

# SEEPEX Workshop

Belgrad, 28.03.2023

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# Introduction of ECC

# ECC is Part of EEX Group

## European Commodity Clearing (ECC)

is a central clearing house which specialises in energy and commodity products.

ECC assumes the counterparty risk and guarantees the physical and financial settlement of transactions, providing security and cross-margining benefits for its customers.

As part of EEX Group, ECC provides clearing services for EEX, EEX Asia and EPEX SPOT as well as for the partner exchanges HUPX, HUDEX, NOREXECO, SEEPEX and SEMOPX.

As a member of EEX Group, ECC belongs to Group Deutsche Börse.

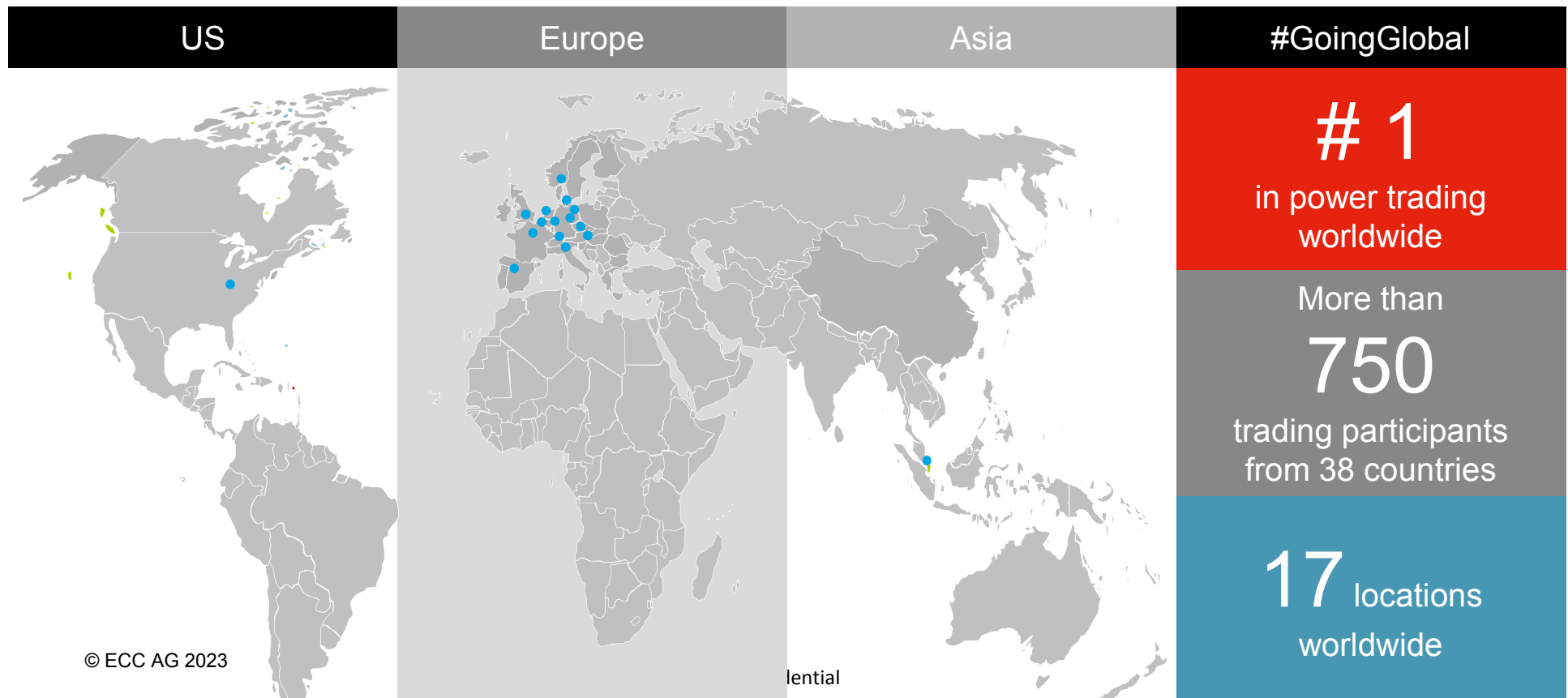


# ECC Partners

ECC was founded in 2006 as a subsidiary of EEX specialised on clearing services. Since then it has grown into the **central clearing house** for energy and commodity products in Europe with connection to a variety of exchanges.

<b>EPEX SPOT</b> (Power)	SPOT
<b>HUPX</b> (Power)*	
<b>SEEPEX</b> (Power)*	
<b>SEMOpX</b> (Power)*	
<b>EEX</b> (Natural Gas, Emissions)	
<b>EEX</b> (Power, Natural Gas, Emissions, Agriculturals, Freight)	DERIVATIVES
<b>HUDEX</b> (Power)*	
<b>NOREXECO</b> (Fibre)*	
<b>EEX Asia</b> (Dry Bulk Freight)	

# EEX Group – A Global Commodity Exchange

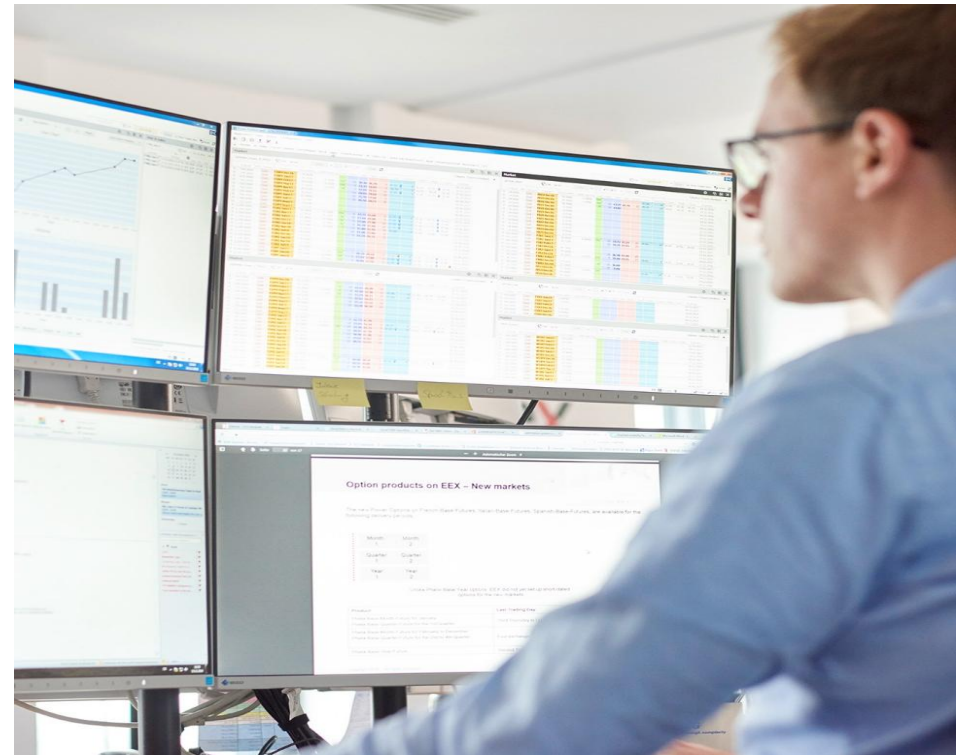


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# ECC Provides Security for the Market

- ECC mitigates the counterparty risk and guarantees the physical and financial settlement (fulfillment) of all transactions traded on its partner exchanges.
- ECC holds a CCP EMIR license and is regulated by the German BaFin and Bundesbank.



# ECC Provides Clearing and Settlement Services

1



## Clearing

all activities from the time a commitment is made for a transaction until it is settled

- Assumption of counterparty risk as Central Counterparty (CCP)
- Risk management processes like margin and limit system, member management
- Close-out netting
- Monitoring
- Reporting
- Failure handling

2



## Settlement

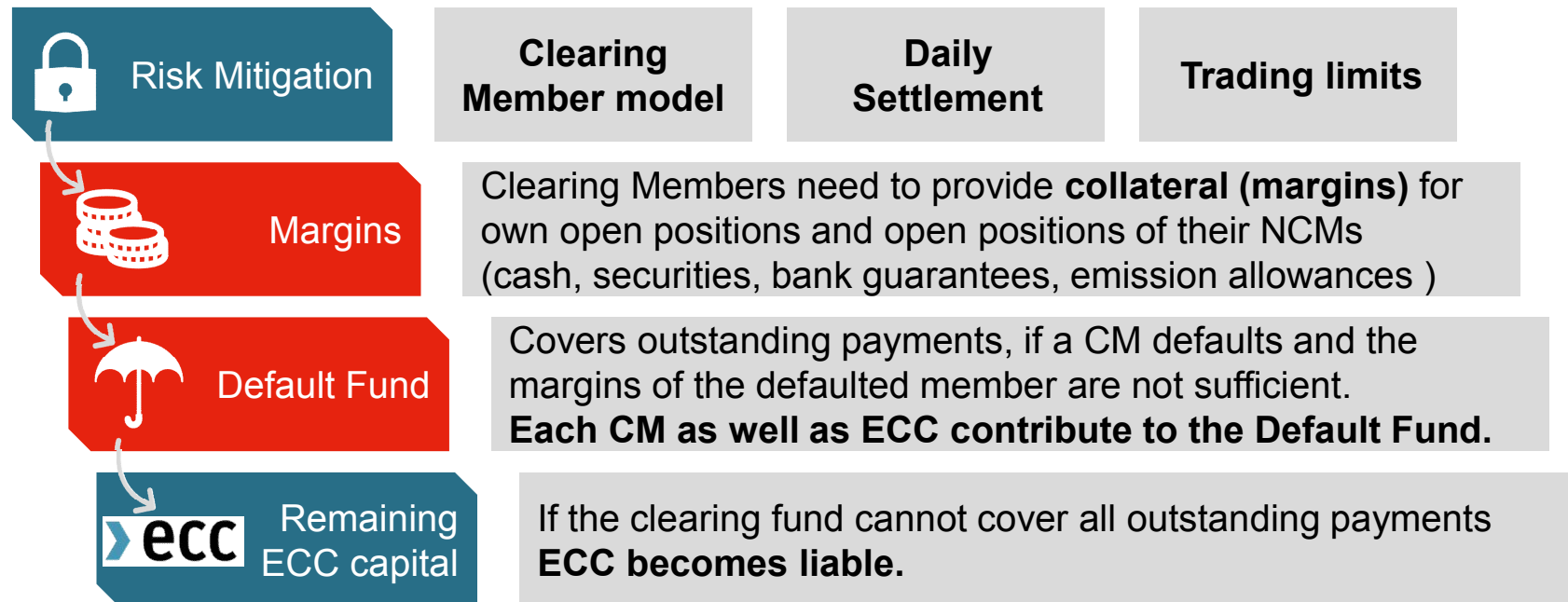
process of the legally binding fulfillment of contractual obligations

- Delivery versus payment
- Transfer of funds (financial settlement): Connection to central bank and commercial banks
- Physical Settlement: Delivery through TSOs or registries
- Netting of payments
- Straight-through-processing (STP)
- 24/7 helpdesk



# Clearing Makes Markets Secure

In the case that a Clearing Member becomes insolvent, ECC has to guarantee that all outstanding payments and deliveries are fulfilled:



# Physical Settlement (Power)

- When a contract is settled physically, the buyer receives the commodity at contract maturity
- ECC sends nominations to the relevant grid operator to initiate the physical delivery

## Preconditions and special capabilities for Physical Settlement

ECC	Members
<ul style="list-style-type: none"> <li>• Balancing agreements with all relevant TSOs</li> <li>• Direct technical interface with TSOs</li> <li>• Ability to always provide the necessary nomination data format and granularity, ability to adapt to the necessities of different backend systems</li> </ul>	<ul style="list-style-type: none"> <li>• Balancing agreements with the TSO in the market area where participants want to trade</li> <li>• Alternatively, permission to use a third party account (TPA)</li> <li>• In some market areas: Ability to send nominations to the TSOs (additionally to the nominations sent by ECC)</li> </ul>

# Markets – Operated by ECC



Market Area	Power TSO's and Service Providers	Natural Gas TSO's and Service Providers
AT	APG / APCS	CEGH
BE	Elia	Fluxys
CH	Swissgrid	-
CZ	OTE	OTE
DE	Amprion, TransnetBW, 50Hertz, TenneT	THE (former GASPOOL & NCG)
DK	Energinet / eSett	Energinet
ES	-	ENAGAS
FI	Fingrid / eSett	-
FR	RTE	GRTgaz
HU	MAVIR	-
IE	EirGrid	-
IT	-	SNAM RETE
NL	TenneT	GTS
NO	Statnett / eSett	-
PL	PSE	-
RS	EMS	-
SE	Svenska Kraftnät / eSett	-
UK	SONI, Elexon	National Grid



# Benefits of Clearing with ECC



With a **network** of more than 600 participants, clearing banks and TSO's, ECC will find a counterparty for each business.



With **cross-margining** benefits across nine energy and commodity exchanges, ECC provides capital efficiency to all participants.



ECC's core competence is **risk management**. ECC relies on a stable infrastructure, standardised processes and several lines of defenses („Default waterfall“).



ECC is the expert when it comes to **physical** settlement of commodities, offering 24/7 customer support.



ECC provides full **transparency** of applied risk models and parameters as well as settlement processes to clients.



ECC offers different **membership models** tailored to the specifics needs of clients and markets.

# Introduction of SEEPEX Intraday Market

# Product Setup & Physical Settlement



The product will be set up as follows in the ECC systems:

Name:	SEEPEX Power Intraday
ECC Product Group:	SEEPEX_IT_POWER_EMS
EIC Code:	34X-00381-2015-E



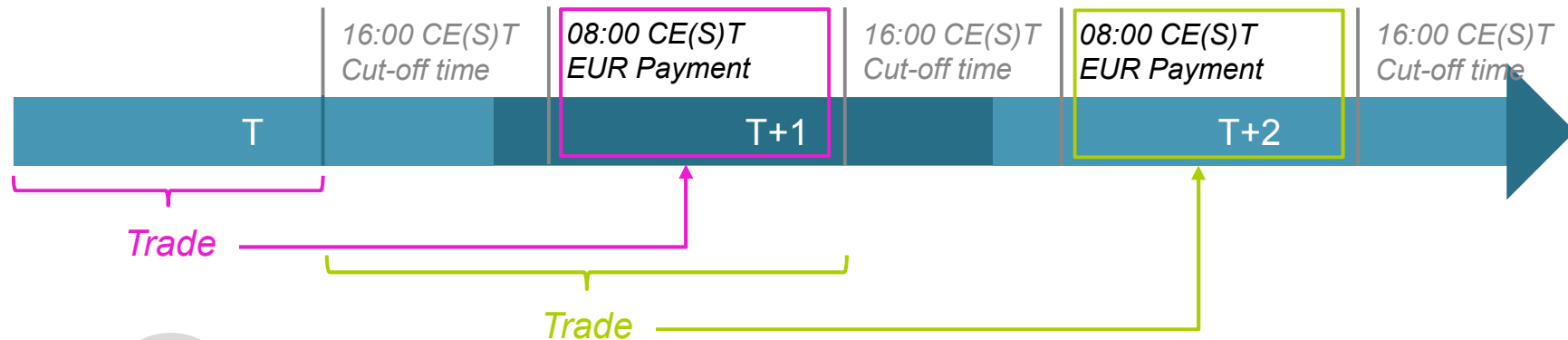
- All Intraday transactions will be imported into the ECC clearing and settlement system SMSS using the existing ECC member ID (e.g. ABCEX).
- All intraday and day-ahead positions will be netted.
- Scheduling / nomination process will be done in automate mode (e.g. each 60 minutes) using the existing priority rules.



# Financial Settlement & Clearing Fees



- All intraday transactions will be included and netted out into one net payment on every ECC business day at the booking cut at 16:00 CE(S)T.
- The exact delivery and payment date is provided in the ECC reports on spot market transactions.



Clearing Fees for SEEPEX Intraday Transactions: 0,05 EUR/MWh

# Margining



Risk	=	Current Exposure	+	Potential Future Exposure
Spot Market		<b>Current Exposure Spot Market (CESM)</b>		<b>Initial Margin Spot Market (IMSM)</b>
		The net value (payment amount) of all concluded transactions on the spot markets during the day that have not been settled.		Expected value of spot transactions for the time between last payment and the potential default of a counterparty (relevant for power and gas products). Acts as a buffer for the time of trading where no payments can be made (during nights and weekends) and helps to reduce intraday margin calls.

NEW

Exposures from transactions in Intraday Continuous contracts will be included in the time series of exposures used for daily calculation of the IMSM and will also be included in the CESM.

The exposures will be netted providing full cross-margining effects.

# Trading Limits & Emergency Member Stop



NEW

	Day-Ahead Market	Intraday Continuous Market
<b>Financial Trading Limit</b>	<b>SEEPEX_AUCTION_EUR</b> <i>(Overall financial limit per trading participant per auction trading day from 16:00 CE(S)T to next auction trading day 16:00 CE(S)T)</i> Default limit = unlimited	<b>SEEPEX_CONTINUOUS_EUR</b> <i>(Financial limit equivalent to the maximum financial amount to which the trading participant can trade during two consecutive ECC booking cuts)</i> Default limit = 0
<b>Emergency Member Stop</b>	<b>STOP_SEEPEX</b>	<b>STOP_SEEPEX_CONTINUOUS</b>



**Clearing Members** can set a financial trading limit for their Non-Clearing Members as well as stop the respective Non-Clearing Members from trading within the ECC Member Area, for each market separately.



# Reports



## Delivery Report

Overview of all physically settled trades to the member for a complete specific delivery day with delivery periods from 00:00 to 24:00 (position are netted)

daily

## Trade Report

Overview of all executed trades of a member from T-1 16:00:01 to T 16:00:00. submitted on T provide an

## Payment Report

Overview of all trades to be financially settled on B+1. All trades from 16:00:01 B-1 to 16:00:00 on B are considered in the Payment on B+1.

on  
business  
days

## Margin Reports

Contains Initial Margin Spot Market (IMSM).

## Invoice Report

Contains all transactions from the previous month.

monthly



**Members** can subscribe for the reports within the ECC Member Area



All intraday continuous trades, fees etc. will be included into the existing reports.

# Preconditions for Participation



## For Clearing Members

The ECC clearing licence for Clearing Members already covers clearing of the new contracts.



## For Trading Participants already admitted for trading SEEPEx Day-Ahead contracts

Please confirm request via e-mail to [membership@seepex-spot.rs](mailto:membership@seepex-spot.rs) **latest until 31 May 2023**



## New Trading Participants

Completion of standard admission process as a Non-Clearing Member including the ECC KYC process: <https://www.ecc.de/en/access/non-clearing-members>

# Questions?

# Thank you!



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