



# implementing new trading mechanisms in the regional power markets of south-east Europe

SEE gas & power conference  
Belgrade, July 2004

# status quo / recent past

- unbundled power companies dominate
- no pricing mechanism – no monetisation
- co-efficients, seasonal barter
- many barriers to trade



# new market development

- sophisticated market under design
- in the meantime, EFT and others are pioneers
- simple, physically-based traded market



# market characteristics

- 66 TWh eligible customer market
  - Slovenia to Turkey, including Hungary
- large peak-load growth, overall deficit growth
- however, some price disparities seen disappearing
  - (CE & SEE, ETSO & SETSO)
- correlation growing to German market (e.g. Hungary)



# near future

- reconnection, maybe 4<sup>th</sup> quarter
- north-west highly unbundled
  - full market opening in 2007
- SEEREM linking itself to highly developed markets



# outcome

- volume / liquidity increasing on greater transparency
- increasing correlation of price movement/direction to the north west
- deeper liquidity will foster derivatives
  - standard / exotic options
  - location / time swaps
  - virtual cross border trades
  - correlated hedging strategies



# more outcomes

- forward price, interest rate and currency curves can be extrapolated
- risk management should improve
- cost of doing business can be better evaluated
- knowledge will be the new 'power play'

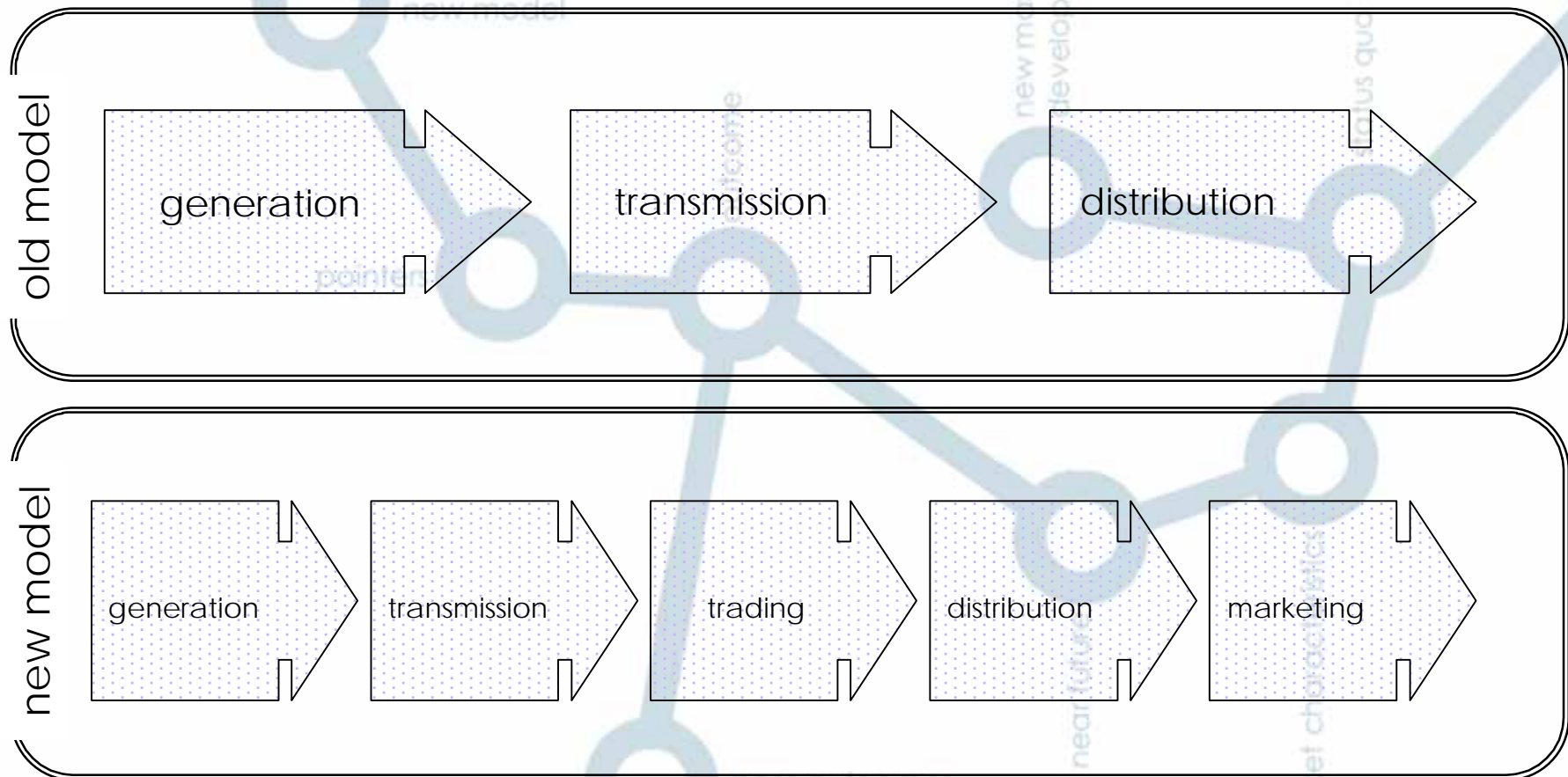


# pointers

- many incumbents are at a crossroads
- static companies will lose market share
- people and knowledge will become ever more valuable



# old model → new model



- new technology will help the investor who needs to hedge

