

Russian exchanges energise market with power contract launch

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Russia forges a stronger foothold in the global power markets, after two exchanges team up to launch a power futures contract

The Moscow Energy Exchange and the Russian Trading System Stock Exchange (RTS Group) have joined forces to launch a power futures contract, while market participants eye the region for growth. RTS Group will provide the clearing and technological platform for trading in the contract, whereas the Moscow Energy Exchange will be the organiser of trading.

The news comes on the back of growing interest from both investment banks and European energy companies in the Russian power market, which has been gradually liberalised since 2007.

"Our idea is to push as far East as we can," says Bill Gebhardt, the head of gas, power and coal trading at Deutsche Bank. "We want to go where the opportunities are. It's interesting because the basic power market design in Russia is quite robust."

The underlying asset for the new contract is the monthly average price for power collated from five hubs uniting Russian network nodes – Centre, Ural, South, Eastern Siberia and Western Siberia.

Trading will start on June 21 based on the average power price at the Centre and Ural hubs. There are further plans to increase the amount of power contracts from the other Russian energy hubs and the number of settlement months.

According to RTS Group, the contract has been launched on the back of increased demand from Russian energy producers and consumers for stable power prices. Russian power market volume currently stands at RUB 1.5 trillion (\$40 billion).