

## Italy's GME expands physical and intra-day trading

**Italian market operator** GME (Gestore Mercato Elettrico) is overhauling its offering on the physical platform from the end of this month, sources close to the operator confirmed to ICIS Heren on Wednesday.

From 31 October, GME is offering more contracts on its forward physical platform, the MTE (Mercato a Termine). Traders will be able to deal in monthly, quarterly and annual Baseload and Peakload contracts. It is also introducing a new form of intra-day market.

GME began its MTE forward market at the end of 2008, with new contracts introduced in February 2009, but traders said activity has yet not taken off (see *EDEM 5 June 2009*). One reason they gave was that contracts were limited to daily, weekly and monthly contracts tradeable no more than 10, 25 and 60 days in advance.

Nonetheless, the GME is clear that the MTE is not a platform for financial trading: "Contracts are physical," a source close to the GME said. "And it is unlikely that someone buys and sells the same contract more than once a day – it is a platform addressed to operators, not traders."

But the lack of long-term contracts has clearly been a handicap to the physical market. "We hope the market will be able to take off even if we are close to Calendar Year 2010," the source continued. "Over-the-counter contracts account for 50% of the market. Power operators were asking for a standardised and more transparent

market in this area."

The creation of a more liquid physical market, with the GME acting as clearing house, should help operators to hedge against power-price fluctuations. To this end, a change to the guarantees mechanism is being introduced at the same time – now only a fraction of the total cost of the contract must be paid at dealing time, with the rest at delivery.

The GME's intra-day market is actually a transformation of the MA (Adjustment Market), where electricity supply/sales offers and bids are submitted to revise the injection and withdrawal schedules resulting from the Day-Ahead Market. The new Intra-day market will work through a mechanism of implicit auctions, with two daily sessions.

"We know this is no revolution, but we do think it is an important evolution," the GME source said. **MA**