

THE Risk DESK

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SPECIAL REPRINT

we got ‘yer power options

And right on schedule, too. Last time we spoke to Nodal Exchange chief Paul Cusenza, he discussed the firm’s surprise transaction with the European Energy Exchange (EEX) – the deal formally closed last month – and his plans to launch a whole new basket of options contracts in power and gas. This week Nodal listed a dozen new European-style power options contracts, pegged to the most liquid points back East (PJM, NYISO, ISONE), ERCOT, CASIO, NWPP/MID-COLUMBIA and MISO. We called Cusenza for an update and forward look. “We’re excited about the options business, an area we expect to evolve and grow over time. We had planned a Q2 launch and here we are,” he says. We noted that the weather has not exactly shown up on schedule for the Summer season, but nonetheless the options business is fairly solid at the

moment among his competitors. Cusenza is optimistic. He says the 12 new options contracts are pegged to the most liquid points in the land. “It’s something we had to offer to customers,” he says, “now that we represent 30 percent of the market, in terms of open interest.” He says that natural gas options will be introduced later this year, which again is a fairly crowded market, but he sees growth nonetheless. “The big difference with us is – and remember we have 30 percent of open interest for power – and our customers trade a lot of gas – this is a perfect cross-margining opportunity for our customers, gas and power. Our customers will see significant capital efficiency gains, it’s a natural play for our customers.” Since Nodal was acquired by EEX, which is part of the Deutsche Borse group, we wondered if there has been a flow of new customers

from the EU to his US nodal markets. “We’ve had a lot of interest now that we’re part of the EEX group. We’ve been sharing a lot of information and expertise between the various entities. We’ve been meeting nonstop with Europeans,” he says. “It’s moving all of us closer to a true global offering.” Speaking of global offerings, we’ve pestered Cusenza for over a year about his intentions in the LNG space and he’s kindly and consistently avoided an answer. So, we had to ask again: Is an LNG contract on the table yet for Nodal/EEX? “You would certainly expect that (LNG) would be a possible area on our agenda ... it’s logical that we would be thinking about it ... ” Funny guy. Watch this space. *For more on the new options contracts, go to <http://www.nodalexchange.com/nodal-exchange-announces-launch-of-power-options-contracts/>*