

SVENSKA KRAFTNÄT

# Quarterly Summary

– Svenska kraftnät's auctioning of  
EPADs for improved hedging  
opportunities

The first quarter 2024



### **Svenska kraftnät's EPAD-pilot**

Since February 7, 2023, Svenska kraftnät has auctioned EPAD contracts corresponding to approximately 10 percent of the Swedish grid's capacity to transmit electricity between bidding zones SE2 and SE3 and SE3 and SE4.

## **QUARTERLY SUMMARY, Q1 2024**

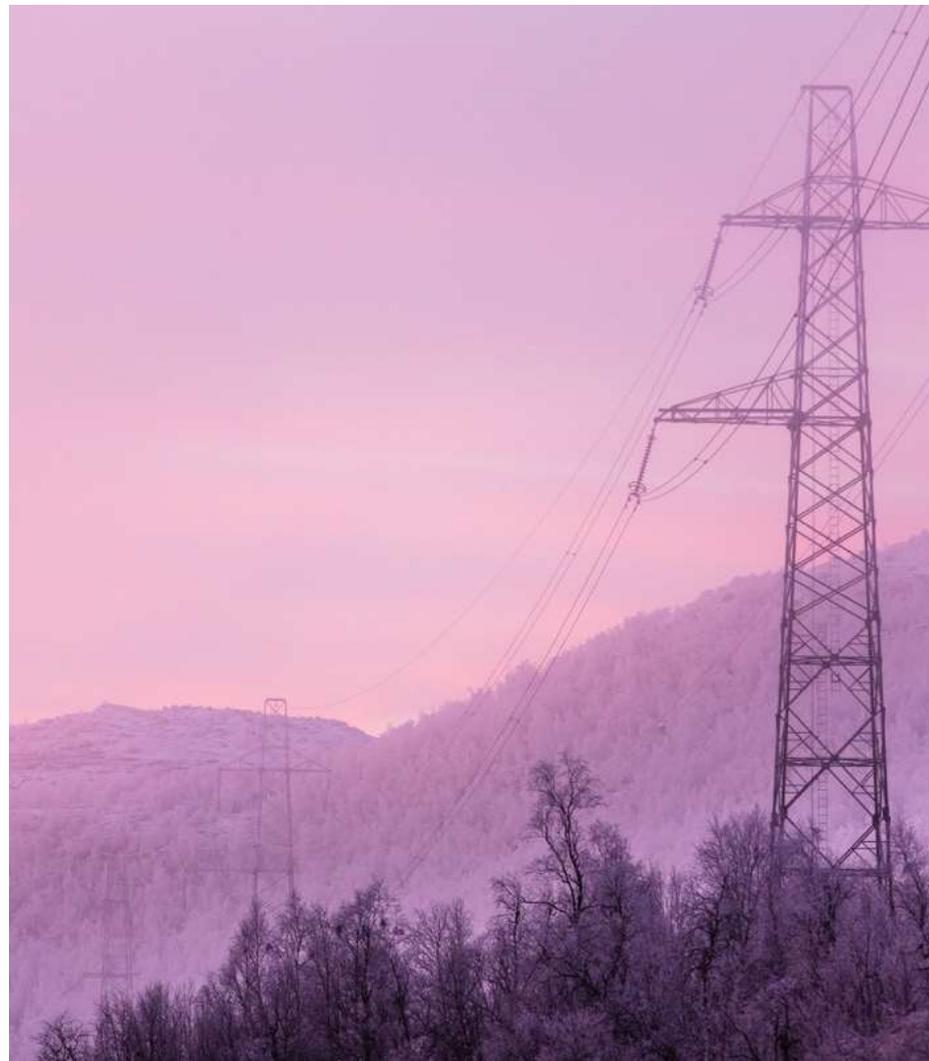
# **About the auctions**

- Svenska kraftnät is conducting regular auctions of EPAD contracts for the bidding zones SE2, SE3 and SE4 as part of a pilot project.
- The aim is to contribute to improved hedging opportunities for market participants.
- In total, six auctions have been conducted during the first quarter of 2024, starting on January 9.

# Market interest continued to be robust

The quarter was characterized by stable EPAD prices, low volatility for calendar year contracts and continued, but marginal, price convergence between bidding zones SE2 and SE4.

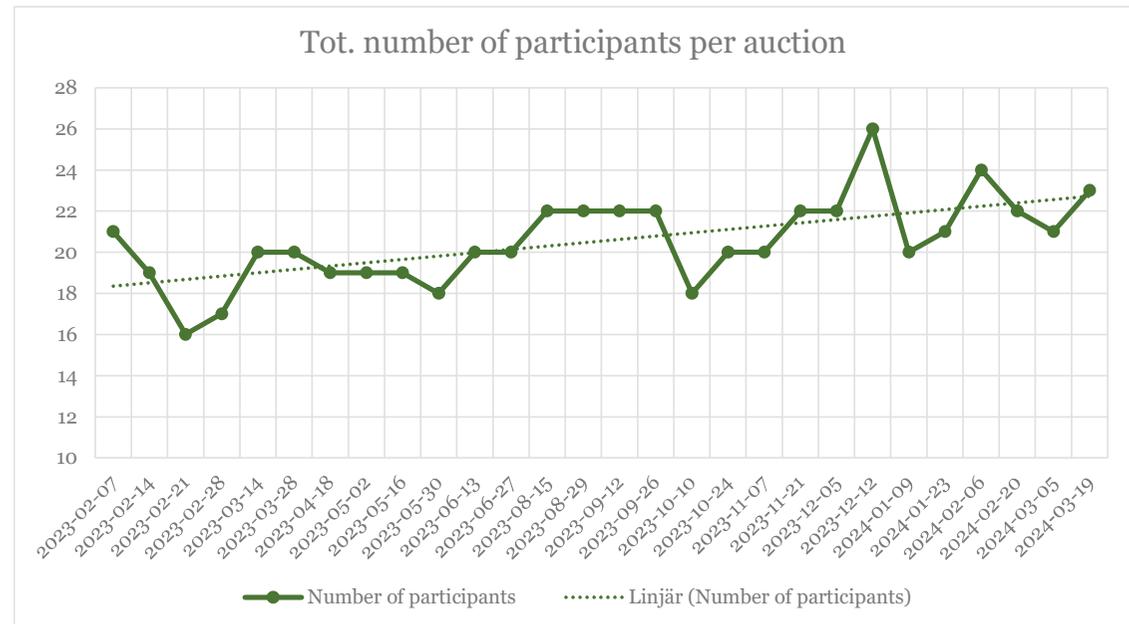
The auctions in the first quarter were characterized by continued strong interest from market participants with high bid-to-cover ratios and high participation.



# Participation in auctions

## Participation by auction event

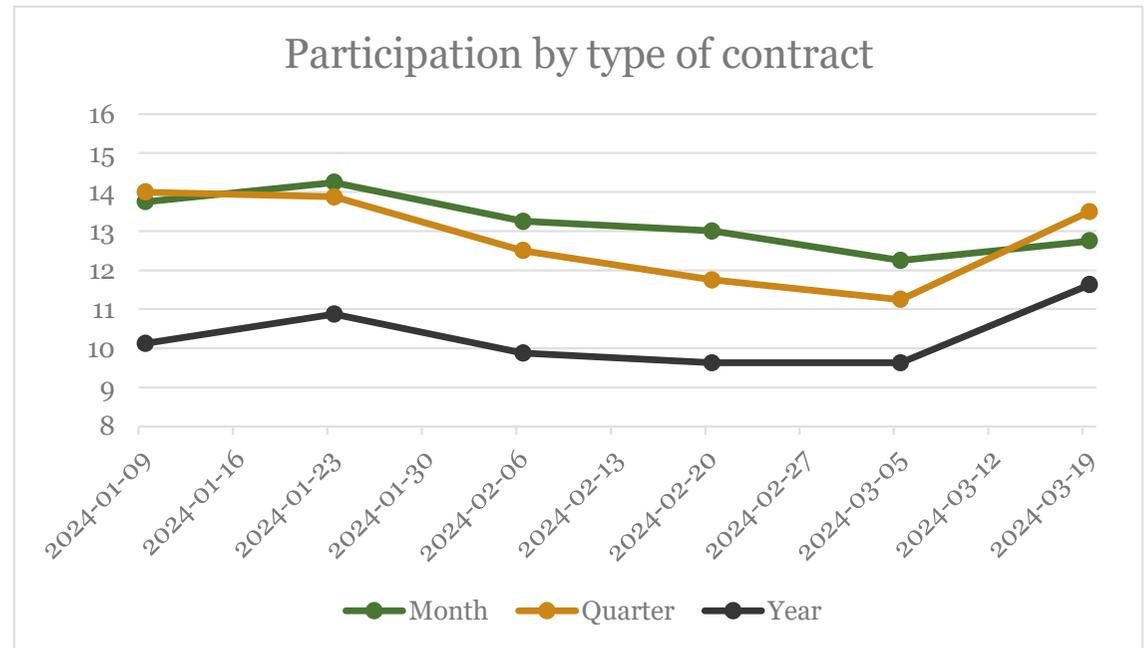
- Auction participation increased slightly in the first quarter of 2024.
- 22 participants on average per auction event.



Total number of participants per auction event (2023-2024).

## Participation by type of contract

- Monthly contracts showed the highest average participation, in line with the previous quarter.
- As in the fourth quarter of 2023, calendar year contracts show the lowest number of participants.

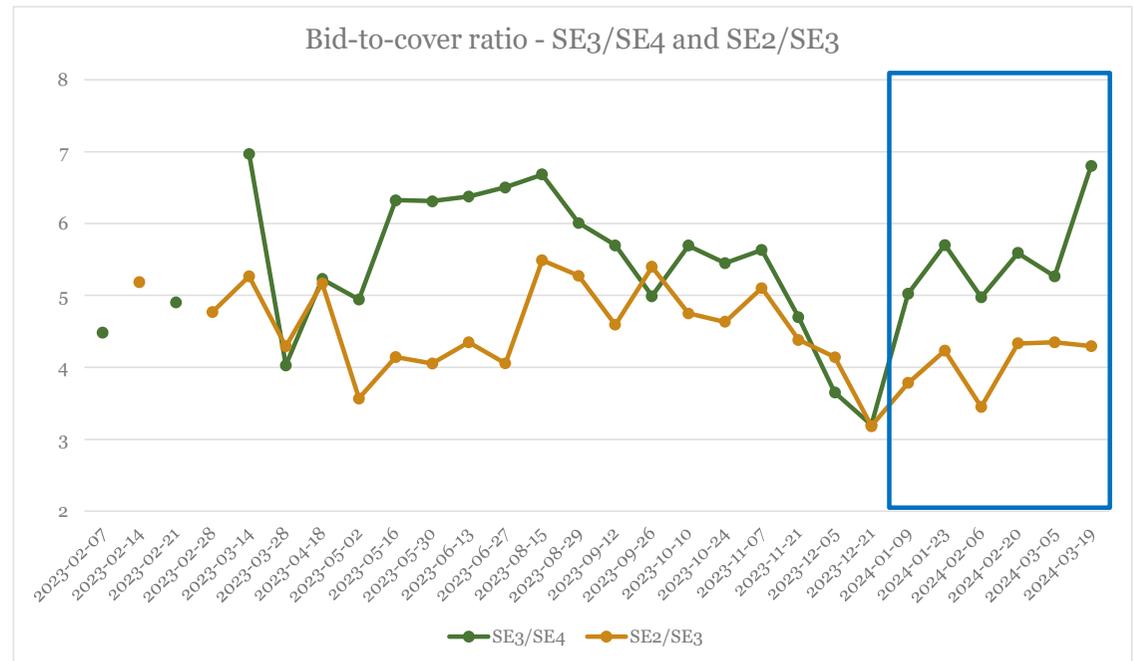


Average number of participants in the first quarter of 2024 per auction event, broken down into monthly, quarterly and calendar year contracts.

# Price formation

# Bid-to-cover ratio

- Bid-to-cover ratios were characterized by a recovery in the first quarter.
- Participation remains stable for both borders.
- Positive quarter for the SE3/SE4 border with increasing participation.

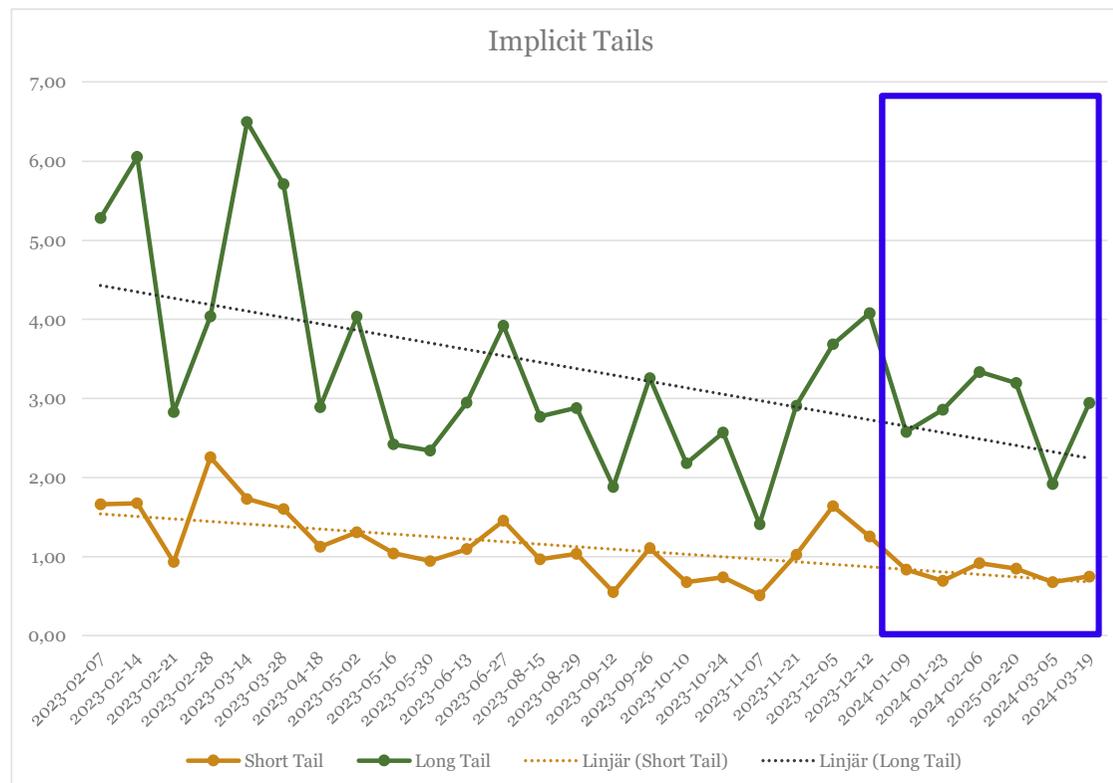


Bid-to-cover ratios in relation to the individual auctions to which the allocation conditions apply, which are the same as the bidding zone borders SE2/SE3 and SE3/SE4 for the respective auction event (the dots on the lines) in 2023-2024.

# Implicit tails

- The tails serve as a measure of price formation, the shorter the tail the better the auction.
- The first quarter was characterized by satisfactory price formation.
- Read more about tails in the full-year report.\*

\*<https://www.svk.se/en/about-us/news/news/svenska-kraftnat-publishes-full-year-follow-up-of-epad-auctions/>

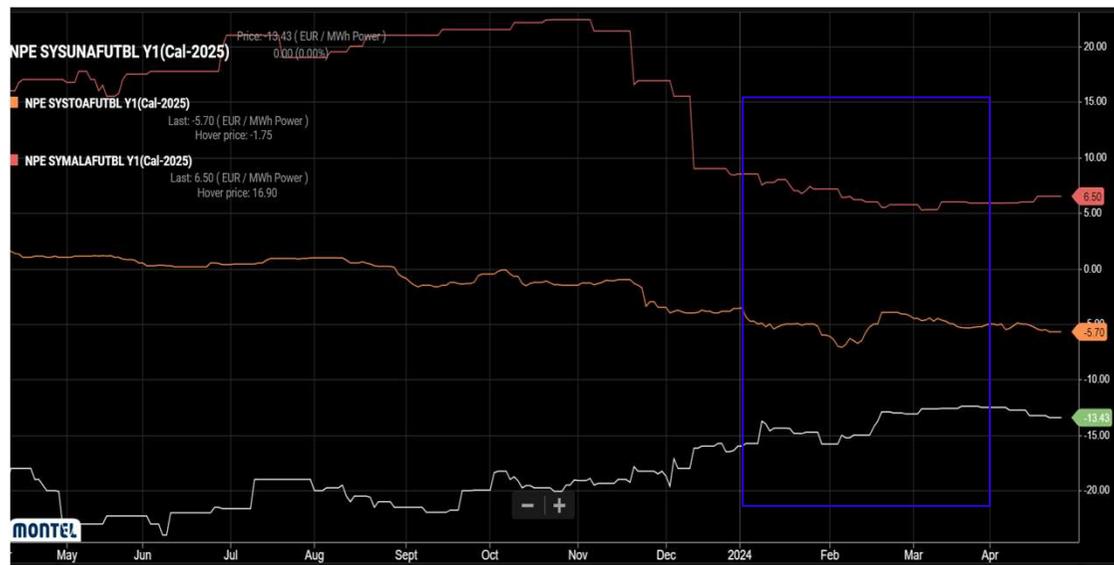


Average implicit short and long tails per auction occasion. The linear trend lines for short and long tails (dotted lines) in the figure show the overall trend in tails over 2023-2024 expressed in EUR.

# Activity and trading on the continuous EPAD market

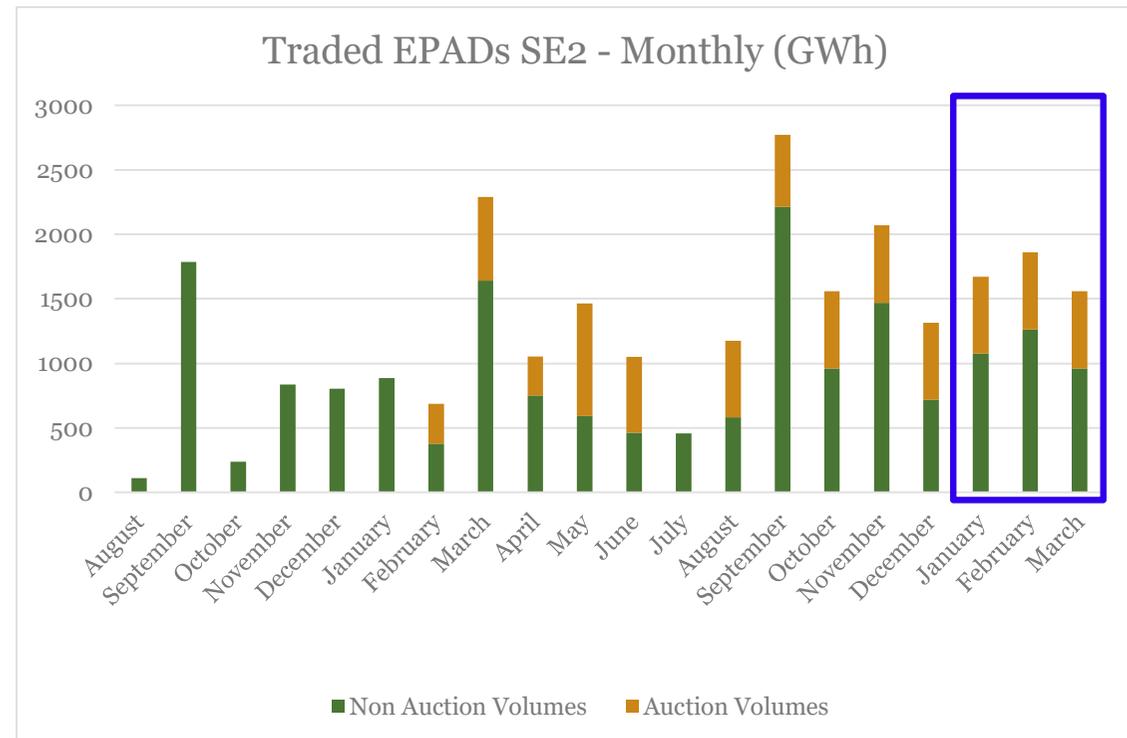
# Market trends for EPADs

- Market developments in Q1 2024 were characterized by stability and marginal continued price convergence (tighter spreads).
- *Source: Montel*



## Turnover SE2 (Sundsvall)

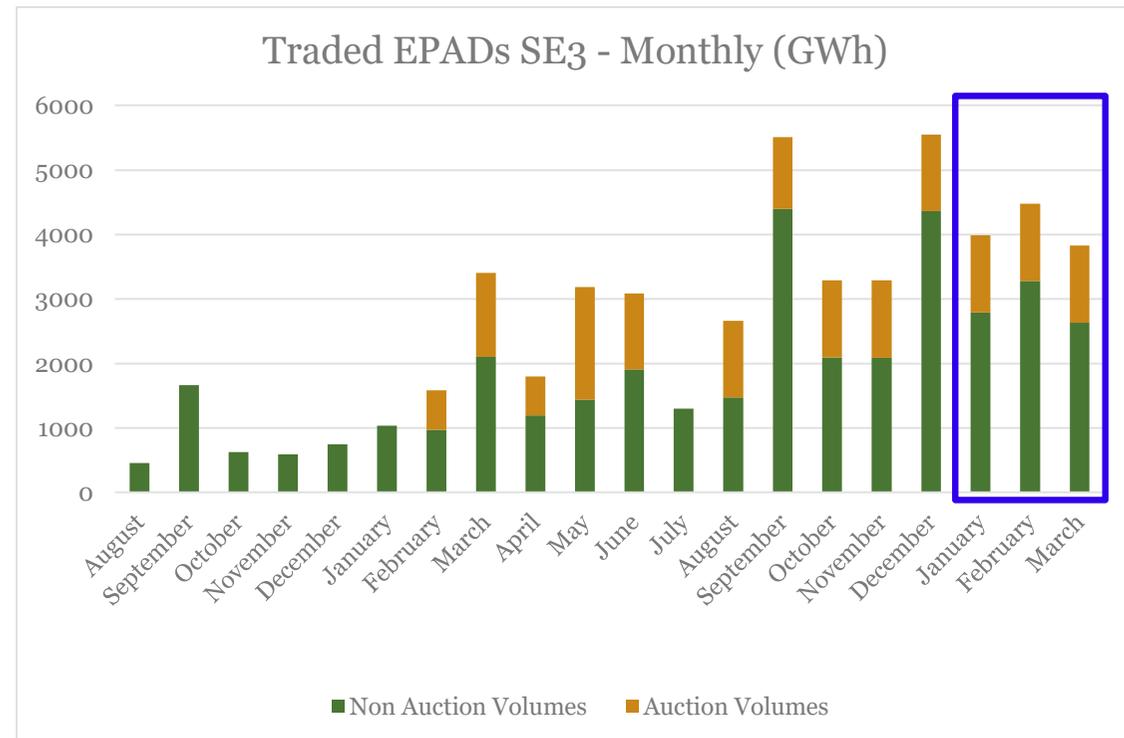
- Continuous trading increased in Q1 2024 by around 5% compared to Q4 2023.
- Auction volumes as a share of total turnover amounted to around 35% in the first quarter (38% in Q4 2023).



Turnover (GWh) of EPADs for SE2 per month (August 2022 - March 2024).

## Turnover SE3 (Stockholm)

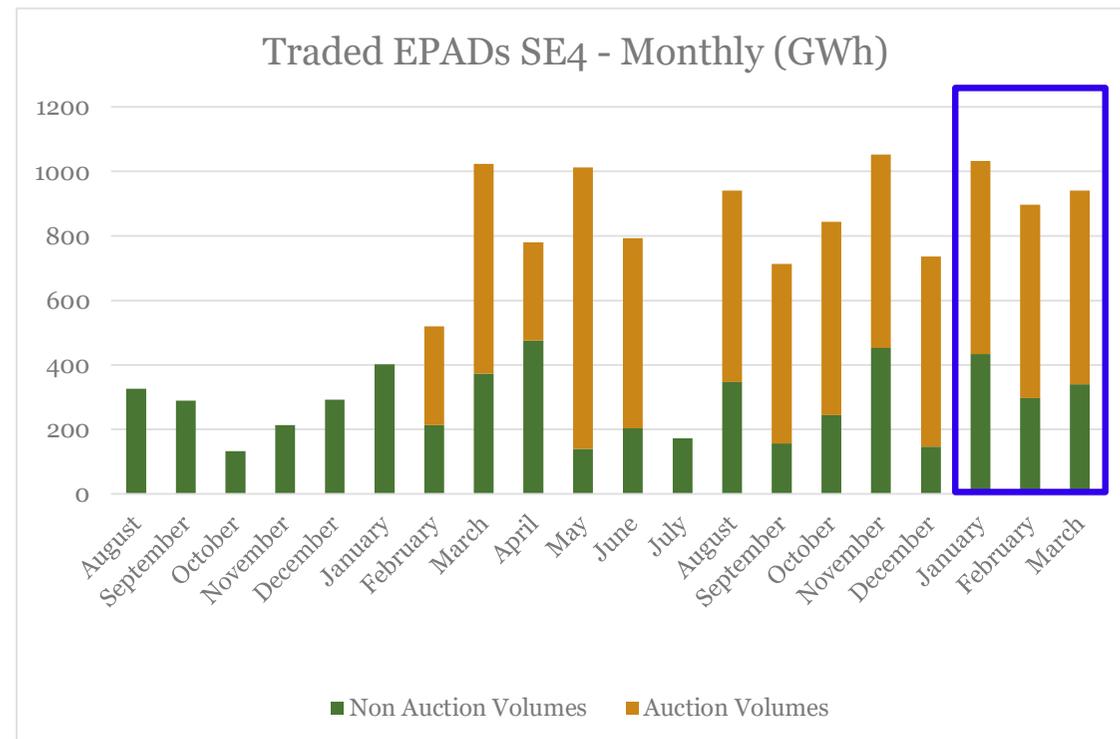
- Continuous trading in Q1 2024 increased by around 19% compared to Q4 2023.
- Auction volumes accounted for around 29% of total turnover in the first quarter (31% in Q4 2023).



Turnover (GWh) of EPADs for SE3 per month (August 2022 - March 2024).

## Turnover SE4 (Malmö)

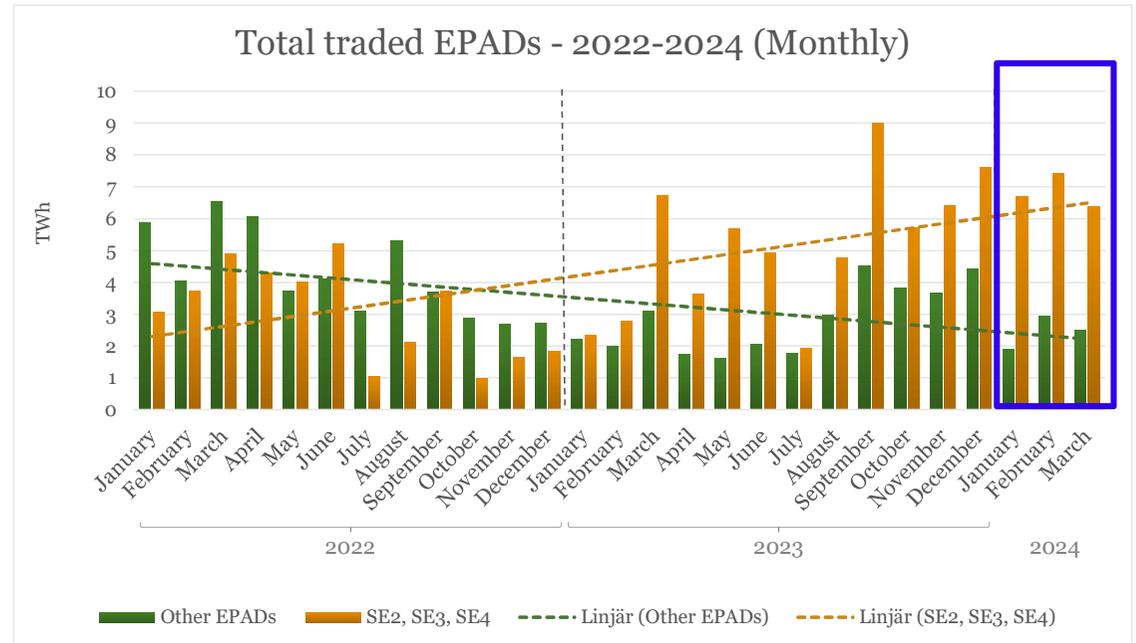
- Continuous trading increased in Q1 2024 by around 27% compared to Q4 2023.
- Auction volumes accounted for around 63% of total turnover in the first quarter (69% in Q4 2023).



Turnover (GWh) of EPADs for SE4 per month (August 2022 - March 2024).

## Total trading for SE2, SE3 and SE4 EPADs compared to other EPAD contracts

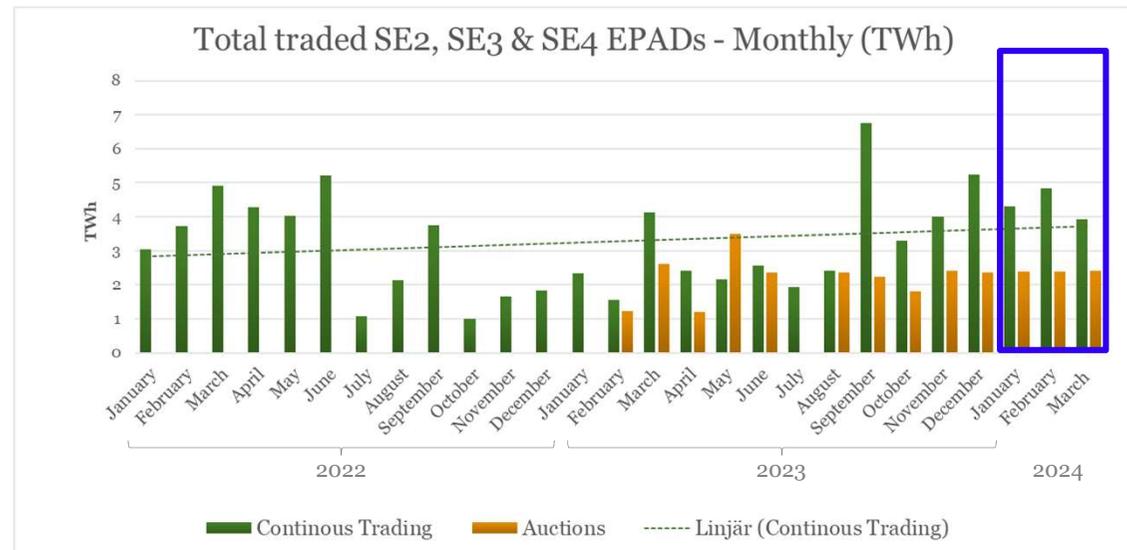
- Continued positive trend.
- The EPADs covered by Svenska kraftnät's auctions have on average accounted for 74% of total turnover in Q1 2024.



Total turnover (TWh) for SE2, SE3 and SE4 compared to other EPAD contracts (Jan 2022 - March 2024).

## Total turnover of SE2, SE3 and SE4

- Auction volumes as a share of total turnover averaged around 35% in the first quarter 2024; the corresponding figure for the entire pilot period was 37%.
- Slightly positive trend for continuous trading since January 2022.



Total turnover (TWh) of EPADs (SE2, SE3 and SE4) in continuous trading and auction volumes respectively (January 2022 - March 2024).