

## Issues For Discussion

### 1. Significance and roles of the electricity futures market

- (1) Is it necessary to create a futures market for electricity in Japan? If an electricity futures market is established, what functions are expected to electricity futures transactions?
- (2) The trading prices at the Japan Electric Power Exchange already serve as fair trading prices for electricity. What roles will be played by the prices to be formed at the electricity futures market?
- (3) If a futures market for electricity in Japan is established, is it desirable to list electricity futures contracts on an exchange in Japan? Or is it desirable to list electricity futures contracts on overseas exchanges, whose fuel futures contracts are already traded by some companies? What are the advantages and disadvantages of each approach?
- (4) While some companies are using the existing fuel futures markets overseas (the futures markets for liquefied natural gas and coal), is it necessary to create a fuel futures market in Japan? What are the advantages and disadvantages of creating a fuel futures market?
- (5) Fixing the prices of fuel and electricity by futures contracts might function to enable companies to lock in their earnings.

### 2. Designing an electricity futures market

- (1) Should trading at the electricity futures market be participated in only by companies that are actually handling electricity? Or should the market be also participated in by various other players (overseas utilities, trading houses, etc.) in order to secure liquidity?
- (2) What unfair trading practices might occur at the electricity futures market? What measures should be taken?
- (3) There seems to be a close relation between electricity spot transactions and electricity futures transactions. As for market monitoring, what kind of cooperation or role sharing should be developed between the authorities concerned and the exchanges?
- (4) How should clearing be treated? Is it necessary to consider requirements that are unique to electricity futures contracts and are different from those for other products (such as requirements relating to clearing members and margin money)?
- (5) What issues could arise in electricity futures transactions, especially in relation to tax accounting and development of companies' administration systems?
- (6) What is the expected volume of electricity futures transactions (in terms of scale and time-lines)?

### 3. Relation with over-the-counter transactions

(1) In general, development of over-the-counter transaction leads to develop futures market. Is it necessary to act to vitalize over-the-counter transactions?

(2) How could over-the-counter electricity futures transactions be utilized separately from the electricity futures exchange transactions? What role sharing should occur between them? Should clearing functions be provided also to over-the-counter transactions? What are the advantages and disadvantages of each approach?