

ENERGY FOCUS

FY 2009/2010 Review_

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AUSTRALIAN ELECTRICITY THE ALTERNATIVE MARKET

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**WELCOME TO THE 21TH EDITION OF ENERGY FOCUS
FINANCIAL YEAR REVIEW 2009/2010**

LIQUIDITY REVIEW

	2007/08	2008/09	2009/10
Futures, Caps & Options contracts traded*	112,599	139,628	184,778
Avg Daily Volume*	445 contracts 951,746 MWh	550 contracts 1,184,361 MWh	730 contracts 1,576,668 MWh
% of underlying electricity consumption	123%	152%	204%
Total Traded MWh (Approx)	240,791,775	300,827,751	398,897,130
Face Value Traded (Approx)*	\$12.9 billion	\$15.4 billion	\$16.4 billion
Open interest (COB end June)	47,496	52,720	65,536
Face Value of Open Interest (COB end June)*	\$5.89 billion	\$6.8 billion	\$8.7 billion
*Contract traded volume is quoted on a 1 MW calendar quarter-equivalent basis. Face value of options is calculated at strike.			

Liquidity in the d-cyphaTrade ASX Electricity Futures and Options market grew by 32% in the FY 2009/10 to trade just shy of 400 million MWh. This volume was the equivalent of 204% of the underlying NEM system demand with a face value of over \$16.4 billion dollars. Open interest grew by 38% during the year.

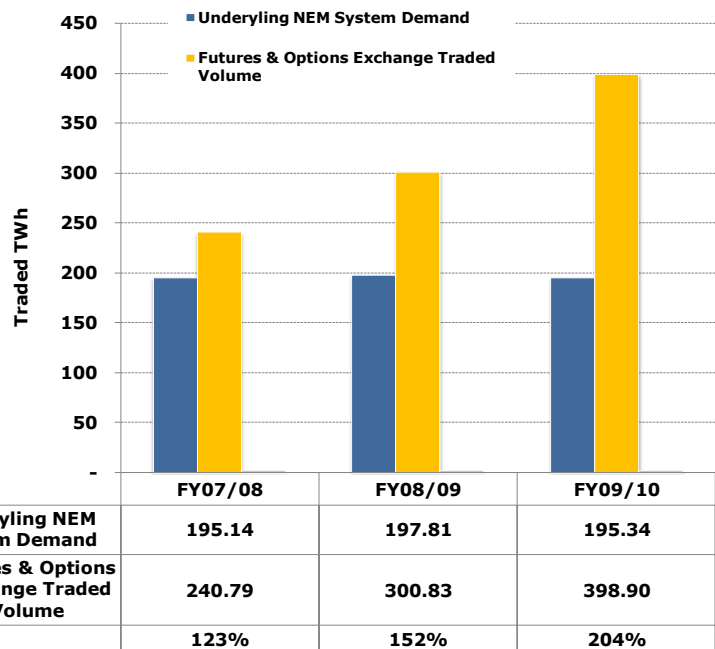
Record liquidity was achieved during June 2010, equalling 23,893 contracts or 51.6 million MWh which is a 27% increase over the previous largest month (November 2009). Trading during June averaged 1,138 contracts per day on the month. During June 11,965 quarterly-equivalent options contracts traded, setting a monthly record of over 26.2 million MWh.

Options trading was again robust this financial year with a total of 48,086 quarterly-equivalent contracts trading. This equates to over 105 million MWh with a face value of \$4.6 billion dollars. Options traded volume represented 53% of the underlying NEM system demand. In terms of open interest the Australian Electricity options market is the largest exchange traded electricity options market in the world (surpassing the next largest exchange by approximately 120% as at end June 2010).

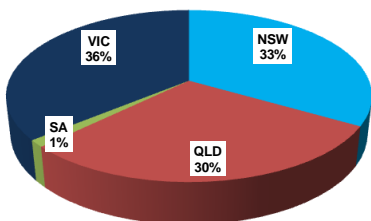
There were a few notable organisations who commenced Australian electricity trading in the last financial year. JP Morgan started trading the d-cypha ASX Australian Electricity Futures and Options market from Singapore during the FY 2009/10. Additionally both Bank of America Merrill Lynch (BAML) also in Singapore and Goldman Sachs based in Sydney started an Australian electricity trading desk.

To view live futures prices please go to www.d-cyphatrade.com.au/market_futures.

For further industry readings please go to the d-cyphaTrade Newsroom www.d-cyphaTrade.com.au/newsroom.



Total traded volume by State



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PRICE ACTION FOR THE 2011 FUTURES

During FY 2009/10 prices for the base load Calendar 2011 products declined for all states. This price reduction was due in part to predominantly benign pool prices as a result of additional supply coming on line in QLD (utilising surplus gas), and carbon being priced out of the forward curve with the indefinite delay in the Emissions Trading Scheme.

S.A. had the most significant move losing 38% of the value from the highs in July of \$69.39 (1/07) to the lows in April of \$43.30 (23/04). Over the course of the financial year the contract moved down \$25.64 ending just off the lows at \$43.75.

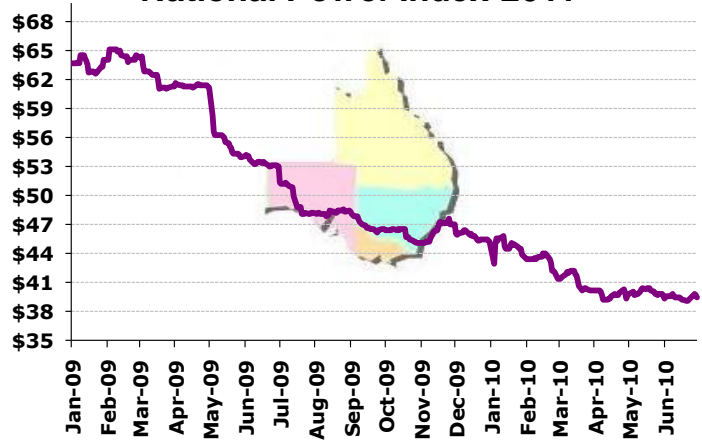
VIC lost \$13.58 or 27% of its value from the highs in July of \$50.53 (2/07) to the lows in April of \$36.95 (7/04). Comparing the open of the financial year to the close VIC had a less severe price move losing just \$11.64 with the contract ending the year with a slight rally back to \$38.88.

QLD also declined over the financial year with a 27% drop in prices or a \$12.07 move down from the highs in July of \$44.97 (8/07) to the lows in June of \$32.90 (30/06). Prices ended the financial year at their absolute low after tracking down \$11.66 over the year.

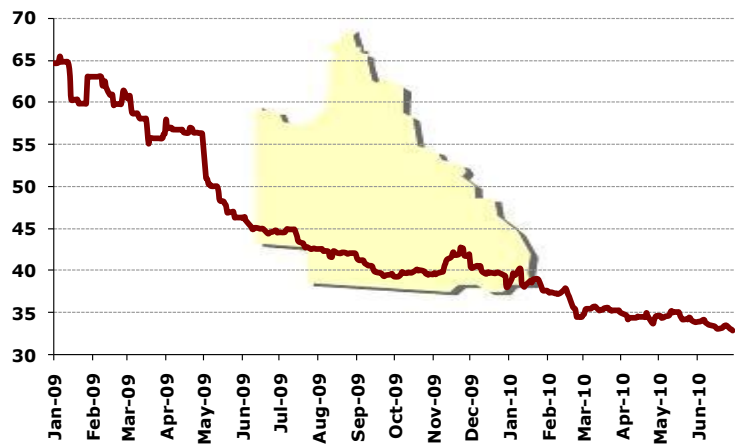
NSW had a fairly consistent year with a moderate decline in prices. There was an overall decline of \$18% from the highs of \$48.21 in July (2/07) to the lows of \$39.62 in December (31/12). The market recovered toward the end of the year losing only \$5.91 from the year open to finish at \$38.88 by end June.

Overall open interest grew 24% on the year (compared to COB end June 2009) to reach a total of 65,536 contracts (COB end June 2010). Options open interest grew 60% on the year to reach 8,719 calendar year contracts. NSW held 37% of the open interest, 33% was in VIC, QLD had 28% and 2% was in SA. Total open interest at COB end June 2010 was the equivalent of over 222.4 million MWh with a face value of approximately \$8.7 billion dollars.

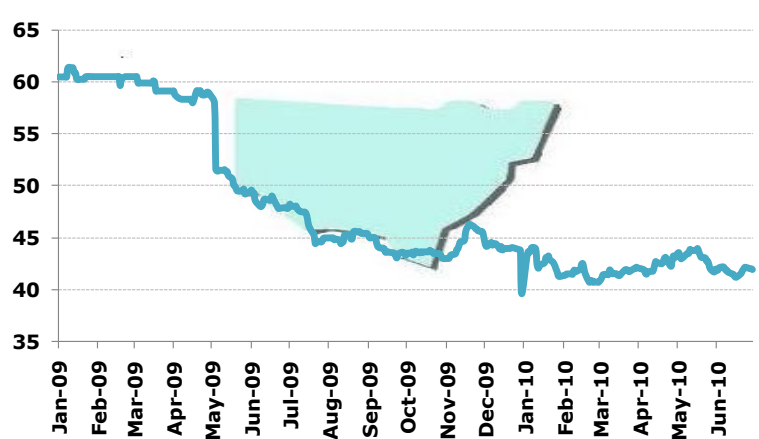
National Power Index 2011



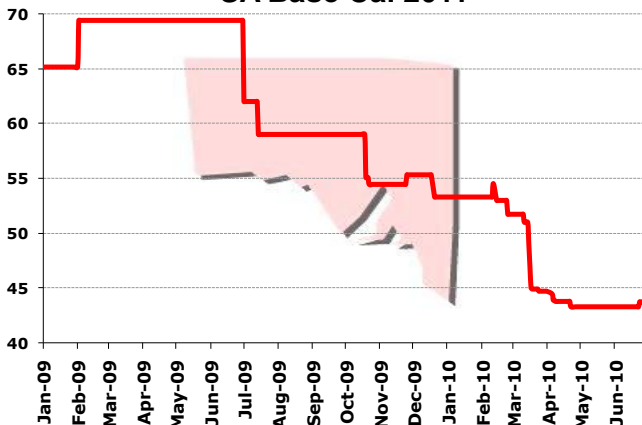
QLD Base Cal 2011



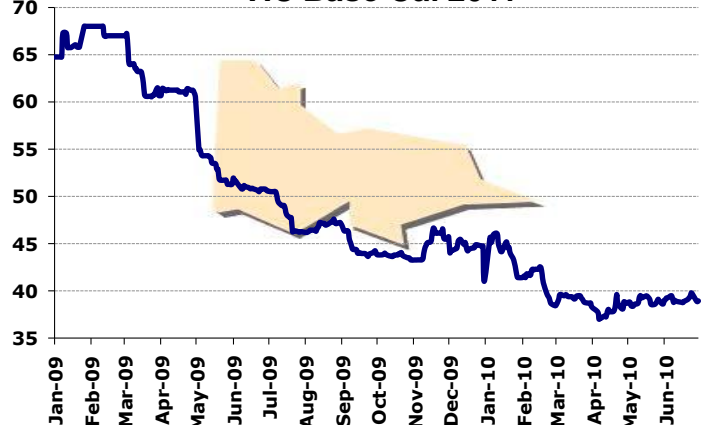
NSW Base Cal 2011



SA Base Cal 2011



VIC Base Cal 2011



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OPTIONS TRADING SUMMARY

Option volume exceeded 50% of annual underlying NEM physical demand for the 2nd consecutive year. During the month of June, options single-handedly traded 146% of underlying physical demand.

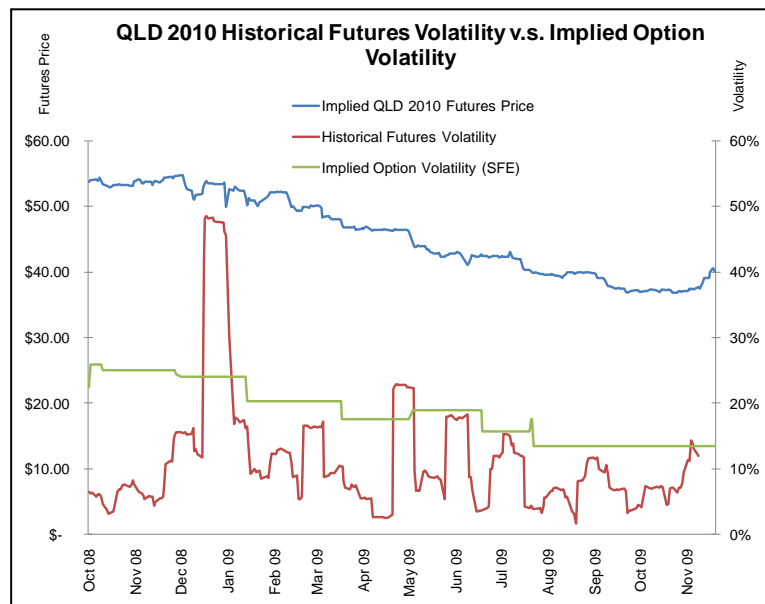
NEM utility companies are embracing the options market for hedging purposes due to margining efficiencies, keen pricing and the ability to use option strategies to insure against adverse forward curve movements.

Avoiding negative cash margins: Bought-option hedge strategies (e.g. a generator buying a put or a retailer buying a call) enable hedging out to 3 years ahead with minimal potential cumulative cash margining risk other than the premium price of the option, up until the option expiry date.

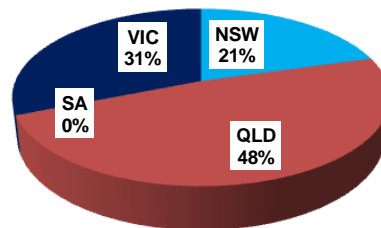
Reducing portfolio risk from extreme price moves: Major NEM Participants utilise collar strategies (e.g. a retailer buying a call and selling a put; or a generator selling a call and buying a put). By selecting the appropriate call and put strikes, such portfolio hedging strategies can be customised to suit the risk preference and forward view of the utility portfolio manager.

OPTION ONLY Statistics	2007/08	2008/09	2009/10
Option contracts traded*	18,066	52,508	48,086
% Base vs Peak Options	98% Base 2% Peak	99% Base 1% Peak	98% Base 2% Peak
Option Avg Daily Volume*	71 contracts	207 contracts	190 contracts
Option % of underlying electricity consumption	20%	58%	53%
Option Total Traded MWh (Approx)	39,459,480	114,893,205	105,090,705
Option Face Value Traded (Approx)*	\$2.06 billion	\$6.37 billion	\$4.6 billion
Option Open interest (COB end June)	3,330	5,458	8,739
Face Value of Option Open Interest (COB end June)*	\$1.41 billion	\$2.78 billion	\$4.62 billion

*Contract traded volume is quoted on a 1 MW calendar quarter-equivalent basis. Face value of options is calculated at strike.



Options traded volume by State



Calendar base load option straddle closing prices as at 30 June 2010 \$/MWh				
	NSW	VIC	QLD	SA
2011	2.79	2.30	2.22	1.65
2012	5.50	5.40	3.85	3.24
2013	5.66	14.05	15.87	6.41

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