

Changes to ASX Clear (Futures) Initial Margin Parameters for Australian Electricity Cap Futures - Information Sheet

Version 1 – 31 August 2020

Introduction

On 21 July 2020, ASX Clear (Futures) issued a [market notice](#) advising that ASX Clear (Futures) is revising its initial margin methodology and liquidity margin add-on methodology for ASX 24 Australian Base Load Electricity Cap Futures Contracts. Further to this notice ASX would like to outline how ASX Clear (futures) will be communicating future Australian Electricity Cap margin parameters.

1. What has changed as at 7 August 2020?

The margin parameter amendments include changing the price scanning ranges (PSR) from being expressed as a percentage of the contract price to being expressed as an absolute dollar value, and the explicit introduction of seasonality. Both changes will better capture the variability of price risk throughout the year.

As a result of this change the price scanning ranges will not change each day with the contract price. Instead they will change each quarter as the contracts roll and when the parameter calculations are updated.

2. When will the market be notified of new Australian Electricity Cap margin parameters?

Further to previous communication in [Information Sheet – July 2020](#), ASX would like to clarify the process of notification for ASX Electricity Caps margin parameter changes. As the price scanning ranges will change each quarter as the spot contract rolls, the changes will be communicated in advance of the contracts rolling. ASX Clear (futures) will issue a market notice approximately 4-5 weeks' advance of a contract roll. Please find the latest market notice on Cap margin parameters issued on 28 August 2020 [here](#). The next parameters that will be effective from the 30th of September are shown in [Appendix 1](#).

[Appendix 2](#) contains the current parameters, the new parameters, and an indication of likely parameters for the next two contract rolls. These indicative values are subject to change depending on market conditions and will be confirmed 4-5 weeks' ahead of a contract roll.

3. Where do I find further information?

ASX Clear (Futures) issued a [market notice](#) on 28 August 2020, advising of new initial margin parameters for the ASX 24 Australian Electricity Base Load Cap Futures Contract.

All ASX 24 energy margin parameters are available on the ASX website at:

https://www.asx.com.au/data/clearing/ASX_Energy_Margin_Parameters.pdf

4. What can I do if I have further questions about these changes?

If you have further questions please do not hesitate to contact the ASX Business Development team using the details below.

Further enquiries:

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