

## Customer Information

# EEX Nordic Zonal Futures

## FAQ

Leipzig, January 2024

Dear trading participants,

The European Energy Exchange (EEX) has announced its commitment to introduce Zonal Futures for the Nordic markets on 25 March, 2024.

We collated the most frequently asked questions as per below, and please do not hesitate to reach out to your key account manager or our sales team, if you have any further enquiries.

Yours sincerely,

The EEX Team

# Section 1 – EEX's Extended Offering for the Nordics

## 1.1 What are EEX's plans for the Nordic market?

EEX has a track record of building secure, successful and sustainable markets together with partners and customers. Encouraged by extensive positive feedback from Nordic market participants, it will list Nordic Zonal Futures for all 12 Nordic bidding zones, in line with its existing product offering for European power markets. In addition, EEX spread trading facility will be opened to facilitate location spread trading between Zonal Futures, as well as between the Nordic System Price Futures and Zonal Futures.

## 1.2 When will the new zonal products go-live?

The go-live date is 25 March 2024.

## 1.3 Does EEX list Nordic System Price Futures contracts?

Yes, EEX lists Nordic Power System Price Futures with the underlying benchmark based on the Nordic Elspot System Price as determined by NordPool. The current week and the next four weeks, the current month and the next six months, seven quarters and six years are currently available for trading. EEX has no plans to de-list these Nordic System Price Futures.

On 25 March 2024, EEX will extend the available expiries for the Nordic System Price Futures from seven to eleven quarters, and from six to ten years.

## 1.4 What is the status of the Nasdaq transaction?

The introduction of zonal futures is completely independent of the proposed transaction with Nasdaq, which is currently being reviewed by the European Commission. EEX is working constructively with the European Commission. There is no timeline available for the clearing of the transaction at this stage.

## Nordic Zonal Futures – Product Details

### 1.5 Which Nordic Zonal Futures products will be listed?

EEX will list zonal base load futures for all 12 Nordic bidding zones across Denmark, Norway, Sweden and Finland. The scope of available maturities for each bidding zone will vary according to specific factors. These include the presence of interconnectors with continental markets, prevalence of renewable energy capacity, and existing liquidity.

For example, Denmark will be offered with all maturities from Days to Years, due to its interconnectors with Germany and high volume of wind power causing volatility and demand for short-term trading.

Country	Bidding Zone	Base Load Futures
Denmark	DK1, DK2	Day, Week-end, Week, Month, Quarter, Year
Finland	FI	Month, Quarter, Year
Sweden	SE1	Month, Quarter, Year
	SE2, SE3, SE4	Week, Month, Quarter, Year
Norway	NO1, NO2	Week, Month, Quarter, Year
	NO3, NO4, NO5	Month, Quarter, Year

*Bidding zones grouped according to maturities offered.*

### 1.6 What will be the spot market reference for the Nordic Zonal Futures?

The benchmarks for the Nordic Zonal Futures represent the arithmetic mean of all hourly auction prices of the Base contracts within the respective delivery period (Day/Weekend/Week/Month) for the respective market area (bidding zone). The hourly prices are from the Day-Ahead auction of the electricity exchange EPEX SPOT SE. The benchmark will be provided by EEX AG, which is a registered benchmark administrator under Regulation (EU) 1011/2016.

EPEX SPOT is a licensed NEMO ("Nominated Electricity Market Operator") in the Nordic region. EPEX SPOT is required to calculate and publish electricity prices in a harmonized way across all Nordic bidding zones. This harmonization is done through a common algorithm known as EUPHEMIA, which simultaneously calculates the amount of energy to be exchanged between zones and the prices for the day-ahead market in each market area. This means that the day-ahead electricity spot prices in the Nordic bidding zones will be strictly the same across EPEX SPOT and other exchanges active in the Nordic region.

### **1.7 What will be the settlement price window for the new Nordic Zonal Futures?**

In line with the current settlement procedure for EEX Nordic Power Futures (System Price Futures), the determination of the daily settlement prices (settlement window) for the new EEX Nordic Zonal Futures will take place between 3:50 pm – 4:00 pm CE(S)T.

### **1.8 How does EEX plan to calculate settlement prices for illiquid zonal futures?**

EEX is accustomed to settling markets and maturities with varying liquidity. Daily settlement prices are determined on the basis of trades concluded at EEX and/or orders entered into the trading system during a specified period of time (the settlement price window). If no such market data is available additional data, such as fair values obtained via a “Chief Trader Procedure”, data from index or data providers or other market places, are used to determine daily settlement prices. Please see here our complete settlement price procedure.

### **1.9 What fee will be charged for the new zonal products?**

Please refer to our standard transaction fees according to the EEX AG price list and ECC price list.

### **1.10 What are the product codes and contract details for the new Nordic Zonal Futures?**

The product codes for new Nordic Zonal Futures are already available and can be found online at: <https://www.eex.com/en/markets/trading-ressources/contract-details-product-codes>

The contract details including delivery dates will become available in due course on the same webpage, once the go-live date of zonal futures is announced.

The contract specifications can be found in the Nordic Zonal Futures presentation on our dedicated website: <https://www.eex.com/en/markets/power/nordic-power-markets>.

### **1.11 I would like to trade additional maturities (ie. Days, Years) which are not in the current plans. Who do I send my request to?**

EEX continuously listens to the needs of the market and adds more products and maturities as per market demand and development of liquidity. Please share any feedback or interest in additional maturities with your Key Account Manager or by emailing [sales@eex.com](mailto:sales@eex.com)

## Nordic Zonal Futures – General Q&A

### 1.12 What are the advantages of zonal futures for Nordic players?

The current Nordic power market model has a unique structure of Nordic System Price Futures as a virtual hub, and EPAD contracts for localised hedging. With the introduction of zonal futures for each Nordic bidding zone, EEX will give market participants a broader choice where and how to hedge their price risks. Zonal futures, which are the standard products in all other European power markets, have certain benefits:

#### 1. More efficient management of risk and collateral

Zonal futures will allow for trading the outright price of a bidding zone. Trading a zonal future is therefore the economic equivalent of trading a Nordic System Price Future and EPAD combined. This means that market players will no longer have to enter two transactions to hedge their exposure to local power prices. With zonal futures only one trade is needed for hedging basis risk. This will result in better and more efficient management of risk and collateral.

#### 2. Wider pool of market participants

Furthermore, Nordic players will be able to do location spread trading across zones in the Nordic region, and to the continent. Location spread trading will be offered for Nordic bidding zones which are interconnected with continental markets, and inter-zonal as per market demand. This is seen as a key measure to increase overall liquidity in the Nordic region, as it allows for EEX's network of pan-European traders to access the market and execute geographic trading strategies and capture cross-margining efficiencies.

#### 3. Improved price transparency

Finally, listing zonal futures will also improve price transparency for the individual Nordic bidding zones through the publication of daily settlement prices.

### 1.13 Will there be market makers for Nordic Zonal Futures?

To foster the development of liquidity in the Nordic market region, EEX will offer market making schemes for the Nordic System Price Futures and selected Nordic Zonal Futures, intended to be rolled out through a tender procedure. EEX invites all interested direct and indirect trading participants of EEX to participate in this procedure. For more detailed information please get in touch with the EEX Sales Team (sales@eex.com or +49 341 2156-555).

### **1.14 There are several bidding zones with low liquidity, how does EEX see this developing?**

In the case where there are multiple bidding zones in a country, liquidity pools are expected to arise. In this case proxy hedging will allow traders to best balance price risk and liquidity risk.

Location spread trading also promotes liquidity in less liquid zones through the creation of implied orders in the order book. For more explanation on this, please see the section on location spread trading below.

### **1.15 Will EEX list EPADs as well?**

No, we will not list EPADs. However, EEX's spread trading functionality will also be available between Nordic System Price Futures and Zonal Futures.

### **1.16 Will EEX offer zonal futures for the Baltic countries?**

EEX will not list zonal futures for the Baltic countries in 2024. Nevertheless, EEX will carefully evaluate potential interest from market participants in such products.

## **Location Spread Trading**

### **1.17 What is location spread trading?**

Location spread trading is a technical functionality that allows for the simultaneous execution of two combined orders in at least two different contracts in a synthetic order book. Linked order books also generate automatic multiplication of explicit orders – see below example.

### **1.18 How does the location spread trading functionality help create liquidity?**

An explicit buy order in an outright future order book and an explicit sell order in another outright order book, will be automatically mirrored in the respective location spread order book. Price discovery is achieved and trading opportunities and thereby liquidity is facilitated. Market participants can efficiently hedge against regional price risks and contribute to increased price discovery and liquidity in linked markets.

**Example: System Price-NO3 Location Spread**

An explicit buy order in the SYS order book and an explicit sell order in the SYS-NO3 location spread order book will lead to an implied buy order in the NO3 order book.



The automatic multiplication of explicit orders into implied orders generates trading opportunities by bridging liquidity from an anchor market into less liquid markets.

**1.19 Which location spreads will be offered for EEX Nordic products?**

EEX will enable location spread trading for following products:

- Between Nordic Zonal Futures
- Between Nordic Zonal Futures and Nordic System Price Futures
- Between EEX continental power products, Nordic Zonal Futures and Nordic System Price Futures

In particular, EEX believes location spread trading will enable capturing trading interest arising from the need for inter-zonal hedging in the Nordics, along with increasing interconnection capacity between the Nordic bidding zones and Continental power markets.

The full list of possible location spreads is shown in the Nordic Zonal Futures presentation available on the EEX Nordic website.

**1.20 Will spread trading result in a single position in that particular location spread or in two positions in the respective outright contracts?**

A location spread is not an outright contract, but just a trading functionality. Therefore, spread trading will result in two positions in the underlying legs. For example, executing a buy order in a SYS-NO1 location spread will result in a long position in the SYS contract, and a short position in the NO1 contract.

## Section 2 - Access

### 2.1 I am active in the Nordic power market, and would like more information. What should I do?

The **Nordic Power Market** section on the EEX website contains an overview about EEX's plans for the Nordics as well as supporting documents and information. The EEX customer service team is happy to assist with any questions and can be reached via [sales@eex.com](mailto:sales@eex.com)

### 2.2 I am already active on EEX in other products. What do I need to do to start trading in EEX Nordic products?

Existing members of EEX should inform their clearing member to check and adjust trade risk limits and liaise with their relationship manager. In most cases no further action is required, and the new zonal futures will be available for trading to all members once they are live.

### 2.3 What is the membership process at EEX?

Market participants have the choice to access the market directly through EEX membership as a Non-Clearing Member (NCM) or Clearing Member (CM), or through indirect access.

Direct membership as an NCM or CM requires fulfilling the respective membership requirements of EEX and ECC and in case of NCMs entering into a relationship with an ECC General Clearing Member (GCM).

The direct EEX membership process is available online at <https://www.eex.com/en/access/admission>

### 2.4 How can I access EEX indirectly without becoming a member?

Indirect access can be done either through a GCM (i.e. a bank admitted as clearing member at ECC), or an NCM (i.e. any market participant admitted to trade on EEX). Irrespective of the chosen access route, indirect access means that market participants enter into a relationship with a third-party to access EEX for trading. These intermediaries will apply their own acceptance requirements (which may include potential capital requirements) and technical access. For example, they can even provide a trading screen to the market participant and thereby provide an indirect technical connection to the EEX exchange. This is a flexible way of accessing the market and is suitable for small- and medium-sized market participants.

### 2.5 I wish to confirm that my brokers can report trades to EEX. Is there a list of approved brokers available?

A full list of brokers connected to EEX including contact details is available at <https://www.eex.com/en/eex-ag/participants/brokers>.



## 2.6 How do I get data from EEX?

The EEX Group DataSource offering includes a Desktop App, APIs and sFTP server. Further information is provided at <https://www.eex.com/en/market-data/eex-group-datasource>.

## Section 3 - Clearing

### 3.1 Which clearing banks are connected to EEX?

European Commodity Clearing AG (ECC), the clearing house for EEX, connects 29 clearing members which offer European-wide services, including one Nordic bank. Any Nordic market participant can consult them for accessing EEX markets and products. An up-to-date list with contact details is available on <https://www.ecc.de/ecc-en/about-ecc/partners-products/clearing-members>.

ECC is continuously working towards adding new clearing members and is exploring new partnerships in the Nordic countries.

### 3.2 Will ECC be adopting a direct clearing model ?

No, ECC will not be adopting a direct clearing membership model for the derivatives market. ECC, similar to most clearing houses across Europe, only allows financial institutions to be clearing members in derivatives markets. These clearing members are highly regulated, safeguarding sound risk management, fair market practice and sufficient financial resources.

### 3.3 What will the initial margins be for the new Nordic Zonal Futures?

ECC will apply its standard margining methodology and inter-commodity credits to the new zonal futures. Therefore they will be treated exactly the same by the clearing house as all other EEX power derivatives products.

Initial margin or “scanning range” values will be available for download from the ECC website upon go-live of the new zonal futures, at <https://www.ecc.de/en/risk-management/margining>.

### 3.4 What is the margining methodology at ECC?

Details on the ECC margining methodology can be found on the ECC website at <https://www.ecc.de/en/risk-management/margining>.