



# ASX 24 Cancellation Ranges:

## Proposals for Change to Energy Products and QCR process - ASX Consultation Paper

December 2021



## Invitation to comment

ASX is seeking submissions in response to this consultation paper by 18 February 2022. Submissions should be sent to:

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ASX Limited  
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Sydney NSW 2000

PO Box H224  
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Attention: Brendan Sweeney  
ASX prefers to receive submissions in electronic form.

If you would like your submission, or any part of it, to be treated as confidential, please indicate this clearly. All submissions will be provided to regulators on request. Submissions may also be published on the ASX website, unless they are clearly marked as confidential or ASX considers that there are reasons not to do so.

## Contacts

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## Executive Summary

This consultation paper outlines a number of potential changes to the cancellation ranges and cancellation process that ASX is currently reviewing for the ASX 24 market. In summary ASX will be looking for feedback on:

- Cancellation ranges that are currently prescribed under section 3200.9 of the ASX 24 Operating Rules Procedures in the Electricity Market Base Load Cap products
- The consent time for QCR across all ASX 24 products moving from 5 minutes to 10 minutes
- Any additional aspects of the Cancellation Process that Participants are looking to raise with ASX

ASX invites submissions on the options set out in this paper as well as any alternative approaches that market users may wish to raise for consideration. ASX welcomes feedback on the options individually and in combination.

Following the completion of the consultation, ASX will provide market participants with further information on any agreed changes and the timeline for implementation.

If you or your organization would like to discuss this topic further, please contact ASX (see contact details on page 2)

Written responses should be addressed to ASX by no later than 18 February 2022.

## 1. Change the ETR range for Australian Electricity Base Load Cap futures products

### 1.1 Background and Purpose of this Proposal

As part of our obligations under the ASIC Market Integrity Rules (MIRs), ASX maintains under its own operating rules a series of prescribed ranges related to placing executed trades into either the Non Cancellation Range (NCR), Qualifying Cancellation Range (QCR) or Extreme Trading Range (ETR).

ASX regularly reviews these cancellation ranges to determine if they are appropriate and identify if any changes are required. After reviewing the cancellation ranges for Australian Electricity Base Load Cap futures ASX is proposing to change the start of the ETR range to be either 15% or \$1 whichever is greater. The purpose of this change is to ensure that valid market transactions do not fall in to the ETR cancellation range when the price for Australian Electricity Base Load Cap futures is low.

#### Current ETR

| Futures Contracts<br>% means distance<br>from Reference Price | NCR     | QCR (Lower<br>Limit) | QCR (Upper Limit) | Start of ETR |
|---|---------|----------------------|-------------------|--------------|
| Base Load Electricity<br>Cap                                  | 3% DP*  | > 3% DP              | ≤ 15% DP          | >15% DP      |
| Base Load Electricity<br>Cap Strip                            | 1.5% DP | > 1.5% DP            | ≤ 15% DP          | > 15% DP     |

\*Determined Price

#### Proposed new ETR

| Futures Contracts<br>% means distance<br>from Reference Price | NCR     | QCR (Lower<br>Limit) | QCR (Upper Limit) | Start of ETR                            |
|---|---------|----------------------|-------------------|---|
| Base Load Electricity<br>Cap                                  | 3% DP*  | > 3% DP              | ≤ 15% DP          | >15% or >\$1 DP (whichever is higher)   |
| Base Load Electricity<br>Cap Strip                            | 1.5% DP | > 1.5% DP            | ≤ 15% DP          | > 15% or >\$1 DP (whichever is higher). |

\*Determined Price

#### Example

| If the Determined Price is: | Outcome under current rules | Outcome under proposed rules |
|-----------------------------|-----------------------------|------------------------------|
| \$1.50                      | ETR is \$1.275 or \$1.725   | ETR is \$0.50 or \$2.50      |

|        |                         |                                  |
|--------|-------------------------|----------------------------------|
| \$3.00 | ETR is \$2.55 or \$3.45 | ETR is \$2 or \$4                |
| \$8.00 | ETR is \$6.80 or \$9.20 | Unchanged as percentage is used. |

### 1.2 Potential benefits:

- Ensures Australian Electricity Base Load Cap futures that are trading at low prices are not inadvertently included in the ETR.

### 1.3 Potential impacts:

- ASX sees no potential risks as this proposal is an enhancement to current Trade Cancellation rules.

## 2 Amendment of the QCR consent timeframe from 5 minutes to 10 minutes

### 2.1. Background and Purpose of this Proposal

Consideration has been given to the appropriate timeframe for consent to cancel a trade identified as being in the Qualifying Cancellation Range (QCR) under Procedure 3200.5. Market feedback has been that the current 5 minute cut off period to consent to a QCR request is too short a timeframe to be able to effectively contact underlying clients and confirm their intentions. There is also a need for the timely processing and communication to the market of the outcome of a cancellation request. Previous consultation (feedback) has indicated the need for quick trade certainty. However that is also balanced by the need to provide to participants a practical amount of time to speak to clients and obtain consent to cancel trades when a trade has been identified by ASX as being in the QCR.

Currently the cut off for consent to cancel a trade in the QCR range is 5 minutes. Based on market feedback, ASX is proposing to amend the time to 10 minutes in order to better facilitate participants communications with clients around their intentions when an error is claimed. This change would apply for all markets and products traded on ASX 24.

Current wording of ASX Operating Rule 3200.5:

#### Procedure 3200.5 – Market Operator Determinations and Cancellation Ranges

- (a) On receipt of the email request, the Market Operator will refer to the Reference Price for the contract and then assess whether the trade qualifies for cancellation as follows:

| Range  | Outcome   |
|--|---|
| At or within the NCR (No Cancellation Range)         | The trade will not be cancelled   |
| At or within the QCR (Qualifying Cancellation Range) | The trade will only be cancelled if the Participant counterparty to the trade consents within 5 minutes of the request.   |
| At or within the ETR (Extreme Trade Range)           | The Market Operator will cancel the trade subject to any exception under Rule [3210]. If a Participant has requested a cancellation and the trade is determined by the Market Operator to be within the ETR, Rule [3200] ceases to apply and Rule [3210] applies. |

### 2.2 Potential benefits:

- Gives participants more time to contact clients and confirm their intentions
- Allows for more accurate outcomes in relation to QCR cancellation requests, which will likely lead to more requests being agreed to
- Allows for more time to confirm when multiple trades have been identified as QCR that could have multiple underlying clients

### 2.3 Potential impacts:

- Pushing out the cut off delays the communication of the decision to the market by a further 5 minutes
- Participants wishing to hedge an error position if the cancellation is not agreed to could potentially be delayed a further 5 minutes

### 3. Questions for Feedback

#### Change the ETR range for Base Cap electricity products

ASX is seeking written replies to this consultation paper and specifically to the questions below:

1. Should ASX amend the Extreme Trade Range for the Base Load Electricity Cap products so that the range is >15% or \$1 DP (whichever is higher) (Please tick)

- YES  
 NO

2. If you answered NO to Question 1, is the ETR for the Base Load Electricity Cap products appropriate? (Please tick)

- YES  
 NO – Please specify what the ranges should be:

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3. If the ASX proceeds with this proposal, is a 6 week notice period sufficient from the implementations date?

- YES  
 NO – A 3-month notice period is required

#### Change the QCR consent time from 5 minutes to 10 minutes

4. Should ASX amend the time given to consent to a cancellation that has been identified as being in the QCR from 5 minutes to 10 minutes? (Please tick)

- YES  
 NO

5. If you answered NO to Question 1, is the current 5 minutes appropriate? (Please tick)

- YES  
 NO – Please specify what the amount of time would be appropriate:

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6. If the ASX proceeds with this proposal, is a 6 week notice period sufficient from the implementations date?
- YES
  - NO – A 3-month notice period is required

**Additional feedback on the Cancellation Process**

7. Are there any other aspects of the Cancellation Process that you would like to raise with ASX?

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