

UPDATE 20

July 2008

[U20.01] **Australian Gas Trading Addendum**

At the request of AFMA, Johnson Winter & Slattery has updated section 3.12 of the AFMA "*Guide to Australian OTC Transactions*" to incorporate the trading of Cash-Settled Gas Transaction with reference to the Victorian gas market prices.

Changes to section 3.12 of the *Guide* include:

- amendments to section 3.12.4.10 to incorporate a new Part C in the Australian Gas Trading Addendum (edition July 2008); and
- inclusion of a new section 3.12.4.30 to incorporate a sample confirmation for a cash settled gas derivative transaction referable to the Victorian gas market prices.

The Victorian Gas Market operates as a net pool which settles imbalances between gas injected and withdrawn at a market price determined periodically throughout each day. As a significant volume of gas may be traded on this market in a day participants in this market identified a need to enter into derivatives to swap the Victorian market prices for gas with a fixed price in order to hedge their exposure to the market prices.

Part C sets out the terms applicable to cash settled gas derivative transactions and nominates as a default position the market price of gas applicable at 6am, as a significant volume is traded based on this price. The prices at the other scheduling horizons (10am, 2pm, 6pm and 10pm) are applicable to changes in volume from those initially forecasted.

The Confirmation contains details of the other reference market prices to allow the parties to select such prices in place of the default price. The Confirmation also contains details of 5 other reference prices, one being the average of the 5 market prices and 4 others being imbalance prices published by VENCORP in the Master MIBB Report List.
