



**ASX**

AUSTRALIAN SECURITIES EXCHANGE

# **Victorian Wholesale Gas Futures and Options**

## **Briefing Pack**

*24 AUGUST 2009*

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## **Overview**

The Australian Securities Exchange (ASX) listed Victorian Wholesale Gas Futures on 21 July 2009.

The introduction of cash-settled Victorian Wholesale Gas futures and options is an important part of ASX's wider gas market product suite which is likely to expand as gas markets in Australia continue to evolve.

A robust exchange-traded gas derivatives market should assist with the further integration of energy markets within Australia and support the growth of enhanced energy cross-commodity risk management plays common in mature international energy markets.

## **Key Features**

- Contracts against the Vencorp 6 am reference price
- Cash settled - no physical delivery
- Contract size - 100GJ/day
- Minimum Block Trade threshold of 5 lots
- Quarterly futures and strips out to two calendar years and two financial years.
- Strip options out to two calendar years
- AUD currency denomination
- Alternative asset class for financial institutions and trading houses with existing commodity trading desks.
- Incentive programs to reward those market participants that contribute to liquidity now that the contracts are listed

## **Commodity and Data Vendor Codes**

SFE commodity code and Data Vendor codes are attached.

## **Rules and Determinations**

The Victorian Wholesale Gas Futures and Options Contract Specifications and Determinations are attached and will be included in the SFE Operating Rules on the website prior to launch.

Pre-negotiated Business Rules are applicable to the Victorian Wholesale Gas Futures and Option products. These rules provide Participants with the opportunity to facilitate client business off market prior to disclosing and then crossing orders on the trading platform, SYCOM<sup>®</sup>.

Block Trading Rules are applicable to the Victorian Wholesale Gas Futures and Options products. The Block Trade Facility (BTF) is an 'off-market' trading mechanism that permits SFE Participants to arrange and execute transactions on behalf of their clients, via a facility that is separate from the electronic Exchange market. The BTF is an alternative way for market users to transact SFE contracts that exceed a minimum size threshold.

## **Price Support Agreements**

Additional incentives are available for market participants that commit to make markets and/ or contribute to the daily settlement process.

## Exchange and Block Registration Fees

The applicable exchange and exercise fees (excluding GST) are shown in the table below:

Product	Exchange Fee –Futures	Exchange Fee- Options	Expiry Fee	Exercise Fee (options)
ASX Victorian Wholesale Gas Futures	A\$15.00		A\$15.00	
ASX Victorian Wholesale Gas Yearly Strip Futures		A\$30.00		As per underlying headline exchange fee

Block Trade Administration Fee (per leg per side): A\$30.00

## Initial Margins

### Price Scanning Range

ASX Victorian Wholesale Gas Futures and Strips

Contract	Code	Price Scanning Range
Vic Gas Futures	GX	\$450
Vic Gas Yearly Strip Futures	GY	\$1,700

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### Attachment 1-Contract Specifications

## Victorian Wholesale Gas Futures

Unit:	One hundred (100) Gigajoules (GJ) of natural gas per day over the period of a Calendar Quarter.
Contract Months:	March/June/September/December sufficient to support two calendar and two financial years ahead.
Commodity Code:	GX
Reference Price	The Victorian Wholesale Gas Market price that underlies the Contract shall be the beginning of day (6am) price calculated by VENCORP, during the period of a Calendar Quarter.
Minimum Price Movement:	Prices are quoted in dollars and cents per GJ. The minimum fluctuation is \$0.01.
Last Trading Day:	Last Business Day of the Calendar Quarter.
Settlement Day:	The fourth Business Day following the Final Trading Day.
Trading Hours:	8.30am – 4.50pm AEST (during US daylight saving time) 8.30am – 4.50pm AEST (during US non daylight saving time)
Settlement Method:	Cash Settled

## Victorian Wholesale Gas Strip Futures

<b>Contract Unit:</b>	Four Victorian Wholesale Gas Futures contracts.
<b>Contract Months:</b>	2 calendar year and 2 financial year strip products
<b>Commodity Code:</b>	GY
<b>Minimum Price Movement:</b>	Prices are quoted in dollars and cents per GJ. The minimum fluctuation is \$0.01.
<b>Last Trading Day:</b>	The last trading day of the first contract quarter in the relevant Strip Futures product.
<b>Trading Hours:</b>	8.30am – 4.50pm AEST (during US daylight saving time) 8.30am – 4.50pm AEST (during US non daylight saving time)
<b>Settlement Method:</b>	n/a

### Strip Options

ASX will announce intended listing dates for these products in due course. The following contract specifications are provided for information purposes only.

### Strip Options over Victorian Wholesale Gas Futures Contracts

<b>Contract Unit:</b>	An Option over four predetermined Victorian Wholesale Gas Futures Contracts.
<b>Contract Months:</b>	Put and Call options available on up to 2 calendar year strip futures products.
<b>Commodity Code:</b>	GY
<b>Minimum Price Movement:</b>	Prices are quoted in dollars and cents per GJ. The minimum fluctuation is \$0.01.
<b>Exercise Prices:</b>	\$0.25. New option exercise prices created automatically as the underlying futures contract price moves.
<b>Contract Expiry:</b>	Options will cease trading at 12:00pm AEST on the Last Trading Day. The Last Trading Day shall be the day 6 weeks prior to the day immediately preceding the commencement of the calendar year for the underlying Strip Futures product. If this day is not a Business Day in NSW or VIC then the following business day will be the expiry day.
<b>Trading Hours:</b>	8.30am – 4.50pm AEST (during US daylight saving time) 8.30am – 4.50pm AEST (during US non daylight saving time)
<b>Settlement Method:</b>	Options may be exercised on any business day up to and including the day of expiry. In-the-money options are not automatically exercised at expiry. Buyers may exercise in, at and out-of-the-money option positions held through an exercise request lodged by their Clearing participant. On receipt of the exercise request, the options will be exercised against a random selection of seller positions, and the resultant futures legs recorded in the Buyer and Seller's account.

<sup>1</sup> Unless otherwise indicated, all times are Australian times.

<sup>2</sup> US daylight saving begins second Sunday in March and ends first Sunday in November.

**Data Vendor Codes**

<b>Contract</b>	<b>SFE Code</b>	<b>Thomson Reuters Code</b>	<b>IRESS Code</b>	<b>Bloomberg Code (Options: type OMON)</b>	<b>eSignal Code</b>
Victorian Wholesale Gas Futures	GX	YGX	GXmy	AGSA Comdty	Futures: GX <month><year>-SFE i.e. GX Z8-SFE
Victorian Wholesale Gas Strip Futures Products	GY	YGY	GYmy	AGYA Comdty	Futures: GY <month><year>-SFE i.e. GY F9-SFE Options: GY <month><year><PorC><Strike Price>-SFE i.e. GY F9P2400-SFE

## Attachment 2- Operating rules

### Rule 6.69.1 Victorian Wholesale Gas Futures Contract

Item	Heading	Individual contract specifications
1.1	Contract Unit	One hundred (100) Gigajoules (GJ) of natural gas per day as defined in Item 1.2, bought and sold in the Victorian Wholesale Gas Market conducted by the Victorian Energy Network Corporation ("VENCorp") or its successor, over the period of a Calendar Quarter.
1.2	Reference Price	The Victorian Wholesale Gas Market price that underlies the Contract shall, subject to Item 3(c), be the beginning of day (6am) price calculated by VENCorp, during the period of a Calendar Quarter.
1.3	Type of Contract	Cash settled.
2	Contract Value	The price, quoted in Australian dollars (to such number of decimal places as shall be determined by the Exchange) per GJ, agreed to by the parties at the time of entering into the Contract and multiplied by 100 multiplied by the number of days in the underlying Calendar Quarter and expressed as Australian dollars.
3	Provisional Settlement Price	<p>(a) The reference price as calculated in Item 1.2 shall be notified to the Market by SFE Clearing, at such time as it shall determine, as a "provisional cash settlement price".</p> <p>(b) SFE Clearing may, at its discretion at any time up until the final Settlement Price is declared, amend the provisional cash settlement price.</p> <p>(c) Subject to the operation of Rule 1.4, SFE Clearing shall declare the Provisional Settlement Price to be the final Settlement Price on such day as it shall determine.</p> <p>(d) Subject to the operation of Rule 1.4, the numerical value of the Settlement Price as declared by SFE Clearing shall be accepted as final.</p>
4	Settlement Value	The arithmetic average of the beginning of day (6am) prices calculated by VenCorp over the Calendar Quarter expressed as Australian dollars (to such number of decimal places as shall be determined by the Exchange) quoted by the Exchange for that Settlement Day multiplied by 100 multiplied by the number of days in the underlying Calendar Quarter and expressed as Australian dollars.
5	Average Quoted Price	<p>The "average quoted price" of the underlying physical market for purposes of settlement of contract shall be calculated as a ratio of A/B where:</p> <p>"A" Equals the sum of the daily reference prices occurring during the period defined in Item 1.2, rounded in a manner determined by the Exchange.</p> <p>"B" Equals the total number of daily reference prices occurring during the period defined in Item 1.2.</p> <p>The average quoted price shall be rounded as determined by the Exchange.</p>

Item	Heading	Individual contract specifications
6	Settlement Price	<p>(a) For each Settlement Day SFE Clearing shall declare the numerical value which shall be the provisional settlement price on the first Business Day after expiry.</p> <p>(b) The provisional settlement price shall be later confirmed by SFE Clearing as the Settlement Price on the third Business Day after expiry.</p> <p>(c) This Settlement Price shall be accepted as final.</p> <p>(d) The Settlement Price of a contract on the Settlement Day shall be a numerical value calculated as the average quoted price of the underlying amount of gas as described in Item 5, multiplied by the amount of gas represented by one contract as defined in Item 1.1 above.</p>
7	Exclusion of Liability	<p>Subject to the right of the Exchange under Rule 1.4 to direct that Contracts be settled at a price other than that determined in accordance with the Individual Contract Specifications, the Exchange and SFE Clearing shall be entitled to regard the information received from VenCorp or its successors as being conclusive and final.</p> <p>Any failure by the Exchange or SFE Clearing or any entity on behalf of those parties, to provide or obtain the relevant information necessary for calculating the Settlement Price, or any inaccuracies created before or during the calculation or in the transmission thereof shall not lead to a party having any claim whatsoever against VenCorp or its successor, SFE Clearing or the Exchange.</p>
8	Inability for SFE Clearing to declare settlement price and undesirable situations	<p>If a situation is developing or has developed which is capable of preventing SFE Clearing from declaring the settlement price in accordance with these Individual Contract Specifications, or if an undesirable situation within the meaning of Rule 1.4 is developing or has developed, then the provisions of that Rule 1.4 shall apply and any provision of these Operating Rules which cannot be complied with until the price has been declared shall be complied with as soon as possible after it has been declared.</p>

### **Rule 6.69.2 Strip Options over Victorian Wholesale Gas Futures Contracts**

ASX will announce intended listing dates for these products in due course. The following contract specifications are provided for information purposes only

Item	Heading	Individual contract specifications
1.	Contract Unit	An Option over four predetermined Victorian Wholesale Gas Contracts as described in Item 1 of Rule 6.69.1.
2.	Options not subject to Exercise Request will expire	On the Declaration Date, SFE Clearing shall, unless directed otherwise by an Exercise Request, allow all Options to expire. SFE Clearing will not exercise in-the-money Options unless directed to do so by an Exercise Request.
3.	Value of the Contract Premium in dollars and cents	The price, quoted in Australian dollars (to such number of decimal places as shall be determined by the Exchange) per Gigajoule (GJ) of natural gas per day, agreed to by the parties at the time of entering into an Option and multiplied by 100 multiplied by the number of days in the underlying four Victorian Wholesale Gas Contracts and expressed as Australian dollars.

Item	Heading	Individual contract specifications
4.1	Determination of Option Settlement Price	The Option Settlement Price will be the price quoted on the SYCOM® Strip Trading Facility which is referable to the four futures contracts determined in Item 1, as determined by the Exchange.
4.2	Futures Prices Resulting from Exercised Strip Options	$FP = A \times \frac{B}{C}$ <p>FP = Price allocated to each futures contract resulting from exercised Strip Option.</p> <p>A = the previous day's Settlement Price for the Contract Quarter for each individual futures contract.</p> <p>B = Exercise Price.</p> <p>C = Previous Day's Implied Strip Price, calculated as follows:</p> $\text{Implied Strip Price} = \frac{F}{G}$ <p>F = <math>a + b + c + d</math></p> <p>a = Q1 previous day's Settlement Price x number of days in Q1 as determined by the Exchange.</p> <p>b = Q2 previous day's Settlement Price x number of days in Q2 as determined by the Exchange.</p> <p>c = Q3 previous day's Settlement Price x number of days in Q3 as determined by the Exchange.</p> <p>d = Q4 previous day's Settlement Price x number of days in Q4 as determined by the Exchange.</p> <p>G = Total number of days in all four Futures Contracts.</p>
5.	Exercise Price	The Exchange shall determine Exercise Prices from time to time having regard to the weighted average price (weighted on the basis of the number of days of each futures contract) of the four futures contracts determined in Item 1, and shall Publish the Exercise Prices so determined.
6.	Undesirable Situations	If an undesirable situation within the meaning of Rule 1.4 is developing or has developed, then the provisions of that Rule 1.4 shall apply and any provision of these Operating Rules which cannot be complied with until the price has been declared shall be complied with as soon as possible after it has been declared.



### Rule 3.3 Pre Negotiated Business Orders

	<b>MINIMUM PRESCRIBED TIME BETWEEN MESSAGE AND ENTRY OF ORDERS:</b>	<b>MINIMUM PRESCRIBED TIME BETWEEN MESSAGE AND ENTRY OF ORDERS</b>	<b>AFTER PRESCRIBED TIME HAS ELAPSED – TIME ALLOWED FOR ORDER EXECUTION+</b>	<b>MINIMUM VOLUME THRESHO LD</b>
	<b>OUTRIGHT MARKET</b>	<b>CUSTOM MARKET</b>		
<b>ELECTRICITY</b>				
<i>Victorian Wholesale Gas futures (including strip products)</i>	30 seconds	30 seconds	90 seconds	1 lot
<i>Victorian Wholesale Gas strip options</i>	30 seconds	30 seconds	90 seconds	1 lot

### Rule 3.4 Block Trading

<b>CONTRACTS</b>	<b>VICTORIAN WHOLESAL E GAS FUTURES (including strip products)</b>	<b>VICTORIAN WHOLESAL E GAS STRIP OPTIONS</b>
<b>APPLICABLE CONTRACTS</b>	All	All
<b>MINIMUM THRESHOLD</b>	5 lots	5 lots
<b>CHANGE OF SPOT MONTH (DAYS PRIOR TO EXPIRY)</b>	N/A	N/A
<b>MINIMUM TRADING INCREMENT</b>	\$0.01	\$0.01

The registration process for each block traded product is as follows:

<b>CONTRACTS</b>	<b>VICTORIAN GAS FUTURES (including strip products)</b>	<b>VICTORIAN GAS STRIP OPTIONS</b>
<b>METHOD OF REGISTRATION</b>	SFEIN	SFEIN



### Attachment 3- Contract Determinations

#### **Rule 6.69.1**                      **Victorian Wholesale Gas Futures Contract**

<b>Ref Rule</b>	<b>Subject</b>	<b>Determinations</b>
6.2.3	Manner of quoting Futures Price	Australian Dollars per GJ of natural gas per day
6.2.3	Minimum fluctuations for quoting Futures Price	\$0.01 per GJ of natural gas per day
6.69.1 Item 3	Time at which Provisional Settlement Price is declared	3.30 pm on the first Business Day following the Final Trading Day
6.69.1 Item 3	Time at which Final Settlement Price is declared	11.00 am on the third Business Day following the Final Trading Day.
6.69.1 Items 2 & 4	Calculation of Contract Value and Settlement Value	Calculations shall be carried out to 2 decimal places
6.69.1 Item 5	Calculation of Average Quoted Price	The sum referred to in "A" shall be rounded to two decimal places The average quoted price shall be rounded to the nearest cent per GJ of natural gas per day
6.1.4	Trading Hours	8:30 am – 4.50 pm during US daylight and non-daylight saving time
6.2.3	Settlement Months	March/June/September/December, such that sufficient Quarter Months are always available for market participants to trade the next two Calendar years and two Financial Years.
6.2.3	Final Trading Day	The last Business Day of the Calendar Quarter
6.2.3	Time at which trading ceases on Final Trading Day	4.50 pm
6.2.3	Settlement Day	The fourth Business Day following the Final Trading Day
6.2.3	Final time by which Seller's obligations must be satisfied	In accordance with Daily Settlement Process
6.2.3	Final time by which Buyer' obligations must be satisfied	In accordance with Daily Settlement Process

**Rule 6.69.2**

**Strip Options over Victorian Wholesale Gas Futures Contract**

<b>Ref Rule</b>	<b>Subject</b>	<b>Options contract determinations</b>
6.3.6	Manner of quoting Contract Premiums.	Australian dollars per GJ of natural gas per day.
6.3.6	Minimum fluctuations to be used in quoting Contract Premium.	\$0.01 per GJ of natural gas per day.
6.3.6	Manner of quoting Exercise Prices of Options.	Australian dollars per GJ of natural gas per day.
6.3.6	Minimum fluctuations to be used in quoting Exercise Prices of Options.	\$0.25 per GJ of natural gas per day.
6.3.6	Expiry months.	November, such that sufficient Annual Months are always available for market participants to trade the next two Calendar years.
6.3.6	Declaration Date.	The day which is 6 weeks prior to the day immediately preceding the commencement of the calendar year for the underlying Strip Futures product. If this day is not a Business Day, or is recognized in NSW, or VIC as a Public Holiday then the following Business Day will be the expiry day.
6.3.6	Time at which trading ceases on Declaration Date.	12 noon on the Declaration Date.
6.3.8	Creation of New Exercise Prices.	New Exercise Prices are created as the underlying futures contracts in the Strip Trading market moves.
6.1.4	Trading hours.	8.30am to 4.50pm
6.3.6	Time for lodgment of an Exercise Request.	On any Trading Day up to 1.30 pm. Options not subject to Exercise Request will expire.
6.3.13	Notification of Assignment of Exercise Request.	For Requests lodged on any Trading Day including the Declaration Day by no later than 1.45 pm. To clarify, notification in this section relates to the assignment of the option and not to the resultant futures legs.



**<sup>1</sup>Explanatory Note – Item 1**

As at the date of listing this contract the predetermined contracts are:

<b>Option Expiry Month</b>	<b>Display Expiry Month</b>	<b>Strip Year</b>
November 2009	December 2010	2010
November 2010	December 2011	2011
November 2011	December 2012	2012
November 2012	December 2013	2013