

Cooperation with Powernext - Overview

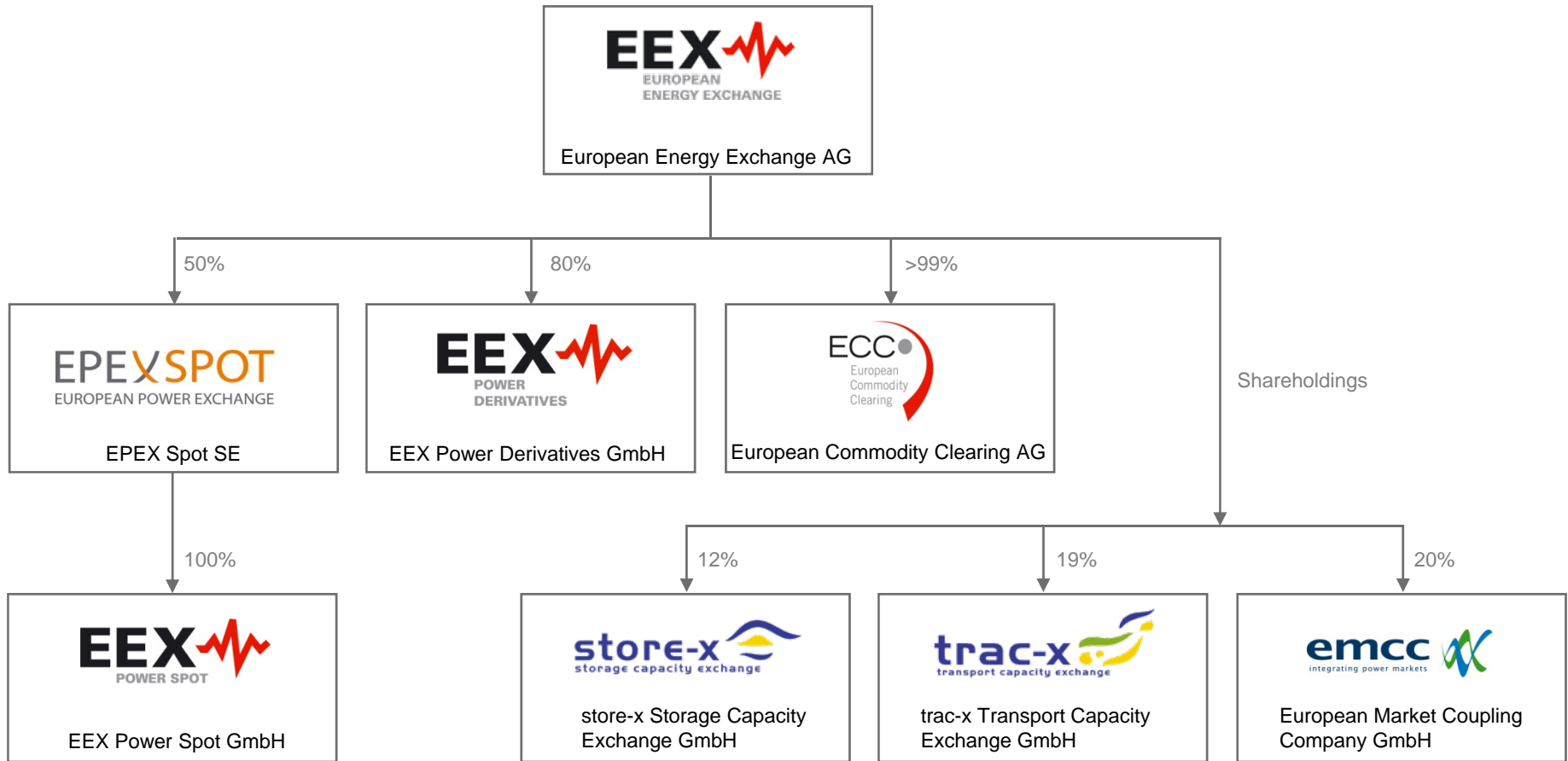
Toralf Michaelsen (Director Market Supervision, EEX Power Derivatives GmbH)

Milestones in the implementation of the co-operation between EEX and Powernext

- March 2008: Signing of the contracts regarding the co-operation
- September 2008: Spin-off of the EEX Power Derivatives Market into the independent, Leipzig-based company EEX Power Derivatives GmbH
- September 2008: Establishment of the joint company EPEX Spot SE with registered offices in Paris, in which EEX and Powernext each hold 50% of the shares.
- After that: Gradual integration of the trading activities on the Power Spot Market
- As of 31st December 2008 Powernext contributed its French Power Spot Market to EPEX Spot in its entirety. As of that time, EEX Power Spot GmbH operated as a wholly owned subsidiary of EPEX Spot SE.
- As of 1st April 2009 the Powernext power futures were integrated into EEX Power Derivatives. EEX AG holds 80% and Powernext S.A. holds 20% in EEX Power Derivatives.
- Since April 2009, ECC has provided clearing and settlement of the French Power Futures of Powernext, which are now traded through EEX Power Derivatives.
- Furthermore, ECC has ensured clearing and settlement of all products traded on EPEX Spot SE since 1st April 2009. Powernext has had its gas transactions cleared and settled through ECC as early as since 26th November 2008.

- This year the implementation of the co-operation with the French Powernext once again constitutes the centre of attention.
- In April 2009 two important milestones were reached:
 - Transfer of the Powernext power futures for trading on EEX Power Derivatives
 - Transfer of all open positions in Powernext power futures for clearing by European Commodity Clearing AG
- As of 1st September 2009 the Power Spot Markets of EEX and Powernext will be integrated fully within EPEX Spot SE.
- Until that time, the market model for EPEX Spot SE, which provides for an exchange council as well as an independent market surveillance office, will be adopted.
- Further projects are under way. This also includes the implementation of the new Spot Market auction system.

Current group structure

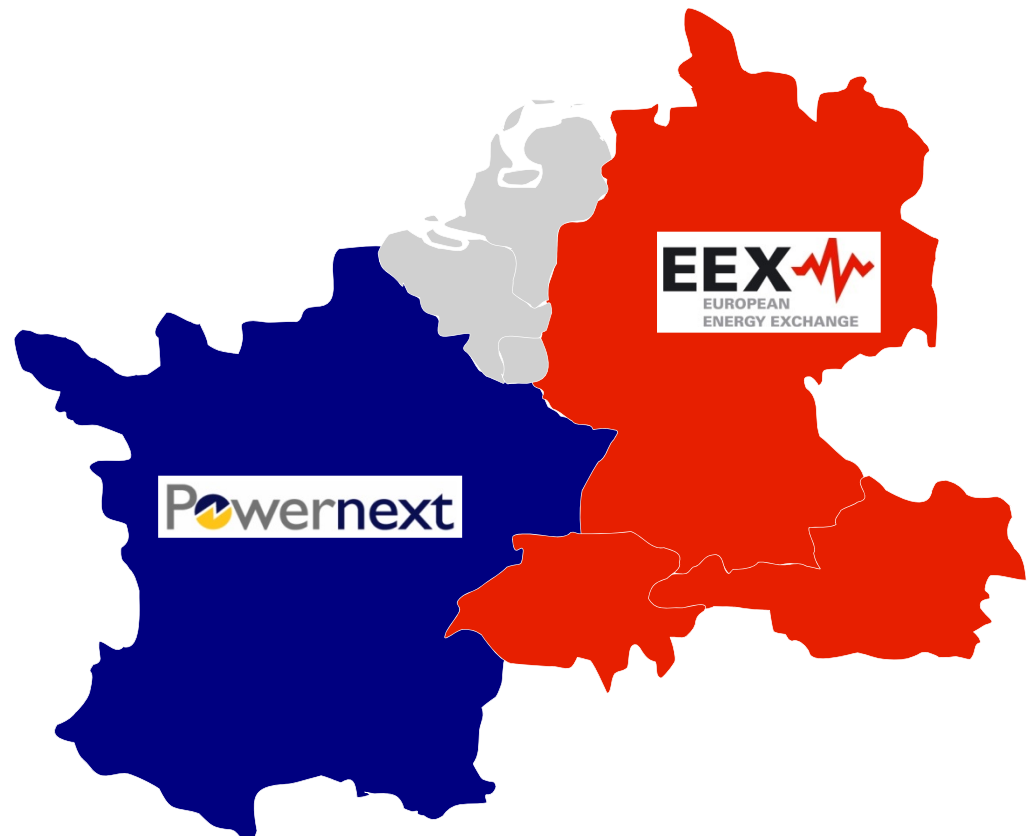


Cooperation with Powernext

Martin Michalk (Customer Relations)

EEX and Powernext cooperate in power trading

- Approx. 70% of Powernext participants are EEX participants
- Approx. 30% of EEX participants are Powernext participants
- Price correlation:
More than 90 percent

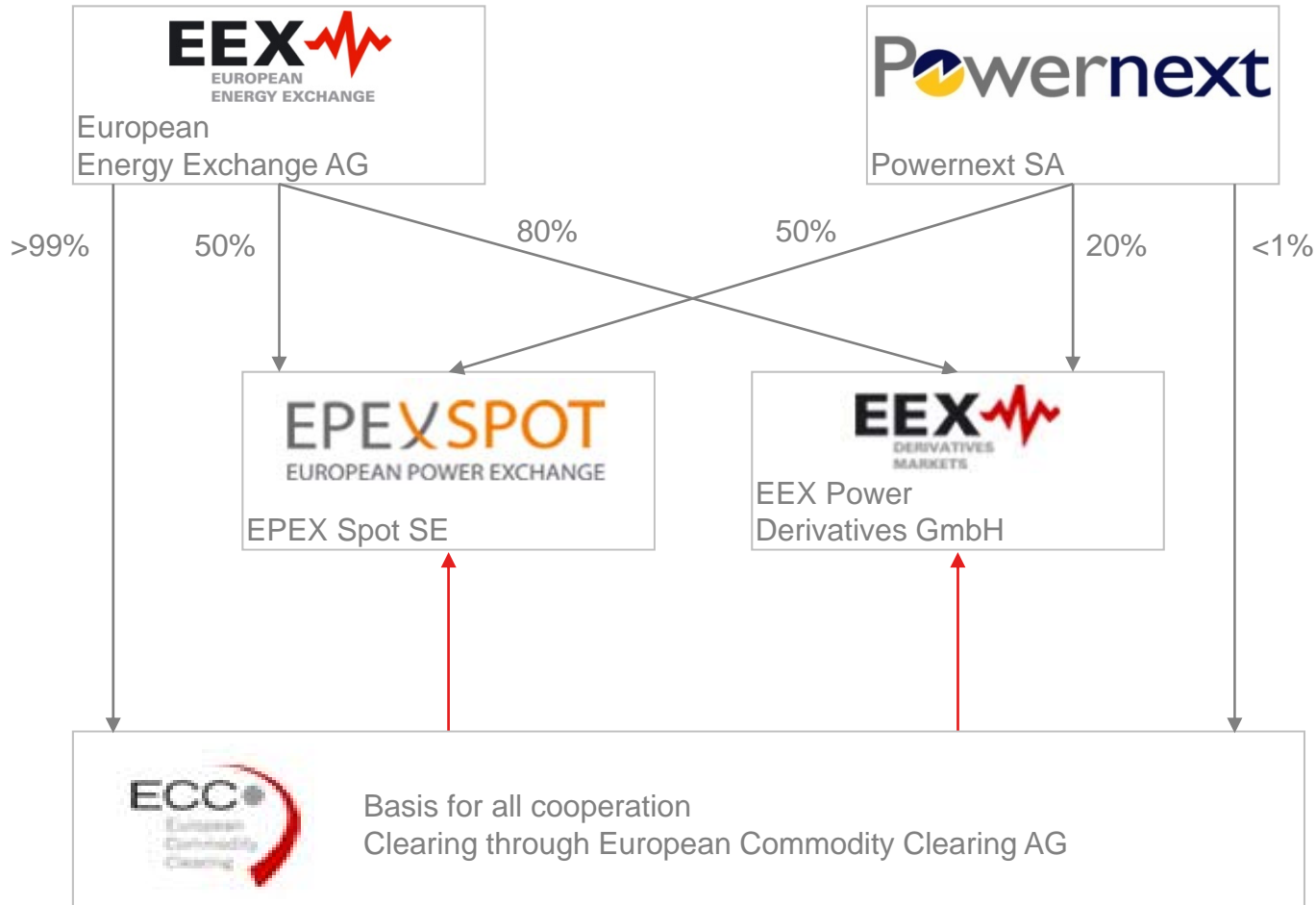


Key aspects of the cooperation

- Common Power Spot Exchange based in Paris
- Common Power Derivatives Exchange based in Leipzig
- Clearing of all spot and derivatives energy products through European Commodity Clearing AG (ECC)



The cooperation model is open for further partners



- Centralised first Level Support in all related issues through Market Operations and Customer Relations Teams
- Cooperation with major brokers (ICAP, Prebon, TFS, GFI, Spectron, MF Global)
- Regulated exchange with market surveillance
- Common legal framework (e.g. market model, trading hours, settlement procedures, etc.)
- Transparency of prices, price mechanism, publication of transparency figures

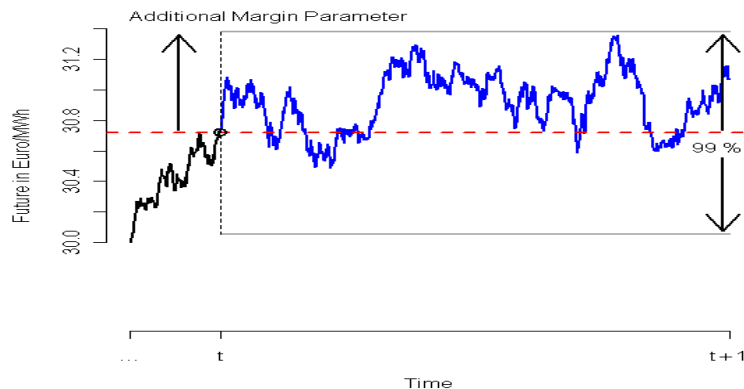
- French Futures – power futures contracts with physical delivery
- German Futures :
 - Phelix* Futures – power futures contracts with financial delivery
 - Phelix* Options – options on Phelix Power futures contracts
 - German Futures – power futures contracts with physical delivery
- German options – options on the Phelix Futures
- Carbon - emissions futures contracts with physical delivery
 - EUA Futures and Options
 - CER Futures
- Natural Gas – gas futures contracts with physical delivery
 - Natural Gas Futures NCG
 - Natural Gas Futures GUD
- Coal futures

ECC documents to be filled in and sent to EEX admission – to add an EPD product		To trade French Futures	To trade German Futures (physical)	To trade Phelix Futures (financial)
TP05a TP05b	Trading participant <u>French Power Futures</u> (only one of the following forms) - <i>Own Hub Agreement</i> - <i>3rd Party Hub Agreement</i>	☑		No proof required
TP01a TP01b	Trading participant <u>German Power Futures</u> (only one of the following forms) - <i>Own Hub Agreement</i> - <i>3rd Party Hub Agreement</i>		☑	No proof required

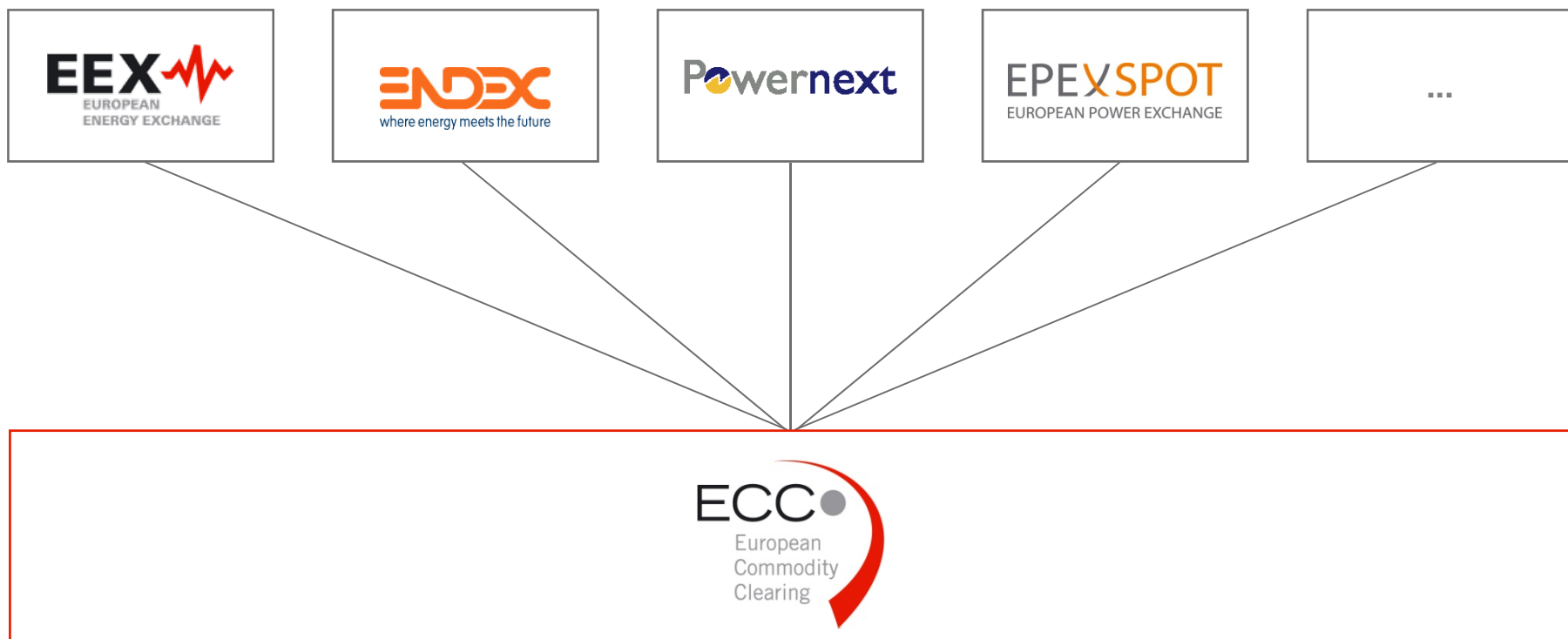
- Front-office
 - Front-end setup (Eurex, Communicator, Trading Gateway...):
 - Trade capture and integration in middle/back office system
- Middle-office and back-office
 - ECC Margin calculation replication (if necessary)
 - Manage technical relationship with CM (see CM for processes)
- Nomination
 - Compute net value to be nominated by ECC from futures trades
 - If need be, modify your nomination process to deal with single sided nominations
- Reporting
 - Collect EPD and ECC confirmation reports (manually or automatically)

These steps should be easy to implement as the process is the same for all EEX derivatives products.

- All EEX products are cleared by the same clearing house - ECC
- Harmonised scheduling and settlement processes
- Settlement through one clearing bank
- Certain product benefit from cross-margining, meaning that long/short positions in the respective cross-margined products require a greatly reduced level of collateral to be deposited, increasing liquidity levels whilst eliminating counterparty risk



ECC – Exchange Partnership Network



- Systematic clearing and settlement of the transactions by ECC constitutes an essential element of the cooperation projects and the key for the joint success.