



# TRADING MECHANISMS

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**ELECTRICITY  
FUTURES & OPTIONS  
TRADING FACT SHEET**



## OVERVIEW

This document is intended to provide information regarding the Trading Mechanisms available for the d-cyphaTrade ASX Electricity Futures, Caps and Options contracts.

## CONSIDERATIONS

- > All mechanisms are available for electricity futures, caps and options.
- > All client identities must remain anonymous.
- > Brokers should not claim on-screen orders as their own.
- > On-screen market is open from 9.00am to 4.00pm Mon-Fri (exc. National Public Holidays)
- > All times are Sydney times.
- > Specific times apply to different trading mechanisms, please review time requirements for each mechanism.

## TRADING MECHANISMS AT A GLANCE

Trading Mechanism	ASX TRADE 24 / Off-market	Available For Trading	Trade Registration	Trade Published
Outright Trading (on-screen)	ASX TRADE 24	9.00am – 4.00pm	Immediately on ASX TRADE 24 market.	Immediately on ASX TRADE 24 market.
Block Trade Facility (BTF)	Off-Market	Agreement permissible at any time other than the pre-open period (8:50AM-9:00AM on exchange business days)	<p>For trades agreed during the Trading Day (9:00 – 4:00 plus an additional hour after the close)- ASX SFEIN registration within 5 minutes of trade notification.</p> <p>For trades agreed outside of the Trading Day – ASX SFEIN registration between 8:30 and 8:50 on the following business day.</p>	<p>For trades agreed during the Trading Day - Notification by ASX 24 Participant on ASX TRADE 24 message board within 5 min of trade agreement.</p> <p>For trades agreed outside of the Trading Day - Notification by ASX 24 Participant on ASX TRADE 24 message board between 8:30 and 8:50 on the following business day.</p> <p>Confirmation by ASX 24 within 2 hours on ASX TRADE 24 message board.</p>

Pre-negotiation	Negotiated off-market, executed through ASX TRADE 24	9.00am – 4.00pm	A minimum of 30 seconds* after posting RFQ, trade must then be executed immediately (deemed to be within 90 seconds).  *n.b. Custom Market prenegotiated business: a minimum of 30 seconds after posting RFQ	Immediately on ASX TRADE 24 market.
Custom Market	ASX TRADE 24	9.00am - 4.00pm	Immediately on ASX TRADE 24 market.	Immediately on ASX TRADE 24 market.
Request for Quote (RFQ)	ASX TRADE 24	9.00am - 4.00pm	N/A.	Immediately on ASX TRADE 24 message board.
Exchange for Physical (EFP)	Off-Market	24 hours a day	7:00am- 5:00pm	Immediately on ASX TRADE 24 message board.
Strip Trading Facility	ASX TRADE 24	9.00am - 4.00pm	Immediately on ASX TRADE 24 market.	Immediately on ASX TRADE 24 market.

## **MECHANISM: BLOCK TRADE FACILITY (BTF)**

**CONTRACT TRADING DAY: 9.00AM – 5.00PM**

**AGREEMENT HOURS: At any time except during the pre-open period (8:50AM-9:00AM on Exchange Business Days)**

**Definition:** The Block Trade Facility (BTF) is an off-market (i.e. not on-screen) trading facility that enables market participants (or brokers on behalf of their clients) to bilaterally arrange large volume transactions (e.g. via OTC negotiation).

- > Applies to orders equal to or greater than 25 contracts per contract.
- > Different client orders may not be bundled to reach threshold unless each different order is equal to or greater than the BTF threshold, e.g. a 100 contract buy order may be matched by four 25 contract sell orders.
- > Orders can be withheld from the market for the purpose of matching the other side.
- > An ASX 24 broker must have (one off) written authorisation from its Client(s) allowing it to execute off-market trades on each clients behalf.

### **STEPS/TO DO under the following scenarios:**

#### **(A) Trader places an order with broker to be executed as a Block Trade**

1. Ensure that you have lodged an off-market trade authorisation with your broker.
2. Your broker can contact other clients (traders) who have off-market trade authorisation in place to see if they have interest in the trade.
3. Both parties will be notified when a client interested in trading the other side of specific order is found. The trade is then agreed.
4. For Block Trade orders agreed during the Trading Day: Your broker will then notify ASX TRADE 24 Market Operations of the Block Trade (within 5 minutes of the trade agreement), by way of an "All User" Broadcast via the ASX TRADE 24 Message Facility. For Block Trades agreed out of hours: Your broker will notify ASX Trade 24 Market Operations of the Block Trade by way of an "All User" Broadcast via the ASX TRADE 24 Message Facility. In this case notification takes place on the next Business Day between 8:30am and 8:50am.
5. The broker will also lodge Block Trade details via SFEIN (within 5 minutes of notification).
6. The trade will be confirmed by the ASX 24 via the ASX TRADE 24 message facility within 2 hours of the registration of the Block Trade with ASX 24 Clearing Corporation.

#### **(B) A matched OTC trade cannot be transacted due to credit constraints.**

1. Your broker may offer the Block Trade Facility as an alternative solution where volume is 25 lots or greater and clients have authorisations in place.
2. If both parties agree, then steps (4), (5) and (6) as above.

#### **(C) Trader can directly contact another trader to transact a Block Trade.**

1. Contact other wholesale (as per Corporations Law definition) counterparties who may have interest in other side of the trade.
2. If the other counterparty agrees to do the trade, you can then take the matched order to your broker for registration (steps (4), (5) and (6) as above). This can be done via the same broker or each counter party can contact their own preferred broker in which case the selling broker must notify ASX of the Block Trade.

**DON'T...**

- > Trade BTF with brokers unless you have lodged a (once off) BTF authorisation with that broker.
- > Delay trade lodgement with broker for ASX TRADE 24 registration.
- > Don't aggregate orders less than the minimum volume threshold.
- > Reveal identity of counterparties to a third party not involved in the trade.
- > Reveal trade details or act on trade details (i.e. by trading related products) prior to the trade information being released to the market on the ASX TRADE 24 message board.

## MECHANISM: PRE-NEGOTIATION

**TIMING: 9.00AM – 4.00PM**

**Definition:** The ASX 24 Business Rules for Pre-Negotiation allow brokers to withhold orders and pre-arrange trades off-market before bringing the negotiated business to the Exchange for matching within ASX TRADE 24.

Brokers will need to issue a Request for Quote (RFQ) to the market and then wait the prescribed time period before they can execute the trade through ASX TRADE 24. The prescribed time period for electricity is 30 seconds (n.b. Custom Market pre-negotiated orders require 30 seconds minimum delay after release of RFQ. This allows other brokers (and market participants) to respond to the RFQ by entering a bid and/or offer in the relevant contract and ensure the pre-negotiated trade occurs at a price consistent with market sentiment.

A broker must have written authorisation from its Client(s) allowing it to execute off-market trades on each clients behalf e.g. BTF, EFP and Pre-negotiated trades.

**Use if:** you have negotiated an OTC order (of any size) which failed due to credit constraints, you can transact the trade on futures as a pre-negotiated trade. Alternatively, you can use the pre-negotiation facility to trade directly with counterparties whom you can't normally trade with because of credit.

### STEPS/TO DO:

#### (A) Trader places an order with broker to be executed as a Pre-Negotiation.

1. Broker will contact other clients who have off-market trade authorisation in place to see if they have interest in the trade.
2. Once order has been matched the broker must issue a Request for Quote (RFQ) via the ASX TRADE 24 message board.
3. Once the prescribed time period of 30 seconds has elapsed, the orders must be entered immediately (within 90 seconds).
4. If a response is received within the 30 second prescribed period, the broker can only continue with the intended trade as follows:
  - a) If intended trade falls between the bid and offer (or if no bid or offer is received), then the pre-negotiated trade can occur as is.  
E.g. Intended trade = 10MW Q1 13 @ \$85.00  
RFQ response = bid \$84.00 / offer \$86.00  
Pre-negotiated trade = 10MW Q1 13 @ \$85.00
  - b) If intended trade is above the offer, the broker must lift the offer up to the volume required (and conversely if the intended trade was below the bid, the broker must hit the bid up to the volume required).  
E.g. Intended trade = 10MW Q1 13 @ \$85.00  
RFQ response = bid \$83.00 for 10MW / 10MW offer @ \$84.00  
Broker must lift offer of 10MW @ \$84.00 (giving buyer better fill, broker's seller misses out)
  - c) If the offer (or bid) was for less volume than the intended trade, the broker can subsequently trade the balance of the pre-negotiated trade.  
E.g. Intended trade = 10MW Q1 13 @ \$85.00  
RFQ response = bid \$83.00 for 5MW / 5MW offer @ \$84.00  
Lift offer of 5 MW @ \$84.00, trade the balance of 5MW @ \$85.00

## **(B) Trader can directly contact another client to pre-negotiate a trade.**

1. Contact other wholesale (as defined by Corporations Law) counterparties who may be interested in pre-negotiating a trade.
2. If the other counterparty wishes to do the trade, you can then take the matched order to your broker for completion, by following steps 2 – 4 above. The trade is only executed successfully if and when these steps have been finalised.

Please note it is possible that the buyer and seller may not achieve a totally filled order if during step 4 above market conditions prevent the trade occurring (this can be either partially or totally). Counterparties can take their pre-negotiated orders to the same broker or each counterparty can contact their preferred broker.

### **DON'T...**

- > Match trade with clients who don't have authorisation to transact off-market trades.
- > Forget to issue an RFQ.
- > Delay completion of trade after 30 seconds.
- > Violate bid or offer with trade.
- > Expect that trade is complete until it has been confirmed by your broker.
- > Reveal identity of counterparties to a third party not involved in the trade (clients remain anonymous when trading futures).

## MECHANISM: STRIP TRADING FACILITY

**TIMING: 9.00AM – 4.00PM**

**Definition:** A strip trade is defined as a trade where four (4) consecutive quarters of a futures product (with the same volume for each of those traded quarters) are bought or sold simultaneously at a weighted average yearly price.

### STEPS/ TO DO:

#### Trader places order for a Fin Year or Cal Year Strip

1. Orders can be placed directly into trading system / ASX TRADE 24 using strip codes
  - HN, HV, HQ, HS (Base strip)
  - DN, DV, DQ, DS (peak Strip)
  - ON, OV, OQ, OS (Off-peak strip)
  - RN, RV, RQ, RS (Cap strip)
2. Once trade is executed, the ASX 24 will apply the process outlined in the ASX 24 Operational Policies Document (which can be found at [http://www.d-cyphatrade.com.au/trading/operational\\_policies](http://www.d-cyphatrade.com.au/trading/operational_policies)) to allocate the component Base and/or Peak quarter futures prices ASX 24 will present the derived Strip Leg Prices to the broker for immediate registration. Your broker will then register these prices through the ASX SFEIN system.
3. In the event that brokers do not register allocated price levels within 10 minutes, ASX 24 will immediately register the derived price levels and charge the broker responsible \$325 + GST administration fee.
4. Once the trade and strip allocation has been completed, both parties will be notified of the quarterly breakdown and prices will be published on the ASX 24 website.

### DON'T...

- > Delay registration of derived price levels beyond 10 minutes.
- > Allocate levels without using the pre-determined allocation method as set out in the ASX 24 Operational Policies Document.

## MECHANISM: CUSTOM MARKET

**TIMING: 9.00AM – 4.00PM**

**Definition:** The ASX TRADE 24 Custom Market is available for non-standard, infrequently traded spreads or other strategies where the ASX 24 has not designated a predetermined market on ASX TRADE 24. The Custom Market accepts spread orders in futures, strips, caps and option products.

Brokers or market participants may enter an order for any combination of up to six outright futures, caps, options, and/or strip contracts on the ASX 24 Custom Market. Custom Market orders are matched according to price and time priority.

**Potential Applications:** transacting options with deltas, off-peak, Apr-Dec, Jan-June, July-Dec and inter-regional spread orders.

### STEPS/ TO DO:

#### Trader places order for a non-standard spread with broker

1. Broker/client must determine legs (prices, spread ratio and volume) before the order can be entered into Custom Market.
2. Prior to entry of the order your broker will send a CRFQ to all users.
3. Your broker will then enter the Custom Market order specifying strategy volume, ratio and individual contract prices.
4. The order is now active on the ASX 24 Custom Market and can be traded via ASX TRADE 24 by other ASX 24 Participants. Custom Market prices are available via a number of ASX 24 Participant's front-end systems. Given their infrequent and non-standard nature, custom market prices are not disseminated by all data vendors.
5. If the order is executed, your broker will notify you, confirming the prices specified upon order entry.
6. Only the volume (not prices) of a ASX 24 Custom trade will be reported via ASX TRADE 24.
7. Custom Market information can be viewed on the d-cyphaTrade website via the following link:  
[http://www.d-cyphatrade.com.au/market\\_custom](http://www.d-cyphatrade.com.au/market_custom)

### DON'T...

- > Enter orders into the Custom Market, where an equivalent designated market exists.

## MECHANISM: REQUEST FOR QUOTE (RFQ)

**TIMING: 9.00am – 4.00pm**

**Definition:** The Request for Quote (RFQ) is a facility provided through ASX TRADE 24 to enable market participants to ask for a quote in any product, spread or strategy in which they have an active order.

An Expression of Interest (EOI) may be released if a client is looking for interest in a specific product but is not currently working an order.

### STEPS/ TO DO:

**Trader is looking for a quote (or specific volume) in a particular product, where there is currently no bid or offer (or required volume) AND importantly is already working an order.**

1. If there is no opposing quote (or sufficient size) in the product you're working an order in, then you may ask your broker to post a Request for Quote (RFQ) to get a price (and/or volume) in that contract.
2. Market Makers may respond to RFQ's; however any market participant can respond if they have interest in the particular product. The client requesting the quote has no obligation to trade on the price obtained.

### DON'T...

- > Expose identities of counterparties (clients remain anonymous when trading futures).
- > Issue an RFQ (as a broker) unless you have an active order.

## MECHANISM: EXCHANGE-FOR-PHYSICAL (EFP)

**TIMING:** EFPs may be agreed at any time however they may only be registered between **7:00am and 5:00pm.**

**Definition:** An Exchange-For-Physical (EFP) is an off market transaction which involves (substantially) similar and opposite (i.e. bought versus sold) over-the-counter (OTC) positions and futures positions. The OTC transaction must be for the same or similar quantity or amount of electricity, or a substantially similar commodity or instrument. The OTC side of the EFP can include electricity swaps, swap options and other such instruments traded in the OTC market.

**Potential Application:** to eliminate existing OTC credit default exposures or to free-up counterparty credit lines in an OTC portfolio. For example, if you are trying to trade with a particular counterparty and you discover that OTC credit is constrained, you may enter into negotiations to transfer pre-existing OTC exposures onto the futures market to free up credit lines.

### STEPS/ TO DO:

An EFP can either be negotiated directly between two counterparties or through any advisor licensed to deal in futures.

Counterparties to an EFP transaction must have:

- Executed Client Agreement Forms and acknowledged Risk Disclosure Statements with organisations licensed to deal in futures.
- Opened an account with an ASX 24 clearing broker.

### (A) Trader brings an already negotiated EFP transaction to their ASX 24 broker.

1. Your broker will register the transaction with the ASX 24 through ASX SFEIN. To do this, your broker will need the following details (e.g. via email or facsimile):
  - The futures contract, period, quantity and price.
  - The identity of the other counterparty's ASX 24 clearing broker.
  - ASX 24 brokers must obtain or have the right to access documentation confirming the details of the 'OTC' component to an EFP transaction.
2. Once all details of the order have been matched in ASX SFEIN by both counterparties' ASX 24 Participants, the exchange will confirm the transaction.
3. Your ASX 24 Participant will then inform you that the EFP has been completed and registered.

### (B) Trader asks broker to find the other side of an EFP they have interest in.

1. Your broker will contact other clients to try and find opposing interest in the trade. Brokers/clients do not need any additional paperwork to cover this type of negotiation.
2. Once a trade has been agreed your broker must register the trade (as per scenario (A) point 1, 2 and 3)

Please note:

- It is also possible to execute an EFP in the reverse direction of the above examples, by reversing an existing futures position into an OTC position.
- It is also possible to initiate an EFP where no futures or physical (OTC) transaction previously existed.

### DON'T...

> Delay registration of EFP. Once agreed, EFPs must be registered ASAP.

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