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## Nodal Exchange sees trading growth

**Portland, 27 June 2013 (Argus)** — Dodd-Frank act reforms are boosting the Nodal Exchange's prospects as implementation of the law sheds light on the volume of non-bilateral US power trading, chief executive Paul Cusenza said.

While many experts contend that the act stifles commercial energy hedging, Dodd-Frank mandates clearing of swaps, which should result in volume growth at the Virginia-based trading platform.

Nodal Exchange estimated it has a 13pc share of the power futures market for the first five months of the year as its volume doubled from the same period in 2012.

"We are not so much taking market share from others but are expanding the market for products that can be cleared," Cusenza said. "The volume increase would have happened without Dodd-Frank."

The firm, started in 2007, has filed with the Commodity Futures Trading Commission to act as a designated contract market, which is essentially a regulated futures exchange.

Based on publicly available information, the Intercontinental Exchange had a 62pc share of the open interest in monthly term futures at the end of May, while Nodal Exchange had 23pc and the NYMEX division of the Chicago Mercantile Exchange had 15pc. The Nodal Exchange share is based on 352mn MWh.

The best niche for the exchange appears to be the power basis market in the eastern interconnect, where participants can do spread trades between locations and also hedge by using contracts for energy plus transmission congestion costs.

The Electric Reliability Council of Texas (ERCOT) has the best opportunity for long-term growth because of price volatility and retailers' need to hedge, Cusenza said. As the most recent centralized grid to clear energy prices at individual nodes starting in December 2010, he said ERCOT is still in the nascent stage for financial spread trading.

Most ERCOT trading is at its four hubs and four load zones, but Cusenza predicted the market will be larger in five years. "PJM financial market trading has increased and ERCOT will be the same," he said.

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## Power

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