

UPDATE 67

14 December 2020

In November 2017, the AEMC made a final rule to reduce the time interval for financial settlement in the national electricity market from 30 minutes to 5 minutes, scheduled to start on 1 July 2021.

AFMA established a working group of member participants to discuss various issues pertaining to the efficient functioning of the OTC electricity derivatives market, with a view to determining market practices, market conventions and documentation to cater for the introduction of 5 minute settlement.

In November 2019, members agreed on final versions for various sample confirmations, including an updated version of the fixed forward commodity contracts, and agreed to archive 2 unused documents.

In 2020, the AEMC decided to delay the implementation of 5-minute settlement to 1 October 2021. Confirmations and associated commentary have been amended as necessary.

Minor changes were also made to the Electricity Addendum to update ISDA Definitions references to the 2006 ISDA Definitions and 2005 ISDA Commodity Definitions.

Details are as below:

[U64.01] Section 3.8.10 – Sample Confirmation for fixed forward commodity contracts for cash settlement with commentary

In June 2019, members agreed on a final version of a Sample Confirmation for fixed forward commodity contracts for cash settlement with commentary (refer Update 63). The previous version of this document can be found in section 6.2 Archive.

In November 2019, members agreed on an updated final version of a Sample Confirmation for fixed forward commodity contracts for cash settlement with commentary (refer Update 64). This was finalised in November 2020 following an AEMC announcement to delay the rule change to October 2021.

[U64.02] Section 3.8.11 – Sample Confirmation for price cap electricity commodity contracts for cash settlement with commentary

In November 2019, members agreed on a final version of a Sample Confirmation for price cap electricity commodity contracts for cash settlement with commentary (refer Update 64). This was finalised in November 2020 following an AEMC announcement to delay the rule change to October 2021. The previous version of this document can be found in section 6.2 Archive.

If members wish to document a price cap that has 30 minute Calculation Periods (rather than 5 minute Calculation Periods), they may wish to refer to the archived version. However, if this is done, an alternative Commodity Reference Price will need to be specified. Care should be taken if documenting a 30 minute price cap as the archived documentation is for information purposes only.

[U64.03] Section 3.8.12 – Sample Confirmation for price floor electricity commodity contracts for cash settlement with commentary

In November 2019, members agreed on a final version of a Sample Confirmation for price floor electricity commodity contracts for cash settlement with commentary. This was finalised in November 2020 following an AEMC announcement to delay the rule change to October 2021. The previous version of this document can be found in section 6.2 Archive.

If members wish to document a price floor that has 30 minute Calculation Periods (rather than 5 minute Calculation Periods), they may wish to refer to the archived version. However, if this is done, an alternative Commodity Reference Price will need to be specified. Care should be taken if documenting a 30 minute price floor as the archived documentation is for information purposes only.

[U64.04] Section 3.8.13 – Sample Confirmation for price collar electricity commodity contracts for cash settlement with commentary

In November 2019, members agreed on a final version of a Sample Confirmation for price collar electricity commodity contracts for cash settlement with commentary. This was finalised in November 2020 following an AEMC announcement to delay the rule change to October 2021. The previous version of this document can be found in section 6.2 Archive.

If members wish to document a price collar that has 30 minute Calculation Periods (rather than 5 minute Calculation Periods), they may wish to refer to the archived version. However, if this is done, an alternative Commodity Reference Price will need to be specified. Care should be taken if documenting a 30 minute price collar as the archived documentation is for information purposes only.

[U64.05] Section 3.8.15 – for contract settled or cash settled electricity commodity swaption contract

Removal of “Expiration time” term and related Footnote [13], minor amendments in notes section.

[U64.06] Section 3.8.17 – Sample Confirmation for Asian electricity commodity average price option contract for cash settlement

Addition of optional clause for “Market Disruption Event” and related Footnote [22], minor amendments in the notes section.

[U64.07] Section 3.8.18 – June 2006 Australian Electricity Addendum

ISDA Definitions references were updated to the 2006 ISDA Definitions and 2005 ISDA Commodity Definitions.

[U64.08] Section 3.8.21 – Sample Confirmation - energy offset ex ante reallocation transaction

Addition of “Total Notional Quantity” term and related Footnote [3], additional notes.

[U64.09] Section 6.2.3 – Electricity Documentation

This section was amended to refer to the delayed implementation of 5-minute settlement to 1 October 2021.