

# **Establishment of a Gas Exchange in Denmark**

**- Status, September 2007**

## Advantages of a gas exchange

- **A gas exchange in Denmark can offer:**
  - Business opportunities
  - Anonymity
  - An extra balancing tool
  - Low transaction costs
  
- **In the long run, the aim is to establish a gas exchange in a larger area in Northwest Europe.**

# Status – German gas exchange

## ■ 2 new hubs, BEB and E. ON

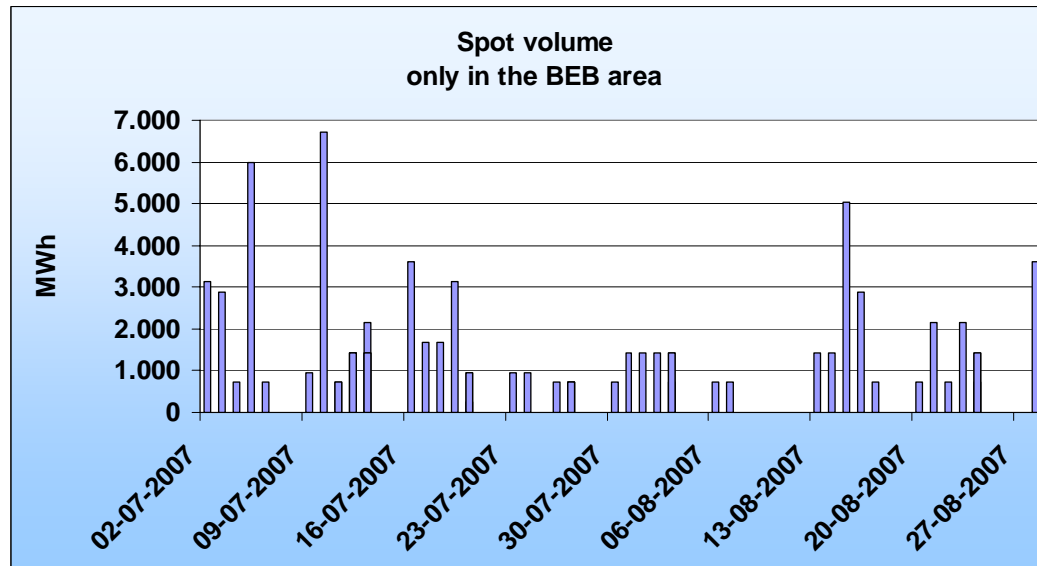
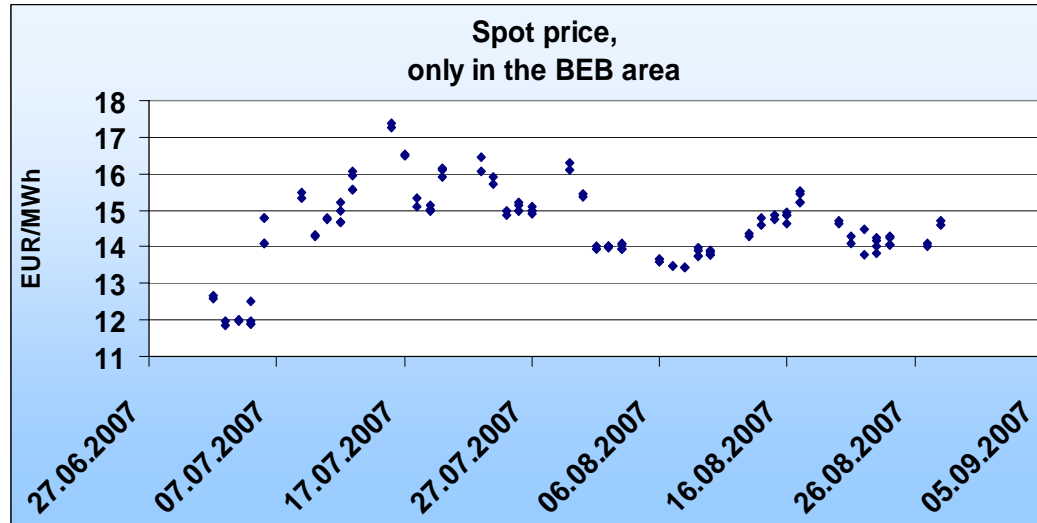
- Spotmarket in BEB from 1 July, E. ON 1 October
- Derivates products in BEB and E. ON from 1 July
- Strong price signal from German market to Danish market.

## ■ Products:

- Spot: day ahead, two days ahead og weekend ahead
- Derivates: next 6 month, next 7 quarters og next 6 calender years

## ■ Volumes

- Spot market 83.500 MWh, price: 11,87-17,38 EUR/MWh
- Derivates market: 640.000 MWh



# Customer meetings

- **15 Danish, 3 Swedish and 3 UK customer meetings finalised**
  - The reactions have been positive. The costumers welcome market liberalisation and transparent prices.
  - However, low liquidity is a risk.
  
- **Customers gave useful input to:**
  - Products and products description
  - Business process
  - Trading system
  
- **Upcoming customer meetings**
  - Norway, UK, Germany, Netherlands.

# General product description

Trading product	<ul style="list-style-type: none"> <li>▪ Delivery or purchase of H-gas defined by ENDK.</li> <li>▪ European gas day from 06.00 a.m. - 06.00 a.m.</li> <li>▪ The delivery point is NPGas - a virtual trading point.</li> </ul>
Trading unit	<ul style="list-style-type: none"> <li>▪ 1 MW output of H-gas delivered from 06.00-06.00.</li> <li>▪ The total <i>minimum</i> amount of gas is 24 MWh per delivery day.</li> </ul>
Trading hours	<ul style="list-style-type: none"> <li>▪ Continuous trading, 7 days a week, 24 hours a day.</li> <li>▪ Possible market maker in one core period</li> </ul>
Trading and clearing system	<ul style="list-style-type: none"> <li>▪ Electronic real-time trading system.</li> <li>▪ GX will be the counterpart.</li> </ul>
Currency	<ul style="list-style-type: none"> <li>▪ The trading currency is Euro.</li> </ul>
Tick size	<ul style="list-style-type: none"> <li>▪ 0.01 € for bid/asked prices.</li> </ul>
Security	<ul style="list-style-type: none"> <li>▪ NPS: Variable security based on historic trade.</li> </ul>
Trading and clearing fees	<ul style="list-style-type: none"> <li>▪ 0.03 € per MWh paid by both seller and buyer.</li> </ul>

# Prioritised products from stakeholders

Product	Priority 1	Priority 2	Priority 3	Not prioritised
Intraday	2	1	0	11
Day ahead	6	3	2	3
Weekend	0	1	1	12
Week ahead	0	1	3	10
Month Next 6 months	4	0	4	7
Quarter Next 8 quarters	1	4	0	10
Year Gas or calendar?	1	2	1	11

# Market Maker

- **A market maker would increase the interest of a Danish gas exchange**
  - A market maker for Danish price reference is needed to secure liquidity and a reliable price reference
- **NPS and ENDK are in dialogue with market players who could potentially act as market makers**
  - Products, volumes and time are yet not determined, but open for discussions.

# Further development

## ■ Adjustment to gas exchange model

- Energinet.dk regulation (parallel to rules for GTF, CTF, BTF).
- Exchange rulebook from Nord Pool gas exchange

## ■ Product

- Final decision regarding products
- Still input from foreign customer meetings

## ■ Trading system

- Modification of existing IT-system from Finland

## ■ ENDK and NPS will continue to be in contact with costumers

- Market maker
- Opening date of the gas exchange: Tuesday 4<sup>th</sup> March 2008