

# BUILDING a Powerhouse From Scratch

Danny Gomez has helped challenge the status quo to make Nodal Exchange one of the world's premier energy exchanges

by Jeff Silver

**D**anny Gomez has always been a curious person passionate about finding innovative ways to improve the status quo. That made him a perfect fit for working at Nodal Exchange, LLC, where he is now senior director of energy markets. The derivatives exchange that launched in 2009 and since has grown to 30 percent of the North American power futures market.

Gomez started his career at an oil-and-gas start-up and quickly realized that the entrepreneurial environment typical of young companies looking to challenge incumbents was a perfect fit for him both personally and professionally. After just a few months, Gomez demonstrated his drive for excellence and innovation. "I saw

an opportunity to enhance our systems by introducing better technology," he says. "I was given the freedom to select and implement a solution, and that showed me there was an open-mindedness to new ideas. It was very exciting."

Because of that project, Gomez became the first US employee to receive the Magdy Award for extraordinary effort and foresight.

In 2008, Gomez joined Nodal and is now part of the senior management team that has helped establish Nodal as a premier energy exchange. It was a daunting challenge because the company was competing against much larger and more-mature entities such as the Chicago Mercantile Exchange and the Intercontinental Exchange.

The company's passion for innovation, however, created opportunity for growth.

"When we launched, we were the only exchange to have true, portfolio-based value-at-risk margining and a granular contract offering that met the demands of market participants," Gomez explains. "Our competitors have still not been able to match us on either of these differentiators. It didn't take long for participants to realize that the benefits of using our exchange go beyond more granular contracts and risk management."

He leveraged those advantages to develop especially close and responsive relationships with potential and existing customers, banks, and vendor partners.

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## Volunteering to Make a Difference

In addition to his innovative work at Nodal Exchange, Danny Gomez is committed to making a difference in his community by volunteering on a regular basis. He and his wife have even helped establish STAY RVA, a group that works with students, staff, schools, and their surrounding communities to support education.

“Volunteering has been a very rewarding part of my life,” Gomez says. “With STAY RVA, I have the opportunity to apply my professional experience to a cause that I am passionate about. I highly encourage others to make the time to volunteer in any capacity that’s as personally meaningful to them.”

This coordinated and consolidated effort quickly increased Nodal’s liquidity, heightened industry awareness of what it was offering, and built ever-increasing momentum. In 2016, the company posted annual growth of 97 percent.

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To help illustrate the strategy, in 2012, one exchange participant asked the company about creating a variation of a particular futures contract so that it would better address a specific market concern. Nodal worked quickly to create the contract—what Gomez refers to as “a bespoke solution to a risk problem”—and was able to offer it in time to accommodate a significant liquidity event for the market.

“In the beginning, we didn’t appreciate how many different relationships had to be developed to create an exchange from scratch,” Gomez says. “But, by being so responsive, specific, and knowledgeable about the products we brought to market, we addressed the needs of the marketplace in ways that other exchanges weren’t.”

In 2015, Nodal leveraged the success of the exchange to launch Nodal Clear, a clearing house that allowed the company to become vertically integrated.

“The creation of Nodal Clear not only enabled us to bring energy products to market more efficiently but has also opened the door for launching non-energy products,” Gomez says.

One example is trucking and freight futures, which Nodal plans to introduce this year as part of a recently announced collaboration with TransRisk and DAT.

All this success attracted the attention of European Energy Exchange Group (EEX), which acquired Nodal in 2017. Although there have been some inevitable cultural differences, Gomez has discovered that both companies are driven by the same entrepreneurial spirit—so much so that interactions between the two were extraordinarily collaborative and cooperative right from the start.

“We have the same passionate approach to business and market challenges, and that has bridged any cultural or language gaps that might exist between us,” he says.

The acquisition is providing Nodal access to additional tools to pursue more and larger opportunities. One of those tools is T7, a world-class, high-speed matching engine that is already in use by other global exchanges. It will enable the company to expand its digital presence with a format that is already familiar to users around the world. It will also provide a platform for launching an online trading screen that will rival those of competitors.

“We have evolved tremendously as a company, and that has resulted in a highly respected reputation in the marketplace for innovation in energy trading, fine-tuned risk management, and remarkable service,” Gomez says. “We can use that reputation to open a new chapter in which we effectively explore new markets and challenge existing ones. It promises to be a very exciting time for our customers, collaborators and employees.” ●



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