

# EEX Nordic Zonal Futures Update

Webinar, 9<sup>th</sup> November 2023

# Welcome

This webinar will be recorded and made available on our website

Questions can be raised via the chat function and will be answered at the end of the webinar



# Agenda

1. General update on EEX's initiatives in the Nordic market
2. Rationale for Zonal Futures in the Nordic power market
3. Product Specifications
4. System Price and Zonal Futures – linked via EEX's spread functionality
5. How to get access new products
6. Q&A

# General update on EEX's initiatives in the Nordic market

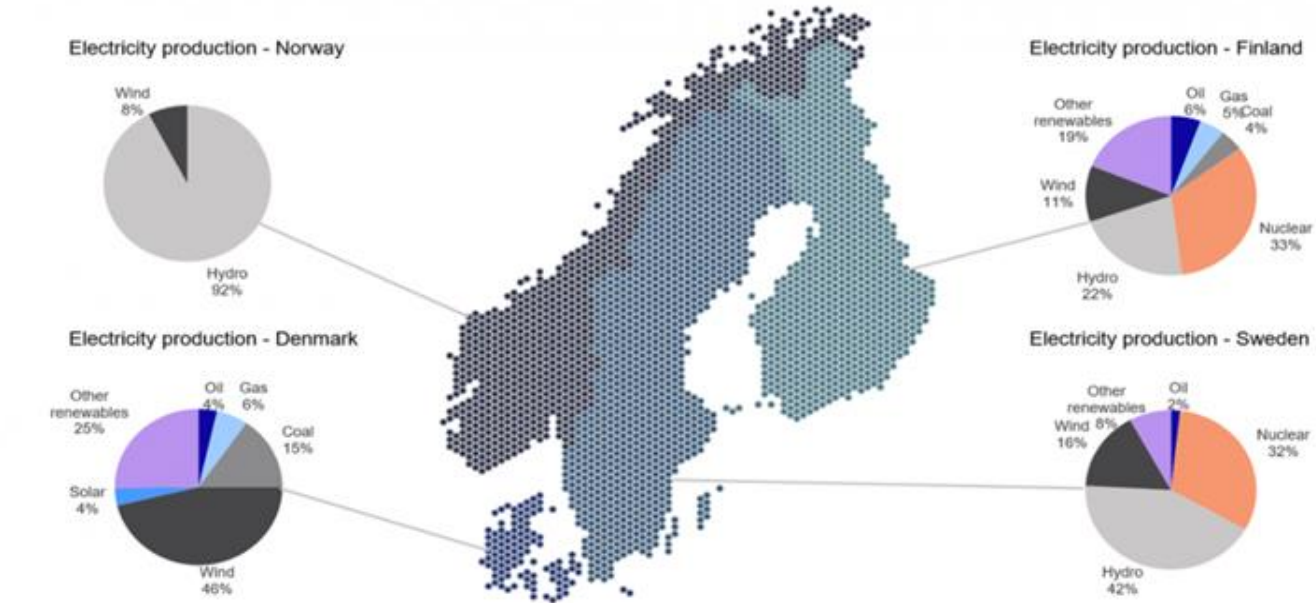
- Following request from the market, EEX plans to launch Zonal Futures in the Nordic market date back to 2019-2020.
- Crisis events between 2020-2022 had required a different focus of everyone in the industry
- Now is the right time to go ahead, with many market participants supporting this launch
- The introduction of Zonal Futures is **independent** of the pending transaction with Nasdaq currently under review by the European Commission.



# Rationale for introducing Zonal Futures in the Nordics

*A large region with a very diverse electricity generation mix*

## Nordic electricity production by energy source and country (2021)



Source: Our World in Data

Source: Nordea

Public

# Rationale for introducing Zonal Futures in the Nordics

*System Price vs. prices in individual bidding zones*

## Annual average price correlation vs. 100

	System Price	Index	SE1	SE2	SE3	SE4	FI	DK1	DK2	Oslo	Kr.sand	Tr.heim	Tromsø	Molde	Bergen
2012	31.2	100	101.7	101.9	103.6	109.6	117.4	116.4	120.4	94.7	93.5	100.9	99.9	100.9	92.8
2013	38.1	100	102.9	102.9	103.5	104.8	108.0	102.3	103.9	98.6	98.0	102.3	101.3	102.3	98.7
2014	29.61	100	106.1	106.1	106.8	107.8	121.6	103.6	108.6	92.3	92.0	106.5	106.2	106.5	91.7
2015	20.98	100	100.9	101.0	104.9	109.2	141.4	109.2	116.7	94.6	94.5	101.4	97.4	101.4	94.1
2016	26.91	100	107.6	107.6	108.7	109.7	120.6	99.1	109.3	97.3	93.5	106.6	93.1	106.6	92.6
2017	29.41	100	104.9	104.9	106.2	109.4	112.9	102.3	108.7	98.7	98.0	100.4	87.5	100.4	98.1
2018	43.99	100	100.5	100.5	101.3	105.4	106.4	100.1	105.0	99.2	98.3	100.2	99.4	100.2	97.9
2019	38.94	100	97.4	97.4	98.5	102.2	113.1	98.8	102.3	100.9	100.8	99.0	98.4	99.0	100.8
2020	10.93	100	131.7	131.7	193.9	236.6	256.4	228.5	259.9	85.0	85.0	86.6	81.2	86.6	83.9
2021	62.31	100	68.2	68.3	105.9	129.2	116.1	141.5	141.1	119.9	120.5	65.9	56.2	65.9	119.7
2022	135.86	100	43.5	45.6	95.1	112.0	113.4	161.2	154.7	141.7	155.5	30.9	18.0	30.9	141.4

(\*Differences between system price and highest and lowest area prices might be wider on specific days. Source: [Nord Pool](#), last update: 5 January 2023)

# The market will decide where liquidity will be pooled

**EEX will  
provide  
choice for  
the Nordics**

Zonal Futures for all Nordic bidding zones expected **to go live in Q1 2024**.

Current set of **Nordic System Price futures will remain listed at EEX**.

In addition, the EEX locational spread trading functionality will be made available for trading spreads between Nordic System Price Futures and Zonal Futures as well as between some Zonal Futures and EEX's power futures in other European markets, such as Germany or The Netherlands.

With Zonal Futures and System Price futures both available, **we enable the market to choose what works best for their trading needs**

# Nordic System Price and Zonal Futures on one platform

- The economic equivalent of a “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.

*Example:*

“Combo” Trade		
Contract	Position	Traded Price
EPAD NO2	+ 1	10.20
System Price Futures	+ 1	100.00

=

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

- EEX currently offers **System Price Futures** with maturities W+5, M+7, Q+7 and Y+6.
- **Location spread trading between Zonal Futures and the System Price** will be possible.



# Simplifying area price hedging with Nordic Zonal Futures

## EEX Nordic Zonal Futures



**Outright futures** for all Nordic Bidding Zones: one single trade and **one collateral requirement** for hedging area price risk.



**EPEX's** trusted, NEMO-harmonised indices as the underlying reference.



**Improved price transparency** for Nordic Bidding Zones and development of robust, long-term price signals.



**Improved liquidity:** access to a wider pool of pan-European players can boost liquidity in the Nordics and capture **cross-margining** efficiencies.

# Nordic Zonal futures product scope

Country	Bidding Zone	Area Price Designation	Base Load Futures
Denmark	DK1	ARH	Days, We, Week, Month, Quarter, Year
	DK2	CPH	Days, We, Week, Month, Quarter, Year
Finland	FI	HEL	Month, Quarter, Year
Norway	NO1	OSL	Week, Month, Quarter, Year
	NO2	KRI	Week, Month, Quarter, Year
	NO3	TRH	Month, Quarter, Year
	NO4	TRO	Month, Quarter, Year
	NO5	BER	Month, Quarter, Year
Sweden	SE1	LUL	Month, Quarter, Year
	SE2	SUN	Week, Month, Quarter, Year
	SE3	STO	Week, Month, Quarter, Year
	SE4	MAL	Week, Month, Quarter, Year

Maturities vary according to:

1. Interconnectors with continental markets
2. Existing liquidity
3. Prevalence of renewable energy generation capacity

# Nordic Zonal Futures Contract Specifications

	EEX Danish Power Base Future	EEX Finnish Power Base Future	EEX Norwegian Power Base Future	EEX Swedish Power Base Future
Market Areas	DK1, DK2	FI	NO1, NO2, NO3, NO4, NO5	SE1, SE2, SE3, SE4
Product type	Cash-settled Power Futures			
Underlying	EPEX Spot Market (Day Ahead) Baseload Price (00:00 - 24:00) for the respective market area			
Contract volume	1 MW x 24 hours x number of calendar days in delivery period			
minimum lot size	1 contract or a multiple thereof			
Pricing and min. Price Fluctuation	EUR per MWh to the second decimal place, minimum price fluctuation EUR 0.01 per MWh			
Final Settlement Price	Monthly Average Price of EPEX Spot Market (Day Ahead) Baseload Price (00:00 – 24:00) for the respective market area as published by EPEX			
Available Maturities	Next 9-13 days, next 2 weekends, current and next 4 weeks, the current and next 6 full months, next 7 full quarters, and 6 full years.	the current and next 6 full months, next 7 full quarters, and 6 full years.	current and next 4 weeks <sup>1</sup> , the current and next 6 full months, next 7 full quarters, and 6 full years.	current and next 4 weeks <sup>2</sup> , the current and next 6 full months, next 7 full quarters, and 6 full years.
Go-Live	Q1 2024			

# Liquidity in the Nordics can be unlocked through location spread trading

EEX Nordic Location Spreads*													
System Price		Denmark		Norway				Sweden				Finland	
SYS	DK1	DK1	SYS	NO1	SYS	NO3	SYS	SE1	SYS	SE3	NO1	FI	SYS
SYS	DK2	DK1	DE	NO1	DE	NO3	NO4	SE1	SE2	SE3	NO2	FI	DE
SYS	NO1	DK1	NL	NO1	NO2	NO3	NO5	SE1	SE3	SE3	NO3	FI	DK1
SYS	NO2	DK1	DK2	NO1	NO3	NO3	DK1	SE1	SE4	SE3	NO4	FI	DK2
SYS	NO3	DK1	NO1	NO1	NO4	NO3	DK2	SE1	DK1	SE3	NO5	FI	NO1
SYS	NO4	DK1	NO2	NO1	NO5	NO3	SE1	SE1	DK2	SE3	FI	FI	NO2
SYS	NO5	DK1	NO3	NO1	DK1	NO3	SE2	SE1	NO1	SE4	SYS	FI	NO3
SYS	SE1	DK1	NO4	NO1	DK2	NO3	SE3	SE1	NO2	SE4	DE	FI	NO4
SYS	SE2	DK1	NO5	NO1	SE1	NO3	SE4	SE1	NO3	SE4	PL	FI	NO5
SYS	SE3	DK1	SE1	NO1	SE2	NO3	FI	SE1	NO4	SE4	DK1	FI	SE1
SYS	SE4	DK1	SE2	NO1	SE3	NO4	SYS	SE1	NO5	SE4	DK2	FI	SE2
SYS	FI	DK1	SE3	NO1	SE4	NO4	NO5	SE1	FI	SE4	NO1	FI	SE3
		DK1	SE4	NO1	FI	NO4	DK1	SE2	SYS	SE4	NO2	FI	SE4
		DK1	FI	NO2	SYS	NO4	DK2	SE2	SE3	SE4	NO3		
		DK2	SYS	NO2	DE	NO4	SE1	SE2	SE4	SE4	NO4		
		DK2	DE	NO2	NL	NO4	SE2	SE2	DK1	SE4	NO5		
		DK2	NO1	NO2	NO3	NO4	SE3	SE2	DK2	SE4	FI		
		DK2	NO2	NO2	NO4	NO4	SE4	SE2	NO1				
		DK2	NO3	NO2	NO5	NO4	FI	SE2	NO2				
		DK2	NO4	NO2	DK1	NO5	SYS	SE2	NO3				
		DK2	NO5	NO2	DK2	NO5	DK1	SE2	NO4				
		DK2	SE1	NO2	SE1	NO5	DK2	SE2	NO5				
		DK2	SE2	NO2	SE2	NO5	SE1	SE2	FI				
		DK2	SE3	NO2	SE3	NO5	SE2	SE3	SYS				
		DK2	SE4	NO2	SE4	NO5	SE3	SE3	SE4				
		DK2	FI	NO2	FI	NO5	SE4	SE3	DK1				
						NO5	FI	SE3	DK2				

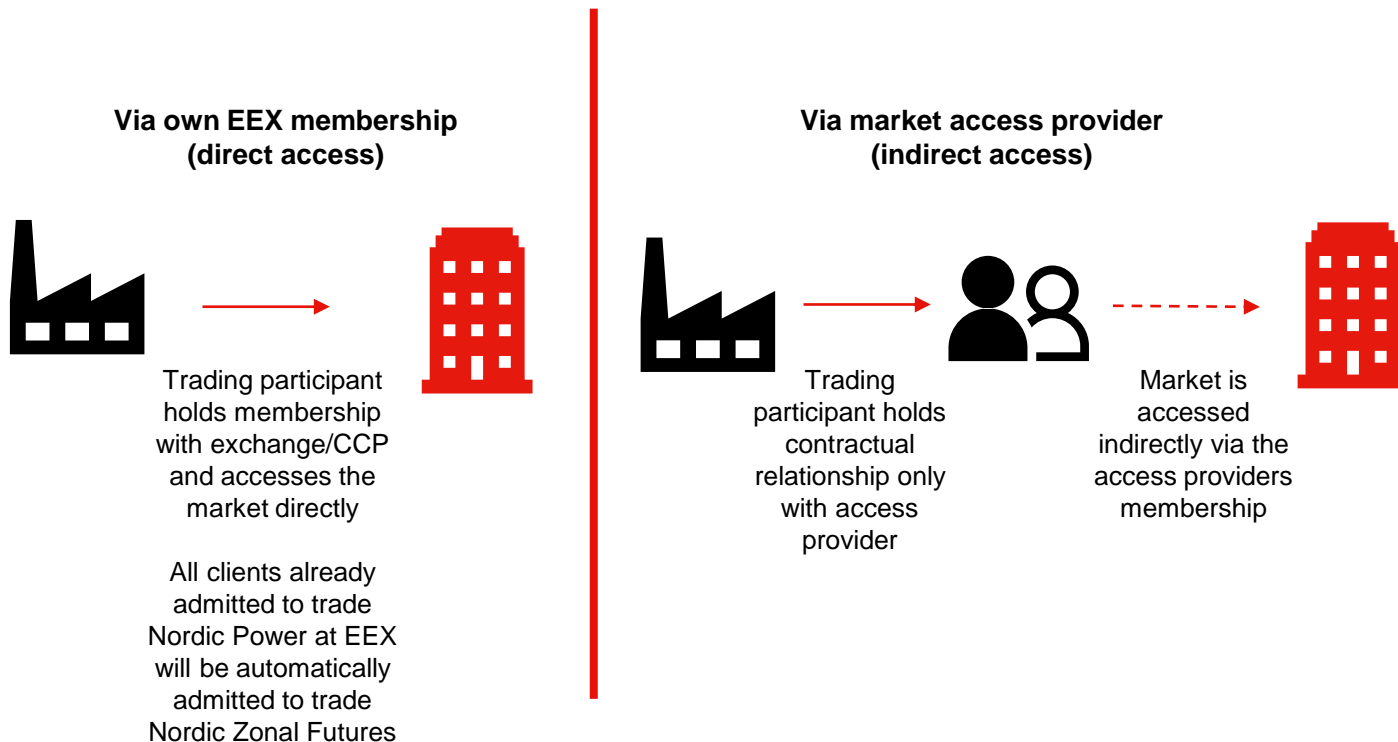
EEX's network of pan-European traders can bring liquidity to the Nordics through executing geographic trading strategies.

EEX intends to run a tender for market makers for Zonal Futures.

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

\*Final setup of location spreads will be determined jointly with market participants

# How can clients access EEX's Nordic Power Futures?



# ECC Clearing Network

Broker Community

600+  
Participants

29

Clearing Members

ABN AMRO Clearing Bank N.V.

Banca Akros SpA

Banca Popolare di Sondrio SCPA

Banco Santander, S.A.

Bayerische Landesbank

BNP Paribas S.A.

BofA Securities Europe SA

Commerzbank AG

Citigroup Global Market Europe AG

Citigroup Global Markets Limited

Goldman Sachs International

Intesa Sanpaolo

J.P. Morgan Securities plc

KELER CCP Ltd.

Joh. Berenberg Gossier & Co. KG

Macquarie Bank Europe

MAREX Financial Limited

Mizuho Securities USA LLC

Morgan Stanley Europe SE

Morgan Stanley & Co Intl plc

National Bank of Greece SA

Oesterreichische Kontrollbank AG

Raiffeisenbank a.s.

Renta 4 Banco S.A.

Skandinaviska Enskilda Banken AB

Société Générale SA

StoneX Financial Ltd

UBS AG

UniCredit Bank AG

# Benefits

**1**

## Large pool of participants

- The Zonal Futures will not only enable Nordic market participants to hedge their price risks more efficiently, also new players from Continental Europe have shown strong interest

**2**

## Connecting Nordic and Continental European markets

- With Zonal Futures and EEX's spread trading functionality, we provide any trading opportunity that market participants may wish

**3**

## Market participants decide where and how to trade

- EEX provides the full choice of products (System Price and Zonal Futures + spread functionality)

**4**

## Easy access

- Zonal Futures will be available to all participants already active in EEX Nordic Power
- New clients have the choice to become member of the EEX or access the market through the broad network of indirect market access providers

**5**

## Capital efficiencies

- Zonal Futures allow to hedge price risks with one single product, thus allowing for more efficient collateral management due to potential cross-margin effects with other zones or even other European power markets

# Q&A