

Boosting Nordic Financial Market Liquidity

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What is the idea?

- The economic equivalent of a combined trade involving two positions (EPAD + System Price) is a **single trade in zonal futures**
- The result is the same as the market participant is fully hedged for the respective price area.

Example:

Combined Trade		
Contract	Position	Traded Price
EPAD NO2	+ 1	10.20
System Price Futures	+ 1	100.00

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Zonal Futures		
Contract	Position	Traded price
NO2 Zonal Futures	+1	110.20

EEX also offers System Price futures and spreads between zonal futures and the System Price

Does it make sense?

1. Easier risk management by one outright position per zone
2. Lower collateral requirements
3. Connecting Nordic Zones and Continental European markets with direct spreads
4. Large pool of trading participants from across Europe
5. Easy access: available for all EEX trading participants

Can liquidity be unlocked through capital efficiency?

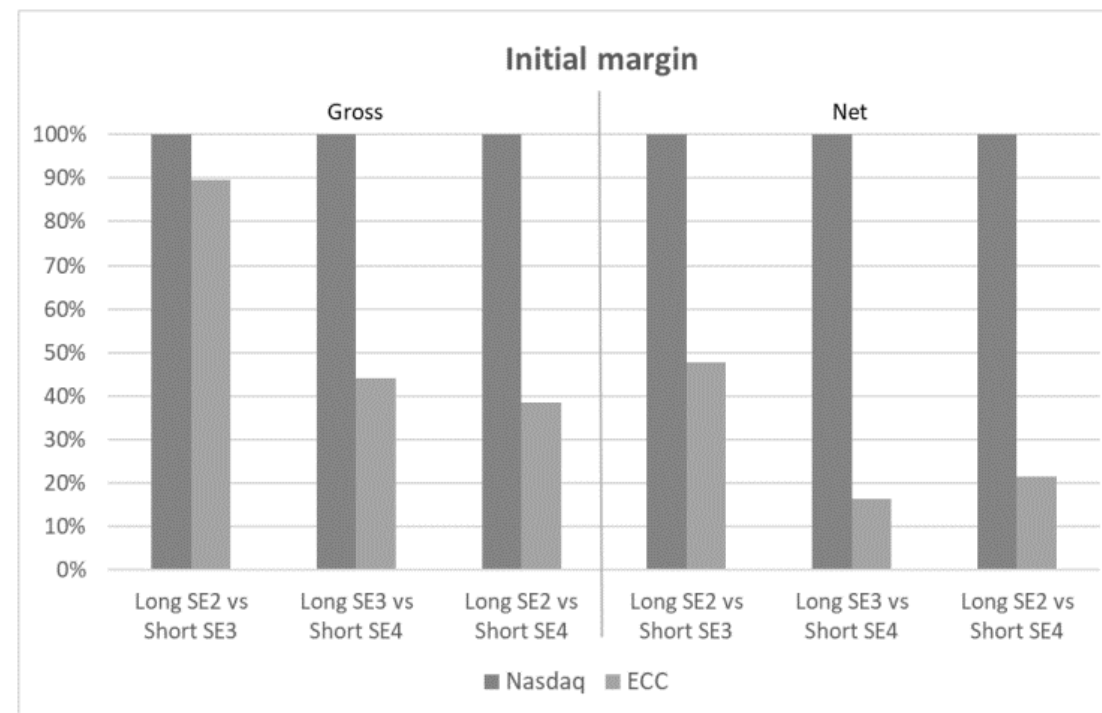
One Position for One Hedge

The economic equivalent of a so-called “combo” trade involving two positions (EPAD + System Price) is a single trade in zonal futures, and therefore a single margin requirement and open position.

The result is the same as the market participant is fully hedged for the respective price area.

ECC Inter-Commodity Credits

ECC effectively reduces the overall margin requirement per trading participant through inter-commodity credits.



Comparison between Gross and Net Initial margin requirements (for an EPAD combination at Nasdaq and a zonal futures combination at ECC) for calendar year contracts 2025 (YR-25)
(Source: Svenska Kraftnät)

Can liquidity be unlocked through spread trading?

EEX Nordic Location Spreads											
Conti Spreads		SYS - Zonal Spreads		Inter-zonal spreads							
Leg 1	Leg 2	Leg 1	Leg 2	Leg 1	Leg 2	Leg 1	Leg 2	Leg 1	Leg 2	Leg 1	Leg 2
DE	SYS	SYS	DK1	DK1	DK2	FI	NO3	NO2	NO5	NO3	SE3
DE	DK1	SYS	DK2	DK1	FI	FI	NO4	NO3	NO4	NO4	SE1
DE	DK2	SYS	NO1	DK1	NO1	FI	NO5	NO3	NO5	NO4	SE2
DE	NO1	SYS	NO2	DK1	NO2	FI	SE1	NO4	NO5	NO5	SE3
DE	NO2	SYS	NO3	DK1	SE3	FI	SE2	NO1	SE1	SE1	SE2
DE	NO5	SYS	NO4	DK1	SE4	FI	SE3	NO1	SE2	SE1	SE3
DE	SE4	SYS	NO5	DK2	FI	FI	SE4	NO1	SE3	SE1	SE4
DE	SE3	SYS	SE1	DK2	NO1	NO1	NO2	NO1	SE4	SE2	SE3
DE	FI	SYS	SE2	DK2	NO2	NO1	NO3	NO2	SE1	SE2	SE4
NL	DK1	SYS	SE3	DK2	SE3	NO1	NO4	NO2	SE2	SE3	SE4
NL	NO2	SYS	SE4	DK2	SE4	NO1	NO5	NO2	SE3		
NL	SYS	SYS	FI	FI	NO1	NO2	NO3	NO2	SE4		
PL	SE4			FI	NO2	NO2	NO4	NO3	SE2		

Spread creation rules:

1. Conti leg always leads
2. SYS leg always leads
3. Inter-zonal spreads are created in alphabetic and numeric order

Maturities for Location Spreads depends on underlying products, typically:
 5 Weeks, 7 Months,
 7 Quarters, 6 Years

Will it split market liquidity?

Introduction of alternative financial products can be made in two ways:

Option A: Hard Cut

- New product is launched
- Old product will be de-listed in due time
- Market is forced to move
- Liquidity has to move from old to new - no split
- Time line will put stakeholders like traders, software vendors, clearing houses, brokers under pressure to get ready on time

Option B: Concurrency

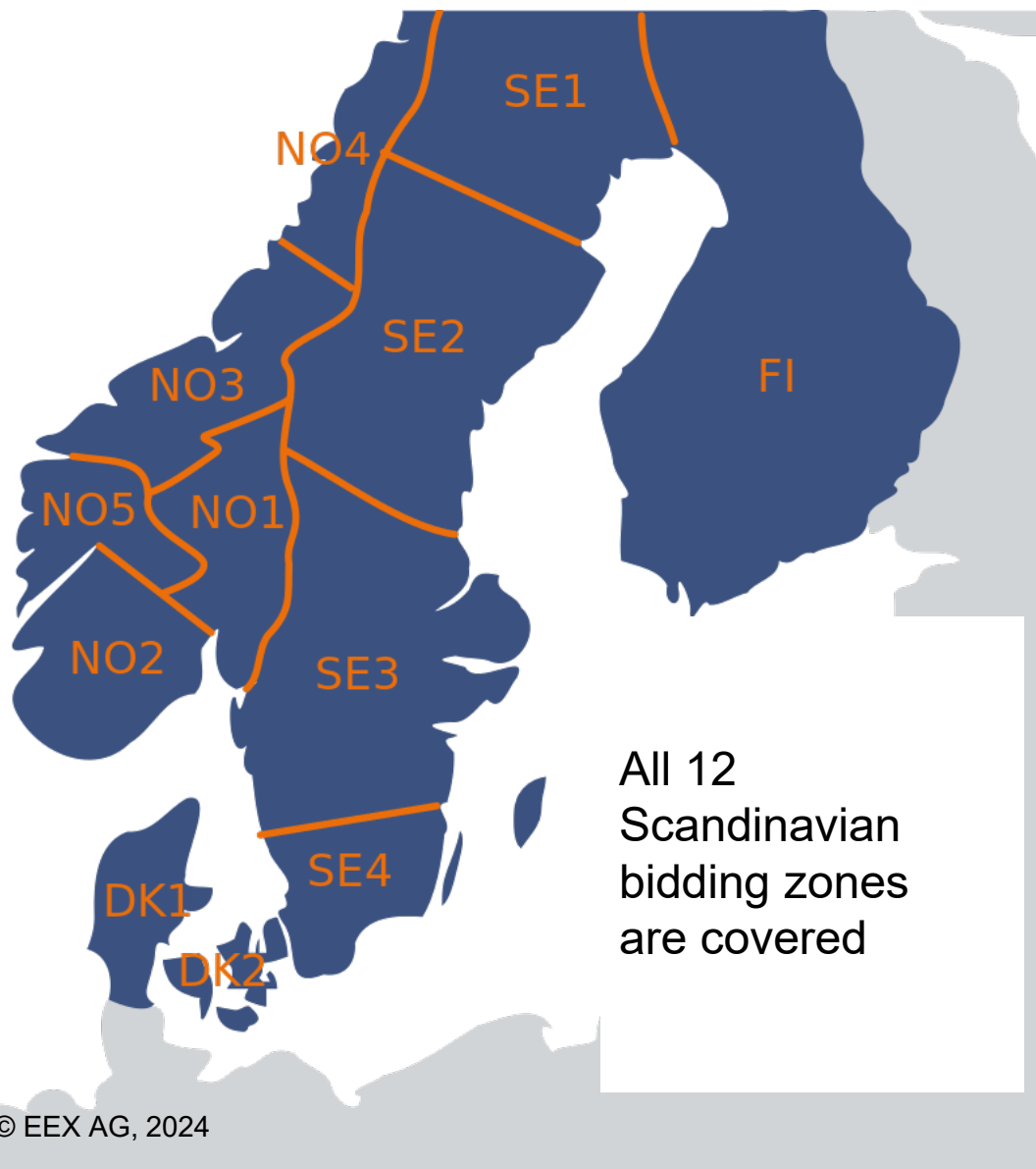
- New product is launched
- Old product will stay alive
- Market has the choice
- Liquidity will follow the market and concentrate on one product - temporary split
- Liquidity of one product will drain out

Will it further develop?

- As of 1 May 2024, the relevant market area for each Nordic Zonal Future is determined by reference to a specific delivery point.
- The EEX Nordic Power Benchmarks will thus be based on the Day-ahead auction prices of EPEX SPOT SE for the market area that encompasses this specific delivery point.

Power Benchmark	Day-ahead auction of EPEX SPOT SE for the market area encompassing:
Denmark DK1	Århus (i.e. electricity area including “Trige 400 kV, Denmark West”).
Denmark DK2	Copenhagen (i.e. electricity area including “Hovegård 400 kV, Denmark East”).
Finland	Helsinki (i.e. electricity area including “Hyvinkää 400 kV, Finland”).
Norway NO1	Oslo (i.e. electricity area including “Smestad 300 kV, Norway”).
Norway NO2	Kristiansand (i.e. electricity area including “Kristiansand 420 kV, Norway”).
Norway NO3	Trondheim (i.e. electricity area including “Strinda 300 kV, Norway”).
Norway NO4	Tromsø (i.e. electricity area including “Hungeren 132 kV, Norway”).
Norway NO5	Bergen (i.e. electricity area including “Fana 300 kV, Norway”).
Sweden SE1	Luleå (i.e. electricity area including “Svartbyn 400 kV, Sweden”).
Sweden SE2	Sundsvall (i.e. electricity area including “Hjälta 400 kV, Sweden”).
Sweden SE3	Stockholm (i.e. electricity area including “Hagby 400 kV, Sweden”).
Sweden SE4	Malmö (i.e. electricity area including “Sege 400 kV, Sweden”).

What happened so far?



order activity in 8 zones per 23 May in:

- DK1
- DK2

-FI

- NO2

- SE1
- SE2
- SE3
- SE4

and in:

- DK1/DE Spread
- DK2/DE Spread

What happened so far?

