

**UPDATE 15**  
**September 2006**

**Contents**

[U15.01] 2005 ISDA Commodity Definitions

[U15.02] RECs

[U15.03] Addendum No. 13

[U15.04] Credit support

## **[U15.01] 2005 ISDA Commodity Definitions**

In 2005 ISDA published the 2005 ISDA Commodity Definitions, including Exhibits and an Annex. The 2005 ISDA Commodity Definitions are designed to document cash settled commodity swaps, basis swaps, options, caps, collars, floors, swaptions and commodity index transactions. Part 20 has been amended on the assumption that participants are using the 2005 ISDA Commodity Derivatives instead of the previous 1993 ISDA Commodity Derivative Definitions. Care should be taken if that is not the case.

In conjunction with preparing the original version of this part 20 (then a part 19A), Mallesons Stephen Jaques prepared the original “March 1996 NSW State Electricity Market Addendum No. 1 - Electricity Transactions”. That Addendum was designed to set out standard terms to apply to each hedge that may be entered into between participants based on the then separate New South Wales pool price. The original part 19A was designed to be used only for documenting cash settled forward electricity commodity transactions. In conjunction with a previous updating of part 20, Mallesons Stephen Jaques has amended that addendum (now the “June 2006 Australian Electricity Addendum”) so that it applies to the full range of transactions that may be documented under the 2005 ISDA Commodity Definitions.

By publishing Update 15, AFMA is not to be taken to be recommending that parties re-document existing trades under the 2005 ISDA Commodity Definitions instead of the previous 1993 ISDA Commodity Derivatives Definitions.

Commentary referencing the 1993 ISDA Commodity Derivatives Definitions can be found in the history versions of Part 20 of this Guide replaced on 1 July 2006. Of course, care needs to be taken when using historical commentary to ensure that all relevant legal issues are taken into account.

Generally, and subject to the comments in the previous paragraphs, given that there are a number of improvements in the more recent definitions, we recommend that it is preferable for parties to agree to adopt the 2002 ISDA Commodity Definitions for future trades. In the transitional period, participants should exercise care, and consider the consequences for existing trades of amending the schedule to the ISDA Master Agreement to contemplate the 2005 ISDA Commodity Definitions.

## **[U15.02] RECs**

Part 20 previously addressed both electricity transactions and also renewable energy certificate (“REC”) transactions. Material relating to RECs has been deleted and may now be found in Part 31.

## **[U15.03] Addendum No. 13**

Addendum No. 13 has been amended so that it now applies only to electricity Transactions and the 2005 ISDA Commodity Definitions. It is now called the June 2006 Australian Electricity Addendum.

## **[U15.04] Credit support**

New material has been inserted in Part 20 as a guide for parties that wish to adopt electricity specific provisions for credit support.