



9 October 2017

Kris Funston  
Australian Electricity Market Commission  
Level 6  
201 Elizabeth Street  
Sydney NSW 2000

By email to [kris.funston@aemc.com.au](mailto:kris.funston@aemc.com.au)

Dear Kris

### **5 MINUTE SETTLEMENT DRAFT RULE DETERMINATION**

ASX welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft Determination paper on 5 minute settlement in the Australian electricity market.

ASX notes the proposed transition date to 5 minute settlement of 1 July 2021.

ASX considers that this transition date will allow sufficient time to implement any changes required to our range of futures and options with minimal impact on the derivatives market, as the transition date is beyond where market users are currently using ASX derivatives to hedge forward.

ASX is currently considering changes to futures in and options products in two areas:

- 1. Definition of underlying commodity** – ASX needs to ensure our definition of the physical market reference price which underlies our derivatives contracts is updated to reflect the change to prices, published by AEMO, in the physical market post the change to 5 minute settlement. With the exception of cap futures contracts, this will not change the structure/behaviour of the derivative contracts for market users as the current half-hourly reference price is an arithmetic average of the 5 minute prices in each half-hour period within the physical market.
- 2. \$300 Cap futures** – The change to 5 minute settlement has a more pronounced impact on ASX \$300 cap futures contract as the formula which determines the expiry settlement value will use 5 minute rather than 30 minute prices. As noted in submissions to the AEMC the change to 5 minute settlement is expected to reduce the volume of cap futures traded. ASX will be consulting with market users regarding the design of our \$300 cap futures contract prior to the AEMC making their Final Determination on 5 minute settlement on the 28 November 2017. At present, the Exchange is considering rule changes such that all \$300 cap futures expiries post 1 July 2021 will reference the 5 minute price as the underlying.

All changes to the operating rules which contain ASX futures and options contract specifications are subject to approval by ASIC. ASX will inform the market of changes to the operating rules as soon as possible after the final determination is made by the AEMC.

ASX is committed to supporting secondary markets in the Australian energy market to enable market users to effectively manage their price risk. As the change to 5 minute settlement represents a significant change



for the physical electricity market ASX will continue to work with customers around potential new derivatives that may benefit end users in the post 5 minute settlement world.

Yours sincerely,

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Cc: