



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

Version 1 – 24 July 2020

Introduction

ASX Clear (Futures) issued a market notice on the 21st of July 2020, 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. The market notice is available for download [here](#). The new margin parameters will be effective as at the 7th of August 2020 for all Australian Electricity Base Load Cap Futures Contracts.

1. Why are we making margin changes?

The margin parameters for ASX 24 Base Load Electricity Cap Futures Contracts have been under review for some time. On 21st July 2020 ASX announced that it would make margin methodology changes to allow for more accurate margining of these contracts with effect from 7th August 2020. This decision was made in conjunction with the decision to list an additional expiry in the Australian Base Load Electricity Cap Futures Contract which will also take effect on 7th of August 2020. The market notice on listing an additional expiry issued on the 13th of July 2020 is available [here](#).

In deciding the timing of these changes consideration was made of the importance of listing the new expiry and the magnitude of the changes.

2. What is changing?

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.

Please see [Appendix 1](#) for a summary of the changes.

3. What is the impact of these changes?

The margin changes are directly applicable to Clearing Participants of ASX Clear (Futures) and will apply to any open position in the ASX 24 Australian Base Load Electricity Cap Futures Contracts. The impact of the changes will vary depending on the portfolio of contract positions in the Clearing Participant Accounts.

Here are worked examples of the margin methodology changes using prices as at 16th of July 2020.

Product Code	Current PSR (%)	Prices as at 16 th July 2020	Contract Hours	Current IM calculation	New PSR (\$)	Up/Down
GQU0	50%	0.75	2208	\$828	\$3,952	Up
GQZ0	46%	2.25	2208	\$2,285	\$7,016	Up

GQH1	40%	8.3	2160	\$7,171	\$7,020	Down
GQM1	19%	1.87	2184	\$776	\$1,497	Up
GNU0	50%	2.16	2208	\$2,385	\$8,367	Up
GNZ0	46%	6.62	2208	\$6,724	\$6,560	Down
GNH1	34%	24	2160	\$17,626	\$6,367	Down
GNM1	28%	3.5	2184	\$2,140	\$1,966	Down
GVU0	50%	2	2208	\$2,208	\$5,378	Up
GVZ0	50%	6.3	2208	\$6,955	\$5,520	Down
GVH1	39%	43.5	2160	\$36,644	\$11,556	Down
GVM1	33%	2.25	2184	\$1,622	\$1,092	Down
GSU0	50%	2.6	2208	\$2,870	\$28,704	Up
GSZ0	45%	6	2208	\$5,962	\$7,648	Up
GSH1	22%	41.5	2160	\$19,721	\$11,340	Down
GSM1	23%	3.69	2184	\$1,854	\$3,385	Up

4. How will end users (“Clients”) be impacted?

The impact to end users (“Clients”) will vary depending on their margining arrangements with their Clearing Participant. It’s recommended that Clients contact their Clearing Participant to discuss impacts to their portfolio.

5. Is ASX Clear (Futures) making any other margin parameters changes?

ASX Clear (Futures) have made these changes to the Australian Electricity Base Load Cap Futures Contract only. There are no changes to the margin methodology of the remaining ASX Energy product suite.

6. Where do I find further information?

ASX Clear (Futures) issued a market notice on 21st of July 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

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

ASX welcomes customer feedback and has a formal process to log and escalate significant issues.

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

Further enquiries:

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