

# ENERGY FOCUS

FY 06/07

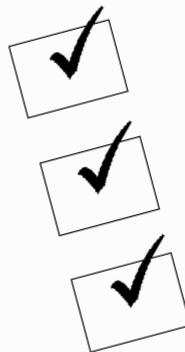
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## Australian Electricity Futures

EXCHANGE TRADED

CASH SETTLED

CFTC APPROVED



DELIVERING  
EXCHANGE TRADED  
ENERGY DERIVATIVES  
TO THE AUSTRALIAN  
MARKET





## FIN YEAR 06/07 SETS RECORD PRICES & VOLUMES

### PERFORMANCE SUMMARY OF FY 06/07 – 125% OF PHYSICAL MARKET

	FY 05/06	FY 06/07
Futures, Caps and Options contracts traded	28,831	115,169
Avg Daily Volume	132 contracts 249,497 MWh	461 contracts 971,980 MWh
% physical market demand	28%	125%
Total Traded MWh (Approx)	54.6 million	243 million
Face Value Traded (Approx)	\$1.98 billion	\$11.89 billion
Open interest (COB June)	20,153 contracts \$1.57 billion face value	40,272 contracts \$7.76 billion face value
*Contract volume is quoted on a 1 MW calendar quarter equivalent		

The financial year ending June 2007 (FY06/07) witnessed unprecedented trading volumes and contract price rallies in the d-cypha SFE Australian Electricity Futures and Options contracts. In March, April and May 2007 futures volume exceeded 200% of National Electricity Market (NEM) physical demand (NSW, VIC, SA and QLD).

**243 MILLION MWh** of energy traded during FY06/07, an increase of 345% on FY05/06. The face value of traded volume equated to **\$11.89 billion**.

New records for traded volumes and open interest were repeatedly broken in FY06/07.

A total of 115,169 d-cypha SFE Electricity Futures & Options were traded during the year, a 300% increase on the previous year. Open interest (as at COB 29 June 2007) increased to a new record of 40,272 contracts, with a face value of \$7.76 billion (a value increase of 394% from COB 30 June 2006).

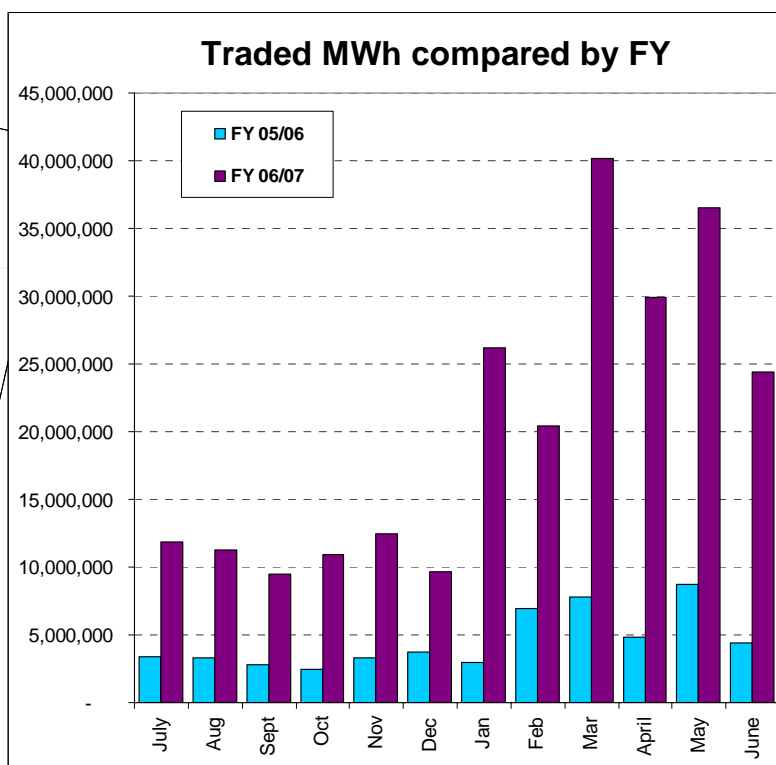
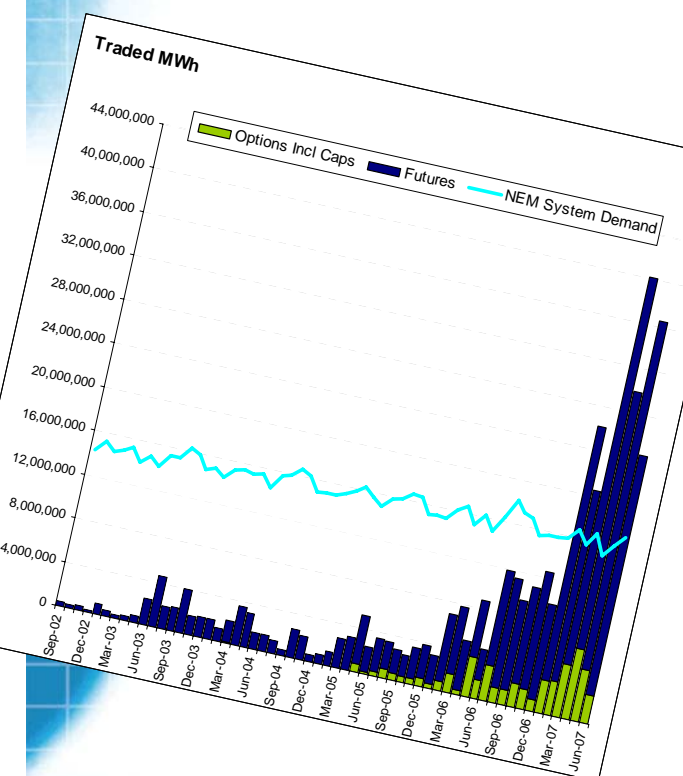
Physical market outages and strong physical market demand saw futures and options trading on 2 May 2007 achieve a daily record of 5.1 million MWh (2,442 quarterly equivalent contracts).

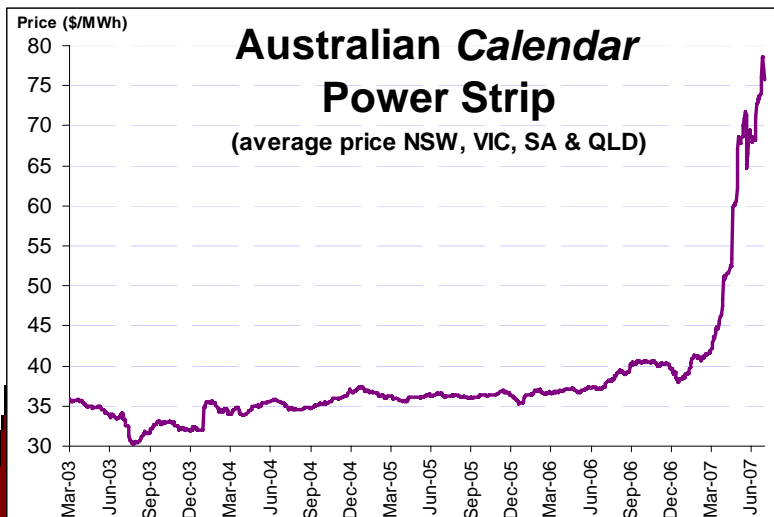
Face value of traded volume in May 2007 alone was \$2.4 billion – this being 21% larger than the total face value traded during the entire FY 05/06 year (\$1.98 billion).

### JUNE 2007 HIGHLIGHTS

A record 1.9 million MWh of EFP's were registered during the month of June 2007. The EFP mechanism allows pre-existing bilateral Over the Counter (OTC) deals to be registered with the SFE Clearing Corporation as futures contracts to mitigate credit default risk. For example a hypothetical 1,000 MW of VIC calendar 2008 baseload traded in Dec 2006 as an unsecured OTC deal with a price of \$38.80/MWh represents a potential \$384 million dollar counter-party default exposure for the buyer as at 30 June 2007. For more details about the EFP mechanism, please see the d-cyphaTrade website.

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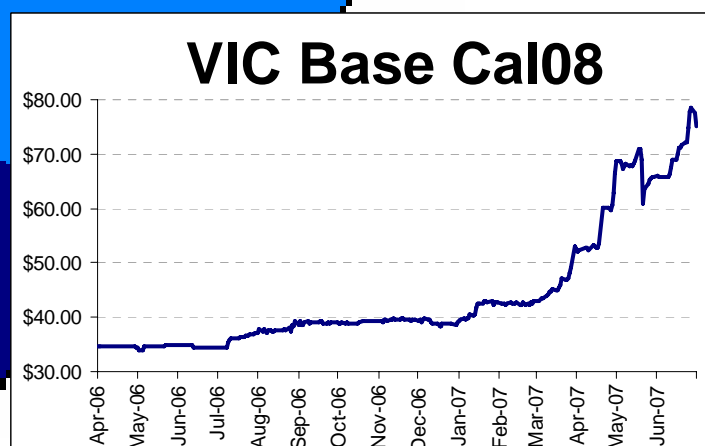
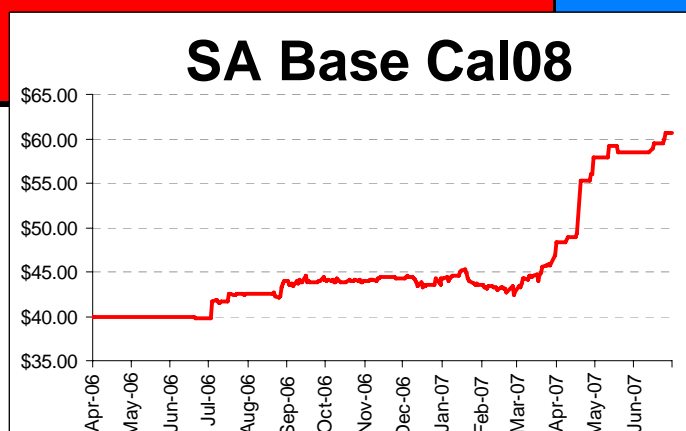
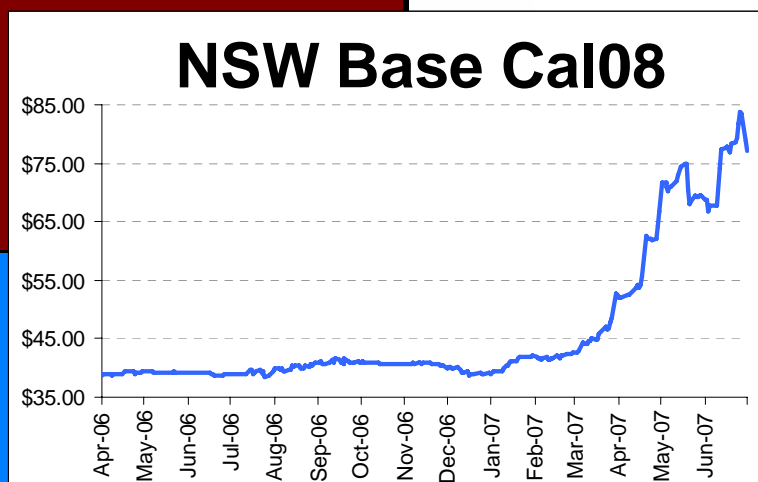
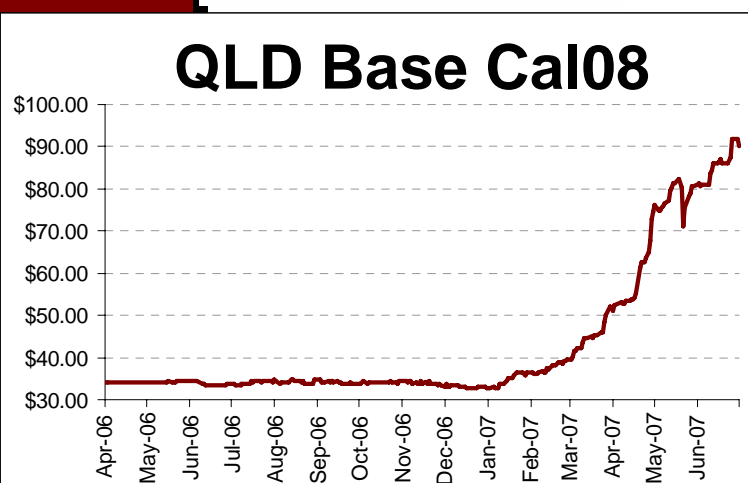
#### PRICE ACTION: JULY 2006 TO JUNE 2007 BUSHFIRES AND DROUGHT

During FY06/07, electricity futures prices rallied across the 4 state regions, driven predominately by spot market price volatility caused by system outages (e.g. the January 2007 bushfires), the effect of drought on water levels required for hydro generation and water-cooling of coal fired generators and increases in natural gas prices which effect peak generation fuel costs.

QLD Calendar 2008 futures contracts rallied the strongest of all the regions, on significant volume, settling at \$91.78/MWh (rallying \$58.87/MWh during the period).

Option trading across NSW, VIC and QLD witnessed record option premium prices, including the NSW Calendar 2008 \$42 Call Options (with a November 2007 expiry) trading at \$4.03/MWh which settled at an implied options volatility of 34.46% as at COB 29<sup>th</sup> June 2007.

The top chart shows the average settlement price (quoted as an average price/MWh) of a national basket of electricity futures consisting of prompt calendar futures across NSW, VIC, SA and QLD, over the last 4 years. The price of the national power basket increased by 104% from 1<sup>st</sup> January 2007 to 29<sup>th</sup> June 2007 (\$38.53/MWh to \$78.62/MWh).





## ELECTRICITY FUTURES MARKET – A YEAR IN REVIEW

The past financial year has seen numerous advancements to the market. The SFE Block Trade minimum contract size was reduced from 15 lots to 5 lots in October 2006 to more effectively accommodate the clearing of trades negotiated in the OTC market. Over the last 12 months the Block Trade Facility has registered 134.4 million MWh of business negotiated in the OTC market which equates to 55% of all trades.

Several new trading and investment firms established electricity trading operations, contributing to overall liquidity created by existing financial traders and energy companies. d-cypha SFE Electricity Futures and Options are CFTC-approved for overseas investors and do not involve the physical delivery of electricity.

The electricity futures market provided transparent end of day settlement prices to help market participants gauge their price and counter-party risks, particularly throughout the unprecedented volatility and record price levels experienced over the 1st half of 2007.

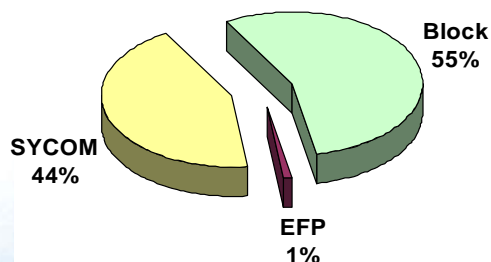
To meet the market's demand for training relevant to the electricity futures and options market, d-cyphaTrade held a record number of in-house and open training workshops for wholesale trading participants and industry observers, during FY 06/07. d-cyphaTrade training workshops cover margining procedures, product specifications, trading mechanisms and more.

Recent upgrades to the d-cyphaTrade online market Data Centre provides improved user-friendly settlement price history overviews and more comprehensive futures market data. For further information please see the d-cyphaTrade website or contact us on +61 2 8211 0616.

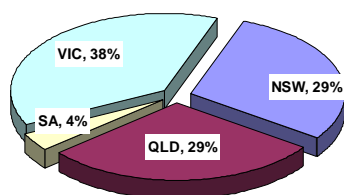
Exchange fees were halved for Baseload calendar options in February 2006. Additional exchange fee discounts have also consistently been provided through incentive programs for market makers and pre-paid exchange fees and this will continue in FY 07/08.

As a side note, the Sydney Futures Exchange merged with the Australian Stock Exchange in July 2007, now known as the Australian Securities Exchange (ASX) to become the 9<sup>th</sup> largest listed exchange (by market capitalisation) in the world and the largest futures exchange (by value) in the Asia Pacific.

### Comparing Trading Mechanisms (FY 06/07)



### Traded Volume (OTC and SYCOM) FY 06/07



## Monthly Open Interest

