

## Annex B – Worked Example for Hedging Requirements

Example 1: Retailer A has three contracted consumers as of 1 Jan 2024. Projection Period is from 1 Jan 2024 to 31 Dec 2025.

	Contract Type	Projected Average Load (MW)	Remaining Contract Tenure (Days)	Monthly load assuming 30 days per month (MWh)
<b>C1</b>	Fuel-Indexed	100	1,095	72,000
<b>C2</b>	Fixed @ \$250/MWh	20	730	14,400
<b>C3</b>	5% Discount-off-Tariff (DOT)	5	365	3,600

1. Based on the minimum hedging requirements of 80% for the next 24-month period (“Projection Period”), Retailer A must hedge at least:  $[(100+20+5) \text{ MW} \times 24 \text{ hours} \times 365 \text{ days} \times 80\%] + [(100+20) \text{ MW} \times 24 \text{ hours} \times 365 \text{ days} \times 80\%] = 1,716,960 \text{ MWh}$  in Jan 2024 over the Projection Period.

- a. For C1 and C2, Retailer A needs to hedge the volumes within the rolling 24-month window (i.e. 730 days). Retailer A need not hedge the volumes for contract C1 after the rolling 24-month period.
- b. For C3, Retailer A needs to hedge the volumes for C3 within the remaining contract tenure (365 days), and does not need to hedge the volumes for C3 after the contract expires in 12 months. If C3 is subsequently renewed, Retailer A must hedge for the renewed contract tenure by the next reporting deadline (i.e. 1 Feb 2024).

2. Retail contract volumes that are 100% indexed to Wholesale Electricity Prices are exempt from the hedging requirements.

3. For the remaining 20% = 429,240 MWh, Retailer A will need to post a Performance Bond (PB) to EMC in cash, or in the form of Banks’ Letter of Credit or Payment Guarantee. This will be calculated as the unhedged quantity over the Projection Period, multiplied by the difference between (i) a specified stress-test WEP which EMA proposes to use the Temporary Price Cap (“TPC”) to be introduced, and (ii) the contracted retail price. Retailer A will need to post a PB as follows:

### [Assumptions]

Price under contract C1 (fuel-indexed) is calculated as \$300/MWh based on prevailing fuel prices for Jan 2024

TPC = 2 x Spot Gas LRMC = \$900/MWh based on prevailing spot JKM forward prices for Jan 2024, calculated in Dec 2023

Vesting LRMC in 1Q 2024 = \$230/MWh

<b>PB for C1</b>	= 100 MW x 24 hours x 730 days x 20% x (\$900 - \$300)	= \$210,240,000
<b>PB for C2</b>	= 20 MW x 24 hours x 730 days x 20% x (\$900 - \$250)	= \$45,552,000
<b>PB for C3</b>	= 5 MW x 24 hours x 365 days x 20% x (\$900 - \$218.5)	= \$5,969,940

**Total PB to be posted for Jan 2024:** \$261,761,940

4. The minimum hedging requirement of 80% also applies on a per-period basis. For example, if the hedges in a given period(s) do not meet 80% of projected load profile for part of the day even though Retailer A has hedged at least 1,716,960 MWh in total, EMA will consider the Retailer as not having met the requirement for the period(s). Retailer A will be required to put up an additional PB quantum to for these unhedged quantities on top of the amount in paragraph 2.

5. Where Retailer A holds additional hedges beyond the minimum 80% requirement, the additional hedge volume may be used to offset the PB requirement.