

ELECTRIC ENERGY EXCHANGES GAIN IN IMPORTANCE

Liberalisation of the energy markets in Europe and new competition have given rise to new trade structures. Since the early 1990s around one dozen power exchanges have been created in Europe and more are in the making.

The change in the power industry, that can be observed world-wide and that has been characterised by privatisation and the opening of markets, was triggered in Europe by the EU Electricity Directive of 1996. Its translation into national laws, guidelines and rules was left to the Member States. Correspondingly diverse and varied is the state of the development, not only regarding the degree of market opening but also with respect to the rules for access to the markets and networks. Any uniform rules for cross-border power transport are likewise still missing.

Prerequisite for market openings is the break-up of formerly monopolistic producer/consumer relationships and the accessibility of the market for consumers in particular. Today the consumers or clients may actively take part in the power markets. In combination with longer-term contracts for price hedging, new market chances have opened up on the demand side.

Power exchanges provide a neutral, fair and transparent market place that produces – under government oversight – a reliable and generally accepted price signal. They also provide instruments for risk management.

Selected Power Exchanges in Europe

Exchange	Partici- pants	Spot Market	Forward Market
Nordpool (Norway, Sweden, Finland, Denmark)	304	yes	yes
EEX (Germany)	111	yes	yes
Omel (Spain)	104	yes	no
PolPX (Poland)	44	yes	yes
UKPX (United Kingdom)	44	yes	yes
APX (Netherlands)	38	yes	no
PowerEX (United Kingdom)	35	yes	yes
IPE (United Kingdom)	34	no	yes
Powernext (France)	26	yes	no
EXXAA (Austria)	16	yes	no

Source: VDEW (German Association of the Power Industry).

The biggest and oldest European energy exchange is the Scandinavian NordPool, founded in Oslo in 1993, initially only offering a spot and forward market for Norway. In 1996 it expanded its dealings to Sweden with an effective network-bottleneck management. Finland and Denmark followed in 1998 and 2000. Today Nordpool handles a volume of more than 20 percent of Scandinavian electricity consumption.

At the end of 1998 a spot market started in Spain. Half a year later followed the day-ahead market of APX for the Netherlands, which in turn expanded its activities to Germany, across the border characterised by severely limited transport capacity. In the summer of 2000 spot dealing started on the two German power exchanges LPX and EEX which have since merged. In the same year the Polish energy exchange went live with a spot market modelled on the Dutch exchange and the UK Power Exchange placed its first power future in London. Increasing acceptance and dynamism has led to the creation of a number of new exchanges (see Table).

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