ASX
AUSTRALIAN SECURITIES EXCHANGE

New Zealand Electricity Futures and Options

Briefing Pack

29 JULY 2009

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Overview

The Australian Securities Exchange (ASX) listed base load electricity futures, strip futures and calendar year strip options for two grid reference points (Otahuhu and Benmore) in the New Zealand electricity market on Tuesday 14 July 2009. These nodes were selected following an extensive consultation process and have the support of existing market participants.

The listing of New Zealand electricity futures and options will provide enhanced price transparency as well as provide efficient risk transfer (liquidity) for existing market participants and new entrants including electricity retailers and financial market participants.

The combination of ASX's robust contract design, existing market infrastructure and experience in operating an electricity futures and options market in Australia bodes well for the success of New Zealand electricity futures and options.

Key Features

- Contracts against two grid reference points - Otahuhu (North Island) and Benmore (South Island)
- Cash settled - no physical delivery
- Contract size - 1MW
- Minimum Block Trade threshold of 5 lots
- Quarterly futures and strips out to three calendar years.
- Strip options out to three calendar years
- NZD currency denomination
- A product design which mirrors the Australian Electricity Futures and Options already listed at ASX
- Alternative asset class for financial institutions and trading houses with existing energy 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.

Option Expiry Process

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.

Rules and Determinations

The NZ Electricity Futures and Options Contract Specifications and Determinations are attached and are included in the SFE Operating Rules on the ASX website.

Pre-negotiated Business Rules are applicable to the NZ Electricity 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®.

Block Trading Rules are applicable to the NZ Electricity 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 New Zealand Electricity Futures (Otahuhu and Benmore)	NZ$ 25.00		NZ$ 25.00	
ASX New Zealand Electricity Yearly Strip Futures (Otahuhu and Benmore)		NZ$ 50.00		As per underlying headline exchange fee

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

Initial Margins

ASX New Zealand Electricity Futures and Strips

Contract	Code	Price Scanning Range
Otahuhu Base Load Futures	EA	NZ$ 5,250
Benmore Base Load Futures	EE	NZ$ 3,200
Otahuhu Strip Futures	EB	NZ$ 20,900
Benmore Strip Futures	EF	NZ$ 12,800

ASX New Zealand Electricity Strip Options

Contract	Code	Volatility Scanning Range
Otahuhu Strip Options	EB	1.6%
Benmore Strip Options	EF	1.7%

Attachment 1 - Contract Specifications

Otahuhu Base Load Electricity Futures

Unit:	1 MW of electrical energy per hour for the Otahuhu grid reference point in New Zealand over the period of a calendar quarter.
Contract Months:	March/June/September/December sufficient to support three calendar years ahead.
Commodity Code:	EA
Minimum Price Movement:	Prices are quoted in NZ dollars and cents per MWh. The minimum fluctuation is NZ $0.05. Tick sizes under a $0.05/MWh price fluctuation: • a 2,160 MWh contract quarter has a tick size of $108.00; • a 2,184 MWh contract quarter has a tick size of $109.20; • a 2,208 MWh contract quarter has a tick size of $110.40.
Last Trading Day:	Last Business Day (in New Zealand) in the Calendar Quarter
Settlement Day:	The fourth Business Day (in New Zealand) after the expiry of the Contract Quarter.
Trading Hours:	10.30am – 4.00pm NZST (during US daylight saving time) 10.30am – 4.00pm NZST (during US non daylight saving time)
Settlement Method:	Cash Settled

Benmore Base Load Electricity Futures

Unit:	1 MW of electrical energy per hour for the Benmore grid reference point in New Zealand over the period of a calendar quarter.
Contract Months:	March/June/September/December sufficient to support three calendar years ahead.
Commodity Code:	EE
Minimum Price Movement:	Prices are quoted in NZ dollars and cents per MWh. The minimum fluctuation is NZ $0.05. Tick sizes under a $0.05/MWh price fluctuation: • a 2,160 MWh contract quarter has a tick size of $108.00; • a 2,184 MWh contract quarter has a tick size of $109.20; • a 2,208 MWh contract quarter has a tick size of $110.40.
Last Trading Day:	Last Business Day (in New Zealand) in the Calendar Quarter
Settlement Day:	The fourth Business Day (in New Zealand) after the expiry of the Contract Quarter.
Trading Hours:	10.30am – 4.00pm NZST (during US daylight saving time) 10.30am – 4.00pm NZST (during US non daylight saving time)
Settlement Method:	Cash Settled

Otahuhu Base Load Electricity Strip Futures

Contract Unit:	Four Otahuhu Base Load Electricity futures contracts.
Contract Months:	3 calendar year strip products
Commodity Code:	EB
Minimum Price Movement:	Prices are quoted in NZ dollars and cents per MWh The minimum fluctuation is NZ $0.01.
Last Trading Day:	The last trading day of the first contract quarter in the relevant Strip Futures product.
Trading Hours:	10.30am – 4.00pm NZST (during US daylight saving time) 10.30am – 4.00pm NZST (during US non daylight saving time)
Settlement Method:	n/a

Benmore Base Load Electricity Strip Futures

Contract Unit:	Four Benmore Base Load Electricity futures contracts.
Contract Months:	3 calendar year strip products
Commodity Code:	EF
Minimum Price Movement:	Prices are quoted in NZ dollars and cents per MWh The minimum fluctuation is NZ $0.01.
Last Trading Day:	The last trading day of the first contract quarter in the relevant Strip Futures product.
Trading Hours:	10.30am – 4.00pm NZST (during US daylight saving time) 10.30am – 4.00pm NZST (during US non daylight saving time)
Settlement Method:	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 Otahuhu Base Load Electricity Strip Futures

Contract Unit:	One Otahuhu Base Load Electricity Strip Futures Product.
Contract Months:	Put and Call options available on up to 3 calendar year strip futures products.
Commodity Code:	EB
Minimum Price Movement:	Prices are quoted in NZ dollars and cents per MWh The minimum fluctuation is NZ $0.01.
Exercise Prices:	NZ $2.50. New option exercise prices created automatically as the underlying futures contract price moves.
Contract Expiry:	Options will cease trading at 12:00 noon NZST on the Last Trading. 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 New Zealand then the following business day in New Zealand will be the expiry day.
Trading Hours:	10.30am – 4.00pm NZST (during US daylight saving time) 10.30am – 4.00pm NZST (during US non daylight saving time)
Settlement Method:	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.

Strip Options over Benmore Base Load Electricity Strip Futures

Contract Unit:	One Benmore Base Load Electricity Strip Futures Product.
Contract Months:	Put and Call options available on up to 3 calendar year strip futures products.
Commodity Code:	EF
Minimum Price Movement:	Prices are quoted in NZ dollars and cents per MWh The minimum fluctuation is NZ $0.01.
Exercise Prices:	NZ $2.50. New option exercise prices created automatically as the underlying futures contract price moves.

Contract Expiry:	Options will cease trading at 12:00 noon NZST 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 New Zealand then the following business day in New Zealand will be the expiry day.
Trading Hours:	10.30am – 4.00pm NZST (during US daylight saving time) 10.30am – 4.00pm NZST (during US non daylight saving time)
Settlement Method:	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.

[1] Unless otherwise indicated, all times are New Zealand times.

[2] US daylight saving begins second Sunday in March and ends first Sunday in November.

Data Vendor Codes

Contract	SFE Code	Thomson Reuters Code	IRESS Code	Bloomberg Code (Options: type OMON)	eSignal Code
Otahuhu Base Load Electricity Futures	EA	NEA	EAmy	BEAA Comdty	Futures: EA <month><year>-SFE i.e. EA Z8-SFE
Otahuhu Base Load Electricity Strip Futures Products	EB	NEB	EBmy	BHBA Comdty	Futures: EB <month><year>-SFE i.e. EB F9-SFE Options: EB <month><year><PorC><Strike Price>-SFE i.e. EB F9P2400-SFE
Benmore Base Load Electricity Futures	EE	NEE	EEmy	BEEA Comdty	Futures: EE <month><year>-SFE i.e. EE Z8-SFE
Benmore Base Load Electricity Strip Futures Products	EF	NEF	EFmy	BBEA Comdty	Futures: EF <month><year>-SFE i.e. EF F9-SFE Options: EF <month><year><PorC><Strike Price>-SFE i.e. EF F9P2400-SFE

Attachment 2 - Operating Rules

As noted earlier, these Operating Rules of Sydney Futures Exchange to support these new contracts remain subject to regulatory clearance.

Rule 6.68.1 New Zealand Base Load Electricity Futures Contract

Item	Heading	Individual contract specifications
1.1	Contract Unit	One (1) Megawatt (MW) of electrical energy per hour during the base load profile as defined in Item 1.2, bought and sold in the New Zealand Electricity Market conducted by The Marketplace Company Limited (M-co) or its successor for the grid reference point(s) specified in the Determinations, over the period of a Calendar Quarter.
1.2	Reference Price	The New Zealand Electricity Market price that underlies the Contract shall, subject to Item 3(c), be the price calculated for the grid reference point(s) specified in the Determinations on a half hourly basis for purposes of invoicing physical deliveries of electricity occurring between 0:00 hours Monday and 24:00 hours Sunday – New Zealand Standard Time ("NZST"), during the period of a Calender Quarter, exclusive of any days which may be determined by the Exchange.
1.3	Type of Contract	Cash settled.
2	Contract Value	The price, quoted in New Zealand dollars (to such number of decimal places as shall be determined by the Exchange) per Megawatt hour, agreed to by the parties at the time of entering into the Contract and multiplied by the number of base load hours in the underlying Calendar Quarter and expressed as New Zealand dollars, where the number of base load hours for any Calendar Quarter is as defined in Item 1.2.
3	Provisional Settlement Price	(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". (b) SFE Clearing may, at its discretion at any time up until the final Settlement Price is declared, amend the provisional cash settlement price. (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. (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.
4	Settlement Value	The arithmetic average of base load spot prices on a half hourly basis over the Calendar Quarter expressed as New Zealand dollars (to such number of decimal places as shall be determined by the Exchange) quoted by the Exchange for that Settlement Day multiplied by the number of base load hours in the underlying Calendar Quarter and expressed as New Zealand dollars.

Item	Heading	Individual contract specifications
5	Average Quoted Price	The “base load average quoted price” of the underlying physical market for purposes of settlement of contract shall be calculated as a ratio of A/B where: “A” Equals the sum of the half hour reference prices for the grid reference point(s) specified in the Determinations occurring during the period defined in Item 1.2, rounded in a manner determined by the Exchange. “B” Equals the total number of half hour reference prices for the grid reference point(s) specified in the Determinations occurring during the period defined in Item 1.2. The base load average quoted price shall be rounded as determined by the Exchange.
6	Settlement Price	(a) For each Settlement Day SFE Clearing shall declare the numerical value which shall be the provisional settlement price on the first business day in New Zealand after expiry. (b) The provisional settlement price shall be later confirmed by SFE Clearing as the Settlement Price on the third business day in New Zealand after expiry. (c) This Settlement Price shall be accepted as final. (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 electricity as described in Item 5, multiplied by the amount of electricity represented by one contract as defined in Item 1.1 above.
7	Exclusion of Liability	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 M-co or its successor, SFE Clearing or the Exchange.
8	Inability for SFE Clearing to declare settlement price and undesirable situations	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.

Rule 6.68.2 Strip Options over New Zealand Base Load Electricity Futures Contracts

Item	Heading	Individual contract specifications
1.	Contract Unit	An Option over four predetermined New Zealand Base Load Electricity Futures Contracts as described in Item 1 of Rule 6.68.1.
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 Options unless directed to do so by an Exercise Request.
3.	Value of the Contract Premium in dollars and cents	The price, quoted in New Zealand dollars (to such number of decimal places as shall be determined by the Exchange) per Megawatt hour, agreed to by the parties at the time of entering into an Option and multiplied by the aggregate number of base load hours in the underlying four New Zealand Base Load Electricity Futures Contracts and expressed as New Zealand dollars.
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	$FP = A \times \frac{B}{C}$ FP = Price allocated to each futures contract resulting from exercised Strip Option. A = the previous day's Settlement Price for the Contract Quarter for each individual futures contract. B = Exercise Price. C = Previous Day's Implied Strip Price, calculated as follows: Implied Strip Price = $\frac{F}{G}$ F = $a + b + c + d$ a = Q1 previous day's Settlement Price x megawatt hours for Q1 as determined by the Exchange. b = Q2 previous day's Settlement Price x megawatt hours for Q2 as determined by the Exchange. c = Q3 previous day's Settlement Price x megawatt hours for Q3 as determined by the Exchange. d = Q4 previous day's Settlement Price x megawatt hours for Q4 as determined by the Exchange. G = Total number of megawatt hours of all four Futures Contracts.
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 megawatt hours of each futures contract) of the four futures contracts determined in Item 1, and shall Publish the Exercise Prices so determined.

Item	Heading	Individual contract specifications
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

	MINIMUM PRESCRIBED TIME BETWEEN MESSAGE AND ENTRY OF ORDERS: OUTRIGHT MARKET	MINIMUM PRESCRIBED TIME BETWEEN MESSAGE AND ENTRY OF ORDERS CUSTOM MARKET	AFTER PRESCRIBED TIME HAS ELAPSED – TIME ALLOWED FOR ORDER EXECUTION+	MINIMUM VOLUME THRESHOLD
ELECTRICITY				
New Zealand electricity futures (including strip products)	30 seconds	30 seconds	90 seconds	1 lot
New Zealand electricity strip options	30 seconds	30 seconds	90 seconds	1 lot

Rule 3.4 Block Trading

CONTRACTS	NEW ZEALAND ELECTRICITY FUTURES CONTRACT	NEW ZEALAND ELECTRICITY STRIP OPTIONS
APPLICABLE CONTRACTS	All	All
MINIMUM THRESHOLD	5 lots	5 lots
CHANGE OF SPOT MONTH (DAYS PRIOR TO EXPIRY)	N/A	N/A
MINIMUM TRADING INCREMENT	NZ$0.01	NZ$0.01

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

CONTRACTS	NEW ZEALAND ELECTRICITY FUTURES CONTRACT	NEW ZEALAND ELECTRICITY STRIP OPTIONS
METHOD OF REGISTRATION	SFEIN	SFEIN

Attachment 3 - Determinations

6.68.1 New Zealand Base Load Electricity Futures Contract

Ref Rule	Subject	Determinations
6.2.3	Manner of quoting Futures Price	New Zealand Dollars (NZD) per Megawatt hour.
6.2.3	Minimum fluctuations for quoting Futures Price	0.05 NZD per Megawatt hour
6.68.1 Items 1 & 5	Grid reference point(s)	Benmore grid reference point; and Otahuhu grid reference point
6.68.1 Item 3	Time at which Provisional Settlement Price is declared	3.30 pm NZST on the first business day in New Zealand following the Final Trading Day
6.68.1 Item 3	Time at which Final Settlement Price is declared	11.00 am NZST on the third business day in New Zealand following the Final Trading Day.
6.68.1 Items 2 & 4	Calculation of Contract Value and Settlement Value	Calculations shall be carried out to 2 decimal places
6.68.1 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 Megawatt hour
6.1.4	Trading Hours	10.30 am NZST to 4.00 pm NZST 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 three Calendar Years.
6.2.3	Final Trading Day	The last business day in New Zealand of the Settlement Quarter.
6.2.3	Time at which trading ceases on Final Trading Day	4.00 pm NZST
6.2.3	Settlement Day	The fourth business day in New Zealand 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 6.68.2   Strip Options over New Zealand Base Load Electricity Futures contracts

Associated Determinations

Ref Rule	Subject	Options contract determinations
6.3.6	Manner of quoting Contract Premiums.	New Zealand dollars (NZD) per Megawatt Hour.
6.3.6	Minimum fluctuations to be used in quoting Contract Premium.	0.01 NZD per Megawatt Hour.
6.3.6	Manner of quoting Exercise Prices of Options.	NZD per Megawatt Hour.
6.3.6	Minimum fluctuations to be used in quoting Exercise Prices of Options.	2.50 NZD per Megawatt Hour.
6.3.6	Expiry months.	November, such that sufficient Annual Months are always available for market participants to trade the next three 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 annual futures contracts. If this day is not a NZ Business Day then the following NZ Business Day will be the expiry day.
6.3.6	Time at which trading ceases on Declaration Date.	12.00 noon New Zealand standard time (NZST) 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.	10.30am NZST to 4.00pm NZST
6.3.6	Time for lodgment of an Exercise Request.	On any Trading Day up to 1.30pm NZST. 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 NZST. To clarify, notification in this section relates to the assignment of the option and not to the resultant futures legs.

[1]Explanatory Note – Item 1

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

Option Expiry Month	Display Expiry Month	Strip Year
November 2009	December 2010	2010
November 2010	December 2011	2011
November 2011	December 2012	2012