



Options trading exceeds physical demand

AUSTRALIAN ELECTRICITY OPTIONS MARKET NOW ONE OF THE LARGEST IN THE WORLD

The d-cypha SFE Electricity Options market has become one of the world's largest electricity options markets. Options trading during Q3 2008 set numerous records including trading more during September than monthly physical electricity demand¹.

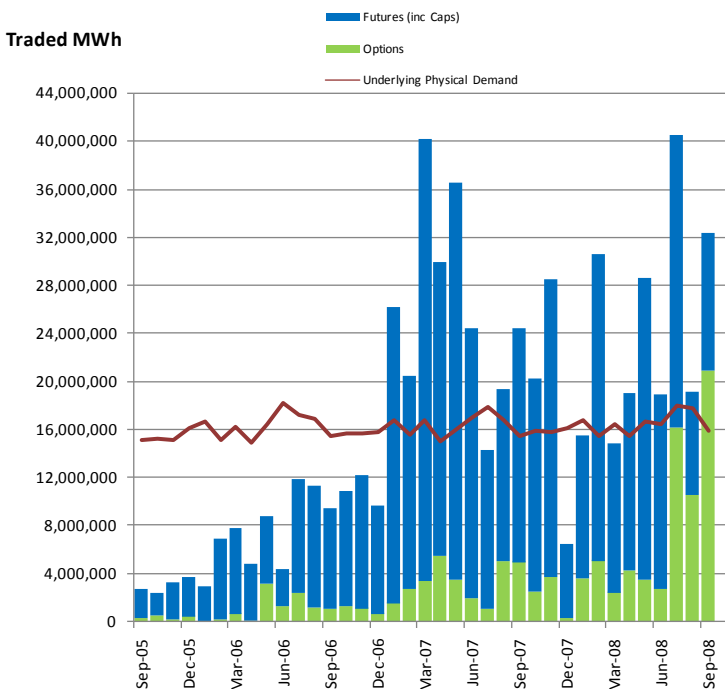
A single day trading record was set on 4 September 2008 of over 4.2 million MWh or 485 calendar contracts, exceeding the previous record of 275 contracts set on 1 September 2008. Traded options volume for September 2008 represented 132% of the underlying National Electricity Market (NEM) physical electricity demand whereas futures represented 72%.

The total options traded in September equated to 20.8 million MWh with a face value² of approximately \$1.13 billion. Face value exceeded the previous record month of July 2008 by 92%.

Options Open Interest has increased from 3,330 options contracts (COB 30/06/08) to set a new record of 5,814 contracts with a face value of \$2.7 billion (COB 30/09/08), covering 49.9 million MWh. Face value of options open interest has risen by 88% since the beginning of this Financial Year (1/07/08).

The following chart illustrates the phenomenal growth of exchange traded electricity options volumes during Q3 2008.

Figure 1: Underlying NEM System Demand vs. d-cypha SFE Electricity Futures & Options volume



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ELECTRICITY OPTIONS TRADERS

Electricity generators and retailers embraced electricity options trading during Q3 2008 and have benefited from increased market liquidity provided by domestic and international professional options trading houses and other financial institutions such as banks and hedge funds. The options market provided record levels of 2010 hedge contract coverage to electricity retailers and generators, allowing market participants to hedge uncertainty created by the anticipated introduction of the Australian emissions trading market in 2010.

ELECTRICITY OPTIONS TRADING WORKSHOPS

d-cyphaTrade runs both in-house and general electricity options trading workshops for market professionals. The workshops and teleconferences cover option contract specifications, trading and risk management techniques specific to the Australian Electricity options market. For further details please visit www.d-cyphatrade.com.au.

¹ Trading volume measured in MWh.

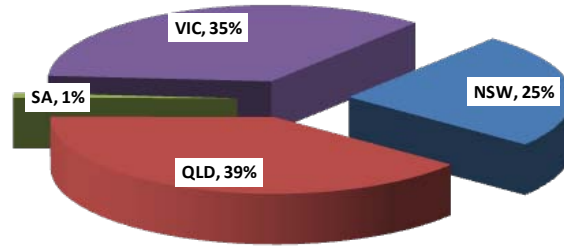
² Face value based on strike price x contract MWh x contracts volume traded.



POPULAR OPTIONS TRADING STRATEGIES

Option call-spreads dominated electricity trading strategies during Q3 2008, with high volume trading via \$10/MWh-wide out of the money call-spreads across 2009 and 2010 contracts. The anticipated effect of Emissions Trading on the price of power from 2010 onwards drove unprecedented options hedging and speculating interest across 2010 options contracts. VIC and QLD options trading was particularly strong (see below).

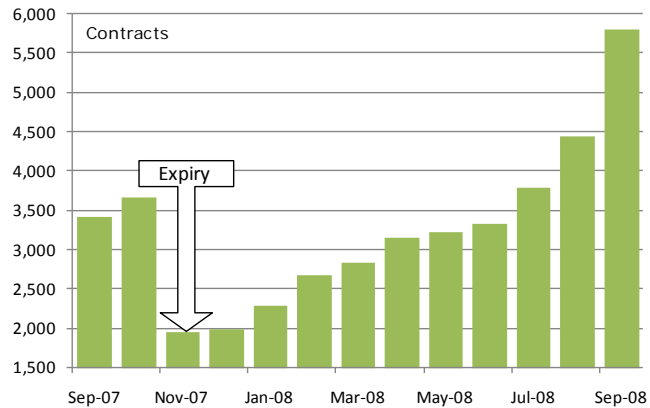
Figure 2: Options Volume in Traded MWh by State, Q3 2008



OPTIONS OPEN INTEREST

The following chart shows the increase in Open Interest in options contracts since the November 2007 expiry.

Figure 3: Options Open Interest



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IMPLIED VOLATILITY TRENDS

The following analysis shows the trend in option settlement implied volatility and historical underlying futures volatility (10 day moving average) for Victorian 2009 options. The d-cyphaTrade online Data Centre has extensive option trade and settlement price information. For further details visit www.d-cyphatrade.com.au

Figure 4: Historical VIC Futures Volatility v.s. Implied VIC Option Volatility

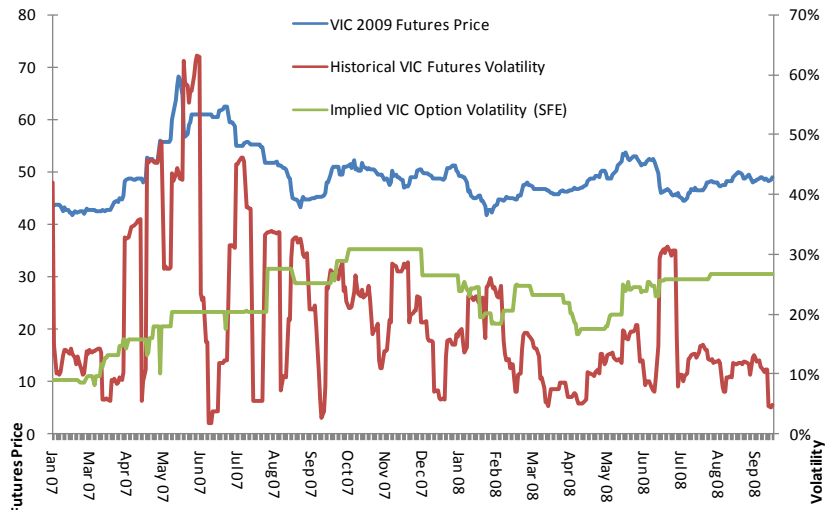


Table 1: At-the-Money Straddle price settlements as at 30/09/08

| (\$/MWh) | NSW | VIC | QLD | SA |
|----------|----------|---------|----------|---------|
| 2009 | \$ 2.79 | \$ 3.10 | \$ 4.36 | \$ 7.30 |
| 2010 | \$ 10.65 | \$ 9.63 | \$ 10.08 | \$ 4.84 |