

Guidance Note

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Version 1

Key concepts:

Daily Settlement Price

Related information:

FGL Operating Rules

Part 4.7

Recommended Audience:

Trading Participants, Clearing Entities, clients of these parties and other market stakeholders.

Previous Issues:

Nil

GN 56 – Daily Settlement Price for Power Contracts

Introduction

The purpose of this Guidance Note is to describe how the Exchange calculates the Daily Settlement Price for Power Contracts.

Guidance

Definitions

PDSP: The prior day's Daily Settlement Price for the contract.

Settlement Order: An order entered before the start of the Settlement Order Period and that remains in the system till the close. The order maintains a minimum volume of at least 5 lots throughout the Settlement Order Period. If its Price or Volume is modified during the Settlement Order Period then the lowest volume during and the worst price (lowest Price in the case of a Bid and Highest Price in the case of an Offer) during the Settlement Order Period will be used in the following calculations.

Settlement Order Period: The last 10 seconds before the daily close of trading.

Daily Settlement Price: The settlement price determined on a daily basis.

Settlement Trade Period: The last 120 seconds before the close of trading.

Strip Orders: A strip order that is a Settlement Order will be decomposed in to its component leg orders using the Strip Decomposing Algorithm. These component leg orders will then be used in the below calculation as if they existed as outright orders in the component future.

Strip Trades: Strip trades that occur within the Settlement Trade Period will be decomposed in to their component legs using the Strip Decomposing Algorithm. These component leg trades will then be used in the below calculation as if they occurred in the component future.

VWAP: Volume Weighted Average Price.

Calculation of individual Power Futures Contracts

Notes: Block trades and EFP trades will not be used in the calculation of daily settlement prices

Scenario Summary

Has the Product Traded	Any Settlement Orders?	Any Trades in the Settlement Trade Period	Calculation of individual Power Futures Contracts
N	N	N	Then the current Reference Price will be compared to the PDSP, and examination of price movements over the day in the underlying market as well as prices available from industry sources will be used to establish the Daily Settlement Price.
Y	N	N	Then the trade price of the latest trade will be used as the Daily Settlement Price.
N	Y	N	Then the PDSP, if it is at or inside the best Settlement Order Bid and Offer Price will be used as the Daily Settlement Price. or If the PDSP is outside of the best Settlement Order Bid and Offer price then the best Bid or Offer price closest to the PDSP will be used as the Daily Settlement Price.
Y	Y	N	Then the trade price of the last trade, if it is at or inside the best Settlement Order Bid and Offer Price will be used as the Daily Settlement Price. or If the trade price of the latest trade is outside of the best Settlement Order Bid and Offer price then the best Bid or Offer price closest to the latest trade price will be used as the Daily Settlement Price.
Y	N	Y	Then VWAP of all trades during the Settlement Trade Period will be used as the Daily Settlement Price
Y	Y	Y	Then the following steps will be taken to determine the Daily Settlement Price: <ul style="list-style-type: none"> • Calculate the VWAP of all trades during the Settlement Trade Period • Calculate the VWAP of all Settlement Orders that are better than the trade(s)' VWAP. • Settlement Price will be the VWAP calculated using the two above calculated VWAPs and their respective volumes.

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