



## Liquidity rises in European wholesale power - study

- Trading volumes up 5 percent in 2015
- Utilities view trading as core, not peripheral
- Players express concern over regulation

By Vera Eckert

FRANKFURT, April 4 2016 (Reuters) - European wholesale power trading volumes in 2015 rose 5 percent and the outlook remains confident despite a slump in fuel prices and emissions rights, research company Prospex Research Ltd said in a report.

Benchmark European electricity prices are near their lowest since 2002 due to an oversupply of fuel globally, sluggish domestic energy consumption and competition between fossil fuels and expanding renewable-energy capacity.

But some market participants told UK-based Prospex that steep price falls had boosted early 2016 trading business further, partly because trading remains a core component of utilities' commercial operations.

"Market participants are generally fairly confident about the outlook for liquidity in most markets," Prospex said.

In an analysis of Germany, the Nordics, Britain, Italy, Spain, France and the Netherlands, Prospex found trading volumes on exchanges and the over-the-counter market rose to 9,566 terawatt-hours (TWh), off a historic peak of 10,924 TWh in 2010.

The 5 percent growth rate was the highest of the last five years.

The German and Nordic markets, led by exchanges EEX DB1Gn.DE and NASDAQ Commodities NDAQ.O, remain leaders in terms of volume and churn factors, which describe how often a contract is traded before delivery or expiration.

The churn factor in Germany last year was 7.5, up from 7.2 in 2014.

The Nordic region saw a churn factor of 5.0, down from 5.4 a year earlier.

Trading volumes rose in Italy and France and were stable in Britain, while those in Denmark and Spain fell.

The weighted average churn factor for all power markets was 4.4, lagging those in the European coal and gas markets.

Prospex said operators were concerned about the possible negative impact from EU regulations in areas such as trade reporting, clearing and equity capital requirements.

"But they note that the market has weathered big storms in the past, including the withdrawal of leading American energy traders in the last decade, the global financial crash in 2008, the euro zone debt crisis, and the decline of banking sector interest in recent years," it added.

Over-the-counter trading accounted for 64 percent of volumes, recapturing 2 percentage points lost in 2014, but was far down from its 75 percent share of the total in 2009.

Prospex estimated the notional value of European power trading in 2015 at 348 billion euros (\$395 billion), up 0.5 percent.

(\$1 = 0.8799 euros)

(Reporting by Vera Eckert; Editing by Dale Hudson)