

## News

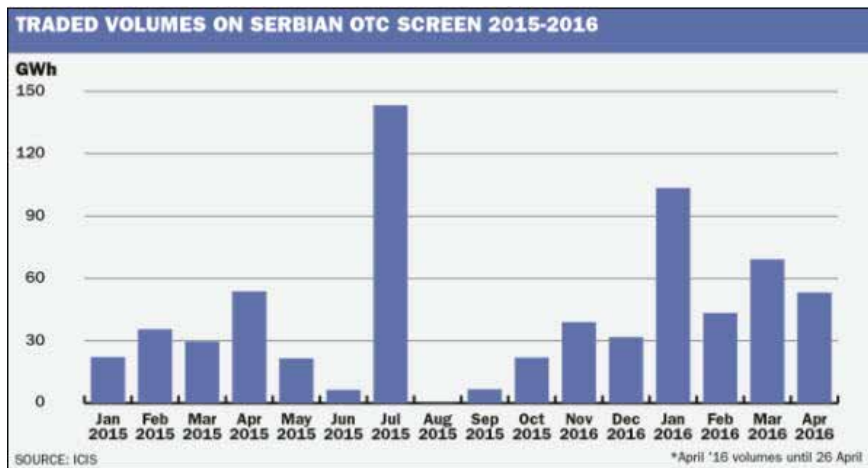


### Serbian power OTC liquidity rising on EPS sales, new players

Serbian electricity traded volumes on the over-the-counter (OTC) market have been surging since the beginning of the year due to continuing strong selling interest by incumbent EPS and new players entering the market.

The outlook for the rest of the year remains mixed.

A total of 269.2GWh have changed hands between 1 January – 26 April on Serbia's OTC screen run by brokers TFS. This is almost double the volume registered for the first four months of 2015 and represents more than 65% of the total volume traded last year, according to ICIS data. In addition, bid-offer spreads on the screen were reported more often than last year.



While 96% of the liquidity remained focused on the short term, some interest in monthly and weekly products emerged. There were 15 front-month and six front-week deals reported to ICIS since the beginning of the year.

Traders maintained the view that the biggest liquidity driver was state-owned utility EPS, which has been optimising its activities between different platforms, including the OTC screen.

“My guess is that 95% of the OTC traded volume includes EPS,” one local trader said.

EPS also optimises its portfolio by trading on the Hungarian and Serbian exchanges and also releases its own tenders. Hydropower availability has been fairly strong so far this year meaning that the producer has had a lot of excess volume to offer to the market.

#### More players

Last autumn Serbia changed its licensing rules to allow foreign companies to trade directly on the market without the need to set up a separate local entity (see EDEM 4 November 2015). This attracted new players, which boosted liquidity.

“Several companies from western and northern Europe showed increased interest in the Serbian market, particularly in the intra-day power trading,” said Aleksandar Katancevic, head of power and gas at energy portfolio manage-

ment and consultancy Stratega East.

“This fact adds to the quality of the market, brings higher standards to be met by local companies and above all [brings] more liquidity,” he added.

#### SEEPEx not yet a driver

The launch of day-ahead exchange SEEPEx has not started having an impact on liquidity, however.

Previously traders believed that SEEPEx will provide a much needed reference price against which forward contracts can be settled, thus boosting OTC liquidity. But the exchange price is not yet considered a reference because of the currently low trading interest on the new platform (see EDEM 21 April 2016).

Liquidity is expected to improve by the end of the year with the exchange targeting new members, especially regional utilities which would start competing with EPS as sellers.

The day-ahead market on the exchange will need to develop before companies will feel comfortable trading futures contracts, Katancevic said.

#### Going forward

Whether Serbian OTC liquidity will continue to grow this year is hard to tell at this stage.

EPS's selling activity has supported liquidity so far but if the company faces shortages, it is likely to refrain from

trading OTC and instead buy additional power via tenders.

On the other hand, EPS is expected to complete full restructuring by 1 July as it pushes to become more competitive on the free market (see EDEM 1 February 2016). Therefore the incumbent may change its trading strategies further.

The company had already improved its short-term trading capability both in terms of people and technology, according to Katancevic.