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markets

Exchange Trading and Clearing – Key Elements of a Liquid Energy Market

Argus Turkish Power and Gas Trading, 8th May 2013, Istanbul

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Importance of Exchange Trading

- Transparency through reference prices
- Variety of trading participants, concentrating liquidity at one platform
- Elimination of counterparty risk through clearing and settlement
- Anonymity of exchange trading and market regulation,
non-discriminatory access and equal treatment of all trading participants
- Incentives for investors to invest in new generation capacities,
based on trust in reliable and secure reference prices

- Excellent geographical location, borders to important energy regions
- Heterogeneous supply structures in neighboring countries, large potentials for efficiency gains
- Linking markets through trading will create a regional energy hub centered in Turkey
- Turkey can make a bridge with Europe, supporting an integrated energy market with world-wide importance



- Transparent and market based reference prices
 - Basis for risk management and key to attract investments

- Exchange trading in a non-discriminatory framework
 - The exchange must be considered as a neutral, independent and transparent organization by all market participants

- Liquidity and high churn rates in spot and derivatives markets
 - Gained through efficient market access, standardized products, stable systems and connectivity, and established operative processes

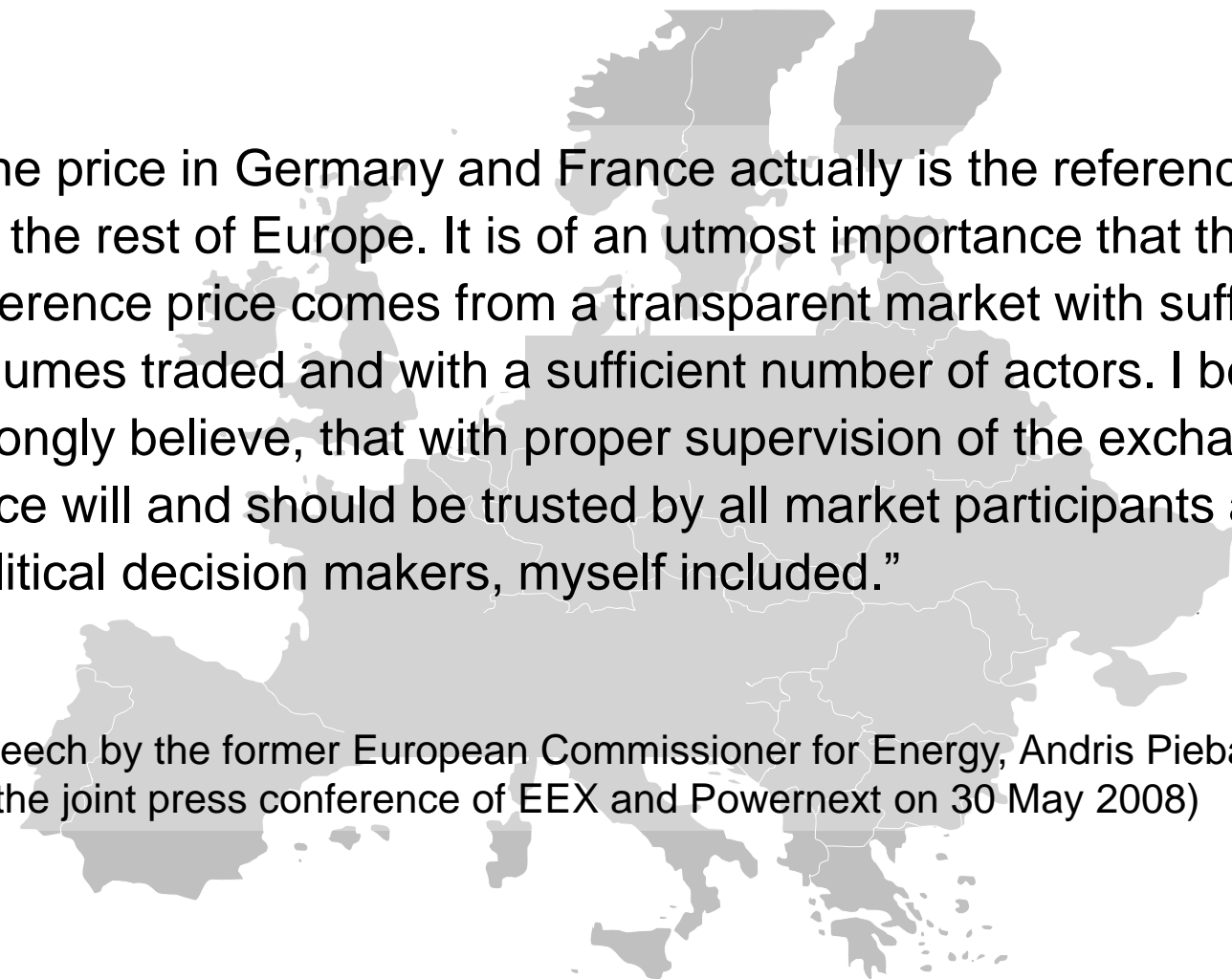
- Integration of different commodities and neighboring markets
 - Trading systems must fulfill international standards and requirements

Phelix means Physical Electricity Index. Calculated on a daily basis, the Phelix is the average price for base load (Phelix Day Base) and peak load (Phelix Day Peak) electricity traded on the EPEX SPOT day ahead market (market area Germany and Austria).

Examples for the use of the price index:

- VIK-Index
- CHP-Index
- Market price calculation by E-Control
- ÖSPI: Austrian power price index
- Bank certificates



A faint, light gray map of Europe is visible in the background, centered behind the text.

“The price in Germany and France actually is the reference price for the rest of Europe. It is of an utmost importance that this reference price comes from a transparent market with sufficient volumes traded and with a sufficient number of actors. I believe, strongly believe, that with proper supervision of the exchange the price will and should be trusted by all market participants and all political decision makers, myself included.”

(Speech by the former European Commissioner for Energy, Andris Piebalgs, on the joint press conference of EEX and Powernext on 30 May 2008)



Clearing house

Clearing

= Assumption of counterparty risk

- Central counterparty
- Clearing members
- Standard products
- Close-out netting¹
- Margin system²

Settlement

= Settlement of trades
(delivery & payment)

- Payment & delivery netting¹
- Standard processes,
Straight-through processing
- Central bank funds
- Delivery through transmission system
operators or registries

¹ Combination of all individual receivables and liabilities into one net position

² System for covering the risks for the market participants



ECC A network of Partners

Network Clearing Members

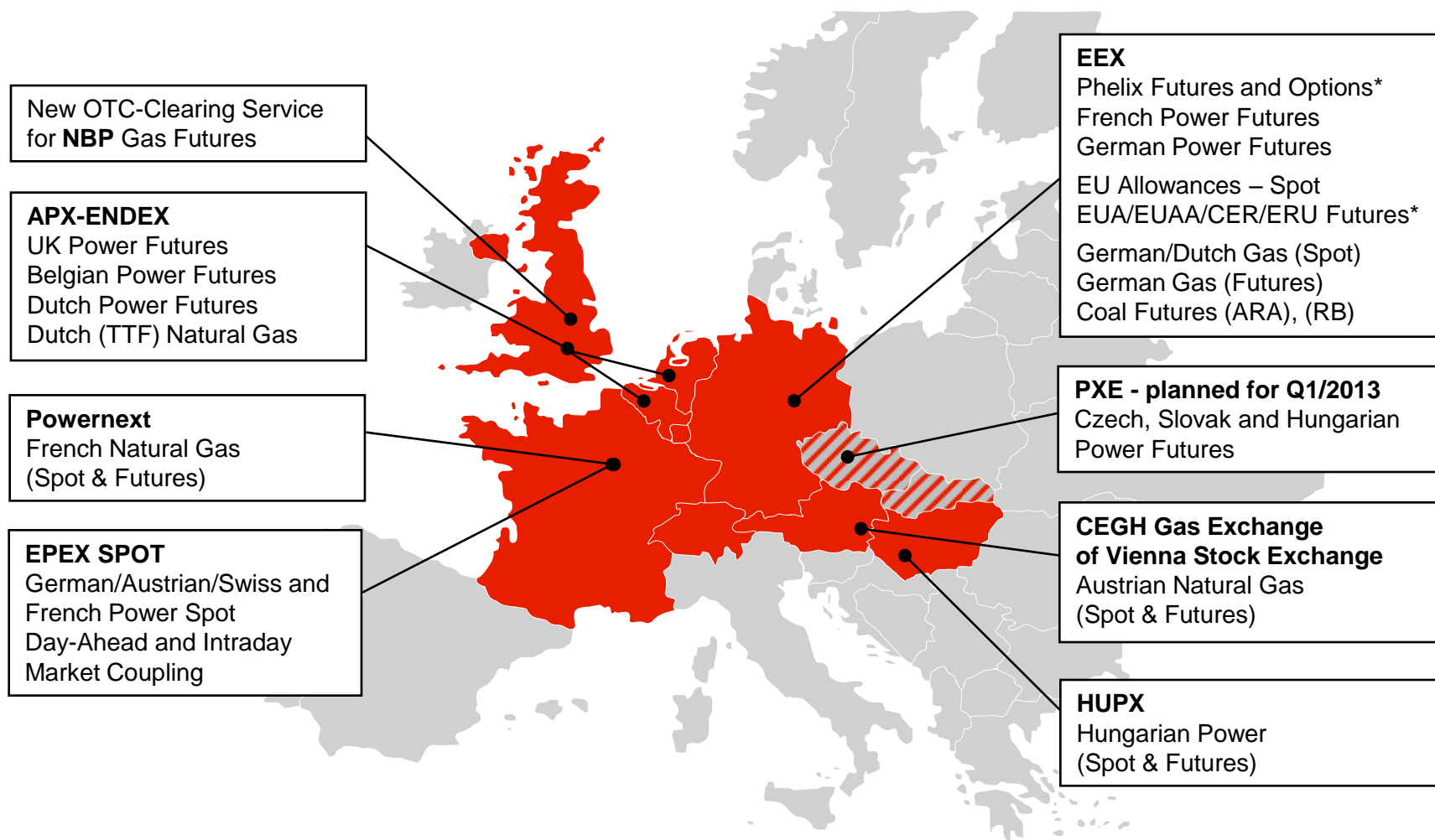


Network TSOs





EEX and its subsidiaries have always followed and successfully implemented a cooperation approach

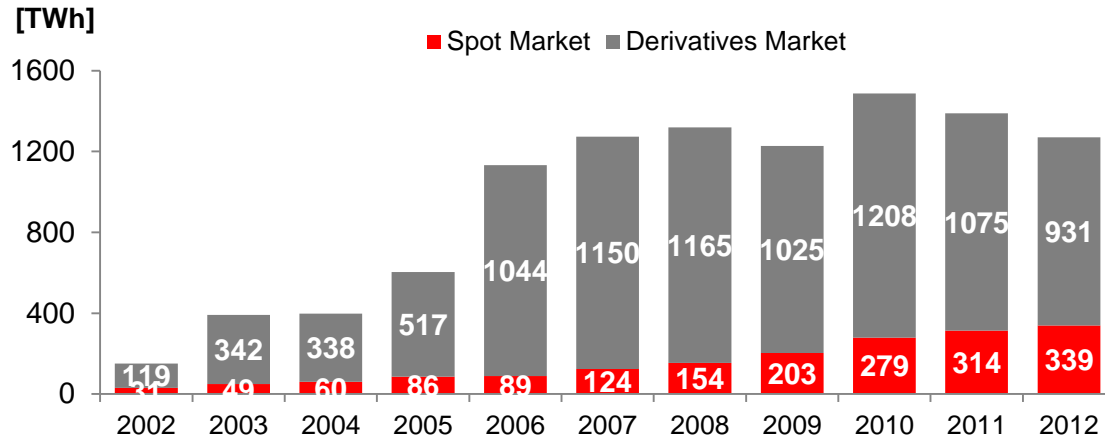


*In the framework of the EEX/Eurex cooperation members of Eurex Exchange can trade EEX Phelix Futures and Options as well as EEX emission and natural gas derivatives products via their existing infrastructure.

Key factors for the Turkish Energy Exchange (1/2)

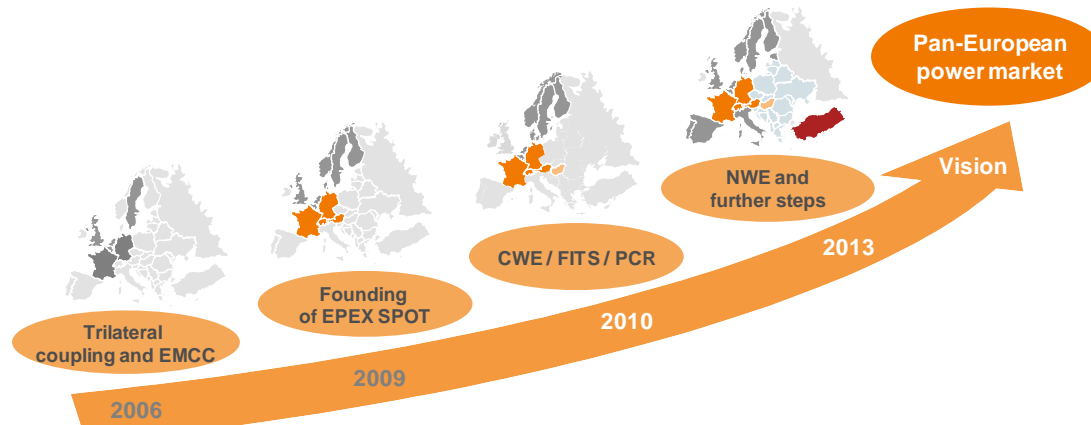
- Neutrality with the sole interest to make markets work, focus on liquidity

The example of EEX and EPEX SPOT:



- Ability to partner, and to integrate neighboring markets

The example of European market coupling and EPEX SPOT:

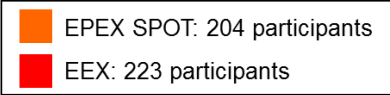
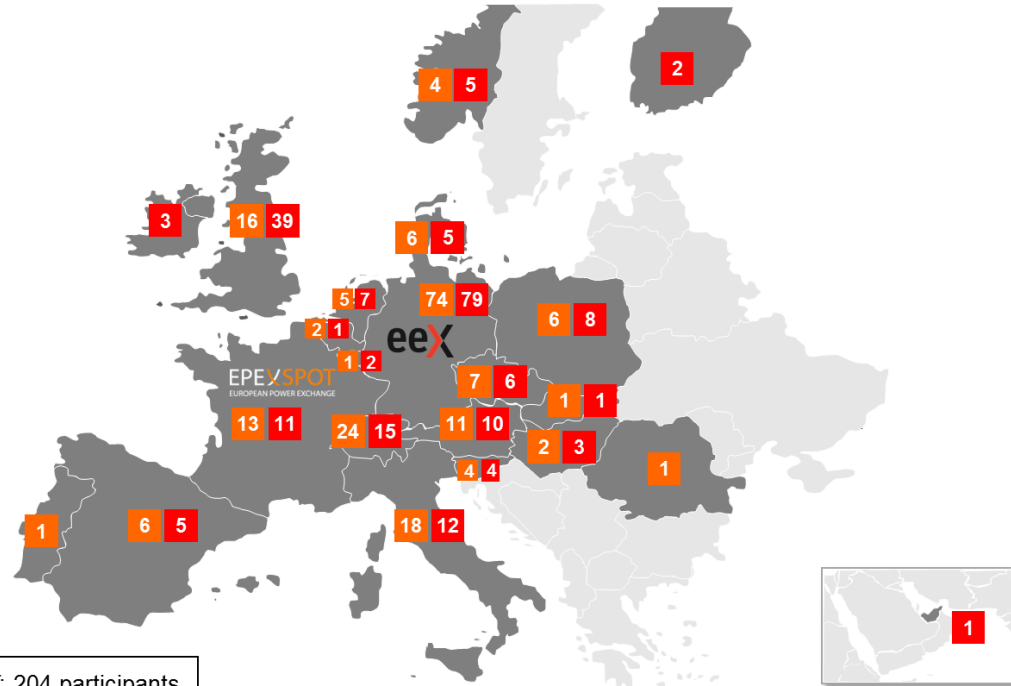


Key factors for the Turkish Energy Exchange (2/2)

- Broad network of trading participants, variety of stakeholder interests



The example of EEX and EPEX SPOT:
 Clients could be admitted to the Turkish power market in a simple process



As of 31 January 2013

- Finally: Standardization of products and processes, appropriate set of rules, and an efficient governance structure will be key for the Turkish power exchange



What EEX, EPEX SPOT and ECC offer

- Neutrality of the exchange market and participation of clients in market rules
- Support market development based on experience from more than 10 years
- Ensure oversight and market surveillance for trusted reference prices
- Closely cooperate and report market data to local authorities

Clearing & Settlement:

- State-of-the-art processes for physical settlement of trades
- Ensure link between trading and clearing of spot and derivatives



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 **Thank you for your attention!**