EEX Japan Power Futures
Developing a liquid market together with the industry

09 July 2020
EEX Group Webinar
Annual volumes in EEX Power Derivatives
Developing liquid markets together with the industry

TWh
6,000
5,000
4,000
3,000
2,000
1,000
0
US Power Futures
European Power Futures
Japan Power
Development of spot volumes at JEPX

Volume of transactions (in Spot markets)

- Volume of executed transactions
- Percentage of JEPX transactions in total demand

Share of JEPX transactions in total demand:
- 2% (As of April 1st, 2016 full liberalization of retail market)
- 30-40% (As of August 2019)

(source) JEPX, OCCTO
Recap of EEX’s activities in 2019
Building the client network for Japanese Power

- Workshops in Tokyo, London and Singapore
- >150 individual client meetings
- Numerous hedging seminars in Japan
- Dedicated webinar series in co-operation with Bloomberg (Tokyo)
- Creation of Japanese Power Working Group with utilities and major market participants
- Thank you all - for your advice, feedback, constructive criticism and recommendations
Recap of activities in 2019
Connecting the Japanese and the global trading community

- EEX provides clearing services to Japanese utilities, PPS companies and trading houses

- EEX works with international banks, which provide tailor-made services for Japanese clients

- EEX collaborates closely with brokerage firms, located inside and outside Japan

- Many international EEX members are already active or in the process of setting up EEX Japanese Power Futures
The first 4 weeks of EEX Japanese Power Futures
A successful start into a new era

- EEX successfully launched the clearing service for Japanese Power Futures on 18th May 2020

- Despite the challenges caused by the global COVID-19 crisis, various market participants from Japan and overseas have been ready on Day 1 and first trades could 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 feedbacks
The first 4 weeks of EEX Japanese Power Futures
EEX volumes exceeding volumes of domestic market

- In June 2020, which was the first full calendar month after the launch of EEX Japan Power Futures, EEX’s volumes already exceeded the volumes traded and cleared at the domestic exchange
  - EEX has cleared following transactions in Tokyo Base Futures so far
    - 1 x Tokyo Base Month – June 2020
    - 5 x Tokyo Base Quarter – Q3/2020
    - 1 x Tokyo Peak Quarter – Q3/2020
    - 3 x Tokyo Peak Week
  - According to brokers, there has been more market activity. However trades could not always be matched, for example due to…
    - bid/ask spread too wide
    - trading interest on different broker platforms
Readiness Status
Trading participants, brokers, clearing banks

- **Ready:** at least 10 firms, both from Japan and overseas, ready and sometimes 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.

### Trading participants
- Ready: 9 brokerage firms

### Brokers
- Ready: 5 clearing banks
  - BNP Paribas, Mizuho Securities, Societe Generale, Macquarie, ED&F Man

### Clearing banks
- In the process of getting ready: ABN Amro
EEX Japan Power Futures
Product Specifications

Kansai Area

Week Base / Peak: up to 5 weeks
Month Base / Peak: up to 7 Months
Quarter Base / Peak: up to 7 Quarters
Season Base / Peak: up to 4 Seasons
Years Base / Peak: up to 6 Years

Tokyo Area

Week Base / Peak: up to 5 weeks
Month Base / Peak: up to 7 Months
Quarter Base / Peak: up to 7 Quarters
Season Base / Peak: up to 4 Seasons
Years Base / Peak: up to 6 Years

Product Specifications:
Currency: Japanese Yen
Pricing: in Yen/kWh
Minimum price fluctuation: Yen 0.01 per kWh
Contract Size: 1 MW (1,000kW) * number of hours in delivery period
Minimum lots size: 1 contract

• Peak definition: Japanese holiday calendar*, Mo-Fr 08:00am – 08:00pm

*EEX will use the Japanese holiday calendar for peak load contracts.
### EEX Japan Power Futures

#### Product Specifications #2

<table>
<thead>
<tr>
<th>Japanese holiday calendar</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Only holidays that are known 6 years in advance will be taken into account</td>
</tr>
<tr>
<td>- Extraordinary holidays (e.g. Golden Week 2019, Summer Olympics opening 2020) will not be considered by EEX</td>
</tr>
<tr>
<td>- A table showing „considered‘ holidays will be published on the EEX website</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Fallback mechanism in case of JEPX spot market suspension</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Japanese energy agency ANRE has presented proposals for a fallback mechanism in case of a spot market outage, e.g. in case of natural disasters</td>
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<tr>
<td>- EEX will follow the ANRE guidance to replace missing spot prices with the average spot price for one week before the power spot market outage</td>
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<table>
<thead>
<tr>
<th>Cascading</th>
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<tbody>
<tr>
<td>- EEX Japan Power Futures follow a cascading mechanism</td>
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<tr>
<td>- Year contracts cascade into 3 months and 3 quarters</td>
</tr>
<tr>
<td>- Season contracts cascade into 3 months and 1 quarter</td>
</tr>
<tr>
<td>- Quarter contracts cascade into 3 months</td>
</tr>
</tbody>
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EEX Japan Power Futures
The Trade Registration Process

Trading via a broker of your choice

Broker submits transaction to EEX Japan Power Portal

Trade is checked against risk limits and collaterals of the clearing member

Trade is processed in EEX/ECC systems
EEX Japan Power Futures
When can transactions be registered with EEX?

Trades can be registered for clearing Monday to Friday between 9:00am and 19:00pm JST, unless on days when EEX is closed.

<table>
<thead>
<tr>
<th>Tokyo Local Time</th>
<th>09:00-10:00</th>
<th>10:00-11:00</th>
<th>11:00-12:00</th>
<th>12:00-13:00</th>
<th>13:00-14:00</th>
<th>14:00-15:00</th>
<th>15:00-16:00</th>
<th>16:00-17:00</th>
<th>17:00-18:00</th>
<th>18:00-19:00</th>
</tr>
</thead>
<tbody>
<tr>
<td>CET+1 (European Summer Time)</td>
<td>02:00-03:00</td>
<td>03:00-04:00</td>
<td>04:00-05:00</td>
<td>05:00-06:00</td>
<td>06:00-07:00</td>
<td>07:00-08:00</td>
<td>08:00-09:00</td>
<td>09:00-10:00</td>
<td>10:00-11:00</td>
<td>11:00-12:00</td>
</tr>
<tr>
<td>CET (European Winter Time)</td>
<td>01:00-02:00</td>
<td>02:00-03:00</td>
<td>03:00-04:00</td>
<td>04:00-05:00</td>
<td>05:00-06:00</td>
<td>06:00-07:00</td>
<td>07:00-08:00</td>
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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 31st 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.

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**EEJ Japanese Power Futures are subject to exchange and clearing fees**

<table>
<thead>
<tr>
<th>Fee Type</th>
<th>Fee Rate</th>
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<tbody>
<tr>
<td>EEX trade registration fee</td>
<td>0.002 JPY/kWh = 2.00 JPY/MWh</td>
</tr>
<tr>
<td>ECC clearing fee</td>
<td>0.001 JPY/kWh = 1.00 JPY/MWh</td>
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</tbody>
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Examples of rebate schemes.
Initiatives to further develop liquidity
Continuous communication with all stakeholders

- Online meetings and webinars
- Monthly newsletter with update 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
EEX Japan Power Futures
Questions & Answers