



Provision of market making services in ASX Australian Electricity Futures, Caps and Options

Expression of Interest

July 2018

Contents

Responses to this EOI are due by Friday 10 August, 2018 and should be sent to:

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 ASX Limited
 20 Bridge Street
 Sydney NSW 2000
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 Australia Square NSW 1215
 Attention: Melissa Tan

ASX prefers to receive submissions in electronic form. All submissions are confidential and will not be disclosed to other third parties.

ASX Energy Contacts

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1. Introduction	3
2. Responses	3
3. Key completion dates:	3
4. Evaluation of Responses	3
5. Benefits of being a market maker	3
6. The role and obligations of market makers	4
Market maker price making.....	4
Key requirements	4
7. MM Agreement	4
The Market Maker Agreement	4
Exclusivity	5
8. General Conditions for submitting a response to this EOI	5
Confidentiality	5
Costs	5
No binding agreement.....	5
No Reliance.....	5
Intellectual property.....	6
Retention of Proposals	6
Privacy Statement.....	6
Other Conditions	6
Appendix 1 - Response Form	7



1. Introduction

In September 2002, ASX listed Australian Electricity derivative contracts in response to market demands for credit risk mitigation and a centralised trading platform. Australian Electricity Futures, Caps & Options contracts (“AEFC&O”) are standardised and centrally cleared financial contracts. These contracts allow market users to manage their price and counterparty risk exposure to the underlying physical electricity market also known as the National Electricity Market (NEM).

Since listing, the market has grown to reach its highest traded volume of 548 million MWh and average daily volume of 996 lots in FY 2011. Currently, the market has an average daily volume of 608 lots and during FY 2018 traded the equivalent of 333 million MWh.

ASX is seeking responses to this expressions of interest (EOI) from ASX Market Participants (“Respondents”) interested in becoming market makers (MMs) for AEFC&O.

The AEFC&O market making scheme is subject to approval by ASIC.

2. Responses

Respondents are invited to indicate their interest to ASX by completing the Response Form in Appendix 1 (Response Form).

Response Forms should be emailed to Melissa Tan by **5pm on Friday 10 August 2018 (EOI Closing Time)**. A Response Form is not lodged until it is actually received by ASX. At any time before the EOI Closing Time, ASX may in its sole and absolute discretion extend the EOI Closing Time. Any Response Forms received after the EOI Closing Time will be subject to a decision by ASX in its sole and absolute discretion as to whether or not they are to be accepted for evaluation and ASX is under no obligation to accept a late Response Form or act on any reason provided by a Respondent for submitting a late Response Form. ASX’s decision, with respect to consideration of late Responses, will be final. No correspondence will be entered into in relation to the decision other than to inform the Respondent of the decision. All enquiries regarding this EOI should be directed to Melissa Tan.

3. Key completion dates:

EOI Closing Time (Response Forms to be lodged before this time)	5pm on Friday 10 August, 2018
Second round discussions with Respondents	August-September 2018
Projected start date for new market making scheme	November 2018

4. Evaluation of Responses

The objective of the evaluation process is to identify the Respondents that are interested in becoming market makers for AEFC&Os in the relevant NEM region and the terms upon which they would agree to participate in the market making scheme. The Response Forms will be assessed to identify with which Respondents ASX should commence negotiations. For this purpose the evaluation process will consider each Respondent’s relative ability to satisfy the overall requirements / obligations of being a market maker.

ASX assumes no obligation to accept or take action on any Response Form and the evaluation process is at ASX’s sole discretion.

5. Benefits of being a market maker

ASX recognises the crucial role of MMs for the development of a liquid and efficient market in AEFC&O.



Involvement in the market making scheme will provide MM with:

- Recognition as one of a select group of MMs in AEFC&O traded on ASX; and
- Potentially, incentives will be determined in consultation with successful Respondents and subject to approval by ASX and ASIC.

Market makers have been active in the ASX New Zealand Electricity Futures and Options market since 2011. For details on the NZ Marketing Making scheme [please see here](#).

6. The role and obligations of market makers

Market maker price making

To support liquidity in the AEFC&O market, ASX is seeking to appoint a select number of MMs for each NEM region. The price making activity may require order automation with prices being automatically generated and fed through to the ASX 24 trading platform.

MMs will be required to have best practice connectivity redundancy in place to ensure that there is the minimum potential for price disruption as a result of technical outage. ASX will require all market maker systems be certified by ASX prior to their use with production versions of ASX systems, in particular ASX 24.

During periods of market stress, technical outage, etc....., ASX would permit market makers to cease making prices. The terms of these exemptions would be detailed in the market maker agreement.

Key requirements

Key requirements for MMs on which selection criteria will be based are:

- Technical ability / connectivity to ASX 24 to provide prices for the appointed AEFC&Os in the respective NEM region;
- On-going availability of risk capital and sufficiently skilled resources capable of performing the MM's obligations;
- Willingness of MMs to be contractually obligated (subject to agreement between ASX and market makers), as to bid / offer spread and volume (this is not an obligation to make markets, but rather a contractual commitment as to what spread and volume will entitle the MM to incentives under the scheme);
- Commercial attractiveness of the proposal in the Response Forms;
- MM is appropriately licensed to make markets or subject to an exemption; and
- Subject to agreement between ASX and market makers, willingness to be promoted as a MM in AEFC&Os. Any use of the MM's logo and company name will be approved by the MM prior to use by ASX.

The weight attributed to selection criteria applied by ASX will be determined by ASX in its sole and absolute discretion.

7. MM Agreement

The Market Maker Agreement

An Agreement (The "Market Maker Agreement") will set out the market making obligations for MMs and if any, the market maker incentive arrangements.

Any incentives will be subject to meeting agreed performance criteria, which will be monitored by ASX. Persistent failure by a MM to meet the agreed obligations may result in either incentives being reduced or not paid to MMs.



Exclusivity

ASX proposes to appoint only a limited number of MMs for AEFC&Os in each NEM region. ASX is proposing that there is an initial minimum time period of 2 years (to be agreed between ASX and MMs) before additional MMs can be appointed.

8. General Conditions for submitting a response to this EOI

Confidentiality

All information contained within this document, annexures and attachments and any other material disclosed in connection with this EOI is confidential and is provided only to give Respondents an adequate understanding of ASX's requirements. The Respondent must use the information solely for this purpose and under no circumstances should information be disclosed to any party other than the Respondent. This document and all other disclosed material is not to be reproduced or provided to any third party without the express written consent of ASX. Nothing in this document:

- (a) obliges ASX to disclose to the Respondent any information that may be confidential; or
- (b) precludes ASX from disclosing any information that may be confidential to any other person for any purpose.

Costs

The Respondent is responsible for its own costs incurred in responding to this EOI, including but not limited to attendance at meetings, discussions, travel, etc. providing any additional material required by ASX and/or involved in negotiating with ASX and/or any appointment as a MM for AEFC&Os in the relevant NEM region pursuant to a duly executed market maker agreement.

No binding agreement

ASX reserves its rights to cease to continue with this EOI and/or any proposal arising under it, amend any part of the EOI and/or any proposal, and to accept or reject any party at its absolute discretion at any time. ASX's decision will be final and no correspondence will be entered into.

No agreement in relation to the services will be deemed to have arisen in respect of this EOI or any subsequent dealings with a party until such party is appointed as a market maker for AEFC&Os in the relevant NEM region pursuant to a duly executed market maker agreement. The Respondent acknowledges that this document does not restrict ASX's right to negotiate or discuss with any other person matters pertaining to the services the subject of this EOI.

No Reliance

The Respondent acknowledges that the information contained within this EOI is provided solely on the basis that the Respondent will be responsible for its own independent evaluation of it. A Respondent will be taken to have:

- (a) examined this EOI and any documents referred to in it and any other written information made available by ASX for the purposes of this EOI;
- (b) examined all further information relating to risks, contingencies and other circumstances having an effect on its response to this EOI which it could obtain by making reasonable enquiries; and
- (c) satisfied itself as to the correctness and sufficiency of its response to this EOI including costs.

To the extent permitted by law, members of the ASX Group and its directors, officers, employees, advisers or agents do not make any representation or warranty (express or implied) about the accuracy, completeness or currency of any matter, fact, statement or any other information contained in this document or made available in relation to this EOI or in relation to the services the subject of this EOI.



To the extent permitted by law, members of the ASX Group and its directors, officers, employees, advisers or agents will not have any liability to the Respondent resulting from its use of the information contained in this document, any other disclosed material or any failure to correct or update information contained in or in connection with this EOI or in relation to the services the subject of this EOI.

Intellectual property

All documentation, and the intellectual property they contain, supplied as part of this EOI remain the property of ASX at all times. The documents, and any copies made in the process of preparing proposals, shall be returned to ASX by the unsuccessful Respondents within fourteen (14) days of being notified that their response has not been accepted by ASX to enter into discussions regarding the appointment of the Respondent as a market maker for AEFC&Os in the relevant NEM region. Each unsuccessful Respondent must also delete all electronic copies of the EOI from their systems.

Retention of Proposals

All submissions by Respondents in response to this EOI will become the property of ASX. By submitting a Response Form, the Respondent gives ASX a licence to copy and reproduce responses for the purposes of evaluation, clarification, negotiation and/or appointment as a market maker for AEFC&Os in the relevant NEM region and anything else related to these purposes. The Respondent must allow ASX to copy and do anything else necessary to all material including the Respondent's intellectual property contained in the response for the purpose of evaluation of the response and negotiation of the appointment. The Respondent will ensure that no third party intellectual property rights are infringed by ASX's use of the material in this regard.

Privacy Statement

Personal information may be collected by ASX or its agents in a Respondent's response. This information will only be used by ASX or its agents for the purpose of reviewing the Respondent's response. Personal Information is treated in accordance with [ASX's Privacy Policy](#). This information will not be disclosed to any other organisation or individual unless ASX is required or authorised to do so by law or unless the relevant individual consents to this disclosure.

Individuals can access their information by contacting Chief Privacy Officer ASX Limited on 131 279 or by emailing privacy@asx.com.au.

Other Conditions

When lodging its response to this EOI, a Respondent warrants that it has checked its response for errors and omissions and that its offer price is correct.

A Respondent acknowledges that it has not relied on any representation made by any company within the ASX Group or any of its respective officers, employees or agents.



Appendix 1 - Response Form

Name of Respondent company	
Respondent contact name and title	
Respondent contact details	Phone Email
Respondent contact address	
Respondent's ASX 24 Trading Participant name	
Respondent's ASX 24 Clearing Participant name	
Respondent's order entry interface	
Respondent's ultimate guarantee or parent company	
AFSL or relevant exemption	



Futures					
Contracts	Commodity Code	Listed Regions	Please indicate your interest in market making (Yes/No)	Respondent's proposed minimum bid/offer spread	Respondent's proposed minimum bid/offer volume
Base Load Month Future (E)	EN	NSW			
	EV	VIC			
	EQ	QLD			
	ES	SA			
Base Load Quarter Future (B)	BN	NSW			
	BV	VIC			
	BQ	QLD			
	BS	SA			
Base Load Calendar and Financial Year Future Strip (H)	HN	NSW			
	HV	VIC			
	HQ	QLD			
	HS	SA			
\$300 Cap Quarter Future (G)	GN	NSW			
	GV	VIC			
	GQ	QLD			
	GS	SA			



Options					
Contracts	Commodity Code	Listed Regions	Please indicate your interest in market making (Yes/No)	Respondent's proposed minimum bid/offer spread	Respondent's proposed minimum bid/offer volume
Base Load Calendar and Financial Year Options (H)	HN	NSW			
	HV	VIC			
	HQ	QLD			
	HS	SA			
Base Load Quarter Average Rate Options (B)	BN	NSW			
	BV	VIC			
	BQ	QLD			
	BS	SA			

<p>Please indicate the period of time in which you would be prepared to make prices. E.g. 11:00-4:00, 3:00-4:00, etc...</p>	
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Respondent's degree of readiness or date expected to be able to commence market making.	
Any relationship or circumstance in connection to the Respondent which may reasonably be considered to constitute a conflict of interest, or potential conflict of interest, in respect of this EOI	
Any other information that the Respondent believes will assist ASX in its decision to appoint the Respondent as a MM	
Authorised by	
Name	
Title	