

## What is a rollover?

A rollover on a BPC allows the producer to transfer the basis portion of their contract to another basis month. Producers can roll to an earlier or later basis month. The administration cost is \$1 per tonne, per roll. Since BPCs must have their futures components priced before the futures month expiry date, the benefit to the producer is an extended length of time to price the futures portion of the contract. This extra time allows for more opportunity to take advantage of potential futures market rallies.

## When to roll a basis

Producers have the option to roll the unpriced portion of a BPC to another futures month. When a basis is rolled, it will be adjusted in value by the spread between the two futures months.

### Example

A producer locks in a CWRS December basis at \$12.31 per tonne over the Minneapolis futures. On September 15, the producer checks the settlement prices on the pricing schedule and finds the December futures settled at \$209.85 Cdn per tonne, and March futures settled at \$214.85 Cdn per tonne. If the producer rolled the basis on that day, the adjusted basis would be \$5 per tonne less at \$7.31 per tonne, due to the carry between December and March futures. If, however, the futures market were inverted by \$5 per tonne i.e. the December futures trading above the March futures, the producer's basis would improve by \$5 per tonne, to \$17.31 per tonne over the futures.

	Original December basis	December futures	March futures	Futures spread	March basis
Carry	\$12.31	\$209.85	\$214.85	-\$5.00	\$7.31
Inverted	\$12.31	\$209.85	\$204.85	\$5.00	\$17.31

## Basis contract month expiry dates

Futures month	Expiry date	Last opportunity to lock in futures
December 2006	November 29, 2006	7:30 a.m. November 30, 2006
March 2007	February 27, 2007	7:30 a.m. February 28, 2007
May 2007	April 26, 2007	7:30 a.m. April 30, 2007
July 2007	June 28, 2007	7:30 a.m. June 29, 2007

**Note:** Rolls can be completed between any available futures months.

## Administration fee

A \$1 per tonne rollover fee is charged for each rollover transaction. If a producer rolls a December basis directly to July, the total fee is \$1.00 per tonne. If the same contract was rolled on three separate occasions, from March, May, and July, the administration fee would add up to \$3.00 per tonne. Rolling directly to July can save the producer \$2 per tonne. Rollover fees are collected when the CWB issues additional payments for BPC settlements.

## What is it?

In the event producers wish to reduce their PPO contract obligations, one of their contract options is to complete a transfer (contract assignment). Transfers involve completing an assignment form, available from the CWB, to assign all or a portion of their contracted tonnage to another producer. The form must indicate contract number and tonnage to be transferred, and signed by the assignor (producer transferring the contract) and assignee (producer taking over the contract).

Call the CWB at  
**1-800-275-4292**  
to arrange your  
assignment.

The form can be faxed or mailed back to the CWB.

When an assignment form is requested, the CWB will forward two copies of the contract summary and the terms and conditions of the contract being assigned to ensure the assignee is fully aware of the contract details. The assignor is responsible to provide to the assignee a copy of the statements and terms. As part of the transaction, the assignee **must be** provided with the documents and sign-off the assignment form. The CWB will confirm the assignment to both parties upon processing.

A new contract will be generated and an information statement will be mailed to the assignee along with a copy of the contract. The assignor will receive an updated contract, indicating the reduced tonnage. If the contract was completely transferred, the assignor will receive a confirmation statement. Transfers must be a minimum of 20 tonnes, or if the balance of the outstanding tonnes on the contract is less than 20 tonnes, this tonnage can be transferred as a single transaction.

## Prices and forms

The transfer cost is \$15.00 per transaction, and will be charged to the assignor. The administration fee is deducted from their future CWB payments. If the assignment involves a Basis Payment Contract that has been rolled, the \$1 per tonne administration fee transfers to the assignee. Producers wanting to assign their PPO commitments may contact the CWB for possible matching opportunities, but are responsible for completing their own assignment.

### Example

On May 15, Bob signs a BPC for 500 tonnes of CWRS. In September he encounters reduced yields and only has 400 tonnes of total CWRS production. Bob finds a neighbor who wants the benefits of a BPC and is willing to sign up 100 tonnes of production. Bob contacts the CWB to arrange the transfer of 100 tonnes of his BPC to his neighbor. The CWB sends the forms to Bob, who, along with his neighbor signs and returns them to the CWB. The assignment of 100 tonnes from Bob's BPC contract to his neighbor is complete. Bob pays the \$15 administration fee and now has a BPC commitment of 400 tonnes.