



Transmission Rights Forward Market Liquidity

Nordreg meeting
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Danske Commodities

- Danske Commodities is a trading company.
- Trading in the Nordic market since 2004.
- DC is active in the Danish, Swedish and Finish bidding areas.





Our view of the financial markets

- Nordic power market can be divided into two groups.

High correlation

- All hydro dominated price areas: Norway, "SE1" and "SE2".
- Well covered by the System Price.
- Well functional market with high liquidity.
- Fairly liquid week and dayahead.

Low correlation

- DK1, DK2, SE4, Finland, "SE3".
- System price is not a sufficient market for hedging.
- Dependend on the EPAD market.
- Low liquidity in the EPAD market.
- No week og dayahead EPAD market.



Transmission rights

- Transmission rights would be a great addition to the low correlated bidding areas.
- More opportunities for forward hedging.
- Hedge open delivery positions.
- Liquidity? Worst case nothing happens, best case liquidity goes up.
- Adding products increase market attractiveness.



Transmission rights

Capacity between two uncorrelated areas

- Transmission right is a better instrument to hedge local spikes.
- DK2-Malmø and DK1-DK2.

Liquidity effects by introducing LTTR.

- All things being equal liquidity goes up.
- The market will be more attractive.
- Potential new players will bring new interest to the market.
- Worst case nothing happens.



Market place and financial markets

Market place

- One platform for bidding for the capacity.
- Uniform rules for the different capacities.
- Auctions should be done during trading hours.

Development of financial market

- Regulators makes sure barriers to entry are low and rules and regulations are at a minimum.
- Exchanges should supply the necessary platforms and products for hedging.
- Nordpoolspot offer a transparent and reliable spot price.



Development

- TSO involvement should be offering capacity to the market.
- Boost daily/weekly market with STTR (daily and/or weekly capacity).
- Stakeholders and regulators should be open to new initiatives that help market liquidity.



Thank you