



› eex group

EEX Japan Power Status Update

Getting ready for go-live

3 April 2020

› eex

› epexspot

› eexasia

› nodal

› ecc

› nodalclear

› grexel

› pxe

Agenda

■ Introduction and current COVID-19 situation

■ Update on current activities

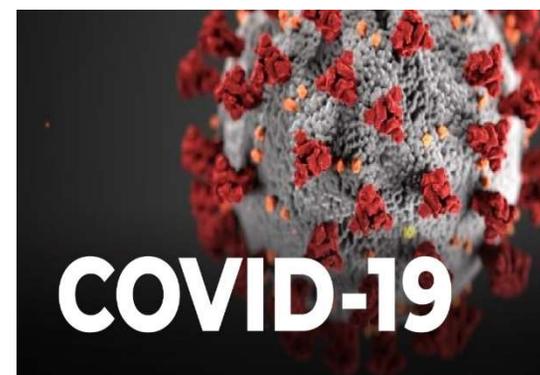
■ Trade Registration & Clearing

■ Trading and Clearing fees

■ Margining

COVID-19

- The COVID-19 pandemic has had significant impact on our global client network, partners, and for EEX Group itself.
- EEX Group has put in place comprehensive business continuity measures across all business functions and all teams are able to work fully remotely.
- There are no restrictions for trading or clearing on EEX Group markets.
- EEX is confident in our continued ability to operate our markets and uphold our services to the trading and clearing community.
- **So far, EEX does not foresee any delay in the launch of Japan Power Futures because of COVID-19.**



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Activities since the last Working Group meeting

Increasing connectivity



- COVID-19 is limiting travel activity and ability to hold meetings and seminars, but so far does not have an impact on the go-live date **18th May 2020**.
- EEX and ECC are in continuous dialogue with all relevant Clearing Members to ensure product access to traders in Japan and overseas.
- A comprehensive set of technical documents has been provided to Clearing Members.
- EEX is in the process of finalizing on-boarding processes with various OTC brokers.
- The final development of the EEX Japan Power portal and the roll-out to brokers and Clearing Members will take place in April.

Activities since the last Working Group meeting

Update on European regulation

European
financial and
energy market
regulation

- Reporting obligations under European financial market regulation (MiFID II, MiFIR) **do not apply** to market participants in Japan if they are trading EEX Japanese Power Futures via a bank.
- There are **no reporting obligations** under **European energy market regulation (REMIT)** for Japanese market participants if they trade Japanese Power at EEX via a bank.
- An independent **legal opinion (Q&A) from law firm Simmons & Simmons** is currently being prepared to confirm this assessment.
- The legal opinion should serve as **general guidance** but cannot cover any possible corporate setup and resulting regulatory impact for Japanese market participants.
- Please contact us if you are interested in receiving the legal opinion paper.

Activities since last Working Group meeting

Fair Values from market participants

- EEX has no visibility on current bid/ask prices since trading in EEX Japanese Power Futures will happen on broker platforms.
- The price opinion of market participants is typically the best assessment
- EEX has a long-established process where market participants send their daily price assessments to EEX Market Operations
- Based on the trades and reports from market participants, EEX establishes the daily settlement price

example from EEX's European Power markets



Company Name: Date:

Spanish Power

	Oct 19	Nov-19	Dec 19	Jan-20	Feb-20	Mar 20	Q3/2020	Q4/2020	Cal 2020	Cal 2021
FV										
Bid										
Ask										

Market Structure: Comments:

German Power

	Oct 19	Nov-19	Dec 19	Jan-20	Feb-20	Mar 20	Q3/2020	Q4/2020	Cal 2020	Cal 2021
FV										
Bid										
Ask										

Market Structure: Comments:

Italian Power

	Oct 19	Nov-19	Dec 19	Jan-20	Feb-20	Mar 20	Q3/2020	Q4/2020	Cal 2020	Cal 2021
FV										
Bid										
Ask										

Market Structure: Comments:

In preparation for the go-live, EEX would like to start the Fair Value process as of 15 April 2020. Trading participants are invited to participate in the price assessment. EEX will contact you bilaterally to explain the process in more detail.

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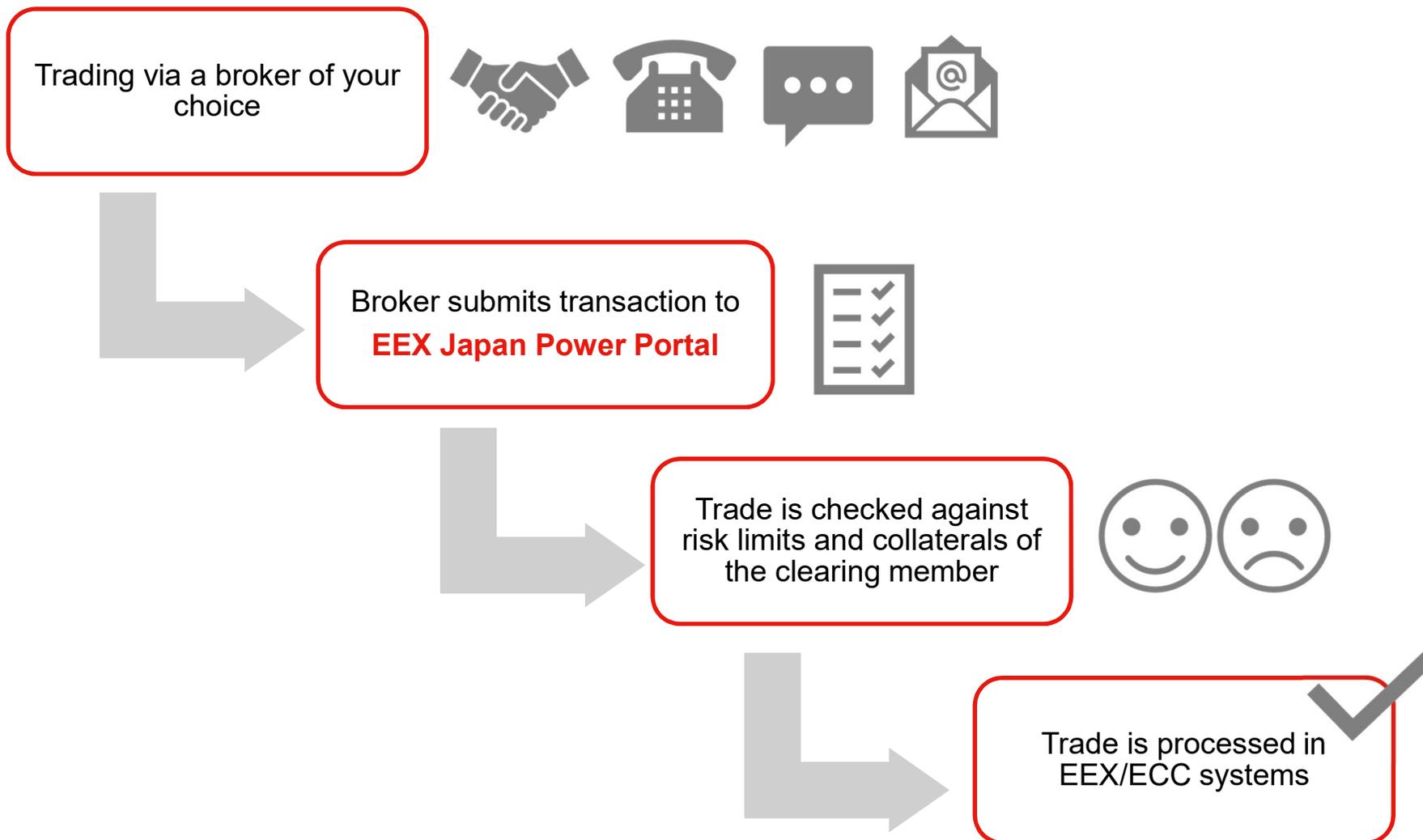
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EEX Japan Power Futures

The Trade Registration Process



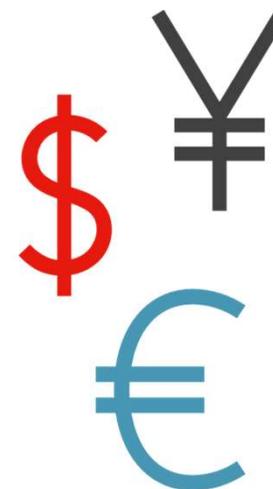
EEX Japan Power Futures Trading and clearing timeline

CEST	2:00	3:00	4:00	5:00	6:00	7:00	8:00	9:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00
CET	1:00	2:00	3:00	4:00	5:00	6:00	7:00	8:00	9:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00
JST	9:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	0:00	1:00	2:00	3:00
EEX Japan Portal open for trade entry																			
Trade and payment processing																			
Daily settlement price																			
Overnight clearing processes																			

- Daily settlement price will be available after 7:00pm JST during summer hours or 8:00pm JST during winter.
- Transactions entered into the EEX Japan Power Portal cannot be changed and will be accepted within pre-funded trading limits of the respective Clearing Member. These trading limits need to be maintained and collateralized by the Clearing Members.
- After the closure of the Japanese Power market at 7:00pm JST, it will still be possible to do position transfers and give-ups between members and accounts.

EEX Japan Power Futures Collaterals

- ECC accepts EUR and USD cash (no JPY cash!), a broad range of European Central Bank eligible government bonds (including bonds denominated in JPY) and EUA emission allowances to fund margin requirements.
- **It is important that this list of eligible collateral is only applicable for the relationship between ECC and the Clearing Members!**
- Clearing banks have individual agreements in place with their clients for collateralization of Japan Power transactions. Therefore, JPY cash as collateral can be acceptable for the trading participants depending on the agreement with the clearing bank.



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Trading EEX Japan Power Futures Zero fees until 31st October 2020

To support the development of initial liquidity in Japanese Power Futures, EEX will not charge trading and clearing fees for registration of Japanese Power contracts until 31st October 2020!

By November 2020, a volume-based rebate scheme will take effect

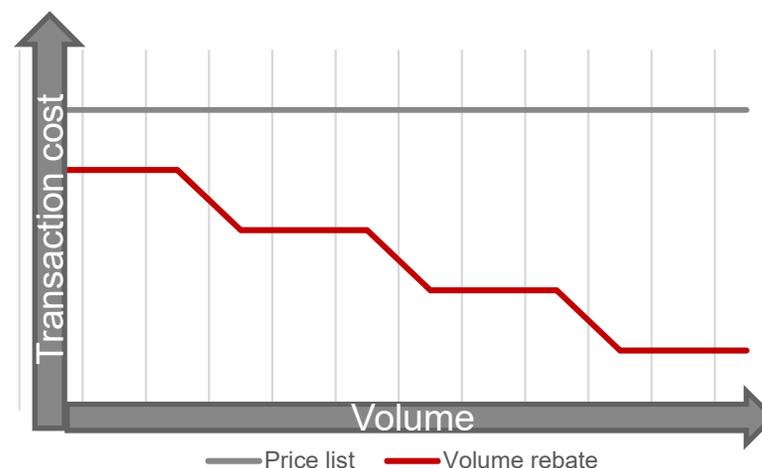
EEX will also engage in bilateral talks on volume-based 'Market Support Agreements' with market participants. We also encourage clients to approach us for discussion.

Note: Clients should note that brokerage ("matching") fees are payable directly to broker(s) by the end client according to their individual service agreement(s) with brokers.

Note: Trading and clearing fees are charged by EEX and ECC through the respective Clearing Member, who will recoup these fees from its clients.

EEX Japanese Power Futures are subject to exchange and clearing fees

EEX trade registration fee	0.002 JPY/kWh = 2.00 JPY/MWh
ECC clearing fee	0.001 JPY/kWh = 1.00 JPY/MWh



Examples of rebate schemes.

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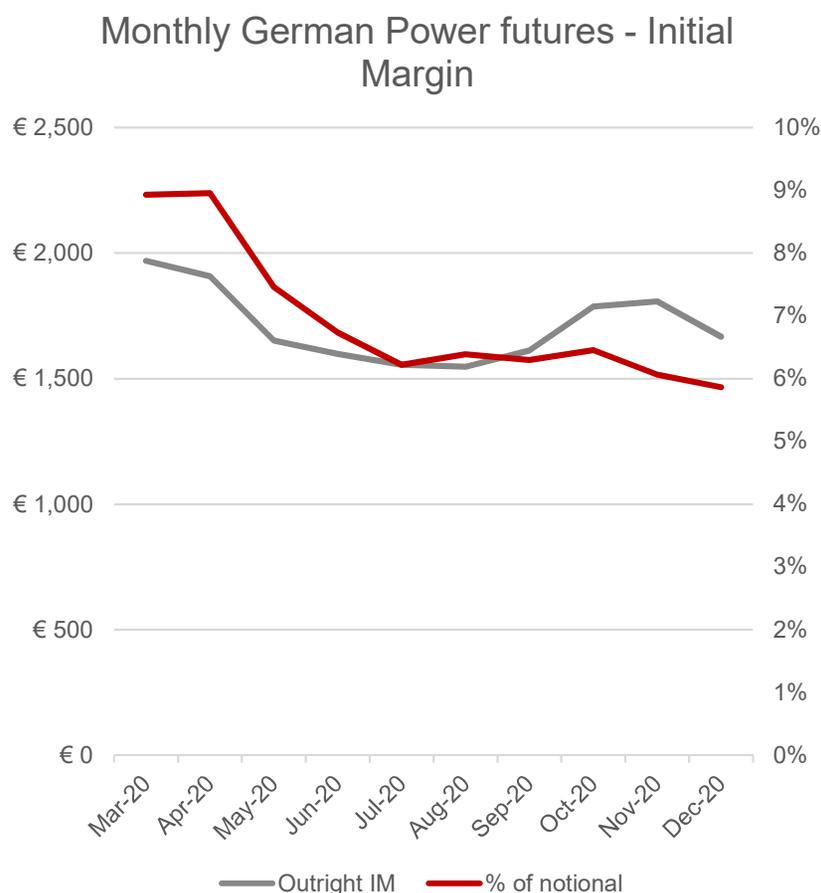
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■ **Margining**

Trading EEX Japan Power Futures

Initial margins



- Initial margins (IM) are posted by **Clearing Members to ECC.**
- IM is collateral designed to protect the clearing house against losses in the case of a default.
- IM is calculated for each tenor based on volatility.
- Portfolio margining is done using industry standard SPAN methodology.
- The scanning range for each tenor is revised **on a daily basis.**

Note: Since margin parameters are revised on a daily basis, effective margins for Japanese Power instruments will be available close to go-live.

EEX Japan Power Futures

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