PART 20 -
ELECTRICITY TRANSACTIONS

INTRODUCTION

New South Wales, Victoria, Queensland, Victoria, Tasmania and ACT - Electricity Markets

[20.01] As at June 2006, the primary physical electricity markets in New South Wales, Victoria, Queensland, South Australia, Tasmania and the Australian Capital Territory were spot markets. The spot price is calculated every half hour based on bids by the generators, and reflects the current value of electricity in that period. The spot price is published by the National Electricity Market Management Company ("NEMMCO"). The bidding and price determination procedures are set out in a Code of Conduct, known as the National Electricity Rules.

There are, as yet, no spot markets in Western Australia or the Northern Territory.

Most electricity contracts between spot market participants are through private contracts between buyers and sellers at agreed prices. These contracts are normally purely financial in nature, and lead only to difference payments being made. In addition, spot market participants settle through NEMMCO based on the actual electricity flows in the spot market.

[20.02] This part 20 (prepared by Mallesons Stephen Jaques in June 2006 (by way of an update of the original version prepared in March 1996 relating to the New South Wales State Electricity Market and subsequently updated in July 1998, March 2001, April 2002, July 2003 and September 2006)) is a part of AFMA Guide to OTC Documents. This part formerly dealt with both the electricity market and the renewable energy certificate ("REC") market. Information regarding RECs and other environmental products will be separately published. This part relates to a specific application, to the electricity market, of the existing part 19 (and the 2005 ISDA Commodity Definitions) dealing generally with commodity transactions.

Part 20 follows an identical format to part 19. It has been prepared at the request of and based on the views and instructions of the AFMA Electricity Committee, a group elected every two years by AFMA members directly involved in OTC electricity derivatives.   The AFMA Electricity Committee typically includes representatives of generators, retailers, financial institutions and brokers participating in the OTC electricity hedge market.

It deals with documenting swap transactions under the terms of the 2002 ISDA Master Agreement published by International Swaps and Derivatives Association, Inc. when the commodity is electricity and the parties want to specify the governing law as the law in force in one of the Australian states or territories.

[20.03] In 2005 ISDA published the 2005 ISDA Commodity Definitions, including Exhibits and an Annex. The 2005 ISDA Commodity Definitions are designed to document cash settled commodity swaps, basis swaps, options, caps, collars, floors, swaptions and commodity index transactions. This Part 20 assumes that participants are using the 2005 ISDA Commodity Derivatives. Care should be taken if that is not the case.

In conjunction with preparing the original version of this part 20 (then a part 19A), Mallesons Stephen Jaques prepared the original "March 1996 NSW State Electricity Market Addendum

No. 1 - Electricity Transactions". That Addendum was designed to set out standard terms to apply to each hedge that may be entered into between participants based on the then separate New South Wales pool price. The original part 19A was designed to be used only for documenting cash settled forward electricity commodity transactions.

In conjunction with a previous updating of this part 20, Mallesons Stephen Jaques has amended that addendum (now the "June 2006 Australian Electricity Addendum ") so that it applies to the full range of transactions that may be documented under the 2005 ISDA Commodity Definitions.

From 1 January 2002 AFMA ceased recommending that Australian Addenda be used to document various forms of risk management products using the ISDA Master Agreement (see [1.04]). That change did not apply to electricity transactions, and AFMA continues to recommend the use of "June 2006 Australian Electricity Addendum " for electricity products.

You can use this part 20 for documenting cash settled electricity commodity transactions (or contract settled swaptions), including inter-regional swaps.

There are various types of transactions for which this part 20 is not intended to be used. They include:

(a)   spot contracts for electricity;

(b)   forward contracts and spot contracts for the various metals and energy commodities referred to in the 2005 ISDA Commodity Definitions (as to which see part 19 of this Guide);

(c)   physically settled and/or cash settled forward contracts and spot contracts for environmental products, including RECs;

(d)   options for those metals and energy commodities; and

(e)   options to vary the terms of a new transaction, which option is given at the time the new transaction is entered into.

[20.04]   This part 20 contains the following parts:

[20.01] - [20.09]   Introduction, important notes, assumptions, qualification, conclusion.

[20.10]   Types of Transactions

[20.11]   How to use this part 20

[20.12] - [20.15]   Preliminary issues

[20.16]   Notes on the 2005 ISDA Commodity Definitions

[20.17]   How to document electricity transactions

[20.18] - [20.20]   Recommended and optional clauses for Part 5 of the Schedule to the ISDA Master Agreement

[20.21]   Notes on June 2006 Australian Electricity Addendum

[20.22] - [20.32]   Guide for completing Confirmations for electricity commodity transactions (including sample Confirmations)

IMPORTANT NOTES

[20.05]   This part 20 must be used in conjunction with other parts of this Guide. In particular, refer to other parts of this Guide for:

(a)   a glossary of terms (part 2);

(b)   a general legal commentary (part 3);

(c)   a guide for completing the schedule to the ISDA Master Agreement (part 5);

(d)   material on netting (part 17);

(e)   various possible additional clauses for your ISDA Master Agreement (part 18).

ASSUMPTIONS

[20.06]   The same assumptions as are set out at [1.06] of this guide apply to this part 20.

In particular, Mallesons Stephen Jaques has not considered the question of the enforceability of the ISDA Master Agreement against the various State owned participants in the National Electricity Market. Participants should be especially aware of the credit issues inherent in entering into hedging arrangements and also consider the issues that arise as a consequence of there being no netting as against the obligations of physical electricity market participants under the National Rules.

[20.07]   It is assumed that the National Rules is not amended after 30 June 2006 in a manner that may affect any of our suggested provisions relating to prices and market disruption in the electricity market.

In this part 20, a reference to the "National Rules" is a reference to the National Electricity Rules in its form as at September 2006.

The meaning of words printed *like this* in this part 20 is the same as in the National Rules. NEM means the National Electricity Market.

The dispute resolution procedure set out in the National Rules will not apply of its own force to electricity hedging agreements.

QUALIFICATION

[20.08]   ****It is necessary for users of this part 20 to determine in each case the suitability or otherwise of the agreements and other documents referred to in this guide to the particular circumstances applicable to that case. This part 20 is not intended to constitute a legal opinion or other professional advice on which users may rely in implementing actual transactions. Nor is it intended as a substitute for legal or other professional advice when documenting proposed transactions. In this regard, it is strongly recommended that intending users seek prior independent professional advice in respect of the legal, taxation, stamp duty, regulatory (including in relation to licensing, conduct and disclosure obligations) and other implications arising from the use of the agreements and other documents referred to in this guide.**

This part 20 is intended as an aid in understanding issues which arise under Australian laws when various agreements and related documents are used.

Accordingly, while every care has been taken in preparing this part 20, none of AFMA, the member organisations of AMFA, Mallesons Stephen Jaques nor any of their individual representatives accepts responsibility for any losses suffered by contracting in the manner suggested in this part 20 or arising from any error or omission in this part 20.**

CONCLUSION

[20.09] Mallesons Stephen Jaques have concluded that if a small number of additional provisions are inserted in the ISDA Master Agreement, then, subject to the other comments in this guide, an agreement in the terms of the ISDA Master Agreement relating to electricity transactions is enforceable under the laws of the Australian Jurisdictions.

These conclusions are based on the laws of the Australian Jurisdictions which are in force on 30 June 2006.

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TYPES OF TRANSACTIONS

[20.10]   In this part 20 we provide guidance on documenting forward commodity contracts, options and swaptions where the commodity is electricity.

Here are some descriptions of these types of contract:

Forward commodity contract

A forward commodity contract is an agreement between two parties to purchase and sell a commodity on a day after the date the contract is entered into, for a price which is either determined on the date the contract is entered into or determined by reference to a method agreed on the date the contact is entered into. This type of contract sometimes may be referred to as a commodity swap.

Spot commodity contract

A spot commodity contract is an agreement between two parties to purchase and sell a commodity (such as electricity) on a day two business days after the date the contract is entered into, for a price which is determined on the date the contract is entered into.

Spot deferred contract

A spot deferred contract is an agreement between two parties to purchase and sell a commodity (such as electricity) on a business day to be elected by the Seller (which election is made by giving the Buyer at least two business days' notice). The price is determined by a method agreed between the parties.

Physically settled commodity contract

A commodity contract is physically settled if the seller delivers the quantity of the commodity the subject of the contract to the buyer in exchange for the purchase price.

Cash settled forward commodity contract

A contract is cash settled if its terms require the parties to cash settle the difference between the contracted price for the quantity of the commodity the subject of the forward contract and the market (or floating) price of that quantity of the commodity determined applicable to the delivery date.

A cash settled forward commodity contract is analogous to one period in a typical interest rate swap transaction, where the settlement amount due on a payment date is the difference between the fixed rate (contract price) and the floating rate indicator (market price) applied to a notional principal amount.

Often a forward contract may be stated to be a cash settled forward contract, but gives one or both parties the right to nominate that it be settled by physical delivery. Alternatively, it may be stated to be a physically settled forward contract, but gives one or both parties the right to nominate that it be settled by cash settlement.

A spot contract is usually expressed to be for physical delivery because of its inherent nature. Spot contracts are often used to close out physically settled forward contracts. In that circumstance, the delivery obligations for the quantity of commodity under the two contracts cancel out, resulting in no physical delivery of the commodity being required by either party. The remaining adjustment is the cash settlement to be made between the price agreed under the forward contract and the price agreed under the spot contract.

Price cap, floor and collar transactions

A price cap electricity commodity contract is a transaction in which one party pays a single or periodic fixed amount and the other party pays periodic amounts based on the excess, if any, of a specified floating price over a specified cap price.

A price floor electricity commodity contract is a transaction in which one party pays a single or periodic fixed amount and the other party pays periodic amounts based on the excess, if any, of a specified floor price over a specified floating price.

A price collar transaction is a combination of a price cap and a price floor where one party is the floating price payer on the cap and the other party is the floating price payer on the floor.

The purchaser of a cap or floor is designated as the Fixed Price Payer and must pay an option fee or premium (NB. the payment of an option fee or premium does not convert a cap or floor into a commodity option under Section 8.1 of the 2005 ISDA Commodity Definitions (see [20.16](h)). There are various ways in which the fee or premium might be payable. One method used is instalments. Another is by way of a single lump sum.

If the lump sum method is agreed, then once the Fixed Amount has been paid the purchaser has no further payment obligations. This contrasts with the position in a swap transaction where both parties usually have contingent payment obligations throughout the term of the transaction.

Commodity option

A commodity option gives the buyer the right (but not the obligation) to buy (call option) or sell (put option) a commodity at a specified price, on or before a specified future date. A commodity option is cash settled if its terms require the seller to cash settle the difference between the specified price and the market (or floating) price of the relevant quantity of commodity (ie in the case of a call option, the excess of the market price over the specified price, and in the case of a put option, the excess of the specified price over the market price).

Swaption

A swaption is an option to enter into a new commodity swap for either contract settlement (sometimes also called physical settlement or physical delivery) or cash settlement. Contract settlement means that the underlying commodity swap becomes effective. A cash settled swaption is one where a cash settlement amount is paid upon the option being exercised rather than the underlying commodity swap becoming effective.

NB: With swaptions, physical settlement of the option component does not imply the delivery of the underlying commodity, in this case electricity.

Inter-regional swap

An inter-regional swap is an agreement relating to electricity under which the parties cash settle the difference between two different floating prices. This could be the difference between the *spot price* at two different *regional reference nodes*.

HOW TO USE PART 20

[20.11] **Have you used ISDA documents before?** If you are not familiar with the ISDA documents, we recommend that you:

(a)　　　　read the User's Guide and the ISDA Master Agreement;

(b)　　　　read parts 3 and 5 of this guide and [20.01] - [20.09] of this part 20;

(c)　　　　read the 2005 ISDA Commodity Definitions;

(d)　　　　read June 2006 Australian Electricity Addendum (see [20.33] of this part 20); and

(e)　　　　read the balance of this part 20.

If you are familiar with the ISDA documents, we recommend that you start by reading this part 20 and refer to other parts of this guide as necessary.

This part 20 is prepared on the assumption that you use the 2005 ISDA Commodity Definitions and the 2002 ISDA Master Agreement.

If there are interest rate components used in a forward contract, you may also need to refer to the 2000 ISDA Definitions.

[U1.01] - [U1.08] (See Update 1 of this guide) explain a number of important changes effected in this guide on 1 January 2002. We recommend that you carefully read these items. **Take particular care in relation to the comments at [U1.04] (ISDA Definitions booklets).**

PRELIMINARY ISSUES

[20.12]　**Do you want a separate ISDA Master Agreement?** Participants have the choice of using one ISDA Master Agreement for all Transactions, including electricity transactions, or using a separate ISDA Master Agreement for electricity transactions.

We generally consider that using one agreement is preferable for the following reasons:

(a)　　　　using one agreement for all Transactions simplifies documentation and reduces the number of agreements required;

(b)　　　　it gives the parties the option of specifying net payments for corresponding payment dates for all Transactions giving them the ability to reduce the settlement risk with the counterparty; and

(c)　　　　as all Transactions would then be regulated by the same agreement, the amount payable on early termination will be payable by reference to aggregate net exposures under all Transactions and therefore would not exclude amounts payable in connection with electricity transactions.

However, even where separate Master Agreements are used in respect of different kinds of Transactions, it is possible for the parties to provide that a single net amount will be payable between the parties should an Early Termination Event occur. Suggested wording to achieve this is contained in [18.22] of this Guide.

[20.13]　**Gaming and wagering and contracts of insurance**. See our comments in [3.16] of this Guide. The same issues arise in relation to electricity transactions and our conclusion in relation to electricity transactions is the same.

[20.14]　**Regulation**. See [6.04A] for commentary on the regulation of derivatives in Australia.

[20.15]　**Tax consequences**. This part 20 has not been prepared with a view to parties being able to achieve any particular income tax or GST consequence in entering into Transactions.

Accordingly, parties must separately consider the tax consequences of following the recommendations in this part 20.

NOTES ON THE 2005 ISDA COMMODITY DEFINITIONS

[20.16] The 2005 ISDA Commodity Definitions are a set of definitions and mechanical provisions issued by ISDA in June 2005 to assist in documenting various types of commodities transactions.

The 2005 ISDA Commodity Derivative Definitions are designed to be used with both the 2002 ISDA Master Agreement and the 1992 ISDA Master Agreement.

The 2005 ISDA Commodity Derivative Definitions are designed to enable commodity market participants to enter commodity derivative transactions using a basic, global standard, framework. To this end, the 2005 ISDA Commodity Derivative Definitions comprise of:

- the primary definitions, which sets out the framework for cash-settled commodity derivative transactions and physically-settled commodity swaptions; and

- the Annex, which provides Commodity References Prices and in some cases additional definitions and provisions for particular commodities.

An example of the additional definitions and provisions for particular commodities is Sub-Annex B, where definitions specific to bullion and provisions that enable market participants to enter physically-settled bullion transactions are set out.

Once the 2005 ISDA Commodity Derivative Definitions are adopted by counterparties in respect of a Transaction or a group of Transactions, the definitions and provisions in Sub-Annex A and B are incorporated into those Transactions automatically. If the counterparties want the provisions of any of Sub-Annexes C to I to apply (none of which are relevant to electricity transactions), they must incorporate the relevant Sub-Annex expressly (e.g. by including an appropriate provision in the Schedule or a Confirmation).

The 2005 ISDA Commodity Definitions are made relevant to electricity transactions as electricity is treated as a commodity in the hedge market (see [20.18]).

Here is a brief summary of the contents of the definitions.

(a) **General**

As stated previously, the Definitions are designed for documenting cash settled commodity swaps, basis swaps, options, caps, collars, floors, swaptions and commodity index transactions. They are not designed for physically settled transactions.

(b) **Article 1 - Certain general definitions**

This article defines "Transaction", "Confirmation", "Business Day", "Commodity Business Day", "Business Day Convention", "Commodity Business Day Convention" and various Currencies, and sets out definitions relating to barrier option transactions.

(c)   **Article 2 - Parties**

This article defines "Fixed Price Payer" and "Floating Price Payer". These concepts are relevant to swaps (including electricity) but not to forward contracts, spot contracts or options.

(d)   **Article 3 - Term and Dates**

This article defines "Term", "Effective Date", "Period End Date", "Settlement Date"/"Payment Date", "Termination Date", "Trade Date", "Expiration Date" and "Expiration Time".

The definitions of "Settlement Date"/"Payment Date" and "Termination Date" provide that these dates are subject to adjustment in accordance with the Following Business Day Convention unless otherwise specified in the Confirmation.

(e)   **Article 4 - Certain definitions relating to payments**

This article provides definitions appropriate to commodity transaction payment amounts and the calculation period over which those payments will be calculated, together with the concept of a Calculation Agent (which may or may not be one of the parties to the agreement).

(f)   **Articles 5 and 6 - Fixed Amounts and Floating Amounts**

For an ordinary swap transaction, these articles set out the formula used to determine the value of these amounts. This is not relevant to a forward contract (unless it is characterised as a swap), spot contract or an option.

(g)   **Article 7 - Calculation of Prices for Commodity Reference Prices**

Under Section 7.1, reference prices commonly used in determining the floating rate price (or market price) for various types of commodities are set out in Sub-Annex A of the Annex to the 2005 ISDA Commodity Derivative Definitions. The prices cover energy (electricity, diesel oil, fuel oil, gas oil, gasoline, heating oil, jet fuel, kerosene, natural gas, oil, coal), metals (aluminium, copper, gold, lead, nickel, platinum, silver, tin and zinc), wet and dry freight and agricultural products. The Annex also sets out how these prices are to be obtained from their various sources, being by using reference dealers, quotation by a particular exchange or from a particular price source.

Electricity is not covered in a manner commonly used in the Australian OTC market and the AFMA Electricity Committee recommends that those provisions of the Annex to the 2005 ISDA Commodity Derivative Definitions not be used. Thus the parties need to document their own method for determining the floating price for electricity (see [20.18], the sample Confirmations at [20.25] to [20.32] and the June 2006 Australian Electricity Addendum).

Under Section 7.2, definitions for various price sources, exchanges, principal trading markets and general matters are set out in Sub-Annex A of the Annex to the 2005 ISDA Commodity Derivative Definitions. The 2005 ISDA Commodity Definitions introduced the concept of Settlement Period for commodities with pricing intervals shorter than one day. However, the definition does not contain wording enabling each such period to be a Pricing Date. Thus the AFMA Electricity Committee has determined to retain the existing approach of defining each 30 minute *trading interval* as a Calculation Period and the recommendation at [20.18] footnote 2.

Section 7.3 provides a mechanism for correcting payments made when published prices relied on to calculate payment amounts are subsequently corrected.

Section 7.4 provides definitions related to market disruption events, with a wide range of types of disruption which may be selected as being appropriate to a particular commodity. Section 7.4(d) provides that certain events are deemed to be market disruption events unless the parties expressly state otherwise in their Confirmations (see [20.18] footnotes 3 to 6 for discussion as to market disruption events in relation to the electricity market).

Section 7.5 provides for various disruption fallbacks, being price determining mechanisms agreed to be used if a market disruption event occurs. Section 7.5(d)(i) provides that certain disruption fallbacks are deemed to apply unless the parties expressly state otherwise in their Confirmations (see [20.18] (footnotes 7 and 8 for discussion as to disruption fallbacks in relation to the electricity market).

Section 7.6 contains two definitions relevant to market disruption events.

(h)   **Article 8 - Commodity Options**

Section 8.1 defines an Option and a Swaption.

Section 8.2 defines "Commodity Option Buyer" and "Commodity Option Seller". They are only relevant in the context of Options. These definitions do not apply to non-option contracts involving physical delivery.

Section 8.3 defines "American", "Asian", "Bermuda", "Call", "Cash Settlement", "Cash Settlement Amount", "European", "Put" and "Strike Price" for the purpose of options.

Section 8.4 is only relevant for swaptions and defines "Physical Settlement", "Contract Settlement" and "Underlying Transaction". Again, this definition of "Physical Settlement" does not apply to non-option contracts involving physical delivery.

Section 8.5 defines various terms relating to exercising options - "Exercise Period", "Exercise Date", "Notice of Exercise", "Written Confirmation", "Potential Exercise Date" and "Seller Business Day". It also provides that any notice or communication given, and permitted to be given, orally (including by telephone) in connection with an Option will be effective when actually received by the recipient.

Section 8.6 defines various terms relating to premiums.

Sections 8.7 and 8.8 explain how the Cash Settlement Amount is calculated.

(i)   **Article 9 - Rounding**

This provides for a convention in connection with rounding amounts.

(j)   **Articles 10 to 27**

These Articles cross-refer to the various Sub-Annexes dealing with particular Transactions such as for bullion and weather indexes.

A general review of the 2005 ISDA Commodity Derivative Definitions, including an outline of how they differ from the 1993 Commodity Derivative Definitions, may be found in Part 19 of the AFMA Guide to OTC Documents.

HOW TO DOCUMENT ELECTRICITY TRANSACTIONS

[20.17]   To document electricity transactions under Australian law using the ISDA Master Agreement you should:

- ensure that you have executed an ISDA Master Agreement with your counterparty. Recommendations for completing the schedule to an ISDA Master Agreement are set out in part 5 and at [20.18]. [20.18] contains a recommended clause for inserting in Part 5 of the Schedule to an ISDA Master Agreement allowing parties to pre-agree on a number of issues which otherwise would need to be covered in each Confirmation. Pre-agreeing on these issues results in much simpler Confirmations. In addition, you should consider our commentary in [3.17] on the decision of the Supreme Court of New South Wales in **Enron Australia Pty Limited (In Liquidation) v Integral Energy Australia** (2002) NSWSC 753 and our recommendation for a change to the definition of "Close-out Amount" in the 2002 ISDA Master Agreement; and

- attach "June 2006 Australian Electricity Addendum " to your ISDA Master Agreement.

RECOMMENDED CLAUSES FOR PART 5 OF THE SCHEDULE TO THE ISDA MASTER AGREEMENT

[20.18]   In this [20.18] we set out a series of clauses and sub-clauses which could be included in Part 5 of the Schedule to a 2002 ISDA Master Agreement.

For participants using a 1992 ISDA Master Agreement these same clauses and sub-clauses may be used. In this event, we suggest that the suggested clauses in [20.19] also be considered.

The AFMA Electricity Committee strongly recommends that parties adopt the 2002 ISDA Master Agreement rather than the 1992 ISDA Master Agreement.

For each clause and sub-clause we set out the suggested text and some explanatory notes. The introductory wording should be included whenever any of the other sub-clauses are used. You need not include all the sub-clauses. It is intended that you will tailor the following sub-clauses to your own requirements. For your guidance we have incorporated in the footnotes the recommendations of the relevant AFMA Electricity Committee on some of the suggested sub-clauses.

"(#)[1]   The following provisions apply to any transaction which is a Commodity Transaction (as defined in June 2006 Australian Electricity Addendum:

(#)[2]   When a Calculation Period for a Commodity Transaction is a period shorter than one day, the term "Pricing Date" for that Calculation Period means that Calculation Period.

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[1]The introductory wording limits the applicability of the sub-clauses to electricity Commodity Transactions.

[2]This sub-clause allows you to agree that the Pricing Date for a particular half-hour Calculation Period is that Calculation Period. The Floating Price will then be the *spot price* published for that half hour. This sub-clause is to accommodate the 2005 ISDA Commodity Definitions which, whilst they do recognise the concept of half-hourly periods as Settlement Periods (which the 1993 ISDA Commodity Derivatives Definitions did not), do not contemplate Relevant Prices published for Calculation Periods less than one day. The AFMA Electricity Committee recommends that this sub-clause be included.

Alternative 1	(#)[3]	Section 7.4(d)(i) of the 2005 ISDA Commodity Definitions applies to each Commodity Transaction.
		[The following are Additional Market Disruption Events:

This agreement could be overridden for a particular transaction by specific reference to another convention in that transaction's Confirmation.

[3]This sub-clause relates to Market Disruption Events. You should carefully read the whole of Section 7.4 of the 2005 ISDA Commodity Definitions.

The purpose of this sub-clause is to enable you to pre-agree with your counterparty the Market Disruption Events which will apply to your transactions. **Alternative 1** provides for you to adopt the deemed Market Disruption Events in Section 7.4(d)(i) (with or without adding Additional Market Disruption Events). **Alternative 2** provides for you to specify which of the Market Disruption Events will apply.

A discussion generally on Section 7.4 is set out below, followed by some specific comments in relation to electricity transactions.

General:

The **first paragraph** of the suggested **Alternative 1** is technically unnecessary if you accept that Section 7.4(d)(i) ought apply, but we recommend that you include it because it will focus the parties' minds on whether Section 7.4(d)(i) should apply. Section 7.4(d)(i) deems some Market Disruption Events to apply unless the parties otherwise specify. These are "Price Source Disruption", "Trading Disruption", "Disappearance of Commodity Reference Price", "Material Change in Formula" and "Material Change in Content". Therefore, those are the Market Disruption Events which will apply if you do not specify otherwise.

The **second paragraph** of the suggested **Alternative 1** provides for you to specify "Additional Market Disruption Events". **Care!** Section 7.4(d)(iv) provides that both "Additional Market Disruption Events" and Market Disruption Events deemed to apply under Section 7.4(d)(i) apply to Commodity Transactions.

In the second paragraph we have listed the Market Disruption Event defined in Section 7.4(c) which is not deemed to apply under Section 7.4(d)(i) (ie, Tax Disruption") and we have provided a final "other" category. This is where you could define your own market disruption event (such as the provision at [20.18] footnote 4).

If there are to be no Additional Market Disruption Events, you need not include the second paragraph.

Section 7.4(d)(iii) provides that if one or more Market Disruption Events are specified, then only those specified apply. Accordingly, it would be possible to replace the whole of the suggested clause with the suggested **Alternative 2**.

Final general comment. We stress that Market Disruption Events should be individually considered. There is no market standard that parties can insist on. Also, the agreement in this sub-clause could be overridden for a particular transaction by specific reference in that transaction's Confirmation to the Market Disruption Events to apply to it.

Electricity Derivatives:

In relation to electricity derivatives, there are a number of specific points that must be considered.

Of the Market Disruption Events in Section 7.4(c), a number of them potentially are applicable, namely "Price Source Disruption", "Trading Disruption", "Tax Disruption" (although note that this arguably may not expressly include all Taxes within the meaning of that term in the remaining State electricity market Vesting Contracts) and "Material Change in Formula".

Care! The *spot price* may be zero or negative in some *trading intervals*. These circumstances are not covered by any of the standard Market Disruption Events in Section 7.4. Reference should be made to the National Rules for a full understanding of the circumstances where this could occur. The AFMA Electricity Committee recommends that the occurrence of administered price circumstances under the National Rules **not** be a Market Disruption Event.

Final comment. The AFMA Electricity Committee recommend that **Alternative 2** be adopted and that the Market Disruption Events be "Price Source Disruption", "Material Change in Formula", "Tax Disruption" and the Additional Market Disruption Event at [20.18] footnote 4.

[(a)   Tax Disruption]

[(b)   other - specify].]

Alternative 2   (#)[3]   The Market Disruption Events which apply to a Commodity Transaction are:

[(a)   [   ]

[(b)   [   ] etc][4]

(#)[5]   The term "Material Change in Formula" does not apply to a change in VoLL or in the market floor price (as those terms are defined in the National Rules).

(#)[6]   Section 7.4(c)(vi) of the 2005 ISDA Commodity Definitions is varied by inserting the following after the word "sales,":

"carbon tax (which term includes any tax, charge, assessment or levy relating to the emission of carbon or carbon compounds into the atmosphere and any tax, charge, assessment or levy relating to any substance characterised as a greenhouse gas or greenhouse precursor gas),".

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[4]A change in the regions to which a floating price is applicable or the reference nodes as at which the prices are published may have an effect on the floating price and arguably is not covered by the term "Material Change in Formula" in the [1993] ISDA Commodity Definitions. The consequence may be no more than a requirement to specify the new reference node as at which the Floating Price is determined, or could require that the Fixed Amount or the Floating Amount be changed. If you want to ensure that such changes are expressly included, insert the following Additional Market Disruption Event:

"Where a Specified Price for that Commodity Transaction is a spot price (as defined in the National Rules) at a regional reference node (as defined in the National Rules), the occurrence after the Trade Date of the Commodity Transaction of a change in the location of that regional reference node or a change in the boundaries or the number of regional reference nodes of the region (as defined in the National Rules) in which that regional reference node is located."

[5]A change in *VoLL* or the *market floor price* may have an effect on a transaction (as a Material Change in Formula) unless it is expressly excluded as a Market Disruption Event. If you want to exclude these events you should include this paragraph. The AFMA Electricity Committee recommends that this paragraph be included.

Care! A change of either of these types may have an effect on the cash flows under a Transaction as it will permit the Commodity Reference Price to potentially be lower or higher than contemplated by the parties at the Trade Date. If you want to protect yourself against such a risk you may consider entering into a second, matching, price cap, price floor or price collar Transaction (see the sample Confirmations at [20.26], [20.27] and [20.28]) to achieve the desired net result. Alternatively, you could agree as a term of the Transaction itself that the Commodity Reference Price for a Calculation Period will be *VoLL* at the Trade Date (should it otherwise exceed that amount) or the *market floor price* at the Trade Date (should it otherwise be less than that amount).

[6]The term "Tax Disruption" may or may not cover the imposition of a carbon tax. It depends on how that impost is formulated. If you want to provide for some forms of carbon tax you could include this paragraph. The effect of including these words is that a carbon tax imposed at the point of determination of a Floating Price which directly affects that Floating Price will be covered. You should satisfy yourself that appropriate circumstances are covered. The AFMA Electricity Committee recommends that this paragraph be included.

Note: This language will not cover all methods of imposing a 'carbon tax' on the physical electricity market participants, such as by imposing a requirement for certain generators to install additional cleaning equipment or for retailers to acquire and acquit Renewable Energy Certificates.

Alternative 1	(#)[7]	Section 7.5(d)(i) of the 2005 ISDA Commodity Definitions applies to each Commodity Transaction. For the purpose of determining a Fallback Reference Price, the alternate Commodity Reference Price is [ ].
Alternative 2	(#)[7]	The Disruption Fallbacks which apply to each Commodity Transaction for each Calculation Period are:

[(a)   Fallback Reference Price, in which case the alternate Commodity Reference Price is [   ]]

[(b)   Negotiated Fallback]

[(c)   No Fault Termination][8]

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[7]This sub-clause relates to Disruption Fallbacks. You should carefully read the whole of Section 7.5 of the 2005 ISDA Commodity Definitions.

The purpose of this sub-clause is to enable you to pre-agree the Disruption Fallbacks which will apply to your transactions. Disruption Fallbacks provide an alternative basis for determining a Relevant Price if a Market Disruption Event or an Additional Market Disruption Event occurs or exists on a day that is a Pricing Date for a transaction.

Alternative 1 provides for you to adopt the five Disruption Fallbacks referred to in Section 7.5(d)(i).

Care! Fallback Reference Price can only operate if you specify an alternate Commodity Reference Price. This is dealt with in the second sentence of Alternative 1. In circumstances where there is **no** *spot price* there may not be a method of fixing the price (other than possibly by reference to historic prices) that could be specified as an alternate Commodity Reference Price.

Alternative 2 provides for you to specify the Disruption Fallbacks which will apply. Section 7.5 does not contain the concept of "Additional" Disruption Fallbacks - cf Section 7.4. Therefore, when this alternative is used, all Disruption Fallbacks should be listed in the order in which they are to apply.

Again, if you include Fallback Reference Price, ensure that you define an alternate Commodity Reference Price if that is possible.

Final comment. We stress that Disruption Fallbacks should be individually considered. There is no market standard that parties can insist on, although the AFMA Electricity Committee considers that generally No Fault Termination ought not be the primary preferred option. Also, the agreement in this sub-clause could be overridden for a particular transaction by specific reference in that transaction's Confirmation to the disruption fallbacks to apply to it.

In particular, you should carefully consider the interaction between the National Rules and the ISDA Master Agreement.

[8]You may for electricity transactions prefer to contemplate that different Disruption Fallbacks apply for different Market Disruption Events. For example, for electricity transactions where there is unlikely in the short to medium term to be any readily acceptable Fallback Reference Price, you may prefer to nominate Negotiated Fallback followed by Calculation Agent Determination for Price Source Disruption and Material Change in Formula and followed by No Fault Termination for Tax Disruption. This means that the transaction will continue in some form when Price Source Disruption or Material Change in Formula occurs whereas it may (if negotiations are unsuccessful) terminate for Tax Disruption.

If Calculation Agent Determination is to be adopted you must consider whether the Calculation Agent generally nominated in relation to Commodity Transactions ought determine the Relevant Price or whether a third party ought make the determination. If you want a third party to make the determination you will need to agree the identity of the Calculation Agent for this purpose in the schedule (or agree a method of selecting the Calculation Agent).

The AFMA Electricity Committee recommends that the following sub-clause be inserted in respect of Disruption Fallbacks:

"The Disruption Fallbacks which apply to each Commodity Transaction for each Calculation Period are:

(a)   Negotiated Fallback;

[(d)   Postponement]

[(e)   Calculation Agent Determination][8]

[(f)   Other - specify]

(#)[9]   For each Calculation Period, the Settlement Date is the day upon which the party that is obliged to pay a Floating Amount or a Cash Settlement Amount calculated by reference to a Floating Price determined under the National Rules (or, if there are two such parties, Party [A/B]), if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period.

(#)[10]   If the Confirmation for a commodity option specifies that both Contract Settlement and Cash Settlement are applicable and the Commodity Option Buyer elects to exercise the commodity option, then the Commodity Option Buyer must specify in the Notice of Exercise whether Contract Settlement or Cash Settlement applies. On delivery to the Commodity Option Seller of the Notice of Exercise specifying a method of settlement, the right granted under the commodity option to settle by the other method terminates. If the Commodity Option Buyer fails to specify a method of settlement in the notice, the Commodity Option Buyer will be deemed to specify [Contract Settlement][Cash Settlement].

(#)[11]   The Floating Price to apply to any Commodity Transaction is [specify].

(#)[12]   Goods and Services Tax - Commodity Reference Price Adjustment

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(b)   Calculation Agent Determination;

(c)   No Fault Termination.''

If this clause is inserted it is envisaged that, should Negotiated Fallback not deliver a result, the Calculation Agent Determination will deliver a result. No Fault Termination has been included for prudence and to permit parties to easily exclude Calculation Agent Determination for a particular Transaction if they wish by including appropriate wording in the Confirmation. The Calculation Agent under this provision is the general Calculation Agent for the Transactions (see [20.18] footnote 20).

[9]This sub-clause allows you to pre-agree that Settlement Dates for Calculation Periods will correspond with the dates for settlement under the National Rules under which the Floating Price (or one of the Floating Prices) is determined.

[10]This sub-clause allows you to pre-agree what happens if one of the parties is allowed to elect either Contract Settlement or Cash Settlement for commodity swaptions. The sub-clause provides that the party may exercise only one of these rights and, when it does so, the other terminates.

Carefully note the last sentence which requires the parties to agree on a fall back. The issue of whether the fall back method is to be Contract Settlement or Cash Settlement is a matter for individual negotiations. In the electricity market the fall back is likely to be Contract Settlement so that the Underlying Transaction becomes effective.

[11]This sub-clause allows the parties to pre-agree the Floating Price. It will not suit all parties to seek to agree this item for inclusion in part 5 of the schedule.

The agreement in this sub-clause could be overridden for a particular transaction by specifying a Floating Price for that transaction in its Confirmation.

The sample Confirmations in [20.25] to [20.31] set out a suggested method of determining the Floating Price (based on a *spot price* published by *NEMMCO*) that could instead be inserted here. If you did so, it would shorten the Confirmation but would not prevent you changing the method of calculation for particular transactions when appropriate.

(a) If the Spot Price for a Calculation Period is GST Inclusive, then the Commodity Reference Price for that Calculation Period is the Spot Price times the fraction

$$\frac{100}{100 + R},$$

where R is the GST rate prevailing at the time of that Calculation Period, expressed as a percentage.

(b) An amendment to the National Rules to permit spot prices (as defined in the National Rules) to be quoted on a GST Inclusive basis does not constitute a "Material Change in Formula" or a "Tax Disruption".

(c) In this paragraph [#]:

GST Inclusive means, for a Spot Price, that the price is quoted without any discount for any GST payable for the supply to which the price relates. For example, if the rate is 10% and a price of $11 is GST Inclusive, it means that the GST in respect of the supply is $1 (as calculated by reference to the law existing at the date of this Agreement) and that no amount will be added to the Spot Price in accordance with the National Rules on account of the GST payable by the supplier.

GST has the meaning in the A New Tax System (Goods and Services Tax) Act 1999 (Cwlth).

(#)[13] When there is a single Pricing Date for a Calculation Period for a Commodity Transaction, it is subject to adjustment in accordance with the [Following/Modified Following/Nearest/Preceding] Commodity Business Day Convention.

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[12]Under the National Rules, *spot prices* are published by *NEMMCO* on a GST exclusive basis, and GST is added during the spot market settlement process. Transactions are entered into on the assumption that the GST exclusive basis will continue to apply under the National Rules. If you want to protect yourself against the risk that the National Rules may be amended so that *spot prices* are published by *NEMMCO* on a GST inclusive basis (with a consequential increase in the *spot price*), you should include this paragraph.

Care! This paragraph does not protect against the risk that, during the period that the *spot price* is published exclusive of GST under the National Rules, the GST rate changes after the Trade Date of a Transaction, and that therefore the rate applied to determine the amount added during the settlement process is greater or less than as at the Trade Date.

[13]See Section 1.4 of the 2005 ISDA Commodity Definitions for the meaning of Commodity Business Day, Section 1.5 for the meaning of Commodity Business Day Convention and Section 6.2(b) for the meaning of Pricing Date. This sub-clause allows you to agree on the convention to apply. This agreement could be overridden for a particular transaction by specific reference to another convention in that transaction's Confirmation.

Under the National Rules, with a *spot price* set for each *trading interval*, a convention relating to the Pricing Date will generally only be relevant if you want to use an average of *spot prices* as a floating price.

(#)[14]   The Settlement Date for any Commodity Transaction is subject to adjustment in accordance with the [Following/Modified Following/Nearest/Preceding] Business Day Convention.

(#)[15]   The Premium Payment Date for any Commodity Transaction is subject to adjustment in accordance with the [Following/Modified Following/Nearest/Preceding] Business Day Convention.

(#)[16]   The second line of paragraph (1) of the attached June 2006 Australian Electricity Addendum is varied by adding "before or" after "entered into".

(#)[17]   Automatic Exercise is [Applicable] [Inapplicable] to any commodity option.

(#)[18]   The places to apply for the purpose of the definition of Business Days are [   ].

(#)[19]   The Calculation Agent for Commodity Transactions is [   ]. [However, if [ ] becomes the sole Defaulting Party, then [   ] will become the Calculation Agent.]

(#)[20]   If, with respect to a Calculation Period for a Commodity Transaction, either party is obliged to pay a Floating Amount that is a negative number (such as by reason of a negative Commodity Reference Price or by

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[14]Under Section 3.3 of the 2005 ISDA Commodity Definitions, the Settlement Date is subject to adjustment in accordance with the Following Business Day Convention, unless otherwise specified. Accordingly, you need not include this sub-clause if you are agreeable to using the "Following" convention. Under the National Rules, the "Following" convention applies. If you agree to use a different convention, this sub-clause allows you to agree the convention to apply. This agreement could be overridden for a particular transaction by specific reference to another convention in that transaction's Confirmation.

[15]Under Section 8.6(c) of the 2005 Commodity Derivatives Definitions, the Premium Payment Date is subject to adjustment in accordance with the Following Business Day Convention, unless otherwise specified. Accordingly, you need not include this sub-clause if you are agreeable to using the "Following" convention. Under the National Rules, the "Following" convention applies. If you agree to use a different convention, this sub-clause allows you to agree the convention to apply. This agreement could be overridden for a particular transaction by specific reference to another convention in that transaction's Confirmation.

Note: It would be possible to combine the wording of the text referred to in footnotes 14 and 15 if the same Business Day Convention is to apply to both the Settlement Date and the Premium Payment Date.

[16]Only include this if you want Commodity Transactions entered into before you incorporate June 2006 Australian Electricity Addendum into your ISDA Master Agreement also to be governed by June 2006 Australian Electricity Addendum . See [20.21(a)] for further commentary on this.

[17]This sub-clause allows the parties to pre-agree whether Automatic Exercise is applicable (see footnote 24 in [20.29] and footnote 14 in [20.30]).

The agreement in this sub-clause could be overridden for a particular transaction by specifying the alternative in the Confirmation for that transaction.

[18]This sub-clause allows the parties to pre-agree places for the definition of Business Days. The sample Confirmations in [20.25] to [20.32] set out an alternative method of specifying this.

[19]This sub-clause allows the parties to pre-agree the Calculation Agent. It need only be incorporated if you want a different party to act as Calculation Agent for electricity transactions (as opposed to other transactions).

[20]This sub-clause allows the parties to contemplate that a Floating Amount may be negative. See also [20.18] footnote 5.

operation of a Spread or other amount that is subtracted from the Commodity Reference Price), the Floating Amount for that party for that Calculation Period will be deemed to be zero, and the other party will pay to that party the absolute value of the negative Floating Amount so calculated, in addition to any other amounts otherwise owed by the other party for that Calculation Period with respect to that Commodity Transaction.

(#)[21]   For purposes of any calculations referred to in the 2005 ISDA Commodity Derivative Definitions (unless otherwise specified), all percentages and quantities used in or resulting from such calculations, other than Australian Dollar (as defined in the 2000 ISDA Definitions) denominated Fixed Amounts, Floating Amounts and Cash Settlement Amounts resulting from such calculations, will be rounded in the manner determined in good faith by the Calculation Agent having regard to the Calculation Agent's usual practices.

[20.19]   In this [20.19] we set out clauses which could be included in Part 5 of the Schedule to a 1992 ISDA Master Agreement, in addition to those referred to in [20.18].

For each clause we set out the suggested text and some explanatory notes. It is intended that you will tailor the following clauses to your own requirements. For your guidance we have incorporated in the footnotes the recommendations of the AFMA Electricity Committee.

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[21]Section 9 of the 2005 ISDA Commodity Derivative Definitions contains conventions for rounding of currencies only. Those conventions do not deal with percentages, and do not satisfactorily contemplate multiple Calculation Periods and Pricing Dates for each Settlement Date (which are usual for electricity derivative transactions).

As there are a number of rounding conventions being used in the market (and in physical market transactions), this sub-clause allows the parties to agree that the Calculation Agent's method of rounding (to be determined in good faith) will generally be applied. The parties are free to agree a different rounding convention for a particular Transaction by incorporating that convention in the relevant Confirmation. The AFMA Electricity Committees recommend that this paragraph be included.

(#)[1]   The definition of "Market Quotation" is varied by inserting the following at the end of it:

> "A quotation may be firm or indicative and is not required to be the market value of the Terminated Transaction or group of Terminated Transactions and the Reference Market-maker is not obliged to use mid-point quotations or mid-market valuations in determining the quotation."

(#)[2]   (1)   The terms of Section 6(d)(i) of the Agreement are amended in their entirety as follows:

> "(d)   ***Calculations; Payment Date.***
>
> (i)   ***Statement.*** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (l) showing, in reasonable detail, such calculations (including any quotations, market data or information from internal sources used in making such calculations), (2) specifying (except where there are two Affected Parties) any Early Termination Amount payable and (3) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation or market data obtained in determining a Close-out Amount, the records of the party obtaining such quotation or market data will be conclusive evidence of the existence and accuracy of such quotation or market data."

(2)   The terms of Section 6(e) of the Agreement are amended in their entirety as follows:

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[1]In [3.17] we have incorporated some commentary on the decision of the Supreme Court of New South Wales in **Enron Australia Pty Limited (In Liquidation) v Integral Energy Australia** (2002) NSWSC 753 and make a recommendation for a change to the definition of "Close-out Amount" in the 2002 ISDA Master Agreement. For the same reasons as set out in [3.17] we recommend that parties who do not adopt the recommendation in [20.19] footnote 2 use this clause to insert additional language in the definition of "Market Quotation" in the 1992 ISDA Master Agreement so as to negate the approach adopted by the Supreme Court of New South Wales.

You should carefully consider whether this clause ought apply to all Transactions and not just Commodity Transactions within the meaning of June 2006 Australian Electricity Addendum. If so, this provision should be incorporated in Part 5 of the Schedule, and not a sub-clause contained as part of [20.18] footnote 13.

This clause is not required if you agree to adopt the new definition of "Close-out Amount" - see [20.19] footnote 2.

[2]This sub-clause allows the parties to modify certain provisions of the 1992 ISDA Master Agreement to reflect certain provisions of the 2002 ISDA Master Agreement relating to the use of the term "Close-out Amount" in lieu of "Market Quotation" and "Loss". At [4.03] there is material on the major differences between the 1992 ISDA Master Agreement and the 2002 ISDA Master Agreement. The change to "Close-out Amount" is considered to be arguably the most significant change. At [3.17] there is a general explanation of that new measure of damages, and more material can be found on it in the Users Guide to the 2002 ISDA Master Agreement published by ISDA.

The AFMA Electricity Committee recommends that this provision be incorporated by participants using the 1992 ISDA Master Agreement.

Care! This is a stand-alone provision to be incorporated in Part 5 of the Schedule, and not a sub-clause contained as part of [20.18] footnote 1.

"(e)   ***Payments on Early Termination.*** If an Early Termination Date occurs, the amount, if any, payable in respect of that Early Termination Date (the "Early Termination Amount") will be determined pursuant to this Section 6(e) and will be subject to any Set-off.

(i)   ***Events of Default.*** If the Early Termination Date results from an Event of Default, the Early Termination Amount will be an amount equal to (1) the sum of (A) the Termination Currency Equivalent of the Close-out Amount or Close-out Amounts (whether positive or negative) determined by the Non-defaulting Party for each Terminated Transaction or group of Terminated Transactions, as the case may be, and (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (2) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If the Early Termination Amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of the Early Termination Amount to the Defaulting Party.

(ii)   ***Termination Events.*** If the Early Termination Date results from a Termination Event:—

(1)   *One Affected Party*. If there is one Affected Party, the Early Termination Amount will be determined in accordance with Section 6(e)(i), except that references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and to the Non-affected Party, respectively.

(2)   *Two Affected Parties*. If there are two Affected Parties, each party will determine an amount equal to the Termination Currency Equivalent of the sum of the Close-out Amount or Close-out Amounts (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions, as the case may be, and the Early Termination Amount will be an amount equal to (A) the sum of (I) one-half of the difference between the higher amount so determined (by party "X") and the lower amount so determined (by party "Y") and (II) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to Y. If the Early Termination Amount is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of the Early Termination Amount to Y.

(iii)   ***Adjustment for Bankruptcy.*** In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the Early Termination Amount will be subject to such adjustments as are appropriate and permitted by applicable law to reflect any payments or

deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv)   *Pre-Estimate.* The parties agree that an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of the termination of the Terminated Transactions."

(3)   The term "Termination Currency Equivalent" in Section 14 of the Agreement is hereby amended by replacing "Market Quotation or Loss (as the case may be)" with "Close-out Amount".

(4)   The following terms are added to Section 14 of the Agreement in the appropriate alphabetical position:

""Close-out Amount"* means, with respect to each Terminated Transaction or each group of Terminated Transactions and a Determining Party, the amount of the losses or costs of the Determining Party that are or would be incurred under then prevailing circumstances (expressed as a positive number) or gains of the Determining Party that are or would be realised under then prevailing circumstances (expressed as a negative number) in replacing, or in providing for the Determining Party the economic equivalent of, (a) the material terms of that Terminated Transaction or group of Terminated Transactions, including the payments and deliveries by the parties under Section 2(a)(i) in respect of that Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date (assuming satisfaction of the conditions precedent in Section 2(a)(iii)) and (b) the option rights of the parties in respect of that Terminated Transaction or group of Terminated Transactions.

Any Close-out Amount will be determined by the Determining Party (or its agent), which will act in good faith and use commercially reasonable procedures in order to produce a commercially reasonable result. The Determining Party may determine a Close-out Amount for any group of Terminated Transactions or any individual Terminated Transaction but, in the aggregate, for not less than all Terminated Transactions. Each Close-out Amount will be determined as of the Early Termination Date or, if that would not be commercially reasonable, as of the date or dates following the Early Termination Date as would be commercially reasonable.

Unpaid Amounts in respect of a Terminated Transaction or group of Terminated Transactions and legal fees and out-of-pocket expenses referred to in Section 11 are to be excluded in all determinations of Close-out Amounts.

In determining a Close-out Amount, the Determining Party may consider any relevant information, including, without limitation, one or more of the following types of information:—

(i)   quotations (either firm or indicative) for replacement transactions supplied by one or more third parties that may take into account the creditworthiness of the Determining Party at the time the quotation is provided and the terms of any relevant documentation, including credit support documentation, between the Determining Party and the third party providing the quotation;

(ii)   information consisting of relevant market data in the relevant market supplied by one or more third parties including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads, correlations or other relevant market data in the relevant market; or

(iii)   information of the types described in clause (i) or (ii) above from internal sources (including any of the Determining Party's Affiliates) if that information is of the same type used by the Determining Party in the regular course of its business for the valuation of similar transactions.

The Determining Party will consider, taking into account the standards and procedures described in this definition, quotations pursuant to clause (i) above or relevant market data pursuant to clause (ii) above unless the Determining Party reasonably believes in good faith that such quotations or relevant market data are not readily available or would produce a result that would not satisfy those standards. When considering information described in clause (i), (ii) or (iii) above, the Determining Party may include costs of funding, to the extent costs of funding are not and would not be a component of the other information being utilised. Third parties supplying quotations pursuant to clause (i) above or market data pursuant to clause (ii) above may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors, brokers and other sources of market information.

Without duplication of amounts calculated based on information described in clause (i), (ii) or (iii) above, or other relevant information, and when it is commercially reasonable to do so, the Determining Party may in addition consider in calculating a Close-out Amount any loss or cost incurred in connection with its terminating, liquidating or re-establishing any hedge related to a Terminated Transaction or group of Terminated Transactions (or any gain resulting from any of them).

Commercially reasonable procedures used in determining a Close-out Amount may include the following:―

(1)   application to relevant market data from third parties pursuant to clause (ii) above or information from internal sources pursuant to clause (iii) above of pricing or other valuation models that are, at the time of the determination of the Close-out Amount, used by the Determining Party in the regular course of its business in pricing or valuing transactions between the Determining Party and unrelated third parties that are similar to the Terminated Transaction or group of Terminated Transactions; and

(2)   application of different valuation methods to Terminated Transactions or groups of Terminated Transactions depending on the type, complexity, size or number of the Terminated Transactions or group of Terminated Transactions.

A Close-out Amount is not required to be the market value of the Terminated Transaction or group of Terminated Transactions and the Determining Party is not obliged to use mid-point quotations or mid-market valuations in determining a Close-out Amount."

""***Determining Party***" means the party determining a Close-out Amount."

""***Early Termination Amount***" has the meaning specified in Section 6(e)."

""***Non-affected Party***" means, so long as there is only one Affected Party, the other party."

(5)   The following terms in Section 14 of the Agreement are deleted in their entirety: "Loss", "Market Quotation", "Reference Market-makers" and "Settlement Amount".

If any of these terms are used in any Annex or Schedule to the Agreement or a Confirmation, the 1994 ISDA Equity Option Definitions, the 1996 ISDA Equity Derivatives Definitions, the 2002 ISDA Equity Derivatives Definitions, the 1997 ISDA Government Bond Option Definitions, the 1998 FX and Currency Option Definitions, the 1999 ISDA Credit Derivatives Definitions or any other ISDA document incorporated by reference or executed by the parties hereto, the terms will have the respective meanings ascribed to them in the standard form 1992 ISDA Master Agreement (Multicurrency-Cross Border).

(6)   Part 1(f) of the Schedule is deleted in its entirety and the subsequent paragraphs are renumbered sequentially. In case the parties have used another designation for the paragraph of the Schedule specifying the selection of Market Quotation or Loss and First Method or Second Method, the reference herein to Part 1(f) of the Schedule shall be deemed a reference to that paragraph."

[20.20]   In this [20.20] we set out an optional clause relating to additional credit support which could be included (with or without modifications) in a 2002 ISDA Master Agreement or a 1992 ISDA Master Agreement, in addition to those provisions referred to in [20.18] and [20.19]. The AFMA Electricity Committee does not make a recommendation as to the use of this provision. It is included here only to suggest a standardised clause that could be used by those market participants that require additional credit support in circumstances where the ISDA Credit Support Annex is not appropriate.

(#)[1]   "(#)   ***Additional Credit Support.*** If, after the date of this Agreement:

(a)   a Credit Rating Downgrading exists in relation to a party ("**Party X**"); or[2]

(b)   none of Party X and any Credit Support Provider of Party X has a credit rating issued by a Ratings Agency and the creditworthiness of Party X or a Credit Support Provider of Party X is, in the reasonable opinion of

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[1] This paragraph should be included in Part 5 of the Schedule. Participants could consider use of a Credit Support Annex in lieu of this provision.

[2] Some participants may prefer to rely on a "materially weaker" test only. In that event, paragraph (a), the opening words of paragraph (b) and the section commencing "For the purposes of this Section 5(#):" should be deleted.

the other party ("**Party Y**"), materially weaker than as at the date of this Agreement (or, if later, than as at the last date upon which Credit Support was last given to Party Y under this Section 5(#)),

then Party X at its own cost must, upon request by Party Y, deliver to Party Y a guarantee or other form of unconditional credit enhancement of the obligations of Party X under this Agreement:

(i)   in an amount;

(ii)   in form and substance; and

(iii)   granted by an entity,

reasonably acceptable to Party Y having regard to the outstanding Transactions as at the date of the request.[3]

Any guarantee or other form of unconditional credit enhancement, once granted, will constitute a Credit Support Document, and the entity granting it will be a Credit Support Provider, in relation to Party X.

For the purposes of this Section 5(#):

(1)   a "**Credit Rating Downgrading**" exists in relation to a party if the credit rating issued by a Ratings Agency for any of that party and each Credit Support Provider of that party is below any of the credit ratings specified in paragraph (3) for that entity. If the description or nomenclature of a credit rating:

    (A)   so specified changes or the manner a credit rating is calculated or derived changes after the date of this Agreement; or

    (B)   is different from that specified in paragraph (3) because the Ratings Agency is a ratings agency described in paragraph (B) of the definition of Ratings Agency,

    then the reference to credit rating in this definition is to be deemed to be the credit rating issued by the relevant Ratings Agency which most closely corresponds to the credit rating set out in paragraph (3);

(2)   "**Ratings Agency**" means:

    (A)   a ratings agency specified below or any successor of such a ratings agency; and

    (B)   if such a ratings agency ceases to exist or issue credit ratings, any other agency or organisation which is selected in good faith by Party Y as being recognised in the global financial markets as a major ratings agency;

(3)   the following credit ratings apply:

Standard & Poor's	Moody's Investor	Fitch Ratings

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[3] The participants could be more prescriptive as to the requirements for additional credit support if they wished.

Party A

Credit Support
Provider for Party A

Party B

Credit Support
Provider for Party
B"

(#)[4]   "(#)   A party ("**Party X**") fails to comply with Section 5(#) within 30[5] days of the request being made by the other party under that section. For the purposes of the foregoing Termination Event, [the Affected Party shall be Party X / there shall be two Affected Parties][6]. Such event will not constitute an Event of Default."

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[4] This paragraph should be included in Part 1 of the Schedule as an Additional Termination Event.

[5] Parties could agree a longer or shorter period if they wished.

[6] The use of a two Affected Parties approach is suggested to ameliorate, in part, the subjective nature of the additional credit support requirement, particularly if a "materially weaker" approach only is to be adopted.

NOTES ON JUNE 2006 AUSTRALIAN ELECTRICITY ADDENDUM

[20.21]   Behind the sheet at [20.33] is a copy of June 2006 Australian Electricity Addendum.

Our commentary on paragraphs in this Addendum is as follows:

(a)   **Paragraph (1)**. This states that by incorporating June 2006 Australian Electricity Addendum in their ISDA Master Agreement the parties agree that every Commodity Transaction in relation to electricity between them is governed by the ISDA Master Agreement whether or not its Confirmation refers to the Master Agreement or June 2006 Australian Electricity Addendum and whether or not the parties state in their Confirmation that the Commodity Transaction is governed by any other master agreement.

Paragraph (1) is drafted on an assumption that once two parties agree to add June 2006 Australian Electricity Addendum to their ISDA Master Agreement, all such **future** Commodity Transactions between them are intended to be governed by the ISDA Master Agreement.

If you want Commodity Transactions entered into before you incorporate June 2006 Australian Electricity Addendum into your ISDA Master Agreement also to be governed by June 2006 Australian Electricity Addendum , then you should include the following provision in part 5 of the Schedule to your ISDA Master Agreement (see [20.18] footnote 17):

"( )   The second line of paragraph (1) of the attached June 2006 Australian Electricity Addendum is varied by adding "before or" after "entered into"."

Paragraph (1) recognises that at an operational level, there may still be instances, after the changeover, when Confirmations for Commodity Transactions either do not refer to the ISDA Master Agreement or continue to state that the Commodity Transaction is governed by another master agreement. Paragraph (1) states that even in those circumstances the Commodity Transaction will be governed by the ISDA Master Agreement and not the other master agreement.

Multiple master agreements. If you have more than one Master Agreement with a particular counterparty each of which is intended to govern different types of transactions (eg you may have one for secured transactions and one for unsecured transactions), then you should amend paragraph (1) (by a clause in part 5 of the schedule) to reflect your intention.

One possible way of doing this is to replace the first word of paragraph (1) "By" with "Except in the case of Commodity Transactions which are identified in their Confirmation as being governed by a master agreement between us dated [   ], by". It would then be **essential** to refer to the other master agreement in those Confirmations intended to be governed by the other master agreement.

(b)   **Paragraph (2)**. Paragraph (a) contains an acknowledgment of the various methods available for confirming Commodity Transactions and deems each to be a Confirmation.

Paragraph (b) contains some of the wording which is in the opening part of the Confirmations recommended by ISDA (see Exhibit I to the 2005 ISDA Commodity Definitions (p.I-1)). This is designed to remove the necessity for inserting, and recognises that it is impractical to insert, these words in all types of Confirmations.

Paragraph (c) contains wording which recognises that standard terminology may not be used in all types of Confirmations.

(c)   **Paragraph (3)**. Paragraph (a) contains more of the wording which is in the opening part of the Confirmations recommended by ISDA (see Exhibit I to the 2005 ISDA Commodity Definitions (p.I-1)).

Paragraph (b) defines a Commodity Transaction. It is important that Confirmations describe the type of commodity transaction. The second sentence of this paragraph enables the parties to agree on another type of Commodity Transaction being governed by the Addendum (although great care is needed if this is proposed, to ensure that correct terminology is used).

Paragraph (c) makes it expressly clear that references to "Transactions" in the ISDA Master Agreement include references to Commodity Transactions.

(d)   **Paragraph (4)**. This paragraph sets out various definitions relating to electricity derivative contracts.

Paragraph (b) sets out the language to enable participants to simply state "Spot Price" (and regional reference node) in a Confirmation, thereby making Confirmations for electricity transactions shorter.

GUIDE FOR COMPLETING CONFIRMATIONS FOR ELECTRICITY TRANSACTIONS

[20.22] The following sample Confirmations are contained in this part 20:

(a)   a sample Confirmation for a fixed forward electricity commodity contract for cash settlement is at [20.25];

(b)   a sample Confirmation for a price cap electricity commodity contract for cash settlement is at [20.26];

(c)   a sample Confirmation for a price floor electricity commodity contract for cash settlement is at [20.27];

(d)   a sample Confirmation for a price collar electricity commodity contract for cash settlement is at [20.28];

(e)   a sample Confirmation for an electricity commodity option contract for cash settlement is at [20.29];

(f)   a sample Confirmation for a contract settled or cash settled electricity commodity swaption contract where the underlying transaction is a fixed forward electricity commodity contract is at [20.30];

(g)   a sample Confirmation for an inter-regional electricity swap for cash settlement is at [20.31];

(h)   a sample Confirmation for an Asian electricity option contract for cash settlement is at [20.32].

The assumptions on which each is based are set out in the footnotes to it.

Format

[20.23]   The sample Confirmations are in the form of a letter.

[20.24]   The Confirmations assume that the participants have already entered into an ISDA Master Agreement. Participants should verify that there is an agreement in existence between the entity specified as Party A and the entity specified as Party B. An agreement between different companies in the same group will not create legal obligations between Party A and Party B.

Although not recommended, it is recognised that Transactions might be entered into before the parties have signed an ISDA Master Agreement. If that is the case, we recommend that you include the following text in the Confirmation (This wording is recommended by ISDA in footnote 2 to Exhibit 1 of the 2000 ISDA Definitions (page 35) except that ISDA's recommended wording has been amended to refer to the 2002 rather than the 1992 ISDA Master Agreement, to a State of Australia as the governing law and Australian dollars as the Termination Currency and to incorporate the June 2006 Australian Electricity Addendum):

> "This Confirmation evidences a complete and binding agreement between you and us as to the terms of the Transaction to which this Confirmation relates. In addition, you and we agree to use all reasonable efforts promptly to negotiate, execute and deliver an agreement in the form of the 2002 version of the ISDA Master Agreement (the "**ISDA Form**"), with such modifications as you and we will in good faith agree. Upon execution by you and us of such an agreement, this Confirmation will supplement, form a part of and be subject to that agreement. All provisions contained in or incorporated by reference in that agreement upon its execution will govern this Confirmation except as expressly modified below.
>
> Until we execute and deliver that agreement, this Confirmation, together with all other documents referring to the ISDA Form (each a "**Confirmation**") confirming transactions (each a "**Transaction**") entered into between us (notwithstanding anything to the contrary in a Confirmation), shall supplement, form a part of, and be subject to an agreement in the form of the ISDA Form as if we had executed an agreement in such form (but without any Schedule except for:
>
> (a)   the election of the laws of the State of [New South Wales/Victoria/South Australia/Queensland] as the governing law and [Australian dollars] as the Termination Currency); and
>
> (b)   the incorporation of the June 2006 Australian Electricity Addendum as published in AFMA Guide to OTC Documents),
>
> on the Trade Date of the first such Transaction between us. In the event of any inconsistency between the provisions of that agreement and this Confirmation, this Confirmation will prevail for the purposes of this Swap Transaction."

This is not a complete substitute for signing an ISDA Master Agreement because there are numerous variables in the ISDA Master Agreement which will not operate until an election has been made. These are easily identified by looking through the Schedule to the ISDA Master Agreement. Also, you may not get the benefit of any of the important provisions referred to in [20.18] and [20.19] unless they are dealt with in the Confirmation. You should negotiate and sign an ISDA Master Agreement as soon as possible after adopting this approach.

Also we recommend that legal advice be obtained if you want to rely only on wording to this effect (and not on a signed ISDA Master Agreement) in order to constitute a close-out netting contract for the purposes of the Payment Systems and Netting Act 1998 (Cwlth).

[20.25] **Sample Confirmation for fixed forward commodity contracts for cash settlement.** (Paragraph (4) of June 2006 Australian Electricity Addendum contains some definitions relevant to this type of contract.)

[Date]

Reference Number [   ]

[Name and address of counterparty]

Fixed forward commodity contract

The purpose of this letter is to confirm the terms and conditions of the fixed forward commodity contract for electricity entered into between us on the Trade Date specified below ("**Transaction**").

1.   For the purpose of the particular Transaction to which this Confirmation relates, the term "**Pricing Date**" for a Calculation Period means that Calculation Period.[1]

2.   The terms of the particular Transaction to which this Confirmation relates are as follows:

Notional Quantity per Calculation Period:[2]   The quantity set out in the attachment for that Calculation Period.

Trade Date:[3]

Effective Date:[4]

---

[1]You need not include this paragraph if you have agreed the meaning of Pricing Date in part 5 of the Schedule (see [20.18] footnote 2).

[2]The quantity of electricity in MWh should be specified in the attachment for each period the subject of the swap. The parties may specify a different Notional Quantity for each party (this may require separate attachments for each party).

To assist parties participating in the physical electricity market to calculate the correct quantity, an additional column has been incorporated in the attachment relating to the capacity for a one hour period that is the subject of the swap. The Notional Quantity will then be one half of that amount. For example, for a 660MW generating unit to be fully hedged, the Notional Quantity for a Calculation Period will generally be 330MWh.

You may provide for different Notional Quantities for different types of day (eg Mondays, weekdays (other than Mondays and public holidays), Saturdays, Sundays and public holidays) by incorporating different columns of Notional Quantities for each type of day. See [20.25] footnote 6.

[3]The date the parties enter into the contract.

[4]The first day of the Term of the Transaction. This is the day on which the first *trading interval* of 30 minutes occurs that is to comprise a Calculation Period. Whilst a *trading day* commences at 0400 EST, it is not necessary to specify that a swap commences at that time. For most swaps, the first *trading interval* covered by it is likely to commence at 0000 EST.

A Term can extend for more than one day.

Termination Date:[5]

Calculation Period(s):[6]   Each period of 30 minutes set out in the third
                                                  column of the attachment.

[Settlement Date(s):][7]

[Business Days:][8]

---

[5]The last day of the Term of the Transaction. For a one day swap commencing at midnight, this is the same date as the Effective Date. For a one day swap that corresponds to a *trading day* (ie it commences at 0400 EST and finishes at 0400 EST the next day), the Termination Date will be the day after the Effective Date.

[6]For each day of a swap there are 48 Calculation Periods. If less than 48 periods in a day are the subject of the swap, a quantity and price should be completed in the attachment only for the relevant periods, and the balance of them should be left blank **both** as to quantity and as to price. Alternatively, those periods could have "Nil" specified for them in each column. With appropriate treatment of the calculation of Floating Prices, Calculation Periods could be specified as being other than 30 minutes.

You may cover more than one day simply by extending the attachment. You may provide for different types of days (and different months) by incorporating different parts in the attachment for each such day and by substituting the following next to "Calculation Period(s):"

> "Each period of 30 minutes set out in the third column of the attachment that occurs during a [month and a] type of day specified in the relevant part of the attachment."

[7]Insert Settlement Date (ie the date when the net amount due must be actually paid). You need not include this item if you have agreed the meaning of Settlement Date in part 5 of the schedule (see [20.18] footnote 9).

Under Section 3.3 of the 2005 ISDA Commodity Definitions, the Settlement Date is subject to adjustment in accordance with the Following Business Day Convention unless otherwise specified. You can specify a different Business Day Convention to apply by specifying it at this item of "Settlement Date" or in part 5 of the schedule to your ISDA Master Agreement. See [20.18] (footnote 14) for wording relating to adjusting the Settlement Date in accordance with a Business Day Convention by including a clause in part 5 of the schedule.

A Settlement Date may be more than one day. For example, when the Transaction relates to more than one *trading day* the parties may want each Settlement Date a specified period after each *trading day*.

Another alternative is that you may agree (particularly if either party is a participant in the physical electricity market) that the Settlement Date should correspond to the dates for settlement under the National Rules from time to time. To do this:

- in Part 5 of the Schedule to the ISDA Master Agreement add the following paragraph (this is the same clause that is recommended at [20.18] footnote 9):

  > "For each Calculation Period, the Settlement Date is the day upon which the party that is obliged to pay a Floating Amount or a Cash Settlement Amount calculated by reference to a Floating Price determined under the National Rules (or, if there are two such parties, Party [A/B]), if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period."

or

- in the Confirmation insert the following next to "Settlement Date(s):"

  > "For each Calculation Period, the day upon which the party that is obliged to pay a Floating Amount calculated by reference to a Floating Price determined under the National Rules, if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period."

[8]See section 1.3 of the 2005 ISDA Commodity Definitions for the meaning of this term. Specify the places where commercial banks need to be settling payments ie "[name places eg Sydney, Melbourne]".

Fixed Amount Details:

Fixed Price Payer:[9]   Party [   ]

Fixed Price:[10]   For each Calculation Period, the price set out in the attachment for that period.

Floating Amount Details:

Floating Price Payer:[11]   Party [   ]

[Commodity Reference Price:[12]

    Commodity: Electricity

    Unit: MWh

    Price Source: NEMMCO]

    Specified Price: The spot price as at the (#)[13] regional reference node as determined under the National Rules][14]

You need not include this item if you have agreed the meaning of Business Days in part 5 of the schedule (see footnote 18 in [20.18].

[9]Insert correct party description.

[10]See Section 5.2 of the 2005 ISDA Commodity Definitions for the meaning of this term. It is the price for each MWh agreed on the Trade Date.

You may cover different types of day (eg Mondays, weekdays (other than Mondays and public holidays), Saturdays, Sundays and public holidays) by incorporating different columns of Fixed Prices for each type of day, and by substituting the following next to "Fixed Price:"

> "For each Calculation Period set out in the third column of the attachment that occurs during a type of day specified in a column of the attachment, the price specified in the column for that type of day for that Calculation Period."

[11]Insert correct party description.

[12]This is the machinery to calculate the price per unit of Commodity prevailing on the Pricing Date. It is often otherwise referred to in the financial markets as "reference price".

The Floating Prices for electricity expressly defined in Sub-Annex A of the 2005 Commodity Derivatives Definitions are not in common use in the Australian market. The Floating Price or Floating Amount can be determined in a number of other ways. Some examples are:

-        you could create a Floating Price by specifying a Commodity, a Unit, a Price Source and a Specified Price;

-        you could create a Floating Price by using the definition of Spot Price in paragraph (4)(b) of the June 2006 Australian Electricity Addendum ;

-        one party may advise the other party of the price.

You need not include an item for Floating Price if you have pre-agreed it by setting it out in part 5 of the schedule (see footnote 11 of [20.18]).

[13] Insert location of regional reference node.

[Commodity Reference Price: [12]   Spot Price

Regional Reference Node: [13]][15]

[16]

[17][Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation enclosed for that purpose and returning it to us.

                              Yours sincerely
                              [name of party preparing Confirmation]
                              By:
                              Name:
                              Title:

Confirmed as of the date first written:
[name of other party]

By:
Name:
Title:]

---

[14]Delete all the components of the Commodity Reference Price if you use the definition of Spot Price in paragraph (4)(b) of the June 2006 Australian Electricity Addendum .

[15]Delete if you create a Floating Price by specifying a Commodity, a Unit, a Price Source and a Specified Price.

[16]**Care!** This Confirmation has been prepared on the following assumptions:

(a)   **Market Disruption Events, Additional Market Disruption Events, Disruption Fallbacks.** All these issues have been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnotes 3 to 8). If this is not the case, you must cover these issues in your Confirmation. ***This is very important***

(b)   **GST.** This issue, if a concern to the parties, has been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnote 12). If this is not the case, the issue could be dealt with by including the paragraph in footnote 12 in the Confirmation.

(c)   **Calculation Agent.** You may have specified in part 5 of the schedule which party is the Calculation Agent (see [20.18] footnote 19). If not insert an item:

         "Calculation Agent:"

(d)   **Payments to Party A, Payments to Party B.** You do not insert particulars of the account into which payments to Party A or Party B are to be made. If this approach is adopted you must ensure that these particulars are identified by some other means eg in standard settlement instructions or settlement instructions issued immediately before settlement. If you want to insert in the Confirmation particulars for payments to Party A or Party B, insert items:

         "Account Details:"
              "Payments to Party A:"
              "Payments to Party B:"

(e)   **Multibranch Parties.** Neither party is a Multibranch party. If a party intends to make and receive payments under different Transactions through different branch offices, it should be specified in the Schedule to the ISDA Master Agreement as a Multibranch party. If a party is a Multibranch party, an item relating to Offices should be included in the Confirmation in which the relevant branch is identified.

[17]We have included two forms of closing. The first is for when the counterparty will be asked to return the Confirmation with their agreement to the terms endorsed on it. The second is for when the counterparty will send their own Confirmation or a Confirmation note referring to the other party's Confirmation. It is optional which approach you adopt.

[17][Please confirm that the foregoing correctly sets forth the terms of our agreement by sending us a Confirmation substantially the same as this Confirmation or by sending us a Confirmation in the following terms:

"We acknowledge receipt of your Confirmation dated [date] with respect to the transaction with reference no [   ]. We confirm that the Confirmation correctly sets forth the terms of our agreement.

Yours sincerely
[name of party preparing reply]
By:
Name:
Title:"]

Attachment

Date	Calculation Period (Number)	Calculation Period (Eastern Standard Time)	Capacity (MW)	Notional Quantity (MWh)	Fixed Price (A$/MWh)
#	1	0000 - 0030			
	2	0030 - 0100			
	3	0100 - 0130			
	4	0130 - 0200			
	5	0200 - 0230			
	6	0230 - 0300			
	7	0300 - 0330			
	8	0330 - 0400			
	9	0400 - 0430			
	10	0430 - 0500			
	11	0500 - 0530			
	12	0530 - 0600			
	13	0600 - 0630			
	14	0630 - 0700			
	15	0700 - 0730			
	16	0730 - 0800			
	17	0800 - 0830			
	18	0830 - 0900			
	19	0900 - 0930			
	20	0930 - 1000			
	21	1000 - 1030			
	22	1030 - 1100			
	23	1100 - 1130			
	24	1130 - 1200			
	25	1200 - 1230			
	26	1230 - 1300			
	27	1300 - 1330			
	28	1330 - 1400			
	29	1400 - 1430			
	30	1430 - 1500			
	31	1500 - 1530			
	32	1530 - 1600			
	33	1600 - 1630			
	34	1630 - 1700			
	35	1700 - 1730			
	36	1730 - 1800			
	37	1800 - 1830			
	38	1830 - 1900			
	39	1900 - 1930			
	40	1930 - 2000			
	41	2000 - 2030			
	42	2030 - 2100			
	43	2100 - 2130			
	44	2130 - 2200			
	45	2200 - 2230			
	46	2230 - 2300			
	47	2300 - 2330			
	48	2330 - 2400			

[20.26] **Sample Confirmation for price cap electricity commodity contracts for cash settlement.** (Paragraph (4) of June 2006 Australian Electricity Addendum contains some definitions relevant to this type of contract.)

[Date]

Reference Number [   ]

[Name and address of counterparty]

Commodity price cap contract - cash-settled

The purpose of this letter is to confirm the terms and conditions of the forward commodity contract for electricity entered into between us on the Trade Date specified below ("**Transaction**").

1.   For the purpose of the particular Transaction to which this Confirmation relates, the term "**Pricing Date**" for a Calculation Period means that Calculation Period.[1]

2.   The terms of the particular Transaction to which this Confirmation relates are as follows:

Notional Quantity per Calculation Period:[2]   The quantity set out in the attachment for that Calculation Period.

Trade Date:[3]

Effective Date:[4]

---

[1]You need not include this paragraph if you have agreed the meaning of Pricing Date in part 5 of the Schedule (see [20.18] footnote 2).

[2]The quantity of electricity in MWh should be specified in the attachment for each period the subject of the swap. The parties may specify a different Notional Quantity for each party (this may require separate attachments for each party).

To assist parties participating in the physical electricity market to calculate the correct quantity, an additional column has been incorporated in the attachment relating to the capacity for a one hour period that is the subject of the swap. The Notional Quantity will then be one half of that amount. For example, for a 660MW generating unit to be fully hedged, the Notional Quantity for a Calculation Period will generally be 330MWh.

You may provide for different Notional Quantities for different types of day (eg Mondays, weekdays (other than Mondays and public holidays), Saturdays, Sundays and public holidays) by incorporating different columns of Notional Quantities for each type of day. See [20.26] footnote 6.

[3]The date the parties enter into the contract.

[4]The first day of the Term of the Transaction. This is the day on which the first *trading interval* of 30 minutes occurs that is to comprise a Calculation Period. Whilst a *trading day* commences at 0400 EST, it is not necessary to specify that a swap commences at that time. For most swaps, the first *trading interval* covered by it is likely to commence at 0000 EST.

A Term can extend for more than one day.

Termination Date:[5]

Calculation Period(s):[6]   Each period of 30 minutes set out in the third
                                                  column of the attachment.

[Settlement Date(s):][7]

[Business Days:][8]

---

[5]The last day of the Term of the Transaction. For a one day swap commencing at midnight, this is the same date as the
Effective Date. For a one day swap that corresponds to a *trading day* (ie it commences at 0400 EST and finishes at 0400
EST the next day), the Termination Date will be the day after the Effective Date.

[6]For each day of a swap there are 48 Calculation Periods. If less than 48 periods in a day are the subject of the swap, a
quantity and price should be completed in the attachment only for the relevant periods, and the balance of them should be
left blank **both** as to quantity and as to price. Alternatively, those periods could have "Nil" specified for them in each
column. With appropriate treatment of the calculation of Floating Prices, Calculation Periods could be specified as being
other than 30 minutes.

You may cover more than one day simply by extending the attachment. You may provide for different types of days (and
different months) by incorporating different parts in the attachment for each such day and by substituting the following
next to "Calculation Period(s):"

> "Each period of 30 minutes set out in the third column of the attachment that occurs during a [month and a]
> type of day specified in the relevant part of the attachment."

[7]Insert Settlement Date (ie the date when the net amount due must be actually paid). You need not include this item if you
have agreed the meaning of Settlement Date in part 5 of the schedule (see [20.18] footnote 9).

Under Section 3.3 of the 2005 ISDA Commodity Definitions, the Settlement Date is subject to adjustment in accordance
with the Following Business Day Convention unless otherwise specified. You can specify a different Business Day
Convention to apply by specifying it at this item of "Settlement Date" or in part 5 of the schedule to your ISDA Master
Agreement. See [20.18] (footnote 14) for wording relating to adjusting the Settlement Date in accordance with a Business
Day Convention by including a clause in part 5 of the schedule.

A Settlement Date may be more than one day. For example, when the Transaction relates to more than one *trading day* the
parties may want each Settlement Date a specified period after each *trading day*.

Another alternative is that you may agree (particularly if either party is a participant in the physical electricity market) that
the Settlement Date should correspond to the dates for settlement under the National Rules from time to time. To do this:

- in Part 5 of the Schedule to the ISDA Master Agreement add the following paragraph (this is the same clause
  that is recommended at [20.18] footnote 9):

  > "For each Calculation Period, the Settlement Date is the day upon which the party that is obliged to
  > pay a Floating Amount or a Cash Settlement Amount calculated by reference to a Floating Price
  > determined under the National Rules (or, if there are two such parties, Party [A/B]), if it were a
  > market participant (as defined in the National Rules) under the National Rules, would be obliged to
  > make a payment under the National Code if a statement issued under the National Rules showed
  > that that party owed an amount in respect of electricity bought by it in that Calculation Period."

or

- in the Confirmation insert the following next to "Settlement Date(s):"

  > "For each Calculation Period, the day upon which the party that is obliged to pay a Floating
  > Amount calculated by reference to a Floating Price determined under the National Rules, if it were a
  > market participant (as defined in the National Rules) under the National Rules, would be obliged to
  > make a payment under the National Rules if a statement issued under the National Rules showed
  > that that party owed an amount in respect of electricity bought by it in that Calculation Period."

[8]See section 1.3 of the 2005 ISDA Commodity Definitions for the meaning of this term. Specify the places where
commercial banks need to be settling payments ie "[name places eg Sydney, Melbourne]".

<u>Fixed Amount Details:</u>

Fixed Price Payer:[9]   Party [   ]

[Fixed Price:[10]   For each Calculation Period, the fixed price
                                                          set out in the attachment for that period.]

[Fixed Price Payer Payment Date(s):[10]   [subject to adjustment in accordance with
                                                          the Following/ Modified Following/ Nearest/
                                                          Preceding] Business Day Convention]

[Fixed Amount:][10]

<u>Floating Amount Details:</u>

Floating Price Payer:[11]   Party [   ]

Cap Price:[12]   For each Calculation Period, the cap price set
                                                          out in the attachment for that period.

[Commodity Reference Price:[13]

You need not include this item if you have agreed the meaning of Business Days in part 5 of the schedule (see footnote 18 in [20.18].

[9]Insert correct party description.

[10] See Section 5 of the 2005 ISDA Commodity Definitions for the meaning of these terms. This is part of the calculation of the fee or premium agreed to be paid by the purchaser for the price cap. That fee may be a lump sum or may be paid by instalments (such as for each Calculation Period).

If a lump sum is to be paid, you need include only the Fixed Amount and the Fixed Price Payer Payment Date(s). Under Section 3.3 of the 2005 ISDA Commodity Definitions, the Fixed Price Payer Payment Date is subject to adjustment in accordance with the Following Business Day Convention unless otherwise specified. You can specify a different Business Day Convention to apply by including the appropriate bracketed language next to Fixed Price Payment Date(s). With a lump sum it will not be necessary to specify the Fixed Price, and the column for Fixed Price in the attachment should be deleted or left blank.

If the fee or premium is to be paid by instalments on each Settlement Date calculated by reference to each Calculation Period, the Fixed Price is the price for each MWh agreed on the Trade Date. It will not be necessary to specify a Fixed Price Payer Payment Date(s) or a Fixed Amount.

You may cover different types of day (eg Mondays, weekdays (other than Mondays and public holidays), Saturdays, Sundays and public holidays) by incorporating different columns of Fixed Prices for each type of day, and by substituting the following next to "Fixed Price:"

"For each Calculation Period set out in the third column of the attachment that occurs during a type of day specified in a column of the attachment, the fixed price specified in the column for that type of day for that Calculation Period."

[11]Insert correct party description.

[12]See Section 6.2 of the 2005 ISDA Commodity Definitions. It is the cap on the Floating Price for each MWh agreed on the Trade Date.

You may provide different cap prices for different types of days (such as where you provide for different Fixed Prices for different types of days (and different months)) by incorporating different columns of cap prices in the attachment for each such day. Alternatively, you could specify the same figure as the cap price for all Calculation Periods and omit the relevant column from the attachment.

	Commodity:	Electricity
	Unit:	MWh
	Price Source:	NEMMCO]
	Specified Price:	The spot price as at the (#)[14] regional reference node as determined under the National Rules][15]
	[Commodity Reference Price:[13]	Spot Price
	Regional Reference Node:[14]][16]	

17

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[13]This is the machinery to calculate the price per unit of Commodity prevailing on the Pricing Date. It is often otherwise referred to in the financial markets as "reference price".

The Floating Prices for electricity expressly defined in Sub-Annex A of the 2005 Commodity Derivatives Definitions are not in common use in the Australian market The Floating Price or Floating Amount can be determined in a number of other ways. Some examples are:

-        you could create a Floating Price by specifying a Commodity, a Unit, a Price Source and a Specified Price;

-        you could create a Floating Price by using the definition of Spot Price in paragraph (4)(b) of the June 2006 Australian Electricity Addendum;

-        one party may advise the other party of the price.

You need not include an item for Floating Price if you have pre-agreed it by setting it out in part 5 of the schedule (see footnote 11 of [20.18]).

[14] Insert location of regional reference node.

[15]Delete all the components of the Commodity Reference Price if you use the definition of Spot Price in paragraph 4(b) of the June 2006 Australian Electricity Addendum.

[16]Delete if you create a Floating Price by specifying a Commodity, a Unit, a Price Source and a Specified Price.

[17]**Care!** This Confirmation has been prepared on the following assumptions:

(a)   **Market Disruption Events, Additional Market Disruption Events, Disruption Fallbacks.** All these issues have been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnotes 3 to 8). If this is not the case, you must cover these issues in your Confirmation. ***This is very important***

(b)   **GST.** This issue, if a concern to the parties, has been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnote 12). If this is not the case, the issue could be dealt with by including the paragraph in footnote 12 in the Confirmation.

(c)   **Calculation Agent.** You may have specified in part 5 of the schedule which party is the Calculation Agent (see [20.18] footnote 19). If not insert an item:

        "Calculation Agent:"

(d)   **Payments to Party A, Payments to Party B.** You do not insert particulars of the account into which payments to Party A or Party B are to be made. If this approach is adopted you must ensure that these particulars are identified by some other means eg in standard settlement instructions or settlement instructions issued immediately before settlement. If you want to insert in the Confirmation particulars for payments to Party A or Party B, insert items:

        "Account Details:"

[18][Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation enclosed for that purpose and returning it to us.

> Yours sincerely
> [name of party preparing Confirmation]
> By:
> Name:
> Title:

Confirmed as of the date first written:
[name of other party]

By:
Name:
Title:]

[18][Please confirm that the foregoing correctly sets forth the terms of our agreement by sending us a Confirmation substantially the same as this Confirmation or by sending us a Confirmation in the following terms:

> "We acknowledge receipt of your Confirmation dated [date] with respect to the transaction with reference no [   ]. We confirm that the Confirmation correctly sets forth the terms of our agreement.
>
> > Yours sincerely
> > [name of party preparing reply]
> > By:
> > Name:
> > Title:"]

> "Payments to Party A:"
> "Payments to Party B:"

(e)   **Multibranch Parties.** Neither party is a Multibranch party. If a party intends to make and receive payments under different Transactions through different branch offices, it should be specified in the Schedule to the ISDA Master Agreement as a Multibranch party. If a party is a Multibranch party, an item relating to Offices should be included in the Confirmation in which the relevant branch is identified.

[18]We have included two forms of closing. The first is for when the counterparty will be asked to return the Confirmation with their agreement to the terms endorsed on it. The second is for when the counterparty will send their own Confirmation or a Confirmation note referring to the other party's Confirmation. It is optional which approach you adopt.

Attachment

Date	Calculation Period (Number)	Calculation Period (Eastern Standard Time)	Capacity (MW)	Notional Quantity (MWh)	Fixed Price[10] (A\$/MWh)	Cap Price (A\$/MWh)
#	1	0000 - 0030				
	2	0030 - 0100				
	3	0100 - 0130				
	4	0130 - 0200				
	5	0200 - 0230				
	6	0230 - 0300				
	7	0300 - 0330				
	8	0330 - 0400				
	9	0400 - 0430				
	10	0430 - 0500				
	11	0500 - 0530				
	12	0530 - 0600				
	13	0600 - 0630				
	14	0630 - 0700				
	15	0700 - 0730				
	16	0730 - 0800				
	17	0800 - 0830				
	18	0830 - 0900				
	19	0900 - 0930				
	20	0930 - 1000				
	21	1000 - 1030				
	22	1030 - 1100				
	23	1100 - 1130				
	24	1130 - 1200				
	25	1200 - 1230				
	26	1230 - 1300				
	27	1300 - 1330				
	28	1330 - 1400				
	29	1400 - 1430				
	30	1430 - 1500				
	31	1500 - 1530				
	32	1530 - 1600				
	33	1600 - 1630				
	34	1630 - 1700				
	35	1700 - 1730				
	36	1730 - 1800				
	37	1800 - 1830				
	38	1830 - 1900				
	39	1900 - 1930				
	40	1930 - 2000				
	41	2000 - 2030				
	42	2030 - 2100				
	43	2100 - 2130				
	44	2130 - 2200				
	45	2200 - 2230				
	46	2230 - 2300				
	47	2300 - 2330				
	48	2330 - 2400				

[20.27] **Sample Confirmation for price floor electricity commodity contracts for cash settlement.** (Paragraph (4) of June 2006 Australian Electricity Addendum contains some definitions relevant to this type of contract.)

[Date]

Reference Number [   ]

[Name and address of counterparty]

Commodity price floor contract - cash-settled

The purpose of this letter is to confirm the terms and conditions of the forward commodity contract for electricity entered into between us on the Trade Date specified below ("**Transaction**").

1.   For the purpose of the particular Transaction to which this Confirmation relates, the term "**Pricing Date**" for a Calculation Period means that Calculation Period.[1]

2.   The terms of the particular Transaction to which this Confirmation relates are as follows:

Notional Quantity per Calculation Period:[2]   The quantity set out in the attachment for that Calculation Period.

Trade Date:[3]

Effective Date:[4]

---

[1]You need not include this paragraph if you have agreed the meaning of Pricing Date in part 5 of the Schedule (see [20.18] footnote 2).

[2]The quantity of electricity in MWh should be specified in the attachment for each period the subject of the swap. The parties may specify a different Notional Quantity for each party (this may require separate attachments for each party).

To assist parties participating in the physical electricity market to calculate the correct quantity, an additional column has been incorporated in the attachment relating to the capacity for a one hour period that is the subject of the swap. The Notional Quantity will then be one half of that amount. For example, for a 660MW generating unit to be fully hedged, the Notional Quantity for a Calculation Period will generally be 330MWh.

You may provide for different Notional Quantities for different types of day (eg Mondays, weekdays (other than Mondays and public holidays), Saturdays, Sundays and public holidays) by incorporating different columns of Notional Quantities for each type of day. See [20.27] footnote 6.

[3]The date the parties enter into the contract.

[4]The first day of the Term of the Transaction. This is the day on which the first *trading interval* of 30 minutes occurs that is to comprise a Calculation Period. Whilst a *trading day* commences at 0400 EST, it is not necessary to specify that a swap commences at that time. For most swaps, the first *trading interval* covered by it is likely to commence at 0000 EST.

A Term can extend for more than one day.

Termination Date:[5]

Calculation Period(s):[6]   Each period of 30 minutes set out in the third
                                                   column of the attachment.

[Settlement Date(s):][7]

[Business Days:][8]

---

[5]The last day of the Term of the Transaction. For a one day swap commencing at midnight, this is the same date as the Effective Date. For a one day swap that corresponds to a *trading day* (ie it commences at 0400 EST and finishes at 0400 EST the next day), the Termination Date will be the day after the Effective Date.

[6]For each day of a swap there are 48 Calculation Periods. If less than 48 periods in a day are the subject of the swap, a quantity and price should be completed in the attachment only for the relevant periods, and the balance of them should be left blank **both** as to quantity and as to price. Alternatively, those periods could have "Nil" specified for them in each column. With appropriate treatment of the calculation of Floating Prices, Calculation Periods could be specified as being other than 30 minutes.

You may cover more than one day simply by extending the attachment. You may provide for different types of days (and different months) by incorporating different parts in the attachment for each such day and by substituting the following next to "Calculation Period(s):"

> "Each period of 30 minutes set out in the third column of the attachment that occurs during a [month and a] type of day specified in the relevant part of the attachment."

[7]Insert Settlement Date (ie the date when the net amount due must be actually paid). You need not include this item if you have agreed the meaning of Settlement Date in part 5 of the schedule (see [20.18] footnote 9).

Under Section 3.3 of the 2005 ISDA Commodity Definitions, the Settlement Date is subject to adjustment in accordance with the Following Business Day Convention unless otherwise specified. You can specify a different Business Day Convention to apply by specifying it at this item of "Settlement Date" or in part 5 of the schedule to your ISDA Master Agreement. See [20.18] (footnote 14) for wording relating to adjusting the Settlement Date in accordance with a Business Day Convention by including a clause in part 5 of the schedule.

A Settlement Date may be more than one day. For example, when the Transaction relates to more than one *trading day* the parties may want each Settlement Date a specified period after each *trading day*.

Another alternative is that you may agree (particularly if either party is a participant in the physical electricity market) that the Settlement Date should correspond to the dates for settlement under the National Rules from time to time. To do this:

- in Part 5 of the Schedule to the ISDA Master Agreement add the following paragraph (this is the same clause that is recommended at [20.18] footnote 9):

> "For each Calculation Period, the Settlement Date is the day upon which the party that is obliged to pay a Floating Amount or a Cash Settlement Amount calculated by reference to a Floating Price determined under the National Rules (or, if there are two such parties, Party [A/B]), if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period."

or

- in the Confirmation insert the following next to "Settlement Date(s):"

> "For each Calculation Period, the day upon which the party that is obliged to pay a Floating Amount calculated by reference to a Floating Price determined under the National Rules, if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period."

[8]See section 1.3 of the 2005 ISDA Commodity Definitions for the meaning of this term. Specify the places where commercial banks need to be settling payments ie "[name places eg Sydney, Melbourne]".

Fixed Amount Details:

Fixed Price Payer:[9]   Party [   ]

[Fixed Price:[10]   For each Calculation Period, the fixed price set out in the attachment for that period.]

[Fixed Price Payer Payment Date(s):[10]   [subject to adjustment in accordance with the Following/ Modified Following/ Nearest/ Preceding] Business Day Convention]

[Fixed Amount:][10]

Floating Amount Details:

Floating Price Payer:[11]   Party [   ]

Floor Price:[12]   For each Calculation Period, the floor price set out in the attachment for that period.

[Commodity Reference Price:[13]

You need not include this item if you have agreed the meaning of Business Days in part 5 of the schedule (see footnote 18 in [20.18].

[9]Insert correct party description.

[10]See Section 5 of the 2005 ISDA Commodity Definitions for the meaning of these terms. This is part of the calculation of the fee or premium agreed to be paid by the purchaser for the price floor. That fee may be a lump sum or may be paid by instalments (such as for each Calculation Period).

If a lump sum is to be paid, you need include only the Fixed Amount and the Fixed Price Payer Payment Date(s). Under Section 3.3 of the 2005 ISDA Commodity Definitions, the Fixed Price Payer Payment Date is subject to adjustment in accordance with the Following Business Day Convention unless otherwise specified. You can specify a different Business Day Convention to apply by including the appropriate bracketed language next to Fixed Price Payer Payment Date(s). With a lump sum it will not be necessary to specify the Fixed Price, and the column for Fixed Price in the attachment should be deleted or left blank.

If the fee or premium is to be paid by instalments on each Settlement Date calculated by reference to each Calculation Period, the Fixed Price is the price for each MWh agreed on the Trade Date. It will not be necessary to specify a Fixed Price Payer Payment Date(s) or a Fixed Amount.

You may cover different types of day (eg Mondays, weekdays (other than Mondays and public holidays), Saturdays, Sundays and public holidays) by incorporating different columns of Fixed Prices for each type of day, and by substituting the following next to "Fixed Price:"

"For each Calculation Period set out in the third column of the attachment that occurs during a type of day specified in a column of the attachment, the fixed price specified in the column for that type of day for that Calculation Period."

[11]Insert correct party description.

[12]See Section 6.2 of the 2005 ISDA Commodity Definitions. It is the floor price on the Floating Price for each MWh agreed on the Trade Date.

You may provide different floor prices for different types of days (such as where you provide for different Fixed Prices for different types of days (and different months)) by incorporating different columns of floor prices in the attachment for each such day. Alternatively, you could specify the same figure as the floor price for all Calculation Periods and omit the relevant column from the attachment.

Commodity:	Electricity
Unit:	MWh
Price Source:	NEMMCO
Specified Price:	The spot price as at the (#)[14] regional reference node as determined under the National Rules][15]
[Commodity Reference Price:[13]	Spot Price
Regional Reference Node:[14]][16]	

[17]

---

[13]This is the machinery to calculate the price per unit of Commodity prevailing on the Pricing Date. It is often otherwise referred to in the financial markets as "reference price".

The Floating Prices for electricity expressly defined in Sub-Annex A of the 2005 Commodity Derivatives Definitions are not in common use in the Australian market. The Floating Price or Floating Amount can be determined in a number of other ways. Some examples are:

-     you could create a Floating Price by specifying a Commodity, a Unit, a Price Source and a Specified Price;

-     you could create a Floating Price by using the definition of Spot Price in paragraph (4)(b) of the June 2006 Australian Electricity Addendum;

-     one party may advise the other party of the price.

You need not include an item for Floating Price if you have pre-agreed it by setting it out in part 5 of the schedule (see footnote 11 of [20.18]).

[14] Insert location of regional reference node.

[15]Delete all the components of the Commodity Reference Price if you use the definition of Spot Price in paragraph (4)(b) of the June 2006 Australian Electricity Addendum.

[16]Delete if you create a Floating Price by specifying a Commodity, a Unit, a Price Source and a Specified Price.

[17]**Care!** This Confirmation has been prepared on the following assumptions:

(a)   **Market Disruption Events, Additional Market Disruption Events, Disruption Fallbacks.** All these issues have been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnotes 3 to 8). If this is not the case, you must cover these issues in your Confirmation. ***This is very important***

(b)   **GST.** This issue, if a concern to the parties, has been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnote 12). If this is not the case, the issue could be dealt with by including the paragraph in footnote 12 in the Confirmation.

(c)   **Calculation Agent.** You may have specified in part 5 of the schedule which party is the Calculation Agent (see [20.18] footnote 19). If not insert an item:

    "Calculation Agent:"

(d)   **Payments to Party A, Payments to Party B.** You do not insert particulars of the account into which payments to Party A or Party B are to be made. If this approach is adopted you must ensure that these particulars are identified by some other means eg in standard settlement instructions or settlement instructions issued immediately before settlement. If you want to insert in the Confirmation particulars for payments to Party A or Party B, insert items:

    "Account Details:"

[18][Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely
[name of party preparing Confirmation]
By:
Name:
Title:

Confirmed as of the date first written:
[name of other party]

By:
Name:
Title:]

[18][Please confirm that the foregoing correctly sets forth the terms of our agreement by sending us a Confirmation substantially the same as this Confirmation or by sending us a Confirmation in the following terms:

"We acknowledge receipt of your Confirmation dated [date] with respect to the transaction with reference no [   ]. We confirm that the Confirmation correctly sets forth the terms of our agreement.

Yours sincerely
[name of party preparing reply]
By:
Name:
Title:"]

"Payments to Party A:"
"Payments to Party B:"

(e)   **Multibranch Parties.** Neither party is a Multibranch party. If a party intends to make and receive payments under different Transactions through different branch offices, it should be specified in the Schedule to the ISDA Master Agreement as a Multibranch party. If a party is a Multibranch party, an item relating to Offices should be included in the Confirmation in which the relevant branch is identified.

[18]We have included two forms of closing. The first is for when the counterparty will be asked to return the Confirmation with their agreement to the terms endorsed on it. The second is for when the counterparty will send their own Confirmation or a Confirmation note referring to the other party's Confirmation. It is optional which approach you adopt.

Attachment

Date	Calculation Period (Number)	Calculation Period (Eastern Standard Time)	Capacity (MW)	Notional Quantity (MWh)	Fixed Price[10] (A$/MWh)	Floor Price (A$/MWh)
#	1	0000 - 0030				
	2	0030 - 0100				
	3	0100 - 0130				
	4	0130 - 0200				
	5	0200 - 0230				
	6	0230 - 0300				
	7	0300 - 0330				
	8	0330 - 0400				
	9	0400 - 0430				
	10	0430 - 0500				
	11	0500 - 0530				
	12	0530 - 0600				
	13	0600 - 0630				
	14	0630 - 0700				
	15	0700 - 0730				
	16	0730 - 0800				
	17	0800 - 0830				
	18	0830 - 0900				
	19	0900 - 0930				
	20	0930 - 1000				
	21	1000 - 1030				
	22	1030 - 1100				
	23	1100 - 1130				
	24	1130 - 1200				
	25	1200 - 1230				
	26	1230 - 1300				
	27	1300 - 1330				
	28	1330 - 1400				
	29	1400 - 1430				
	30	1430 - 1500				
	31	1500 - 1530				
	32	1530 - 1600				
	33	1600 - 1630				
	34	1630 - 1700				
	35	1700 - 1730				
	36	1730 - 1800				
	37	1800 - 1830				
	38	1830 - 1900				
	39	1900 - 1930				
	40	1930 - 2000				
	41	2000 - 2030				
	42	2030 - 2100				
	43	2100 - 2130				
	44	2130 - 2200				
	45	2200 - 2230				
	46	2230 - 2300				
	47	2300 - 2330				
	48	2330 - 2400				

[20.28] **Sample Confirmation for price collar electricity commodity contracts for cash settlement.** (Paragraph (4) of June 2006 Australian Electricity Addendum contains some definitions relevant to this type of contract.)

[Date]

Reference Number [   ]

[Name and address of counterparty]

Commodity price collar contract - cash-settled

The purpose of this letter is to confirm the terms and conditions of the forward commodity contract for electricity entered into between us on the Trade Date specified below ("**Transaction**").

1. For the purpose of the particular Transaction to which this Confirmation relates, the term "**Pricing Date**" for a Calculation Period means that Calculation Period.[1]

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Notional Quantity per Calculation Period:[2]   The quantity set out in the attachment for that Calculation Period.

Trade Date:[3]

Effective Date:[4]

---

[1] You need not include this paragraph if you have agreed the meaning of Pricing Date in part 5 of the Schedule (see [20.18] footnote 2).

[2] The quantity of electricity in MWh should be specified in the attachment for each period the subject of the swap. The parties may specify a different Notional Quantity for each party (this may require separate attachments for each party).

To assist parties participating in the physical electricity market to calculate the correct quantity, an additional column has been incorporated in the attachment relating to the capacity for a one hour period that is the subject of the swap. The Notional Quantity will then be one half of that amount. For example, for a 660MW generating unit to be fully hedged, the Notional Quantity for a Calculation Period will generally be 330MWh.

You may provide for different Notional Quantities for different types of day (eg Mondays, weekdays (other than Mondays and public holidays), Saturdays, Sundays and public holidays) by incorporating different columns of Notional Quantities for each type of day. See [20.28] footnote 6.

[3] The date the parties enter into the contract.

[4] The first day of the Term of the Transaction. This is the day on which the first *trading interval* of 30 minutes occurs that is to comprise a Calculation Period. Whilst a *trading day* commences at 0400 EST, it is not necessary to specify that a swap commences at that time. For most swaps, the first *trading interval* covered by it is likely to commence at 0000 EST.

A Term can extend for more than one day.

Termination Date:[5]

Calculation Period(s):[6]   Each period of 30 minutes set out in the third
                                            column of the attachment.

[Settlement Date(s):][7]

[Business Days:][8]

---

[5]The last day of the Term of the Transaction. For a one day swap commencing at midnight, this is the same date as the Effective Date. For a one day swap that corresponds to a *trading day* (ie it commences at 0400 EST and finishes at 0400 EST the next day), the Termination Date will be the day after the Effective Date.

[6]For each day of a swap there are 48 Calculation Periods. If less than 48 periods in a day are the subject of the swap, a quantity and price should be completed in the attachment only for the relevant periods, and the balance of them should be left blank **both** as to quantity and as to price. Alternatively, those periods could have "Nil" specified for them in each column. With appropriate treatment of the calculation of Floating Prices, Calculation Periods could be specified as being other than 30 minutes.

You may cover more than one day simply by extending the attachment. You may provide for different types of days (and different months) by incorporating different parts in the attachment for each such day and by substituting the following next to "Calculation Period(s):"

> "Each period of 30 minutes set out in the third column of the attachment that occurs during a [month and a] type of day specified in the relevant part of the attachment."

[7]Insert Settlement Date (ie the date when the net amount due must be actually paid). You need not include this item if you have agreed the meaning of Settlement Date in part 5 of the schedule (see [20.18] footnote 9).

Under Section 3.3 of the 2005 ISDA Commodity Definitions, the Settlement Date is subject to adjustment in accordance with the Following Business Day Convention unless otherwise specified. You can specify a different Business Day Convention to apply by specifying it at this item of "Settlement Date" or in part 5 of the schedule to your ISDA Master Agreement. See [20.18] (footnote 14) for wording relating to adjusting the Settlement Date in accordance with a Business Day Convention by including a clause in part 5 of the schedule.

A Settlement Date may be more than one day. For example, when the Transaction relates to more than one *trading day* the parties may want each Settlement Date a specified period after each *trading day*.

Another alternative is that you may agree (particularly if either party is a participant in the physical electricity market) that the Settlement Date should correspond to the dates for settlement under the National Rules from time to time. To do this:

- in Part 5 of the Schedule to the ISDA Master Agreement add the following paragraph (this is the same clause that is recommended at [20.18] footnote 9):

  > "For each Calculation Period, the Settlement Date is the day upon which the party that is obliged to pay a Floating Amount or a Cash Settlement Amount calculated by reference to a Floating Price determined under the National Rules (or, if there are two such parties, Party [A/B]), if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period."

or

- in the Confirmation insert the following next to "Settlement Date(s):"

  > "For each Calculation Period, the day upon which the party that is obliged to pay a Floating Amount calculated by reference to a Floating Price determined under the National Rules (or, if there are two such parties, Party [A/B]), if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period."

Floating Amount Details for Floor Price:

Floating Price Payer:[9]   Party [   ]

Floor Price:[10]   For each Calculation Period, the floor price
                    set out in the attachment for that period.

[Commodity Reference Price:[11]

        Commodity: Electricity

        Unit: MWh

        Price Source: NEMMCO

        Specified Price: The spot price as at the (#)[12] regional
                    reference node as determined under the
                    National Rules][13]

[Commodity Reference Price:[11]   Spot Price

Regional Reference Node:[12]][14]

Floating Amount Details for Cap Price:

Floating Price Payer:[15]   Party [   ]

Cap Price:[16]   For each Calculation Period, the cap price set out in the attachment for that period.

[Commodity Reference Price: [11]

Commodity:	Electricity
Unit:	MWh
Price Source:	NEMMCO
Specified Price:	The spot price as at the (#)[12] regional reference node as determined under the National Rules][13]

[Commodity Reference Price:[11]   Spot Price

Regional Reference Node: [12]][14]

17

---

[15]Insert correct party description.

[16]See Section 6.2 of the 2005 ISDA Commodity Definitions. It is the cap on the Floating Price for each MWh agreed on the Trade Date.

You may provide different cap prices for different types of days by incorporating different columns of cap prices in the attachment for each such day. Alternatively, you could specify the same figure as the cap price for all Calculation Periods and omit the relevant column from the attachment.

[17]**Care!** This Confirmation has been prepared on the following assumptions:

(a)   **Market Disruption Events, Additional Market Disruption Events, Disruption Fallbacks.** All these issues have been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnotes 3 to 8). If this is not the case, you must cover these issues in your Confirmation. ***This is very important***

(b)   **GST.** This issue, if a concern to the parties, has been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnote 12). If this is not the case, the issue could be dealt with by including the paragraph in footnote 12 in the Confirmation.

(c)   **Calculation Agent.** You may have specified in part 5 of the schedule which party is the Calculation Agent (see [20.18] footnote 19). If not insert an item:

        "Calculation Agent:"

(d)   **Payments to Party A, Payments to Party B.** You do not insert particulars of the account into which payments to Party A or Party B are to be made. If this approach is adopted you must ensure that these particulars are identified by some other means eg in standard settlement instructions or settlement instructions issued immediately before settlement. If you want to insert in the Confirmation particulars for payments to Party A or Party B, insert items:

        "Account Details:"
            "Payments to Party A:"
            "Payments to Party B:"

(e)   **Multibranch Parties.** Neither party is a Multibranch party. If a party intends to make and receive payments under different Transactions through different branch offices, it should be specified in the Schedule to the

[18][Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely
[name of party preparing Confirmation]
By:
Name:
Title:

Confirmed as of the date first written:
[name of other party]

By:
Name:
Title:]

[18][Please confirm that the foregoing correctly sets forth the terms of our agreement by sending us a Confirmation substantially the same as this Confirmation or by sending us a Confirmation in the following terms:

"We acknowledge receipt of your Confirmation dated [date] with respect to the transaction with reference no [   ]. We confirm that the Confirmation correctly sets forth the terms of our agreement.

Yours sincerely
[name of party preparing reply]
By:
Name:
Title:"]

ISDA Master Agreement as a Multibranch party. If a party is a Multibranch party, an item relating to Offices should be included in the Confirmation in which the relevant branch is identified.

[18]We have included two forms of closing. The first is for when the counterparty will be asked to return the Confirmation with their agreement to the terms endorsed on it. The second is for when the counterparty will send their own Confirmation or a Confirmation note referring to the other party's Confirmation. It is optional which approach you adopt.

Attachment

Date	Calculation Period (Number)	Calculation Period (Eastern Standard Time)	Capacity (MW)	Notional Quantity (MWh)	Floor Price (A$/MWh)	Cap Price (A$/MWh)
#	1	0000 - 0030				
	2	0030 - 0100				
	3	0100 - 0130				
	4	0130 - 0200				
	5	0200 - 0230				
	6	0230 - 0300				
	7	0300 - 0330				
	8	0330 - 0400				
	9	0400 - 0430				
	10	0430 - 0500				
	11	0500 - 0530				
	12	0530 - 0600				
	13	0600 - 0630				
	14	0630 - 0700				
	15	0700 - 0730				
	16	0730 - 0800				
	17	0800 - 0830				
	18	0830 - 0900				
	19	0900 - 0930				
	20	0930 - 1000				
	21	1000 - 1030				
	22	1030 - 1100				
	23	1100 - 1130				
	24	1130 - 1200				
	25	1200 - 1230				
	26	1230 - 1300				
	27	1300 - 1330				
	28	1330 - 1400				
	29	1400 - 1430				
	30	1430 - 1500				
	31	1500 - 1530				
	32	1530 - 1600				
	33	1600 - 1630				
	34	1630 - 1700				
	35	1700 - 1730				
	36	1730 - 1800				
	37	1800 - 1830				
	38	1830 - 1900				
	39	1900 - 1930				
	40	1930 - 2000				
	41	2000 - 2030				
	42	2030 - 2100				
	43	2100 - 2130				
	44	2130 - 2200				
	45	2200 - 2230				
	46	2230 - 2300				
	47	2300 - 2330				
	48	2330 - 2400				

[20.29] **Sample Confirmation for electricity commodity option contract for cash settlement (other than an Asian option).** (Paragraph (4) of June 2006 Australian Electricity Addendum contains some definitions relevant to this type of contract.)

[Date]

Reference Number [   ]

[Name and address of counterparty]

Commodity option - cash settled

The purpose of this letter is to confirm the terms and conditions of the cash settled commodity option for electricity entered into between us on the Trade Date specified below ("**Transaction**").

1.   For the purpose of the particular Transaction to which this Confirmation relates, the term "**Pricing Date**" for a Calculation Period means that Calculation Period.[1]

2.   The terms of the particular Transaction to which this Confirmation relates are as follows:

General terms:

Notional Quantity per Calculation Period:[2]	The quantity set out in the attachment for that Calculation Period.
Trade Date:[3]	
Option Style:[4]	[European/American/Bermuda]
Option Type:[5]	[Put/Call]

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[1]You need not include this paragraph if you have agreed the meaning of Pricing Date in part 5 of the Schedule (see [20.18] footnote 2).

[2]The quantity of electricity in MWh should be specified in the attachment for each period the subject of the underlying swap. The parties may specify a different Notional Quantity for each party (this may require separate attachments for each party).

To assist parties participating in the physical electricity market to calculate the correct quantity, an additional column has been incorporated in the attachment relating to the capacity for a one hour period that is the subject of the swap. The Notional Quantity will then be one half of that amount. For example, for a 660MW generating unit to be fully hedged, the Notional Quantity for a Calculation Period will generally be 330MWh.

You may provide for different Notional Quantities for different types of day (eg Mondays, weekdays (other than Mondays and public holidays), Saturdays, Sundays and public holidays) by incorporating different columns of Notional Quantities for each type of day. See [20.29] footnote 11.

[3]The date the parties enter into the contract.

[4]Insert either "American", "European" or "Bermuda". See Section 8.3 of the 2005 ISDA Commodity Definitions for the meaning of these terms. For an Asian option, see [20.32]

Seller:[6]	[Party A/B]
Buyer:[7]	[Party A/B]
Total Premium:[8]	
Premium Payment Date:[9]	
Cash Settlement:	Applicable
[Cash Settlement Amount:][10]	
Calculation Period(s):[11]	Each period of 30 minutes set out in the third column of the attachment.

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[5]See Section 8.3 of the 2005 ISDA Commodity Definitions for the meaning of these terms.

[6]Insert correct party description.

[7]Insert correct party description.

[8]See Section 8.6(a) of the 2005 ISDA Commodity Definitions for the meaning of this term.

An alternative to specifying the Total Premium is to specify a "Premium per Unit" - see Section 8.6(b) of the 2005 ISDA Commodity Definitions for the meaning of this term. For Options it is unlikely that this alternative will be adopted unless all Calculation Periods have the same Notional Quantity.

[9]See Section 8.6(c) of the 2005 ISDA Commodity Definitions for the meaning of this term. Insert the date for payment of the premium.

The Australian convention in other commodity markets is for the premium to be payable within 2 Business Days after the Trade Date unless otherwise agrees at the time the Commodity Swaption is dealt.

Under Section 8.6(c) of the 2005 ISDA Commodity Definitions, the Premium Payment Date is subject to adjustment in accordance with the Following Business Day Convention unless otherwise specified. You can specify a different Business Day Convention to apply by specifying it at this item of "Premium Payment Date" or in part 5 of the schedule to your ISDA Master Agreement. See [20.18] (footnote 15) for wording relating to adjusting the Premium Payment Date in accordance with a Business Day Convention by including a clause in part 5 of the schedule.

[10]See Sections 8.7 and 8.8 of the 2005 ISDA Commodity Definitions for the meaning of this term. If this definition is acceptable, you need not insert an item "Cash Settlement Amount" in the Confirmation. If it is not, the method of calculation should be inserted in the Confirmation.

[11]For each day of a swap there are 48 Calculation Periods. If less than 48 periods in a day are the subject of the swap, a quantity and price should be completed in the attachment only for the relevant periods, and the balance of them should be left blank **both** as to quantity and as to price. Alternatively, those periods could have "Nil" specified for them in each column. With appropriate treatment of the calculation of Floating Prices, Calculation Periods could be specified as being other than 30 minutes.

You may cover more than one day simply by extending the attachment. You may provide for different types of days (and different months) by incorporating different parts in the attachment for each such day and by substituting the following next to "Calculation Period(s):"

> "Each period of 30 minutes set out in the third column of the attachment that occurs during a [month and a] type of day specified in the relevant part of the attachment."

[Settlement Date(s):][12]

Strike Price per Unit:[13]   For each Calculation Period, the strike price set out in the attachment for that period.

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[12]Insert Settlement Date (ie the date when the net amount due must be actually paid). You need not include this item if you have agreed the meaning of Settlement Date in part 5 of the schedule (see [20.18] footnote 9).

Under Section 3.3 of the 2005 ISDA Commodity Definitions, the Settlement Date is subject to adjustment in accordance with the Following Business Day Convention unless otherwise specified. You can specify a different Business Day Convention to apply by specifying it at this item of "Settlement Date" or in part 5 of the schedule to your ISDA Master Agreement. See [20.18] (footnote 14) for wording relating to adjusting the Settlement Date in accordance with a Business Day Convention by including a clause in part 5 of the schedule.

A Settlement Date may be more than one day. For example, when the Transaction relates to more than one *trading day* the parties may want each Settlement Date a specified period after each *trading day*.

Another alternative is that you may agree (particularly if either party is a participant in the physical electricity market) that the Settlement Date should correspond to the dates for settlement under the National Rules from time to time. To do this:

• in Part 5 of the Schedule to the ISDA Master Agreement add the following paragraph (this is the same clause that is recommended at [20.18] footnote 9):

"For each Calculation Period, the Settlement Date is the day upon which the party that is obliged to pay a Floating Amount or a Cash Settlement Amount calculated by reference to a Floating Price determined under the National Rules (or, if there are two such parties, Party [A/B]), if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period."

or

• in the Confirmation insert the following next to "Settlement Date(s):"

"For each Calculation Period, the day upon which the party that is obliged to pay a Floating Amount or a Cash Settlement Amount calculated by reference to a Floating Price determined under the National Rules (or, if there are two such parties, Party [A/B]), if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period."

[13]See Section 5.2 of the 2005 ISDA Commodity Definitions for the meaning of this term. It is the strike price for each MWh agreed on the Trade Date.

You may cover different types of day (eg Mondays, weekdays (other than Mondays and public holidays), Saturdays, Sundays and public holidays) by incorporating different columns of Strike Prices for each type of day.

[Commodity Reference Price:[14]

Commodity:	Electricity
Unit:	MWh
Price Source:	NEMMCO
Specified Price:	The spot price as at the (#)[15] regional reference node as determined under the National Rules][16]

[Commodity Reference Price:[14]   Spot Price

Regional Reference Node:[15]][17]

Procedure for Exercise:

[Exercise Period:]   [From and including   to and including   ][18] between   am. and   pm. (local time in   )

[Potential Exercise Date(s):][19]

Expiration Time:[20]

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[14]This is the machinery to calculate the price per unit of Commodity prevailing on the Pricing Date. It is often otherwise referred to in the financial markets as "reference price".

The Floating Prices for electricity expressly defined in Sub-Annex A of the 2005 Commodity Derivatives Definitions are not in common use in the Australian market. The Floating Price or Floating Amount can be determined in a number of other ways. Some examples are:

-       you could create a Floating Price by specifying a Commodity, a Unit, a Price Source and a Specified Price;

-       you could create a Floating Price by using the definition of Spot Price in paragraph (4)(b) of the June 2006 Australian Electricity Addendum;

-       one party may advise the other party of the price.

You need not include an item for Floating Price if you have pre-agreed it by setting it out in part 5 of the schedule (see footnote 11 of [20.18]).

[15] Insert location of regional reference node.

[16]Delete all the components of the Commodity Reference Price if you use the definition of Spot Price in paragraph 4(b) of the June 2006 Australian Electricity Addendum.

[17]Delete if you create a Floating Price by Specifying a Commodity, a Unit, a Price Source and a Specified Price.

[18]Include this if it is an American style option. It need not be included in the case of a European or Bermuda style option.

[19] Include this if it is a Bermuda style option. It need not be included in the case of a European or American style option.

[20]See Article 3.7 of the 2005 ISDA Commodity Definitions.   This will be 9:30 am (New York time) unless otherwise specified here.

Insert the latest time on the Expiration Date at which the Seller will accept a Notice of Exercise.

Expiration Date:[21]

Automatic Exercise:[22]   [Applicable/Inapplicable]

Written Confirmation:[23]   [Applicable/Inapplicable]

Seller's telephone or
facsimile number for purpose
of giving notice of exercise:[24]

[Business Days:][25]

[26]

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[21]See Section 3.6 of the 2005 ISDA Commodity Definitions for the meaning of this term. Note how this date can be adjusted if the date specified is not a Commodity Business Day, and also the extension for up to 8 Commodity Business Days due to Market Disruption Events.

Specify the option exercise date or the last day of the option exercise period, and any adjustment to the extension period that is required.

[22]See Section 8.5(e) of the 2005 ISDA Commodity Definitions for the meaning of this term.

You need not include an item for Automatic Exercise if you have pre-agreed it by a clause in part 5 of the schedule (see footnote 17 of [20.18]).

[23]See Section 8.5(d) of the 2005 ISDA Commodity Definitions for the meaning of this term.

If "Written Confirmation" is applicable, then the Buyer must confirm a Notice of Exercise in writing.

Australian market practice in the commodity markets is not to require written confirmation of the exercise of an option. However, it is market practice to confirm in writing the amount of a Cash Settlement Amount.

[24]Specify the Seller's telephone or facsimile number for the purpose of giving Notice of Exercise. See Section 8.5 of the 2005 ISDA Commodity Definitions for the meaning of Notice of Exercise. These details could be omitted if they are included in standard settlement instructions.

[25]See section 1.3 of the 2005 ISDA Commodity Definitions for the meaning of this term. Specify the places where commercial banks need to be settling payments ie "[name places eg Sydney, Melbourne]".

You need not include this item if you have agreed the meaning of Business Days in part 5 of the schedule (see footnote 18 in [20.18].

[26]**Care!** This Confirmation has been prepared on the following assumptions:

(a) **Market Disruption Events, Additional Market Disruption Events, Disruption Fallbacks.** All these issues have been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnotes 3 to 8). If this is not the case, you must cover these issues in your Confirmation. ***This is very important***

(b) **GST.** This issue, if a concern to the parties, has been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnote 12). If this is not the case, the issue could be dealt with by including the paragraph in footnote 12 in the Confirmation.

(c) **Calculation Agent.** You may have specified in part 5 of the schedule which party is the Calculation Agent (see [20.18] footnote 19). If not insert an item:

    "Calculation Agent:"

(d) **Payments to Seller, Payments to Buyer.** You do not insert particulars of the account into which payments to the Seller or the Buyer are to be made. If this approach is adopted you must ensure that these particulars are identified by some other means eg in standard settlement instructions or settlement instructions issued

[27][Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely
[name of party preparing Confirmation]
By:
Name:
Title:

Confirmed as of the date first written:
[name of other party]

By:
Name:
Title:]

[27][Please confirm that the foregoing correctly sets forth the terms of our agreement by sending us a Confirmation substantially the same as this Confirmation or by sending us a Confirmation in the following terms:

"We acknowledge receipt of your Confirmation dated [date] with respect to the transaction with reference no [   ]. We confirm that the Confirmation correctly sets forth the terms of our agreement.

Yours sincerely
[name of party preparing reply]
By:
Name:
Title:"]

immediately before settlement. If you want to insert in the Confirmation particulars for payments to the Seller or Buyer, insert items:

"Account Details:"
   "Payments to Party A:"
   "Payments to Party B:"

(e)   **Multibranch Parties.** Neither party is a Multibranch party. If a party intends to make and receive payments under different Transactions through different branch offices, it should be specified in the Schedule to the ISDA Master Agreement as a Multibranch party. If a party is a Multibranch party, an item relating to Offices should be included in the Confirmation in which the relevant branch is identified.

(f)   **Barrier Options.** That the parties do not require this to be a barrier option. See Section 1.9 to 1.18 of the 2005 ISDA Commodity Derivative Definitions for definitions relating to barrier options if a barrier option is to documented.

[27]We have included two forms of closing. The first is for when the counterparty will be asked to return the Confirmation with their agreement to the terms endorsed on it. The second is for when the counterparty will send their own Confirmation or a Confirmation note referring to the other party's Confirmation. It is optional which approach you adopt.

Attachment

Date	Calculation Period (Number)	Calculation Period (Eastern Standard Time)	Capacity (MW)	Notional Quantity (MWh)	Strike Price (A$/MWh)
#	1	0000 - 0030			
	2	0030 - 0100			
	3	0100 - 0130			
	4	0130 - 0200			
	5	0200 - 0230			
	6	0230 - 0300			
	7	0300 - 0330			
	8	0330 - 0400			
	9	0400 - 0430			
	10	0430 - 0500			
	11	0500 - 0530			
	12	0530 - 0600			
	13	0600 - 0630			
	14	0630 - 0700			
	15	0700 - 0730			
	16	0730 - 0800			
	17	0800 - 0830			
	18	0830 - 0900			
	19	0900 - 0930			
	20	0930 - 1000			
	21	1000 - 1030			
	22	1030 - 1100			
	23	1100 - 1130			
	24	1130 - 1200			
	25	1200 - 1230			
	26	1230 - 1300			
	27	1300 - 1330			
	28	1330 - 1400			
	29	1400 - 1430			
	30	1430 - 1500			
	31	1500 - 1530			
	32	1530 - 1600			
	33	1600 - 1630			
	34	1630 - 1700			
	35	1700 - 1730			
	36	1730 - 1800			
	37	1800 - 1830			
	38	1830 - 1900			
	39	1900 - 1930			
	40	1930 - 2000			
	41	2000 - 2030			
	42	2030 - 2100			
	43	2100 - 2130			
	44	2130 - 2200			
	45	2200 - 2230			
	46	2230 - 2300			
	47	2300 - 2330			
	48	2330 - 2400			

[20.30] **Sample Confirmation for contract settled or cash settled electricity commodity swaption contract for a fixed forward electricity commodity contract (other than an Asian option).** (Paragraph (4) of June 2006 Australian Electricity Addendum contains some definitions relevant to this type of contract.)

[Date]

Reference Number [   ]

[Name and address of counterparty]

Swaption - fixed forward commodity contract

The purpose of this letter is to confirm the terms and conditions of the forward commodity contract for electricity entered into between us on the Trade Date specified below ("**Transaction**").

1.   For the purpose of the particular Transaction to which this Confirmation relates, the term "**Pricing Date**" for a Calculation Period means that Calculation Period.[1]

2.   (a)   The Transaction to which this option relates is an Option, the terms of which are as follows:

Trade Date:[2]

Option Style:[3]   [European/American/Bermuda]

Option Type: Swaption

Seller:[4]   [Party A/B]

Buyer:[5]   [Party A/B]

---

[1]You need not include this paragraph if you have agreed the meaning of Pricing Date in part 5 of the Schedule (see [20.18] footnote 2).

[2]The date the parties enter into the contract.

[3]Insert either "American", "European" or "Bermuda". See Section 8.3 of the 2005 ISDA Commodity Definitions for the meaning of these terms.

[4]Insert correct party description.

[5]Insert correct party description.

Total Premium:[6]

Premium Payment Date:[7]

[Contract Settlement:]   [Applicable/Inapplicable][8]

---

[6]See Section 8.6(a) of the 2005 ISDA Commodity Definitions for the meaning of this term.

An alternative to specifying the Total Premium is to specify a "Premium per Unit" - see Section 8.6(b) of the 2005 ISDA Commodity Definitions for the meaning of this term. For Swaptions for floating forward electricity commodity transactions it is unlikely that this alternative will be adopted unless all Calculation Periods have the same quantity.

[7]See Section 8.6(c) of the 2005 ISDA Commodity Definitions for the meaning of this term. Insert the date for payment of the premium.

The Australian convention in other commodity markets is for the premium to be payable within 2 Business Days after the Trade Date unless otherwise agreed at the time the Commodity Swaption is dealt.

Under Section 8.6(c) of the 2005 ISDA Commodity Definitions, the Premium Payment Date is subject to adjustment in accordance with the Following Business Day Convention unless otherwise specified. You can specify a different Business Day Convention to apply by specifying it at this item of "Premium Payment Date" or in part 5 of the schedule to your ISDA Master Agreement. See [20.18] (footnote 15) for wording relating to adjusting the Premium Payment Date in accordance with a Business Day Convention by including a clause in part 5 of the schedule.

[8]See Section 8.4 of the 2005 ISDA Commodity Definitions for the meaning of these terms. This Confirmation has been prepared on the assumption that transactions could be either cash settled or contract settled and that the parties will make the appropriate selection.

Another alternative is that you may agree that one of the parties can elect either Contract Settlement or Cash Settlement. If so, then you should provide that both Contract Settlement and Cash Settlement are "Applicable" and specify either in Part 5 of the Schedule to the ISDA Master Agreement or in the Confirmation that the relevant party may only exercise one of these rights and, when it does so, the other right terminates. To do this:

-     in Part 5 of the Schedule to the ISDA Master Agreement add the following paragraph (this is the same clause that is recommended at [20.18] footnote 10):

> "If the Confirmation for a commodity option specifies that both Contract Settlement and Cash Settlement are applicable and the Commodity Option Buyer elects to exercise the commodity option, then the Commodity Option Buyer must specify in the Notice of Exercise whether Contract Settlement or Cash Settlement applies. On delivery to the Commodity Option Seller of the Notice of Exercise specifying a method of settlement, the right granted under the commodity option to settle by the other method terminates. If the Commodity Option Buyer fails to specify a method of settlement in the notice, the Commodity Option Buyer will be deemed to specify [Contract Settlement][Cash Settlement]."*

or

-     in the Confirmation add the following paragraph:

> "[#] **Settlement**
>
> Both Contract Settlement and Cash Settlement are applicable to this commodity option. If the Commodity Option Buyer elects to exercise the commodity option, then it must specify in the Notice of Exercise whether Contract Settlement or Cash Settlement applies. On delivery to the Commodity Option Seller of a Notice of Exercise specifying a method of settlement, the right granted under the commodity option to settle by the other method terminates. If the Commodity Option Buyer fails to specify a method of settlement in the notice, the Commodity Option Buyer will be deemed to have specified [Contract Settlement] [Cash Settlement]."*

*   The issue of whether the fall back method is to be Contract Settlement or Cash Settlement, and which party has the right to make the election is a matter for individual negotiations. In the electricity markets the fall back is likely to be Contract Settlement so that the Underlying Transaction becomes effective.

[Cash Settlement Terms:]

    [Cash Settlement:]   [Applicable/Inapplicable][8]

    [Settlement Date:]   [# Business Days following the Exercise Date][9]

    [Cash Settlement Amount:]   [Specify means for determination][10]

Procedure for Exercise:

    [Exercise Period:]   [From and including   to and including   ][11] between   am and pm (local time in   )

    [Potential Exercise Date(s):][12]

    Expiration Time:[13]

    Expiration Date:[14]

    Automatic Exercise:[15]   [Applicable/Inapplicable]

---

[9]Insert Settlement Date when the swaption is to be cash settled (ie the date when the Cash Settlement Amount must be actually paid).

Under Section 3.3 of the 2005 ISDA Commodity Definitions, the Settlement Date is subject to adjustment in accordance with the Following Business Day Convention unless otherwise specified. You can specify a different Business Day Convention to apply by specifying it at this item of "Settlement Date" or in part 5 of the schedule to your ISDA Master Agreement. See [20.18] (footnote 14) for wording relating to adjusting the Settlement Date in accordance with a Business Day Convention by including a clause in part 5 of the schedule.

This Settlement Date could be aligned with settlement dates under the National Rules, by adopting similar wording to [20.18] footnote 9.

[10]See Sections 8.7 and 8.8 of the 2005 ISDA Commodity Definitions for the meaning of these terms. In the cash of swaptions, the Cash Settlement Amount is required is required to be determined by a method specified in or pursuant to the relevant agreement or Confirmation.

[11]Include this if it is an American style option. It need not be included in the case of a European or Bermuda style option.

[12] Include this if it is a Bermuda style option. It need not be included in the case of a European or American style option.

[13]See Section 3.7 of the 2005 ISDA Commodity Definitions. This will be 9:30 am (New York time) unless otherwise specified here.

Insert the latest time on the Expiration Date at which the Seller will accept a Notice of Exercise.

[14]See Section 3.6 of the 2005 ISDA Commodity Definitions for the meaning of this term. Note how this date can be adjusted if the date specified is not a Commodity Business Day, and also the extension for up to 8 Commodity Business Days due to Market Disruption Events.

Specify the option exercise date or the last day of the option exercise period, and any adjustment to the extension period that is required.

[15]See Section 8.5(e) of the 2005 ISDA Commodity Definitions for the meaning of this term.

You need not include an item for Automatic Exercise if you have pre-agreed it by a clause in part 5 of the schedule (see footnote 17 of [20.18]).

Written Confirmation:[16] [Applicable/Inapplicable]

Seller's telephone or
facsimile number for purpose
of giving notice of exercise:[17]

(b)   The terms of the Underlying Transaction to which the Option relates are as follows:

Notional Quantity per Calculation Period:[18] The quantity set out in the attachment for that Calculation Period.

Effective Date:[19]

Termination Date:[20]

---

[16]See Section 8.5(d) of the 2005 ISDA Commodity Definitions for the meaning of this term.

If "Written Confirmation" is applicable, then the Buyer must confirm a Notice of Exercise in writing.

Australian market practice in the commodity markets is not to require written confirmation of the exercise of an option. However, it is market practice to confirm in writing the amount of a Cash Settlement Amount.

[17]Specify the Seller's telephone or facsimile number for the purpose of giving Notice of Exercise. See Section 8.5 of the 2005 ISDA Commodity Definitions for the meaning of Notice of Exercise. These details could be omitted if they are included in standard settlement instructions.

[18]The quantity of electricity in MWh should be specified in the attachment for each period the subject of the underlying swap. The parties may specify a different Notional Quantity for each party (this may require separate attachments for each party).

To assist parties participating in the physical electricity market to calculate the correct quantity, an additional column has been incorporated in the attachment relating to the capacity for a one hour period that is the subject of the swap. The Notional Quantity will then be one half of that amount. For example, for a 660MW generating unit to be fully hedged, the Notional Quantity for a Calculation Period will generally be 330MWh.

You may provide for different Notional Quantities for different types of day (eg Mondays, weekdays (other than Mondays and public holidays), Saturdays, Sundays and public holidays) by incorporating different columns of Notional Quantities for each type of day. See [20.30] footnote 20.

[19]The first day of the Term of the Transaction. This is the day on which the first *trading interval* of 30 minutes occurs that is to comprise a Calculation Period. Whilst a *trading day* commences at 0400 EST, it is not necessary to specify that a swap commences at that time. For most swaps, the first *trading interval* covered by it is likely to commence at 0000 EST. A Term can extend for more than one day.

The parties could if they wished specify the Effective Date as a date a specified period after exercise of the Option. This would generally only occur with an American style Option.

[20]The last day of the Term of the Underlying Transaction. For a one day swap commencing at midnight, this is the same date as the Effective Date. For a one day swap that corresponds to a *trading day* (ie it commences at 0400 EST and finishes at 0400 EST the next day), the Termination Date will be the day after the Effective Date.

Calculation Period(s):[21]	Each period of 30 minutes set out in the third column of the attachment.

[Settlement Date(s):][22]

Fixed Amount Details:

Fixed Price Payer:[23]	Party [ ]

---

[21]For each day of a swap there are 48 Calculation Periods. If less than 48 periods in a day are the subject of the swap, a quantity and price should be completed in the attachment only for the relevant periods, and the balance of them should be left blank **both** as to quantity and as to price. Alternatively, those periods could have "Nil" specified for them in each column. With appropriate treatment of the calculation of Floating Prices, Calculation Periods could be specified as being other than 30 minutes.

You may cover more than one day simply by extending the attachment. You may provide for different types of days (and different months) by incorporating different parts in the attachment for each such day and by substituting the following next to "Calculation Period(s):"

> "Each period of 30 minutes set out in the third column of the attachment that occurs during a [month and a] type of day specified in the relevant part of the attachment."

[22]Insert Settlement Date (ie the date when the net amount due must be actually paid). You need not include this item if you have agreed the meaning of Settlement Date in part 5 of the schedule (see [20.18] footnote 9).

Under Section 3.3 of the 2005 ISDA Commodity Definitions, the Settlement Date is subject to adjustment in accordance with the Following Business Day Convention unless otherwise specified. You can specify a different Business Day Convention to apply by specifying it at this item of "Settlement Date" or in part 5 of the schedule to your ISDA Master Agreement. See [20.18] (footnote 14) for wording relating to adjusting the Settlement Date in accordance with a Business Day Convention by including a clause in part 5 of the schedule.

A Settlement Date may be more than one day. For example, when the Transaction relates to more than one *trading day* the parties may want each Settlement Date a specified period after each *trading day*.

Another alternative is that you may agree (particularly if either party is a participant in the physical electricity market) that the Settlement Date should correspond to the dates for settlement under the National Rules from time to time. To do this:

- in Part 5 of the Schedule to the ISDA Master Agreement add the following paragraph (this is the same clause that is recommended at [20.18] footnote 9):

> "For each Calculation Period, the Settlement Date is the day upon which the party that is obliged to pay a Floating Amount or a Cash Settlement Amount calculated by reference to a Floating Price determined under the National Rules (or, if there are two such parties, Party [A/B]), if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period."

or

- in the Confirmation insert the following next to "Settlement Date(s):"

> "For each Calculation Period, the day upon which the party that is obliged to pay a Floating Amount or a Cash Settlement Amount calculated by reference to a Floating Price determined under the National Rules (or, if there are two such parties, Party [A/B]), if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period."

[23]Insert correct party description.

Fixed Price:[24]	For each Calculation Period, the price set out in the attachment for that period.

Floating Amount Details:

Floating Price Payer:[25]	Party [ ]
[Commodity Reference Price:[26]	
Commodity:	Electricity
Unit:	MWh

---

[24]See Section 5.2 of the 2005 ISDA Commodity Definitions for the meaning of this term. It is the price for each MWh agreed on the Trade Date.

You may cover different types of day (eg Mondays, weekdays (other than Mondays and public holidays), Saturdays, Sundays and public holidays) by incorporating different columns of Fixed Prices for each type of day, and by substituting the following next to "Fixed Price:"

"For each Calculation Period set out in the third column of the schedule that occurs during a type of day specified in a column of the schedule, the price specified in the column for that type of day for that Calculation Period."

[25]Insert correct party description.

[26]This is the machinery to calculate the price per unit of Commodity prevailing on the Pricing Date. It is often otherwise referred to in the financial markets as "reference price".

The Floating Prices for electricity expressly defined in Sub-Annex A of the 2005 Commodity Derivatives Definitions are not in common use in the Australian market. The Floating Price or Floating Amount can be determined in a number of other ways. Some examples are:

- you could create a Floating Price by specifying a Commodity, a Unit, a Price Source or an Exchange and, if relevant, a currency;

- you could create a Floating Price by using the definition of Spot Price in paragraph (4)(b) of the June 2006 Australian Electricity Addendum;

- one party may advise the other party of the price.

You need not include an item for Floating Price if you have pre-agreed it by setting it out in part 5 of the schedule (see footnote 11 of [20.18]).

Price Source:	NEMMCO
Specified Price:	The spot price as at the (#)[27] regional reference node as determined under the National Rules][28]
[Commodity Reference Price:[26]	Spot Price
Regional Reference Node:[27]][29]	

[Business Days:][30]

[31]

[32][Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation enclosed for that purpose and returning it to us.

---

[27] Insert location of regional reference node.

[28]Delete all the components of the Commodity Reference Price if you use the definition of Spot Price in paragraph 4(b) of the June 2006 Australian Electricity Addendum.

[29]Delete if you create a Floating Price by Specifying a Commodity, a Unit, a Price Source and a Specified Price.

[30]See section 1.3 of the 2005 ISDA Commodity Definitions for the meaning of this term. Specify the places where commercial banks need to be settling payments ie "[name places eg Sydney, Melbourne]".

You need not include this item if you have agreed the meaning of Business Days in part 5 of the schedule (see footnote 18 in [20.18].

[31]**Care!** This Confirmation has been prepared on the following assumptions:

(a)   **Market Disruption Events, Additional Market Disruption Events, Disruption Fallbacks.** All these issues have been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnotes 3 to 8). If this is not the case, you must cover these issues in your Confirmation. ***This is very important***

(b)   **GST.** This issue, if a concern to the parties, has been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnote 12). If this is not the case, the issue could be dealt with by including the paragraph in footnote 12 in the Confirmation.

(c)   **Calculation Agent.** You may have specified in part 5 of the schedule which party is the Calculation Agent (see [20.18] footnote 19). If not insert an item:

        "Calculation Agent:"

(d)   **Payments to Seller, Payments to Buyer.** You do not insert particulars of the account into which payments to the Seller or the Buyer are to be made. If this approach is adopted you must ensure that these particulars are identified by some other means eg in standard settlement instructions or settlement instructions issued immediately before settlement. If you want to insert in the Confirmation particulars for payments to the Seller or Buyer, insert items:

        "Account Details:"
            "Payments to Party A:"
            "Payments to Party B:"

(e)   **Multibranch Parties.** Neither party is a Multibranch party. If a party intends to make and receive payments under different Transactions through different branch offices, it should be specified in the Schedule to the ISDA Master Agreement as a Multibranch party. If a party is a Multibranch party, an item relating to Offices should be included in the Confirmation in which the relevant branch is identified.

Yours sincerely
[name of party preparing Confirmation]
By:
Name:
Title:

Confirmed as of the date first written:
[name of other party]

By:
Name:
Title:]

[32][Please confirm that the foregoing correctly sets forth the terms of our agreement by sending us a Confirmation substantially the same as this Confirmation or by sending us a Confirmation in the following terms:

"We acknowledge receipt of your Confirmation dated [date] with respect to the transaction with reference no [   ]. We confirm that the Confirmation correctly sets forth the terms of our agreement.

Yours sincerely
[name of party preparing reply]
By:
Name:
Title:"]

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[32]We have included two forms of closing. The first is for when the counterparty will be asked to return the Confirmation with their agreement to the terms endorsed on it. The second is for when the counterparty will send their own Confirmation or a Confirmation note referring to the other party's Confirmation. It is optional which approach you adopt.

Attachment

Date	Calculation Period (Number)	Calculation Period (Eastern Standard Time)	Capacity (MW)	Notional Quantity (MWh)	Fixed Price (A$/MWh)
#	1	0000 - 0030			
	2	0030 - 0100			
	3	0100 - 0130			
	4	0130 - 0200			
	5	0200 - 0230			
	6	0230 - 0300			
	7	0300 - 0330			
	8	0330 - 0400			
	9	0400 - 0430			
	10	0430 - 0500			
	11	0500 - 0530			
	12	0530 - 0600			
	13	0600 - 0630			
	14	0630 - 0700			
	15	0700 - 0730			
	16	0730 - 0800			
	17	0800 - 0830			
	18	0830 - 0900			
	19	0900 - 0930			
	20	0930 - 1000			
	21	1000 - 1030			
	22	1030 - 1100			
	23	1100 - 1130			
	24	1130 - 1200			
	25	1200 - 1230			
	26	1230 - 1300			
	27	1300 - 1330			
	28	1330 - 1400			
	29	1400 - 1430			
	30	1430 - 1500			
	31	1500 - 1530			
	32	1530 - 1600			
	33	1600 - 1630			
	34	1630 - 1700			
	35	1700 - 1730			
	36	1730 - 1800			
	37	1800 - 1830			
	38	1830 - 1900			
	39	1900 - 1930			
	40	1930 - 2000			
	41	2000 - 2030			
	42	2030 - 2100			
	43	2100 - 2130			
	44	2130 - 2200			
	45	2200 - 2230			
	46	2230 - 2300			
	47	2300 - 2330			
	48	2330 - 2400			

[20.31] **Sample Confirmation for inter-regional swap electricity commodity contracts for cash settlement.** (Paragraph (4) of June 2006 Australian Electricity Addendum contains some definitions relevant to this type of contract.)

[Date]

Reference Number [   ]

[Name and address of counterparty]

Commodity contract - inter-regional swap - cash-settled

The purpose of this letter is to confirm the terms and conditions of the forward commodity contract for electricity entered into between us on the Trade Date specified below ("**Transaction**").

1.   For the purpose of the particular Transaction to which this Confirmation relates, the term "**Pricing Date**" for a Calculation Period means that Calculation Period.[1]

2.   The terms of the particular Transaction to which this Confirmation relates are as follows:

Notional Quantity per Calculation Period:[2]   The quantity set out in the attachment for that Calculation Period.

Trade Date:[3]

Effective Date:[4]

---

[1]You need not include this paragraph if you have agreed the meaning of Pricing Date in part 5 of the Schedule (see [20.18] footnote 2).

[2]The quantity of electricity in MWh should be specified in the attachment for each period the subject of the swap. The parties may specify a different Notional Quantity for each party (this may require separate attachments for each party).

To assist parties participating in the physical electricity market to calculate the correct quantity, an additional column has been incorporated in the attachment relating to the capacity for a one hour period that is the subject of the swap. The Notional Quantity will then be one half of that amount. For example, for a 660MW generating unit to be fully hedged, the Notional Quantity for a Calculation Period will generally be 330MWh.

You may provide for different Notional Quantities for different types of day (eg Mondays, weekdays (other than Mondays and public holidays), Saturdays, Sundays and public holidays) by incorporating different columns of Notional Quantities for each type of day. See [20.31] footnote 6.

[3]The date the parties enter into the contract.

[4]The first day of the Term of the Transaction. This is the day on which the first *trading interval* of 30 minutes occurs that is to comprise a Calculation Period. Whilst a *trading day* commences at 0400 EST, it is not necessary to specify that a swap commences at that time. For most swaps, the first *trading interval* covered by it is likely to commence at 0000 EST.

A Term can extend for more than one day.

Termination Date:[5]

Calculation Period(s):[6]   Each period of 30 minutes set out in the third
                                              column of the attachment.

[Settlement Date(s):][7]

[Business Days:][8]

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[5]The last day of the Term of the Transaction. For a one day swap commencing at midnight, this is the same date as the Effective Date. For a one day swap that corresponds to a *trading day* (ie it commences at 0400 EST and finishes at 0400 EST the next day), the Termination Date will be the day after the Effective Date.

[6]For each day of a swap there are 48 Calculation Periods. If less than 48 periods in a day are the subject of the swap, a quantity and price should be completed in the attachment only for the relevant periods, and the balance of them should be left blank **both** as to quantity and as to price. Alternatively, those periods could have "Nil" specified for them in each column. With appropriate treatment of the calculation of Floating Prices, Calculation Periods could be specified as being other than 30 minutes.

You may cover more than one day simply by extending the attachment. You may provide for different types of days (and different months) by incorporating different parts in the attachment for each such day and by substituting the following next to "Calculation Period(s):"

> "Each period of 30 minutes set out in the third column of the attachment that occurs during a [month and a] type of day specified in the relevant part of the attachment."

[7]Insert Settlement Date (ie the date when the net amount due must be actually paid). You need not include this item if you have agreed the meaning of Settlement Date in part 5 of the schedule (see [20.18] footnote 9).

Under Section 3.3 of the 2005 ISDA Commodity Definitions, the Settlement Date is subject to adjustment in accordance with the Following Business Day Convention unless otherwise specified. You can specify a different Business Day Convention to apply by specifying it at this item of "Settlement Date" or in part 5 of the schedule to your ISDA Master Agreement. See [20.18] (footnote 14) for wording relating to adjusting the Settlement Date in accordance with a Business Day Convention by including a clause in part 5 of the schedule.

A Settlement Date may be more than one day. For example, when the Transaction relates to more than one *trading day* the parties may want each Settlement Date a specified period after each *trading day*.

Another alternative is that you may agree (particularly if either party is a participant in the physical electricity market) that the Settlement Date should correspond to the dates for settlement under the National Rules from time to time. To do this:

- in Part 5 of the Schedule to the ISDA Master Agreement add the following paragraph (this is the same clause that is recommended at [20.18] footnote 9):

> "For each Calculation Period, the Settlement Date is the day upon which the party that is obliged to pay a Floating Amount or a Cash Settlement Amount calculated by reference to a Floating Price determined under the National Rules (or, if there are two such parties, Party [A/B]), if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period."

or

- in the Confirmation insert the following next to "Settlement Date(s):"

> "For each Calculation Period, the day upon which the party that is obliged to pay a Floating Amount by calculated by reference to a Floating Price determined under the National Rules (or, if there are two such parties, Party [A/B]), if it were a market participant (as defined in the National Rules) under the National Rules, would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in that Calculation Period."

Floating Amount Details for Party A:

Floating Price Payer: Party A

[Commodity Reference Price:[9]

     Commodity: Electricity

     Unit: MWh

     Price Source: NEMMCO

     Specified Price: The spot price as at the (#)[10] regional
                                   reference node as determined under the
                                   National Rules][11]

[Commodity Reference Price:[9]   Spot Price

     Regional Reference Node: [10]][12]

Floating Amount Details for Party B:

Floating Price Payer: Party B

[Commodity Reference Price: [8]

     Commodity: Electricity

     Unit: MWh

---

[8]See section 1.3 of the 2005 ISDA Commodity Definitions for the meaning of this term. Specify the places where commercial banks need to be settling payments ie "[name places eg Sydney, Melbourne]".

You need not include this item if you have agreed the meaning of Business Days in part 5 of the schedule (see footnote 18 in [20.18].

[9]This is the machinery to calculate the price per unit of Commodity prevailing on the Pricing Date. It is often otherwise referred to in the financial markets as "reference price".

The Floating Prices for electricity expressly defined in Sub-Annex A of the 2005 Commodity Derivatives Definitions are not in common use in the Australian market. The Floating Price or Floating Amount can be determined in a number of other ways. Some examples are:

-       you could create a Floating Price by specifying a Commodity, a Unit, a Price Source or an Exchange and, if relevant, a currency;

-       you could create a Floating Price by using the definition of Spot Price in paragraph (4)(b) of the June 2006 Australian Electricity Addendum;

-       one party may advise the other party of the price.

You need not include an item for Floating Price if you have pre-agreed it by setting it out in part 5 of the schedule (see footnote 11 of [20.18]).

[10] Insert location of regional reference node.

[11]Delete all the components of the Commodity Reference Price if you use the definition of Spot Price in paragraph (4)(b) of the June 2006 Australian Electricity Addendum.

[12]Delete if you create a Floating Price by specifying a Commodity, a Unit, a Price Source and a Specified Price.

Price Source:	NEMMCO
Specified Price:	The spot price as at the (#)[10] regional reference node as determined under the National Rules][12]
[Commodity Reference Price:[9]	Spot Price
Regional Reference Node:[10]][12]	
[Spread:[13]	For each Calculation Period, [plus/minus] the amount set out in the attachment for that period]

14

[15][Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely

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[13]See section 6.2(f) of the 2000 ISDA Definitions for the meaning of this term. Specify whether the amount is to be deducted from or added to the Floating Price. If there is no Spread, either delete the item or insert "None". Alternatively, you could specify the same figure as the spread for all Calculation Periods and omit the relevant column from the attachment.

The Spread could be nominated as referable to the Floating Price for Party A if you wish.

[14]**Care!** This Confirmation has been prepared on the following assumptions:

(a) **Market Disruption Events, Additional Market Disruption Events, Disruption Fallbacks.** All these issues have been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnotes 3 to 8). If this is not the case, you must cover these issues in your Confirmation. ***This is very important***

(b) **GST.** This issue, if a concern to the parties, has been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnote 12). If this is not the case, the issue could be dealt with by including the paragraph in footnote 12 in the Confirmation.

(c) **Calculation Agent.** You may have specified in part 5 of the schedule which party is the Calculation Agent (see [20.18] footnote 19). If not insert an item:

"Calculation Agent:"

(d) **Payments to Party A, Payments to Party B.** You do not insert particulars of the account into which payments to Party A or Party B are to be made. If this approach is adopted you must ensure that these particulars are identified by some other means eg in standard settlement instructions or settlement instructions issued immediately before settlement. If you want to insert in the Confirmation particulars for payments to Party A or Party B, insert items:

"Account Details:"
    "Payments to Party A:"
    "Payments to Party B:"

(e) **Multibranch Parties.** Neither party is a Multibranch party. If a party intends to make and receive payments under different Transactions through different branch offices, it should be specified in the Schedule to the ISDA Master Agreement as a Multibranch party. If a party is a Multibranch party, an item relating to Offices should be included in the Confirmation in which the relevant branch is identified.

[15]We have included two forms of closing. The first is for when the counterparty will be asked to return the Confirmation with their agreement to the terms endorsed on it. The second is for when the counterparty will send their own Confirmation or a Confirmation note referring to the other party's Confirmation. It is optional which approach you adopt.

[name of party preparing Confirmation]
By:
Name:
Title:

Confirmed as of the date first written:
[name of other party]

By:
Name:
Title:]

[15][Please confirm that the foregoing correctly sets forth the terms of our agreement by sending us a Confirmation substantially the same as this Confirmation or by sending us a Confirmation in the following terms:

"We acknowledge receipt of your Confirmation dated [date] with respect to the transaction with reference no [   ]. We confirm that the Confirmation correctly sets forth the terms of our agreement.

Yours sincerely
[name of party preparing reply]
By:
Name:
Title:"]

Attachment

Date	Calculation Period (Number)	Calculation Period (Eastern Standard Time)	Capacity (MW)	Notional Quantity (MWh)	Spread (A$)
#	1	0000 - 0030			
	2	0030 - 0100			
	3	0100 - 0130			
	4	0130 - 0200			
	5	0200 - 0230			
	6	0230 - 0300			
	7	0300 - 0330			
	8	0330 - 0400			
	9	0400 - 0430			
	10	0430 - 0500			
	11	0500 - 0530			
	12	0530 - 0600			
	13	0600 - 0630			
	14	0630 - 0700			
	15	0700 - 0730			
	16	0730 - 0800			
	17	0800 - 0830			
	18	0830 - 0900			
	19	0900 - 0930			
	20	0930 - 1000			
	21	1000 - 1030			
	22	1030 - 1100			
	23	1100 - 1130			
	24	1130 - 1200			
	25	1200 - 1230			
	26	1230 - 1300			
	27	1300 - 1330			
	28	1330 - 1400			
	29	1400 - 1430			
	30	1430 - 1500			
	31	1500 - 1530			
	32	1530 - 1600			
	33	1600 - 1630			
	34	1630 - 1700			
	35	1700 - 1730			
	36	1730 - 1800			
	37	1800 - 1830			
	38	1830 - 1900			
	39	1900 - 1930			
	40	1930 - 2000			
	41	2000 - 2030			
	42	2030 - 2100			
	43	2100 - 2130			
	44	2130 - 2200			
	45	2200 - 2230			
	46	2230 - 2300			
	47	2300 - 2330			
	48	2330 - 2400			

[20.32]   **Sample Confirmation for Asian electricity commodity average price option contract for cash settlement.** (Paragraphs (4) and (5) of June 2006 Australian Electricity Addendum contains some definitions relevant to this type of contract.)

[Date]

Reference Number [   ]

[Name and address of counterparty]

Commodity option - cash settled

The purpose of this letter is to confirm the terms and conditions of the cash settled commodity average price option for electricity entered into between us on the Trade Date specified below ("**Transaction**").

1.   For the purposes of the particular Transaction to which this Confirmation relates, the term "**Pricing Date**" for a Calculation Period means that Calculation Period[1].

2   The terms of the particular Transaction to which this Confirmation relates are as follows:

General terms:

Notional Quantity[2]:   MWh.

Trade Date:[3]

Option Style: Asian

Option Type:[4]   [Put/Call]

Seller:[5]   [Party A/B]

Buyer:[6]   [Party A/B]

Total Premium:[7]

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[1]You need not include this paragraph if you have agreed the meaning of Pricing Date in Part 5 of the Schedule (see [20.18] footnote 2).

[2] The quantity of electricity in MWh for the Averaging Period (if only one) or for each Averaging Period (if multiple Averaging Periods)(and not each Calculation Period in it) should be specified.

[3]The date the parties enter into the contract.

[4]See Section 8.3 of the 2005 ISDA Commodity Definitions for the meaning of these terms.

[5]Insert correct party description.

[6]Insert correct party description.

[7]See Section 8.6(a) of the 2005 ISDA Commodity Definitions for the meaning of this term.

Premium Payment Date:[8]	The first day after the day being 2 Local Business Days after the Trade Date upon which a market participant (as defined in the National Rules) would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed a net amount.
Cash Settlement:	Applicable
[Cash Settlement Amount:][9]	
Strike Price Differential:	The price, expressed as a price per Unit, equal to the excess, if a positive number, of [the Strike Price over the unweighted arithmetic mean of the Relevant Price for each Pricing Date that occurs [during the Peak Period/the Off-Peak Period][10] during the Averaging Period][11] [the unweighted arithmetic mean of the Relevant Price for each Pricing Date that occurs [during the Peak Period/the Off-Peak Period][10] during the Averaging Period over the Strike Price][12].
[Peak Period/Off-Peak Period:][13]	
Averaging Period(s):	[The period from and including [insert time] hours Eastern Standard Time on [insert date] to and including [insert time] hours Eastern Standard Time on [insert date]][14][Each successive period of 7 days commencing at

This pro-forma confirmation assumes that only one Premium will be paid, at the commencement of the transaction. In the case of multiple period options, consideration should be given to whether a Premium should be payable for each Averaging Period.

An alternative to specifying the Total Premium is to specify a "Premium per Unit" - see Section 8.6(b) of the 2005 ISDA Commodity Definitions for the meaning of this term. In the case of a transaction with multiple Averaging Periods, beware using this formulation as it will result in a premium determined by reference to only one of those periods.

[8]See Section 8.6(c) of the 2005 ISDA Commodity Definitions for the meaning of this term.

[9]See Sections 8.7 and 8.8 of the 2005 ISDA Commodity Definitions for the meaning of this term. If this definition is acceptable, you need not insert an item "Cash Settlement Amount" in the Confirmation. If it is not, the method of calculation should be inserted in the Confirmation.

[10] Insert whether the transaction is based on a Peak Period or an Off-Peak Period. If the transaction is based on an average price across the entire day, the words should be omitted.

[11] Insert these words if the option is a Put Option.

[12] Insert these words if the option is a Call Option.

[13] Insert the agreed specification for Peak Period or Off-Peak Period, if relevant.

[14] Complete the details for the single period for the option, or set out the specifications for multiple periods. The multiple period example is based on successive weekly periods, with the payment (if any) for a period settling on the same date as the physical market would settle for the last trading interval in the relevant period.

	[insert time] hours Eastern Standard Time on a [insert day of week] and ending at [insert time] hours on a [insert day of week], with the first such period commencing on [insert date] and the last such period ending on [insert date][14].
Settlement Dates:	In respect of an Averaging Period, the day upon which a market participant (as defined in the National Rules) would be obliged to make a payment under the National Rules if a statement issued under the National Rules showed that that party owed an amount in respect of electricity bought by it in the last trading interval (as defined in the National Rules) that occurs in that Averaging Period.
Strike Price per Unit:[15]	$#.
Commodity Reference Price:	The Spot Price
Regional Reference Node:[16]	
Procedure for Exercise:	
Expiration Date:[17]	
Automatic Exercise:[18]	[Applicable/Inapplicable]
Written Confirmation:[19]	[Applicable/Inapplicable]
Seller's telephone or facsimile number for purpose	

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[15]See Section 5.2 of the 2005 ISDA Commodity Definitions for the meaning of this term. It is the strike price for each MWh in the Averaging Period agreed on the Trade Date.

[16]Insert location of regional reference node.

[17]See Section 3.6 of the 2005 ISDA Commodity Definitions for the meaning of this term. Note how this date can be adjusted if the date specified is not a Commodity Business Day, and also the extension for up to 8 Commodity Business Days due to Market Disruption Events.

Specify the option exercise date or the last day of the option exercise period, and any adjustment to the extension period that is required. In the event of multiple Averaging Periods, the date should be specified for each such Averaging Period, such as "For an Averaging Period, the last day of that Averaging Period".

[18]See Section 8.5(e) of the 2005 ISDA Commodity Definitions for the meaning of this term.

You need not include an item for Automatic Exercise if you have pre-agreed it by a clause in part 5 of the schedule (see footnote 18 of [20.18]).

It is recommended that Automatic Exercise be applicable for average price options.

[19]See Section 8.5(d) of the 2005 ISDA Commodity Definitions for the meaning of this term.

If "Written Confirmation" is applicable, then the Buyer must confirm a Notice of Exercise in writing.

Australian market practice in the commodity markets is not to require written confirmation of the exercise of an option. However, it is market practice to confirm in writing the amount of a Cash Settlement Amount.

of giving notice of exercise:[20]

[Business Days:][21]

[22]

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[20]Specify the Seller's telephone or facsimile number for the purpose of giving Notice of Exercise. See Section 8.5 of the 2005 ISDA Commodity Definitions for the meaning of Notice of Exercise. These details could be omitted if they are included in standard settlement instructions.

[21]See section 1.3 of the 2005 ISDA Commodity Definitions for the meaning of this term. Specify the places where commercial banks need to be settling payments ie "[name places eg Sydney, Melbourne]".

You need not include this item if you have agreed the meaning of Business Days in part 5 of the schedule (see footnote 18 in [20.18].

[22]**Care!** This Confirmation has been prepared on the following assumptions:

(a)   **Market Disruption Events, Additional Market Disruption Events, Disruption Fallbacks.** All these issues have been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnotes 3 to 8). If this is not the case, you must cover these issues in your Confirmation. ***This is very important***

(b)   **GST.** This issue, if a concern to the parties, has been pre-agreed and dealt with in part 5 of the schedule. See [20.18] (footnote 12). If this is not the case, the issue could be dealt with by including the paragraph in footnote 12 in the Confirmation.

(c)   **Calculation Agent.** You may have specified in part 5 of the schedule which party is the Calculation Agent (see [20.18] footnote 19). If not insert an item:

            "Calculation Agent:"

(d)   **Payments to Seller, Payments to Buyer.** You do not insert particulars of the account into which payments to the Seller or the Buyer are to be made. If this approach is adopted you must ensure that these particulars are identified by some other means eg in standard settlement instructions or settlement instructions issued immediately before settlement. If you want to insert in the Confirmation particulars for payments to the Seller or Buyer, insert items:

            "Account Details:"
                "Payments to Party A:"
                "Payments to Party B:"

(e)   **Multibranch Parties.** Neither party is a Multibranch party. If a party intends to make and receive payments under different Transactions through different branch offices, it should be specified in the Schedule to the ISDA Master Agreement as a Multibranch party. If a party is a Multibranch party, an item relating to Offices should be included in the Confirmation in which the relevant branch is identified.

[23][Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely
[name of party preparing Confirmation]
By:
Name:
Title:

Confirmed as of the date first written:
[name of other party]

By:
Name:
Title:]

[23][Please confirm that the foregoing correctly sets forth the terms of our agreement by sending us a Confirmation substantially the same as this Confirmation or by sending us a Confirmation in the following terms:

"We acknowledge receipt of your Confirmation dated [date] with respect to the transaction with reference no [   ]. We confirm that the Confirmation correctly sets forth the terms of our agreement.

Yours sincerely
[name of party preparing reply]
By:
Name:
Title:"]

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[23]We have included two forms of closing. The first is for when the counterparty will be asked to return the Confirmation with their agreement to the terms endorsed on it. The second is for when the counterparty will send their own Confirmation or a Confirmation note referring to the other party's Confirmation. It is optional which approach you adopt.

[20.33] June 2006 Australian Electricity Addendum

JUNE 2006
AUSTRALIAN ELECTRICITY ADDENDUM

ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION, INC.

(1)   **Application**

By incorporating this Addendum in their ISDA Master Agreement, the parties agree that every Commodity Transaction between them entered into after that time where the commodity is electricity is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated.

This applies whether or not the parties:

(a)   refer to the ISDA Master Agreement or this Addendum; or

(b)   state that a Commodity Transaction is governed by the terms of any other master agreement

when entering into or confirming the Commodity Transaction.

If a Commodity Transaction is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated, then the terms of any other master agreement do not apply to it even if the parties state that the Commodity Transaction is governed by the terms of any other master agreement when entering into or confirming the Commodity Transaction.

(2)   **Confirmations**

(a)   The parties acknowledge that Commodity Transactions governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated may be confirmed by various methods including, without limitation, the following:

> Letter
> Reuters direct dealing system
> Telerate trading service
> Facsimile

(b)   A confirmation produced by any method constitutes a Confirmation for the purpose of this Agreement. Each such Confirmation supplements, forms part of, and is subject to the ISDA Master Agreement in which this Addendum is incorporated.

(c)   The parties acknowledge that some Confirmations may describe some items by a term other than the defined term in this Addendum, the 2000 ISDA Definitions or the 2005 ISDA Commodity Definitions. For example:

"Settlement Date" may be referred to as "Maturity Date" or "Value Date"; and

"Floating Price" or "Floating Rate" may be referred to as "Reference Price".

In any case where the intention is clear that a term used in a Confirmation is intended to specify the particulars for a defined term in this Addendum, the 2000 ISDA Definitions or the 2005 ISDA Commodity Definitions, then that term is to be deemed to be that defined term.

(3) **Definitions**

(a) The definitions and provisions contained in the 2000 ISDA Definitions (which include the Annex thereto), as amended and supplemented from time to time ("Swap Definitions") and in the 2005 ISDA Commodity Definitions ("Commodity Definitions") (together, "Definitions"), and in this Addendum, are incorporated into each Confirmation. In the event of any inconsistency between either Definitions and any such Confirmation, the Confirmation will govern. In the event of any inconsistency between the Swap Definitions and the Commodity Derivatives Definitions, the Commodity Derivatives Definitions will govern.

(b) In this Addendum "Commodity Transaction" means any transaction relating to electricity which is or is described in its confirmation as a forward commodity transaction, a spot commodity transaction or a commodity option whether or not the Settlement Date is fixed and any other type of transaction relating to electricity falling within the meaning of "Transaction" in the 2005 ISDA Commodity Definitions. "Commodity Transaction" also means any other type of transaction which parties agree to be a Commodity Transaction relating to electricity.

(c) Each Commodity Transaction is a "Transaction" for the purpose of the ISDA Master Agreement in which this Addendum is incorporated.

(d) In this Addendum references to the 2000 ISDA Definitions and the 2005 ISDA Commodity Definitions are references to those publications as published by the International Swaps and Derivatives Association, Inc.

(4) **Certain definitions and other provisions**

(a) The following definitions apply to this Addendum and to any Commodity Transaction.

"**MW**" means megawatt.

"**National Rules**" means the code of conduct called the "National Electricity Rules" made under the National Electricity Law, as amended from time to time.

"**National Electricity Law**" means the schedule to the National Electricity (South Australia) Act 1996 (SA).

(b) For the purpose of determining a Commodity Reference Price under Section 7.2(c)(v)(B) of the 2005 ISDA Commodity Definitions:

"**Spot Price**" means:

Commodity:	Electricity
Unit:	MWh
Price Source:	NEMMCO
Specified Price:	The spot price at the regional reference node specified in the Confirmation, as determined under the National Rules