



› eex group

# EEX Group Webinar Cascading

02 Sep 2020

Steffen Riediger, Director European Power Derivatives

› eex

› epexspot

› eexasia

› nodal

› ecc

› nodalclear

› grexel

› pxe

# Agenda

- Introduction of Bob Takai
- Update on EEX trading activity
- Cascading
- EEX Japan Power Data Package
- Q&A

# Agenda

Introduction of Bob Takai

---

Update on EEX trading activity

---

Cascading

---

EEX Japan Power Data Package

---

Q&A

---

# The first 100 days of EEX Japanese Power Futures

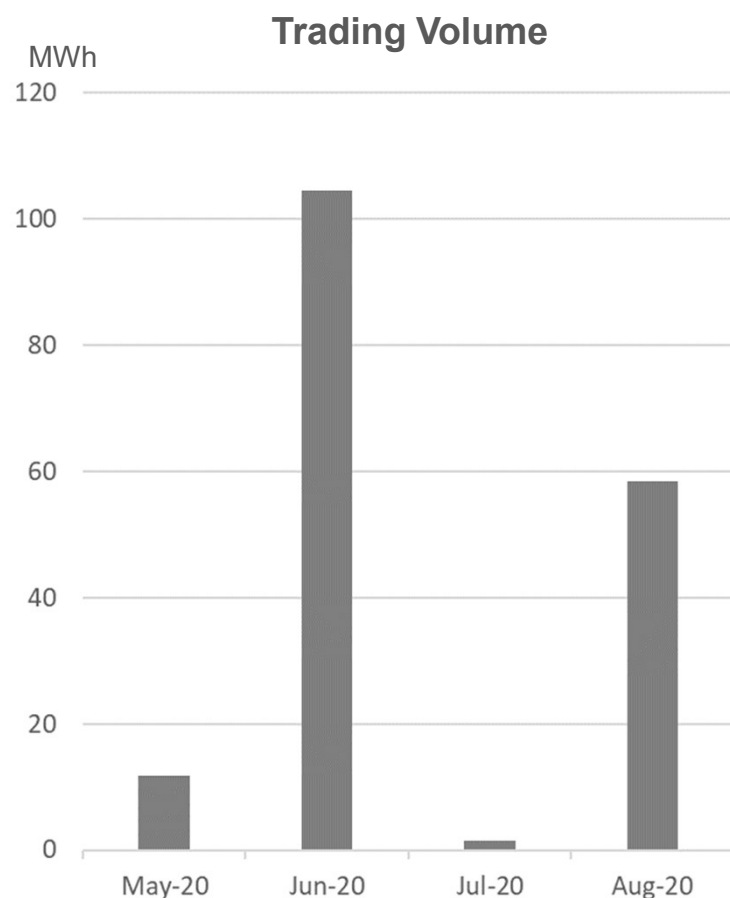
## A successful start into a new era

- EEX successfully launched the clearing service for Japanese Power Futures on 18<sup>th</sup> May 2020.
- Despite the challenges caused by the global COVID-19 crisis, various market participants from Japan and overseas were ready on Day 1 and first trades were able to be cleared.
- **On behalf of the entire EEX team, we would like to thank all market participants for your support in the 18 months prior to the launch of the Japanese market.**
- **This launch would not have been possible without your support and your constructive feedback.**



# The first 100 days of EEX Japanese Power Futures

## The trading volume is growing



- Over the last three months, since our launch in May 2020, the trading volume has achieved 175 GWh.
  - May: 11.8 GWh
  - Jun: 104.5 GWh
  - Jul: 0.04 GWh
  - Aug: 58.5 GWh
- We had trades along the entire curve, Weekly, Monthly, Quarterly, Seasonally, and Yearly for Tokyo Area Baseload. Also Weekly, Monthly, and Seasonally were traded for Tokyo Area Peakload.
- According to brokers, there has been more market activity. However, bid/ask spreads tend to be wide and trades could not always be matched.

# Readiness Status

## Trading participants, Brokers, Clearing banks

### Trading participants

- **Ready:** at least **10** firms, both from Japan and overseas, are ready and active in the market.
- **In the process of getting ready:** About 10 additional firms, both from Japan and overseas, expected to start within the next 4-6 weeks. 70+ potential firms in the pipeline.

### Brokers

- **Ready: 12 brokerage firms**
- Amerex Energy, Arraco Global Markets, enechain Corporation, GFI Brokers, Ginga Global Markets, ICAP Energy, Marex Spectron Europe, Nissan Securities, SSY Futures, TFS Derivatives, Tradition Singapore, Tullet Prebon Energy Singapore

### Clearing banks

- **Ready: 5 clearing banks**
- BNP Paribas, Mizuho Securities, Societe Generale, Macquarie, ED&F Man
- **In the process of getting ready:** ABN Amro

# Initiatives to further develop liquidity

## Zero EEX and ECC 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 31<sup>st</sup> October 2020.**

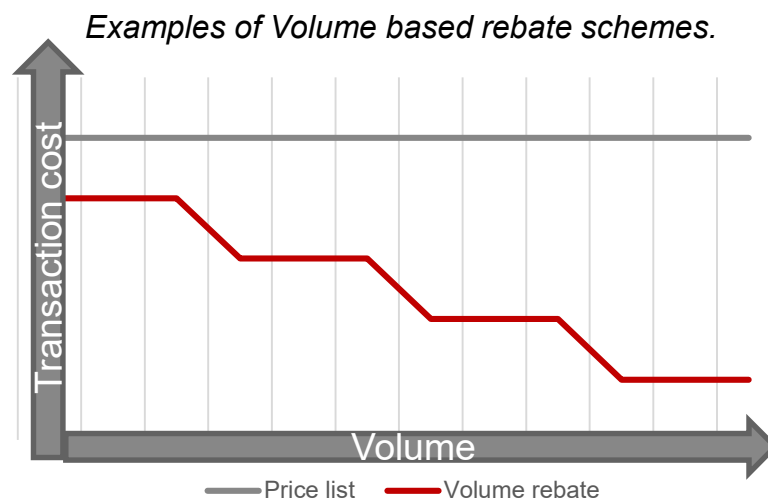
Starting in November 2020, EEX will also offer **Volume-based rebate schemes**.

**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



# Initiatives to further develop liquidity

Continuous communication with all stakeholders

Online meetings and webinars

Monthly newsletter with updates on volumes and liquidity

Although we cannot meet physically at the moment, we will continue to stay in touch with you and the entire market

Series of podcasts (on Spotify and Apple)

Frequent meetings with regulators in Japan and Germany



# Agenda

Introduction of Bob Takai

---

Update on EEX trading activity

---

Cascading

---

EEX Japan Power Data Package

---

Q&A

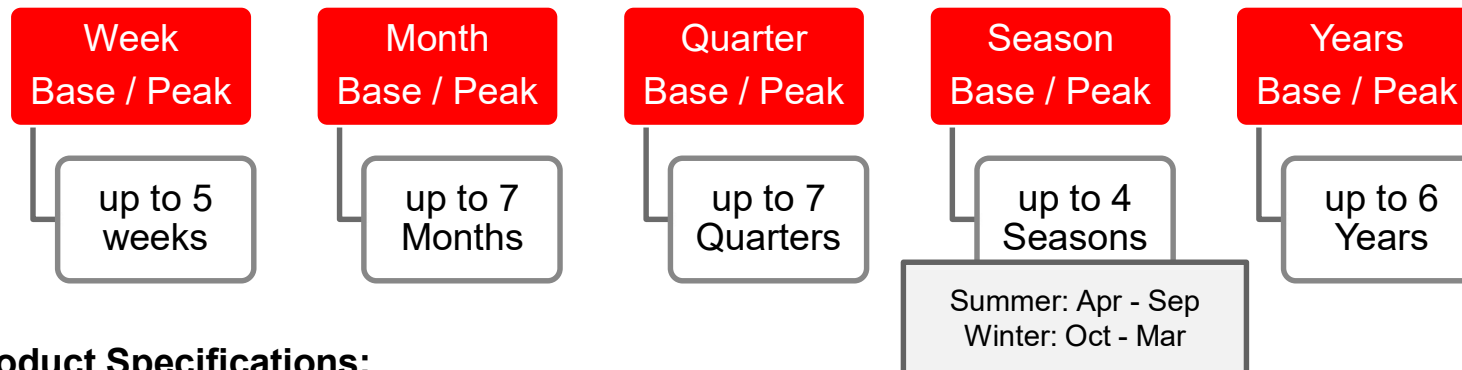
---

# Product Specifications

## Japan Power Futures

Kansai Area

Tokyo Area



### Product Specifications:

Currency:	Japanese Yen
Pricing:	in Yen/kWh
Underlying	Average price of JEPX Day Ahead Kansai/Tokyo during the full delivery period
Minimum price fluctuation:	Yen 0.01 per kWh
Contract Size:	1 MW (1,000kW) * number of hours in delivery period
Minimum lot size:	1 contract

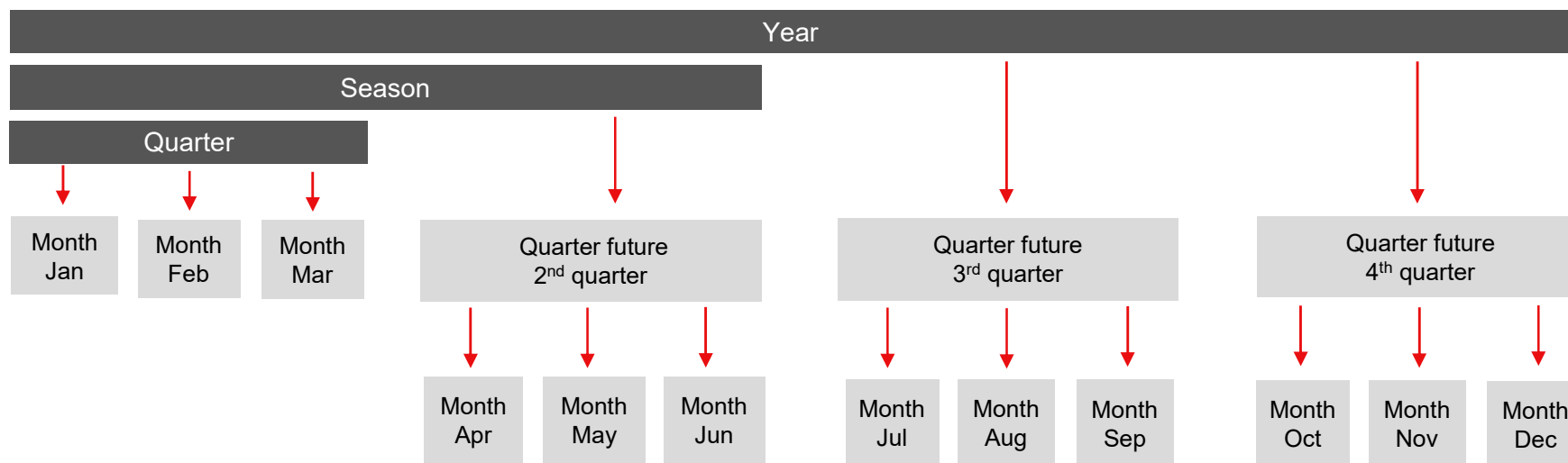
- Peak definition: Monday - Friday 08:00am – 08:00pm (excluding Japanese holiday)

# Cascading - Overview

- Futures contracts with longer contract maturities will be replaced by equivalent positions with shorter contract maturities (Monthly contract for Japan power) after the trading hour of the third to last (3) ECC AG business day before start of the original delivery period.
- All contracts resulting from the cascading will be treated as new contracts independently and follow the same rules, such as expiry and final settlement.
- Cascading applies to year, season and quarter futures in EEX power and gas markets.

## Advantages:

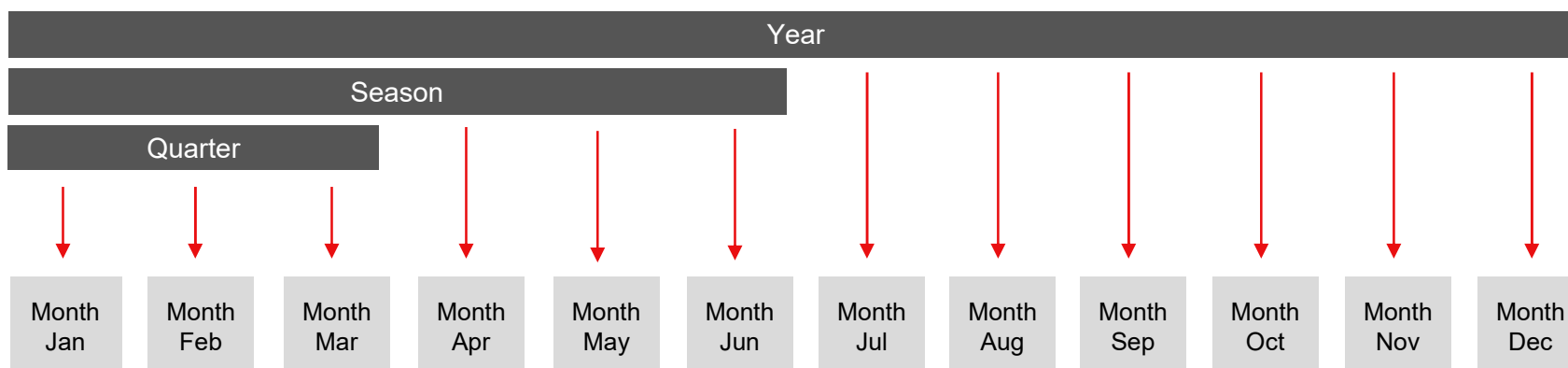
- Better handling of contracts as main positions are still tradable and only the front contract maturity goes into delivery. Risk management is able to cover the risk of positions in delivery more accurately and can use standard risk-parameters for the remaining positions.



# Cascading vs Strip

In the **Strip clearing** process, trades are split immediately into month futures from year, season and quarter futures, and will be booked in the corresponding position accounts. This process is used for freight and iron ore futures.

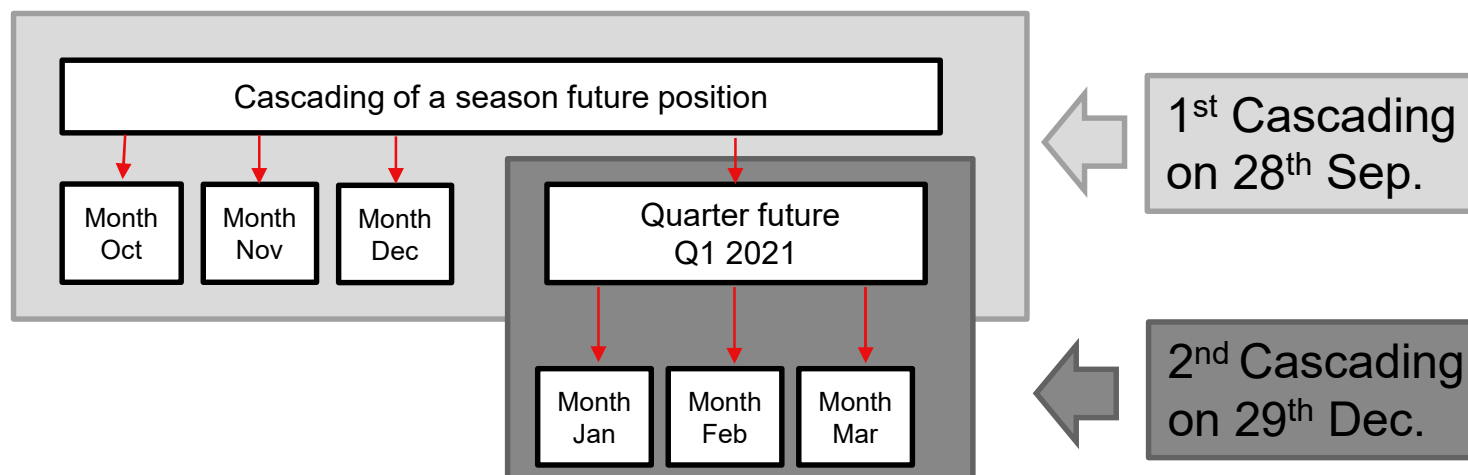
- **Advantages:** Simple to understand with less administration efforts.
- **Disadvantage:** For months further ahead, the settlement price is a single value for all of the monthly contracts; therefore, it cannot timely reflect the market price and each month's risk accurately.



# Cascading – Example

**Example: Purchase 1 MW of Tokyo Baseload for Winter Season (October 2020 – March 2021) at 7.00 yen/ kWh on 1<sup>st</sup> September 2020.**

- **The last trading day & Expiry:** The Winter contract is tradable until 28<sup>th</sup> Sep and will expire on the 3<sup>rd</sup> ECC business day prior to delivery (Delivery starts on 1<sup>st</sup> Oct).
- **Cascading:** The winter contract will be cascaded (two times).
  - 1<sup>st</sup> Cascading will be after the trading hour of 28<sup>th</sup> Sep. The seasonal contract will be cascaded into three monthly contracts (Oct, Nov, Dec) + one Quarterly contract (Q1 2021).
  - 2<sup>nd</sup> Cascading will be after the trading hour of 29<sup>th</sup> Dec. The quarterly contract will be cascaded into three monthly contracts (Jan, Feb, Mar).



# 1<sup>st</sup> Cascading with new position and new price

**Example: Purchase 1 MW of Tokyo Baseload for Winter Season (October 2020 – March 2021) at 7.00 yen/ kWh on 1<sup>st</sup> September 2020.**

## 1<sup>st</sup> cascading on 28<sup>th</sup> Sep.

- New pricing for the new position will be the settlement price on the cascading day.
- Variation margin on cascading day will be calculated by netting of existing and new positions.
- Settlement prices of Pre-cascading and Post-cascading contracts (weighted average of new prices) will be same.

Contract	Delivery	Position	Transaction Type	Transaction price (JPY/kWh)	Settlement price on 28 <sup>th</sup> Sep	Contract size (MWh)	Variation Margin (K JPY)
Winter 2021	Season	1	Existing position	Previous settlement price at 7.38	7.40	4,368	+87.36
Winter 2021	Season	-1	Expiry			-4,368	
Oct20	Month	1	New position 1	<b>Cascade price 7.40</b>	6.25	744	-855.6
Nov20	Month	1	New position 1	<b>Cascade price 7.40</b>	6.40	720	-720
Dec20	Month	1	New position 1	<b>Cascade price 7.40</b>	7.75	744	+260.4
Q1 21	Quarter	1	New position 1	<b>Cascade price 7.40</b>	8.00	2,160	+1,296
<b>New position after cascading 1</b>						Total size 4,368	Total VM +68.16

## 2<sup>nd</sup> Cascading with new position and new price

Example: Purchase 1 MW of Tokyo Baseload for Winter Season (October 2020 – March 2021) at 7.00 yen/ kWh on 1<sup>st</sup> September 2020.

2<sup>nd</sup> cascading on 29<sup>th</sup> Dec.

Contract	Delivery	Position	Transaction Type	Transaction price (JPY/kWh)	Settlement price on 29 <sup>th</sup> Dec	Contract size (MWh)	Variation Margin (K JPY)
Winter 2021	Season	1	Existing position		Expired	4,368	
Winter 2021	Season	-1	Expiry		Expired	-4,368	
Oct20	Month	1	New position 1		Expired	744	
Nov20	Month	1	New position 1		Expired	720	
Dec20	Month	1	New position 1	Previous settlement price at 7.88	7.90	744	+14.88
Q1 21	Quarter	1	Existing position	Previous settlement price at 8.48	<b>8.50</b>	2,160	+43.2
Q1 21	Quarter	-1	Expiry			-2,160	
Jan21	Month	1	New position 2	<b>Cascade price 8.50</b>	8.45	744	-37.2
Feb21	Month	1	New position 2	<b>Cascade price 8.50</b>	9.00	672	+336
Mar21	Month	1	New position 2	<b>Cascade price 8.50</b>	8.10	744	-297.6
						Total size	Total VM
						4,368	+59.28

New position after cascading 2

# Cascading – Fulfillment/ Final settlement

- After cascading, new contracts are tradable independently until the expiry of each monthly contract and fulfilment will also be done separately per month.
- Each final settlement price follows monthly contracts, and the cash settlement will be done separately on 2<sup>nd</sup> ECC business days after the expiry.



	20-Sep	20-Oct	20-Nov	20-Dec	21-Jan	21-Feb	21-Mar
Trade price for Winter 20 (JPY/kWh)	7.00						
Final Settlement Price (JPY/kWh)		6.35	6.80	7.90	8.50	9.00	7.80
Contract volume (MWh)		744	720	744	744	672	744
Difference (JPY/kWh)		-0.65	-0.20	0.90	1.50	2.00	0.80
Profit and Loss (K JPY)		-483.6	-144	669.6	1116	1344	595.2
Cash settlement day		Nov 3rd	Dec 2nd	Jan 5th	Feb 2nd	Mar 2nd	Apr 1st

Total Profit from this transaction is 3,097.2 (K JPY)



# Agenda

Introduction of Bob Takai

---

Update on EEX trading activity

---

Cascading

---

**EEX Japan Power Data Package**

---

Q&A

---

# EEX Group DataSource Services: Overview

EEX offers four data packages;

sFTP

API

Excel Tool

Desktop App

## Advantages:

- are tailored to customers' needs
- follow market standards
- offer highspeed data connection
- are easy to access



Find out more about  
EEX Group DataSource.

Information Services  
Phone: +49 341 2156-288  
E-mail: [datasource@eex-group.com](mailto:datasource@eex-group.com)

[www.eex.com](http://www.eex.com) > Market Data > EEX Group DataSource

# EEX Group DataSource Services: Details

## sFTP

### Service Description

- Aggregated trade data including settlement prices
- Standardized csv & xlsx files
- Frequency: end-of-day

### How to connect

- Easy access via ftp client
- Automatic and manual access downloads

## API

### Service Description

- Tick trade data including settlement prices
- Standardized xml or json response
- Frequency: real-time

### How to connect

- Easy webservice access through the internet
- Automatic access

## Excel Tool

### Service Description

- Tick trade data including settlement prices
- Automatable data import
- Support of Excel analytical capabilities
- Frequency: real-time

### How to connect

- Direct download of plug-in from EEX Website
- Accessible online and offline

## Desktop App

### Service Description

- Tick trade data including settlement prices
- Customisable views for quotes, charts and curves
- Automatic data updates
- Frequency: real-time

### How to connect

- Easy access via App download from eex.com

**Subscription for Japan power is free of charge until end of 2020**

**Subscription is required. Included in EEX derivative data.**

# EEX Group DataSource Services: access

<https://webshop.eex-group.com/>

## > eex Market data

1 Select your commodity:

EEX Group DataSource

Select

Transparency Data Power

Transparency Data Gas

Power

All



### EEX Group DataSource

Get connected to EEX Group with fast and robust data directly from the source. EEX Group DataSource services provide access to commodity data for Power, Natural Gas, Environmental and Agricultural Markets, Freight, and Ferrous Metals as well as transparency data for Power, Gas and Environmental Markets.

Free-of-charge promotion for sFTP and Excel Tool will be automatically considered in the subscription process. For beta API version, contact [datasource@eex-group.com](mailto:datasource@eex-group.com)

# EEX Japan Power Futures Questions & Answers

