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Electricity Trading in Financial Markets: Suggestions for Turkey / Elektrik Enerjisi Ticaretinin Finansal Piyasalar İçindeki Yeri: Türkiye İçin Öneriler

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ABSTRACT

Liberalization process in electricity sector has started with reconstruction of state controlled monopolies. Firstly generation, transmission and distribution activities were unbundled. Then free entry legislations for generation and distribution activities have been applied. Thus private investments were encouraged to invest in electricity sector and transition to competitive electricity markets had been started. Liberalization policies on energy industry change the nature of electricity. It is not just an ordinary consumable item anymore, but also an important part of the financial markets. The main reason of that is price volatility and risks depending on free market conditions. Therefore besides day ahead and intraday spot markets, electricity futures, forwards and options are part of electricity trading. America and some European countries have power exchanges intended for only energy and energy derivatives. Also Turkey has a goal of opening an power exchange in the near future. Aim of this paper is making suggestions for improving electricity market in Turkey through researching role of electricity trading in power exchanges and features of electricity contracts used in the power exchanges located in Europe and United States.

KEYWORDS Electricity Markets; Power Exchanges; Day-Ahead Market

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