



# ELECTRICITY FUTURES & OPTIONS

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DELIVERING  
EXCHANGE TRADED  
ENERGY DERIVATIVES  
TO THE AUSTRALIAN  
MARKET



## LEARN MORE ABOUT THE AUSTRALIAN ELECTRICITY FUTURES AND OPTIONS MARKET

Attend a 1 day workshop to increase your understanding of the "recession proof" d-cyphaTrade ASX Australian Electricity Futures and Options Market.

### TRAINING FOCUS

The workshop will provide attendees with a solid understanding of the Australian electricity futures & options market; including:

- > An introduction to the electricity spot market;
- > Electricity Futures market liquidity, price history, trends and the electricity forward curve;
- > Futures and Options product specifications and trading methods;
- > ASX 24 margining procedures, price settlement procedures and clearing risk management;
- > OTC trading v.s. ASX 24 trading (credit risk and cash margining)

The workshop will also explain how generators and retailers hedge energy price risk, the current impact of emissions trading on Australian electricity prices and hedging the portfolio risk of bidding for a NSW electricity retail business.





## ABOUT THE WORKSHOP

This workshop provides an understanding of the d-cyphaTrade ASX Australian Electricity Futures and Options Market and how the market is traded. The market has grown to triple the size of energy consumed in the underlying physical electricity market and incorporates the largest electricity futures options market in the world. The workshop provides a unique understanding of the futures market and benefits of centrally cleared derivative products for traders, risk managers, treasurers, regulators and other industry observers. Market liquidity and recent electricity futures price history is also analysed in the workshop.

Due to the importance of credit default risk management in today's economic environment, particular attention is given to comparing the collateral and credit default risk management benefits of electricity futures in comparison to the Over the Counter (OTC) electricity market. Worked examples reinforce an understanding of ASX 24 margining and settlement procedures and calculation of credit default risk mitigation. The workshop also provides practical examples on how to trade electricity futures and options via off-market negotiated Block Trading, onscreen trading and eliminating OTC credit default risk via the ASX 24 Exchange for Physical.

## BENEFITS & WHO SHOULD ATTEND

The course will be of particular interest to hedge funds, investment banks, industry regulators, equity analysts and existing energy traders seeking to improve their knowledge of the market. Risk managers and treasurers of energy-intensive companies will also find the course of interest.

**NEM Participants** will benefit from:

1. An overview of hedging techniques using futures and options;
2. The credit default, compliance and cash flow comparisons between OTC and futures trading; and
3. Improving their traders' knowledge and utilisation of electricity futures trading mechanisms.

**Commercial and Investment Banks** will benefit from:

1. An introduction to risk management products they can offer to Australian utilities and emission intensive industrials;
2. Gaining an understanding of the opportunities that present themselves by participating as intermediaries in this virtually "recession proof" emerging market; and
3. (For lenders exposed to the energy sector) an introduction to the financial risks and hedging practices of energy companies.

**Hedge Funds and Institutional Investors** will find the workshop of interest:

1. Emerging market returns from the most liquid exchange traded energy futures market in Australasia and the largest electricity options market in the world.
2. Australian Electricity is not correlated to oil, equities or bond markets, providing unique portfolio diversification benefits.

## ABOUT THE PRESENTER

### DEAN PRICE / GENERAL MANAGER

Dean traded futures, options and OTC contracts for 13 years as a proprietary trader across a diverse range of Australasian markets. He has an extensive network of front office and senior management trading contacts across the financial and physical Australian power market. Dean was an investment bank options market maker on the SFE's open outcry options pits from 1991 to 1998. From 1999 to 2004, Dean worked for Duke Energy Australia and as Electricity Trading Manager was responsible for managing Duke's physical electricity generation portfolio and financial trading team, trading OTC and exchange traded derivatives and physical generation dispatch in the Australian National Electricity Market.



## WORKSHOP DETAILS

<b>DATE:</b>	TBA
<b>PRESENTER:</b>	Dean Price   General Manager
<b>DURATION:</b>	9am – 4pm (7hrs)
<b>FEES:</b>	AUD \$1,195 (ex GST) pp To organise an in-house workshop please call 1800 330 101 or +61 2 9237 0900.
<b>MATERIALS:</b>	Workshop notes, refreshments & lunch

## WORKSHOP CONTENT

>	<b>Introduction by d-cyphaTrade</b>
>	<b>The Australian Electricity Pool Market</b>
>	Introduction to the spot market
>	Fundamental drivers of the spot price
>	Information sources
>	<b>The Australian Electricity Futures and Options Market</b>
>	Market Liquidity and Price History
>	Fundamental drivers of futures prices
>	The Forward Curve & impact on energy-intensive industries
>	<b>Hedging with futures and options</b>
>	Hedging techniques for generators
>	Hedging techniques for retailers & large energy users
>	Hedging techniques for retailers & large energy users
>	<b>Characteristics of the Centrally Cleared Futures Market</b>
>	Collateral funding efficiencies for trading operations (OTC versus ASX 24)
>	Compliance benefits
>	Hedge Accounting benefits, AASB 139
>	<b>Electricity Futures and Options Contract Specifications</b>
>	Futures (Base, Peak and Caps)
>	Options (Peak and Base Strip)
>	Expiry Process - Cash Settlement and Option Exercise
>	<b>ASX 24 Electricity Trading Mechanisms</b>
>	Pre-negotiated business
>	Block Trades/OTC negotiated dealing
>	ASX 24 Custom Market
>	Strip Trading
>	Exchange for Physical (EFP)
>	<b>Daily Price Settlement Procedures</b>
>	<b>Margining at ASX Clear (Futures)</b>
>	Initial Margins and Variation Margins
>	Introduction to SPAN margining
>	Initial margin offsets
>	Option and futures expiry
>	Worked examples
>	<b>Miscellaneous</b>
>	Futures Offsets Arrangements
>	Hedging the M&A of an Electricity Business

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