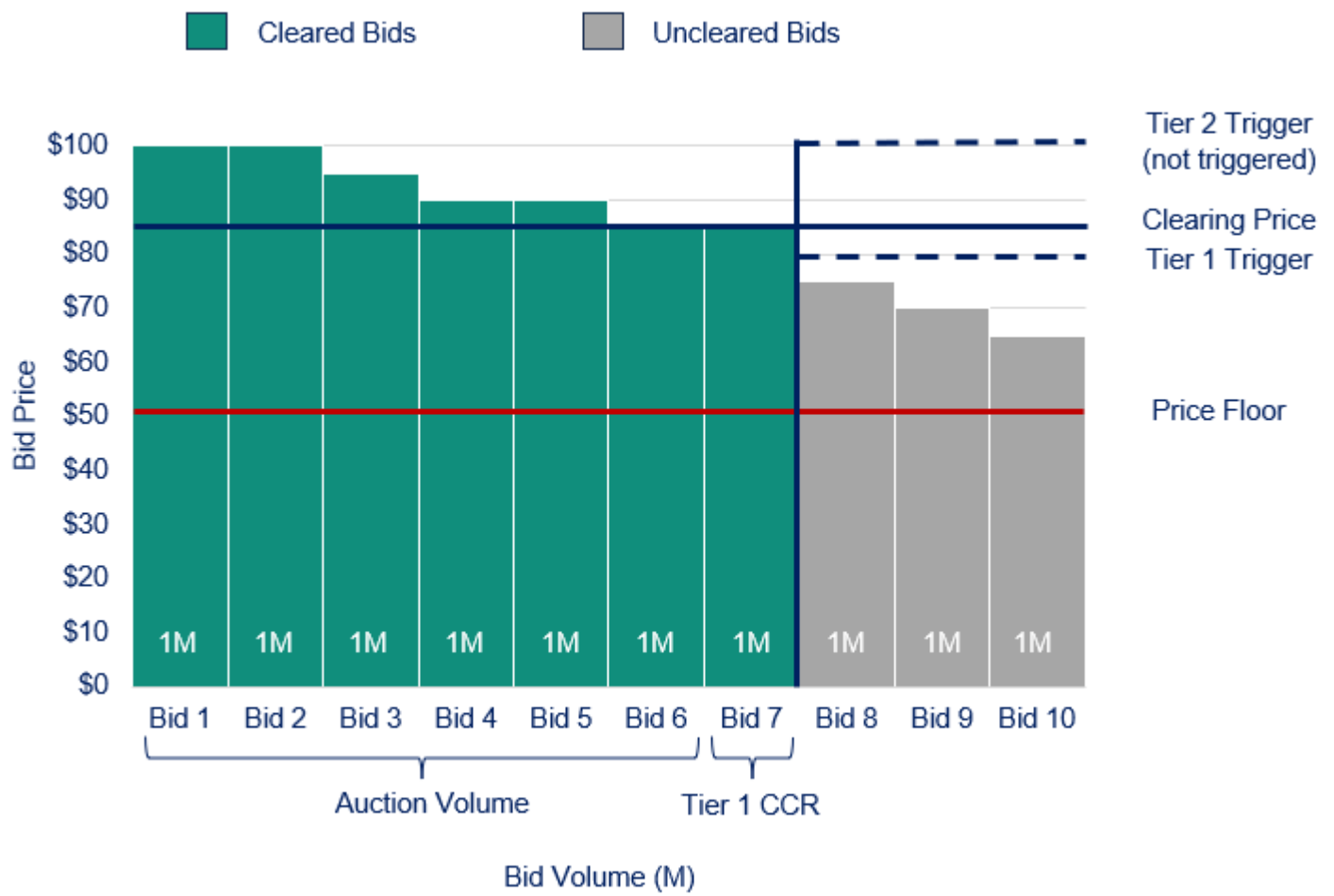
Cost Containment Reserve (CCR) Scenarios

Scenario One: 6M units for sale – CCR not triggered



Scenario Two: 6M units for auction – Tier 1 triggered

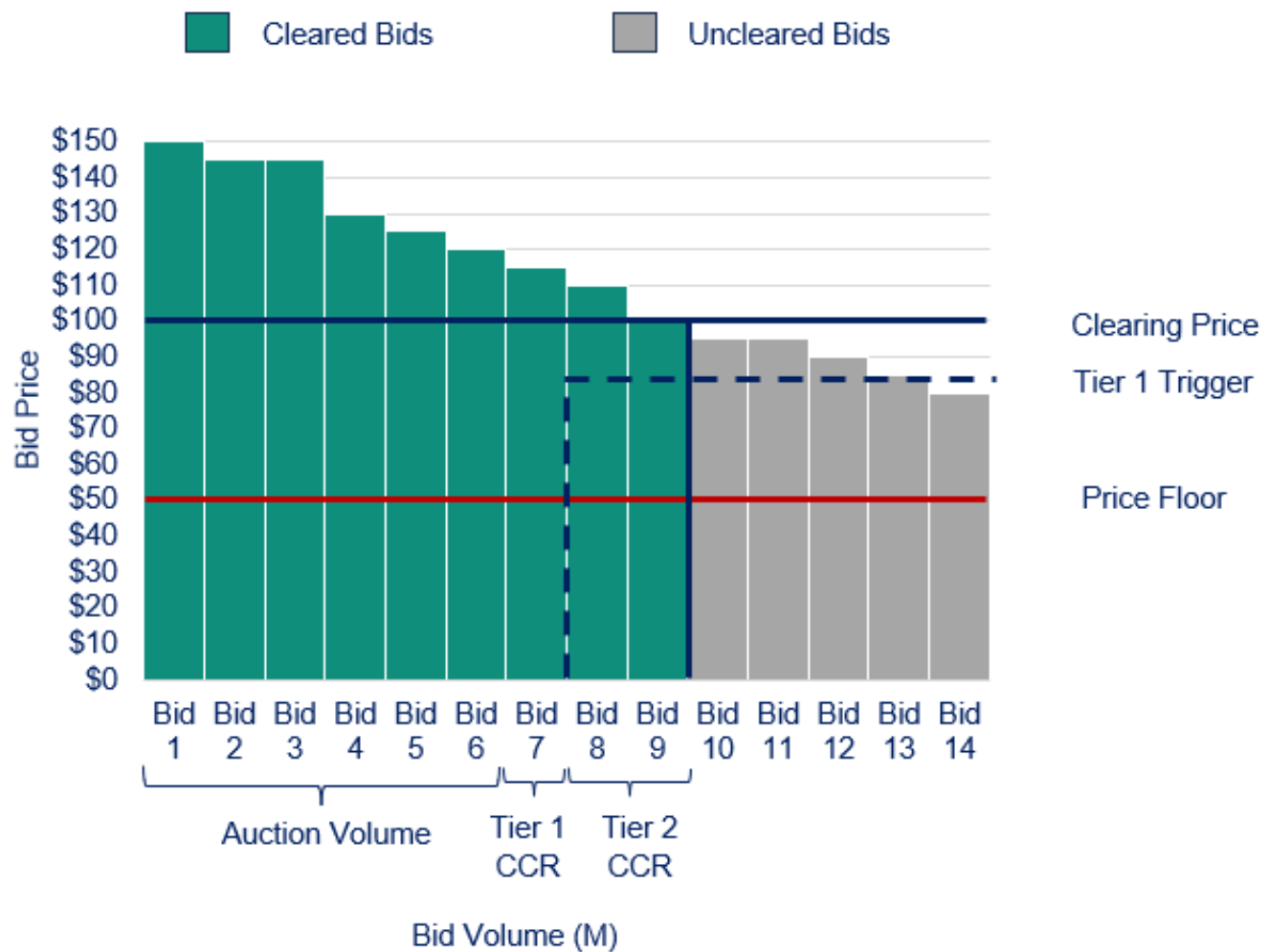
Tier 1 trigger price \$80, 1M units available



Scenario Three: 6M units for auction – Tier 2 triggered

Tier 1 trigger price \$80, 1M units available

Tier 2 trigger price \$100, 2M units available



Partial Clearing

Determining a clearing price when not all units are bid for:

If not all available units are bid for, it is still possible for units to be sold at auction – this is called a *partial clearance*. A partial clearance can happen if the lowest priced bid is at or above the confidential reserve price (CRP).

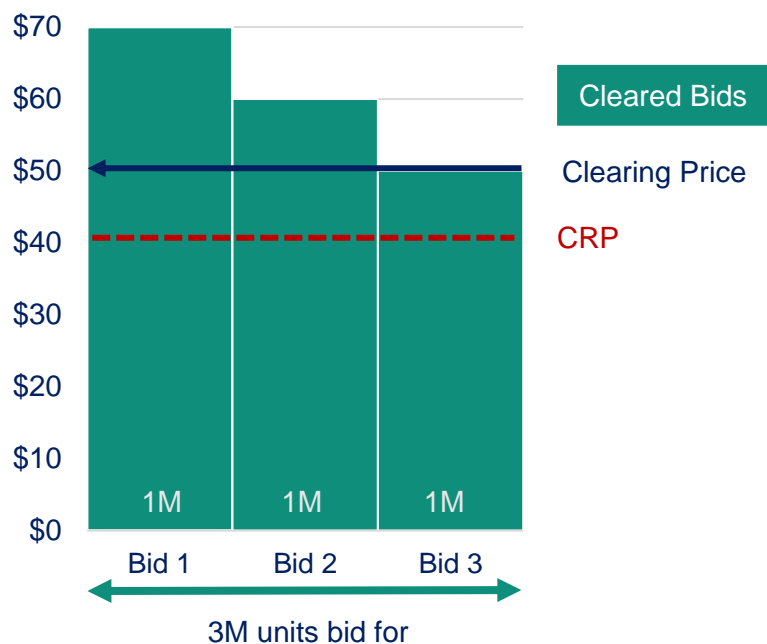
Scenario (simplified): 5M units are available at auction. Demand is low and only 3M units in total are bid for.

However, the lowest priced bid is \$50, which is above the CRP of \$40.

The auction will partially clear – bidders will receive 3M of the 5M units available at the clearing price of \$50.

The remaining 2M units unsold will roll over to the next auction (in the same calendar year).

Scenario: 5M units for auction



Contact us for more information

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