

# The Polish Power Exchange (TGE) – the leader of change in CCE

“The trading volume in the Polish Power Exchange makes one of the top five European exchanges, which allows us to be very active on the common European energy market which is now being created,” Ireneusz Lazor, President of the Board of Towarowa Gielda Energii S.A., tells “Polish Market’s” Jerzy Bojanowicz.

**PM** What place does POLPX hold among the exchanges operating in the EU countries?

The trading volume on the Polish Power Exchange makes it one of the top five European exchanges. But detailed comparison is not easy because of the legal regulations, the level of market concentration, and the energy source, among others.

The Polish Power Exchange has an opportunity to play a leading role in creating a common European market by being the leader of change in our region. As a member of the EuroPEX organisation that affiliates all the active European energy exchanges, we actively take part in this process. Taking into consideration the development directions of the European exchanges, we can see huge growth opportunities in many areas that successfully function in Europe, such as gas, coal and financial instruments trading floors.

**PM** In December 2010 the market coupling mechanism, that is the integration of the Polish and Swedish energy markets, was launched. What other integrations should we expect in the nearest future?

By the end of 2013 Poland has to reconcile procedures and integrate with the CEE region countries (Slovakia, the Czech Republic, Hungary, Austria, Slovenia, and Germany) that at the end of 2014 will integrate with the NWE market.

Market coupling functioning develops a model for creating regional markets under the name The Price Coupling of Regions (PCR), which can be applied to the Day Ahead and Current Day Markets. They will be the basis for the pan-European electricity market. During its residency, one of the leading exchanges, including POLPX, will determine a reference price for all the markets and entities participating in it.

**PM** What challenges do those plans pose?

We are working hard on two important areas – development of the local



**PM** How do you evaluate the results of the so-called exchange obligation introduced in 2010 under the regulations amending the Act on Energy Law?

Interest in POLPX trading in electricity has been very strong since then. The market participants quickly recognised the advantages of energy trading and this recipe quickly proved to be successful in the whole energy business. The proof for this is the high liquidity of POLPX trading that is much higher than the statutory 15% and is as high as about 70–80% of the energy produced in Poland. In 2011 trading in the futures market increased in comparison to the year 2010 by 44%, and on the spot market by as much as 160.52%.

It is a good result which gives us a fully-transparent, representative energy price on the wholesale market and has allowed us to establish relations with partners from Scandinavia within the market coupling mechanism functioning in cross-border connections since December 2010. Thanks to this we share a common market with the biggest European energy exchange NordPool Spot, and there are more integrations with other exchanges in Europe ahead of us. Such a level of development in this market constitutes a solid basis for creating financial markets that will be a natural step in POLPX’s development within the Warsaw Stock Exchange (WSE) Group.

market and joining in the creation of the common European energy market. If we look at our domestic market, we can see many interesting projects looming in the distance.

On the POLPX floor a capital market will soon be created and it will be dedicated to wholesale gas trading. We would like to introduce natural gas to trading on the forward and spot markets by the end of 2012. Our priority is also to take care of the developing energy market. We have to be flexible as far as the needs of the members are concerned, so we need to develop the already-existing products and offer new solutions.

Another aim – for the end of 2013 – is the full, operational participation of POLPX in the above-mentioned PCR programme.

The integration of CEE and NWE requires finding solutions to numerous problems. In the case of POLPX they aren't too complicated but we have to remember that it will be integration of the exchange and a transmission system operator (PSE), supervised by

the Energy Regulatory Office. On the southern and western borders this process won't be easy because of technical reasons, because in order to benefit fully from the common energy market it is necessary to provide the correct number of cross-border connections.

**PM And what benefits will the implementation of the European Implicit Auction mechanism bring?**

Each individual market participant will benefit, not the Exchange only. The common European energy market means standardising procedures, expanding the area of activity, increasing the volume, liquidity and number of participants. In Poland we will have the opportunity to buy energy produced in Portugal, for example, or any other country with a better price. Such a structure will equalise the competitiveness of Polish companies, especially the energy-consuming entities that now have to buy energy at prices higher than their European rivals. A bigger market with big volumes

and various electricity suppliers delivering energy at various production costs is a healthy impulse supporting each country's economic development.

**PM What are POLPX's plans for the immediate future?**

Our aims are developing a commodity market and using the opportunities for creating a financial market given to us by being a member of the WSE Group. The immediate future is the gas floor, the preparation for joining the common energy market and the development of the already-existing products. We would also like to introduce new solutions that will prepare us for functioning within the European market, such as standardisation of the fixing process and the possibility of 24-hour trading. I'm sure that POLPX has a very good chance of becoming one of the leading players in our region, and of continuing the development of the areas that appear to be successful and of joining actively in creating a common European energy market. ::

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