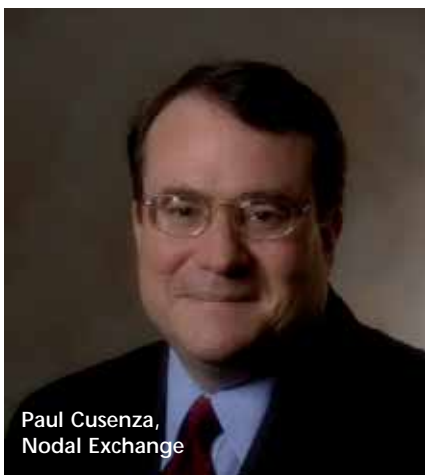


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NEWS

Nodal Exchange prepares for pioneering launch in early 2009



Set for launch in early 2009, US-based Nodal Exchange will become the first independent electronic commodities exchange for nodal (locational) forward trading products of the North American power markets. The platform is already in shadow use, with around 50 participants engaged in the mock auctions, according to Paul Cusenza, CEO of Nodal Exchange.

The accounting and clearing software for the market's participants will be provided by Rolfe & Nolan and Sungard. The latter has recently announced that its dedicated solution, Sungard GMI, has been adapted and is ready to be deployed by the clearing members. The trading platform for Nodal Exchange is a custom development, done internally by the exchange's IT team.

The management 'investigated the avenue of acquiring a ready-made system', says Ann Sacra, president and COO of Nodal Exchange, but found that the majority of the offerings did not cater to the 'peculiarities of a nodal market'. The systems were mainly tailored for real-time trading, while the exchange uses an auction-based method – it holds an auction once a day to match various buyers and sellers of electricity at different nodal points. The participants can also submit transactions they negotiate themselves or through a broker for clearing in the system. LCH.Clearnet will act as the central counterparty (CCP) to all trades on Nodal Exchange.

Despite the 'unique needs of the marketplace', when building the system, the exchange 'tried to keep things as usual as possible', states Sacra, to enable a straightforward interface with LCH.Clearnet and help the platform's development in the future, as well as ensuring that 'everything runs smoothly'.

As Nodal Exchange anticipates substantial growth, its systems are scalable and flexible. 'There are a lot of interesting areas we might expand into,' says Sacra, 'we'll add more products and also enhance the platform with additional features that would serve the trading community.'

There really isn't a good solution for those who need to manage and trade electric power, observes Cusenza. 'The amount

of trading in terms of financial market versus the underlying physical market is considerably lower for electric power than other commodities, such as gas or oil, because there hasn't been an appropriate vehicle.' Electricity cannot be stored like oil or gas – once it is generated, it has to be used. To trade the electric power properly and to manage the risks adequately, the nodal concept needs to be applied. It encompasses all relevant factors, explains Cusenza, 'such as loss of electricity as it travels, and congestion in terms of trading from point A to point B'.

Once launched, Nodal Exchange will span 1800 locations that people can trade, 'representing the generation points as well as all the hubs and zones in the North American regional markets'.

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