

TGE – trading power

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“Power exchanges operate where there is a wealth of energy producers. In some countries power trade through an exchange is obligatory, others require it only in imports and exports of energy, and still others have agreements with major energy producers, as the Czech Republic has with CEZ.

So even consolidated state-run groups have nothing to fear from energy exchanges – on the contrary, they should strive to use them to their best advantage”, Grzegorz Onichimowski, President of the Polish Power Exchange (Towarowa Giełda Energii SA), tells Polish Market’s Jerzy Bojanowicz.

Q: How do you estimate TGE’s first decade?

A: I think from the corporate perspective our stockholders should be pleased. Among them is the State Treasury, which has a 23% direct stake in the exchange. In fact, considering Treasury holdings in other TGE companies its total share is 51%. Private companies hold a 49% stake in TGE. We’re growing all the time and we’re bringing in a profit, although the dividends we pay probably wouldn’t overly impress energy giants like RWE or Polish Energy Group.

What doesn’t look too well is our mission as an energy market powerhouse, which was actually why we were founded. This, however, lies outside our powers. Of course, you can have more and less friendly transaction systems, fees can be higher or lower, there is also a wide choice of safeguards, etc. However, as we’ve noticed over the past ten years, every time we cut tariffs our turnover went down, mainly because in the meantime the market and its relations had changed.

TGE is like a barometer showing the competition level on the power market. And, as competition on this market is minimal, trade in actual energy on our floor is not exactly impressive. Also, as a result of what is known as horizontal consolidation – and, as was to be expected, also a vertical consolidation processes – our market share has diminished.

Q: What percentage of our energy is sold through TGE?

A: About 2.5-3% of consumer power and about 1% of our total energy. Luckily we also offer other products which give us subsistence – mainly “green” and “red” certification for renewable and co-generated energy. These certificates function as an exchange commodity and we have sole control over this market. We also keep registers of the certificates we sell, mainly for the Energy Regulatory Authority (URE). Of course not all certification is traded on the floor, some transactions are bilateral and we only register them. In my opinion the certification market is much healthier than the power market.

Also traded through TGE are CO2 emission credits. This year we plan to set up a CO2 market together with the Scandinavian energy exchange Nordpool.

Most of our proceeds come from certificates – about 60%, the rest is from trade in electricity. CO2 credits are only a trace factor, especially as the fees here are really minimal.

Q: How does TGE compare with similar exchanges in the new EU countries?

A: This is hard to say because they are all different. Some, like us, function as more than just exchanges. We are the biggest floor in this part of Europe both business- and incomewise. Unluckily, we may soon lose our leading position, which would be bad as power exchanges are fundamental for building regional power markets.

Q: What is the 2008-launched Electric Energy Futures Market?

A: Earlier TGE enabled power purchase deals during selected hours of the following day. Now power can be bought a week, month or year ahead. Here we have some quotes but no transactions, which shows that this market is not especially dynamic. One reason is that we started up the futures market quite late and it had no time to develop before the 2009 supplies were contracted. Another is that today there is much confusion over plans to introduce obligatory exchange trading. Yet another reason is that together with the National Depository for Securities (KDPW SA) we have founded an Accounting Chamber for exchange transactions.

I think the Chamber will prove a very effective contract assurance instrument for the futures market. This is by no means simple, as even a small, several-MW

contract can be extremely valuable if it is on a year-round, 24-hour-a-day basis. Assurances on the domestic market are offered mainly in the form of pledges or handshakes, a custom that will die a quick death as soon as a major operator falls. Then contract assurance will become a foreground topic.

Eighteen months ago we carried through necessary system changes in a project run together with the software supplier NASDAQ. Ever since we've been ready to introduce a spot market and put through transactions not only in hourly, but also in quarter-hourly intervals. Decisions here lie with PSE-Operator.

The experience of better-developed markets shows that although the spot market accounts for only several percent of all transactions it is nonetheless quite important, among others for wind power plants.

Q: What do you think about the Economy Ministry's idea to give the President of the Energy Regulatory Authority (URE) the right to force state giants to trade their electricity on the exchange?

A: The URE President doesn't want such rights, especially as he has no immediate decision rights. However, a proposal has been submitted to Parliament to legally anchor the sales of all power through a commodity exchange (not necessarily TGE). This idea has also been included in the government's anti-crisis programme.