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European power trading down in first quarter, remains healthy long-term - research

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Volumes rose 20% in 2020, market value down 23%
Move continues onto exchanges, away from OTC

FRANKFURT, April 19 (Reuters) - Wholesale power trading in Europe's main markets fell in the first three months of 2021 but that followed a 20% rise over 2020 driven by unabated vitality, research data showed on Monday.

Research firm Prospex said in a report that lower volumes year-on-year in January-March 2021, which it did not quantify, were due to a one-off effect going back to the coronavirus pandemic that unfolded a year ago.

"The onset of the pandemic prompted unusually high volume trading (in early 2020) as companies scrambled to adjust their positions," Prospex said.

"The longer-term health of the market should not be deeply affected," it added, stressing the sector had in the past adjusted to the collapse of key player Enron, the finance crisis and the increase of renewable power.

Power trading remains a key component of commercial operations for utilities, commodity trading houses and specialised investment funds.

Prospex said western European volumes traded over-the-counter (OTC) and on energy exchanges rose by 20% to 9,414 terawatt hours (TWh) in 2020 while a fall in prices pushed the market's notional value down 23%.

The market turned over 280 billion euros (\$337.01 billion) in 2020, down from 364 billion in 2019, and below its historic peak of 616 billion in 2008.

The OTC market is gradually losing ground as operators turn to regulated marketplaces to comply with European Union rules and reduce counterparty risks, Prospex said.

OTC accounted for 61% of total volumes in 2020, leaving the rest to exchanges. Market-leading bourse EEX, the European Energy Exchange, turned over 4,950 TWh, which included spot and futures contracts and OTC clearing volumes handled by its clearing arm ECC.

EEX volumes were far ahead of those of major rivals Nasdaq Commodities, Norway's Nord Pool, Spain's OMIE, Italy's GME and American global operator ICE.
(\$1 = 0.8308 euros)

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