

ENERGY FOCUS

Annual Review - 2007

WWW.D-CYPHATRADE.COM.AU

Australian Electricity Futures

- EXCHANGE TRADED
- CASH SETTLED
- CFTC APPROVED

DELIVERING
EXCHANGE TRADED
ENERGY DERIVATIVES
TO THE AUSTRALIAN
MARKET





**WELCOME TO THE 15TH EDITION OF ENERGY FOCUS
ANNUAL REVIEW 2007**

	2006	2007
Futures, Caps & Options contracts traded	50,528	136,092
Avg Daily Volume	206 contracts 412,867 MWh	542 contracts 1,158,951 MWh
% physical market demand	52%	149%
Total Traded MWh (Approx)	101.15 million	290.90 million
Face Value Traded (Approx)	\$3.85 billion	\$16.15 billion
Open interest (COB end December)	26,187 contracts	41,265 contracts
Face Value of Open Interest (COB end December)	\$2.1 billion	\$5.4 billion
Contract volume is quoted on a 1 MW calendar quarter equivalent		

Volume for Calendar 2007 continued to show impressive growth with over 290 million MWh trading or a 169% increase over 2006. Open interest also grew by 58% (COB end Dec 2006 vs 2007). Annual turnover for exchange traded products represented 149% of the underlying physical market demand.

Traded option volume has also continued to grow throughout 2007. April 07 was the highest month on record for options trading with 5.53 million MWh. August 07 came second with 5.1 million MWh and September continued this trend with 5 million MWh trading as options contracts.

Open interest set a new record on 3 October 2007 of 42,325 contracts. COB end December open interest was at 41,265 contracts which equates to 86.57 million MWh. Open interest is also particularly strong in the Base Victoria Calendar 2009 options.

Additionally, the month of November saw futures and options volume reach 180% of underlying NEM System demand (NSW, VIC, SA and QLD). The large volume result was supported by record option expiry volumes associated with Calendar 2008 options contracts.

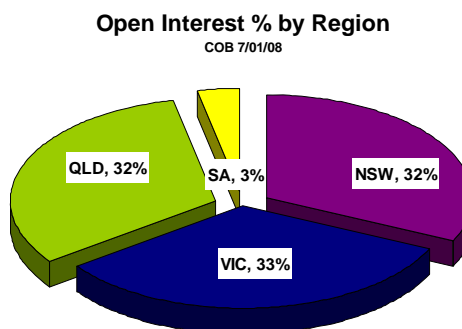
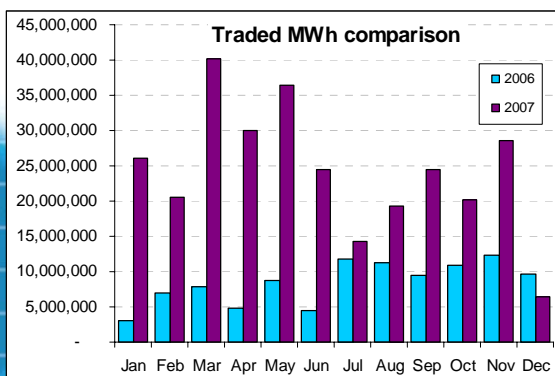
ENHANCEMENTS TO THE ELECTRICITY MARKET

A summary of the market enhancements are outlined below.

- > An increase in minimum volume threshold for Block Trades from 5 to 15 lots. This change will provide more efficient access to liquidity for the increasingly broad range of domestic and international trading firms participating in the market.
- > Introduction of pre-negotiated business rules to enable market participations to arrange business in the over-the-counter market, prior to order release on the SFE trading platform (SYCOM).
- > Changes to the Daily Settlement Price (DSP) methodology so that the DSP is derived from the most competitive bid, offer or last trade and not the mid-point of a specified maximum bid/offer spread.
- > A change to the Trade Notification methodology for Block Trades to streamline reporting and to better distinguish between the 'leg prices' of Block Trades.
- > A prescribed algorithm to allocate prices to quarterly futures contracts resulting from trades in Strip Products (e.g Calendar Year and Financial Year strips). This enhancement will eliminate the requirement for futures prices to be negotiated between participants, enabling market participants to spend more time focusing on trading instead of post trade administration.

To view the full ASX Operational Policies and/or electricity specific policies please go to http://www.d-cyphatrade.com.au/trading/operational_policies.

The 1st ASX Information Session was held on 6 December 2007 to assist SFE Participants, OTC brokers and market users with their understanding of the Operational Policy enhancements. The ASX presentation slides and summary of Q&As discussed during this session are available at http://www.d-cyphatrade.com.au/trading/operational_policies/asx_info.



WWW.D-CYPHATRADE.COM.AU

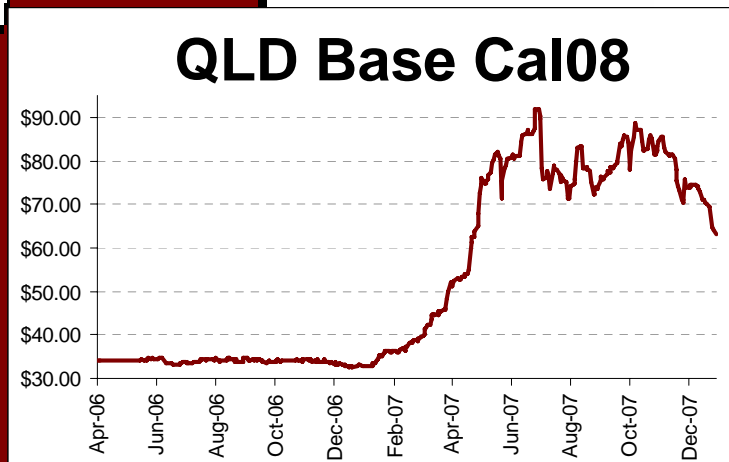
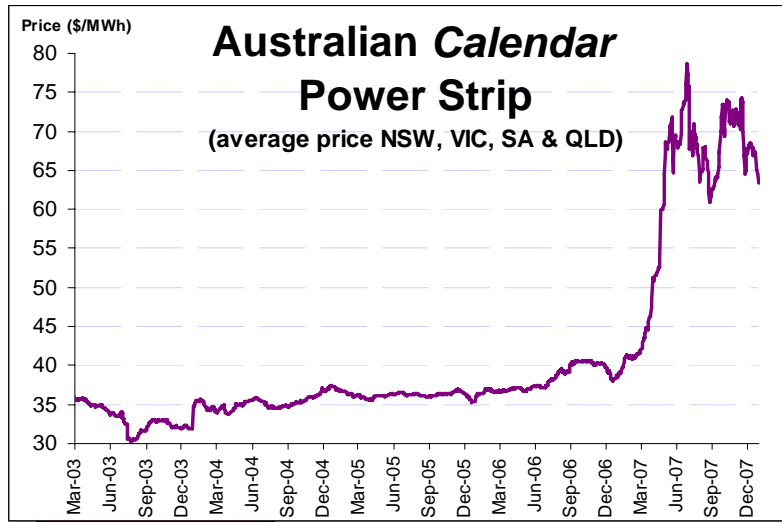


**PRICE ACTION
JANUARY TO DECEMBER 2007**

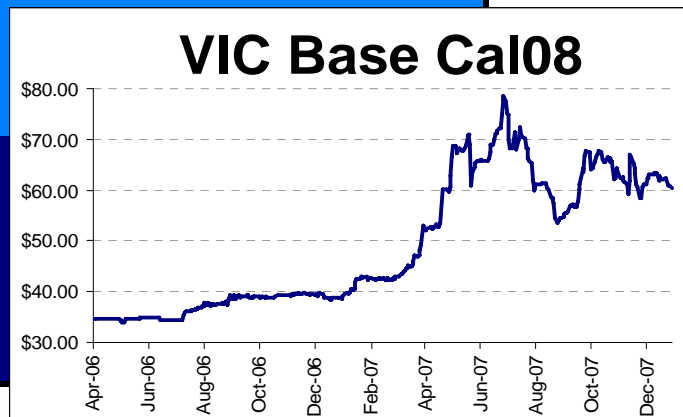
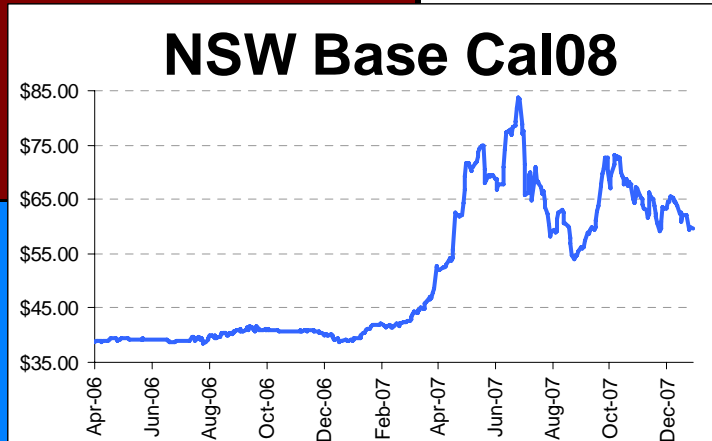
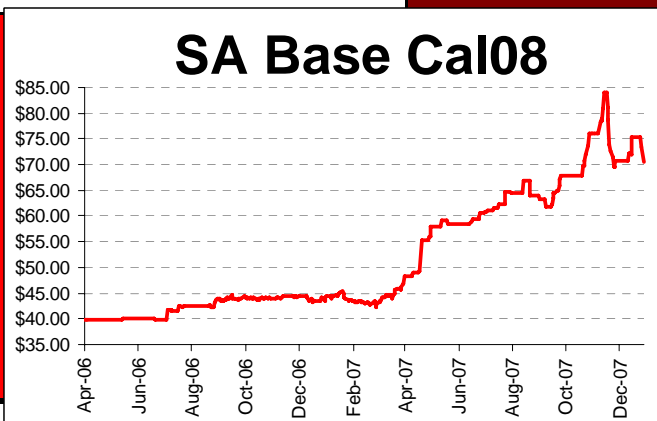
Across the 4 state regions prices began the year with a massive breakout rally. By the end of June prices for the (implied) Cal 08 contracts had moved up 179% for QLD to \$91.78, 114% for NSW to \$83.50, 103% for VIC to \$78.51 and 39% for SA to \$60.70.

All states eased for the remainder of the year except SA which continued to climb up to \$84.00 by mid November (+93%). QLD retraced the most by 31% back to \$63.05, then NSW 29% to \$59.56, VIC 23% to \$60.34 and SA finished 2007 at \$70.53, off 16% from the November high.

The inter-regional spread between NSW and QLD has also seen a massive move. The spread started the year at \$6.17 (NSW over) and moved to \$12.99 (QLD over) by end June, and topped \$20.66 (QLD over) by mid August. By the end of the year it had moved back to \$3.49 (QLD over). This is a \$26.85 move from January to the high in August and again a \$17.17 move back down by the end of the year!



WWW.D-CYPHATRADE.COM.AU





D-CYPHATRADE'S NEW WEBSITE

We have launched a new website so feel free to make it your Electricity Futures and Options information centre. The enhancements have been designed to make market data and information easily and efficiently available. Features to the homepage include information such as daily futures price charts, daily open interest, Australian Power Strip price history, WEPI, market news updates, published SFE messages (e.g. Block Trade details) and additional product information. To view go to www.d-cyphaTrade.com.au

NEW STRIP PRICE CALCULATOR AVAILABLE

Further to the new SFE Operational Policy algorithm for automatically calculating quarterly futures prices resulting from trades in Calendar and Financial year Strip Products, d-cyphaTrade has developed the Online Strip Price Calculator. This new function automatically sources relevant Daily Settlement Prices and contract MWh from the d-cyphaTrade Data Centre, to derive quarterly price allocations in accordance with the SFE Operational Policy algorithm. The function is available as part of our online Data Centre subscription services. Current subscribers will be able to access the calculator immediately. To receive a demonstration of this function and the Data Centre please contact a member of the d-cyphaTrade Team on 1800 330 101.

Access to the Data Centre attracts 12-month subscription fees starting from @ \$3,995+GST. Additional packages are also available, please see www.d-cyphaTrade.com.au for more information.

Easy to use nodes to determine strip product

Enter the Traded Price

Contract	Previous Settlement Price	Hours	Allocated Price
BNHS	582.7500	2,184	583.5004
BNHS	544.2500	2,184	545.0812
BNHS	548.9000	2,208	549.4879
BNHS	548.0000	2,208	548.4210
BNHS	543.9230	8,784	544.7500

Quarter Product Codes

Strip quarter leg prices

WWW.D-CYPHATRADE.COM.AU

