

TGE adjusts the mechanism to curb market prices volatility

Press Release

- **At the beginning of 2019, TGE will assess the volatility of prices in the Commodity Forward Instruments Market for electricity and gas.**
- **The analysis will also cover the size of restrictions applied under the static and dynamic spread mechanism implemented on 30 October 2018. As a result of the review, in the mid of January 2019, the static and dynamic spread will be adjusted to the price variability observed in individual markets, which in turn will result in improved liquidity on these markets.**
- **As of 8 January 2019, changes in the time schedule for the market balancing process will come into effect.**

On 30 October 2018, TGE presented a new mechanism to Market Participants, aimed to curb price volatility in Orders and to mitigate transaction price volatility for electricity and gas instruments traded on the Commodity Forward Instruments Market. The static and dynamic spreads were introduced following to a consultation process which covered both TGE Members and authorities supervising the exchange activity.

The fundamental assumption for the introduction of the spreads was to strengthen the security of trading, and thus stabilise price fluctuations and reduce market risk for participants.

Based on the experience gained during the operation of the mechanism which limits unjustified price volatility on the CFIM, and on the continued dialogue with the market, the Exchange decided to change the schedule of the market balancing process. The market balancing phase takes place when the dynamic spreads specified in the Exchange regulations are exceeded. The duration of the balancing process will be shortened from 15 to 5 minutes, as a result of which the interruption of trading in instruments subject to this mechanism will also be minimised. In justified cases, the spreads may be widened during the balancing phase.

Static spread

The static spread sets the price range within which market participants can place orders during the session. This applies to all orders placed on the CFIM with respect to electricity and gas instruments, on a given trading day. The static spread protects against non-market price signals and the resulting potential financial losses.

¹ **Towarowa Giełda Energii S.A. (TGE)** is the Nominated Electricity Market Operator (NEMO) for the Polish pricing area and the only licensed commodity exchange in Poland, holding a licence to operate a regulated market since March 2015. On 15 November 2017, TGE started operating as a full-rights PCR coordinating exchange and operator on the European MRC market. TGE is included on the ACER's list of platforms for reporting transaction information according to REMIT requirements. TGE guarantees the reliability and security of trading on all markets it operates. Since March 2012, TGE has been a member of the Warsaw Stock Exchange Group.

Dynamic spread

The dynamic spread limits the fluctuations of transaction prices in relation to the reference price, which directly translates into the value of clearing prices that are taken into consideration by the Clearing House (IRGiT) in determining the amount of collateral margins.

Detailed information on the mechanisms being introduced, i.e. static and dynamic spreads, has been incorporated into the "Trading Terms" applicable to the Commodity Forward Instruments Market operated by TGE for electricity and gas, approved by the TGE's Management Board. The documents have been published and are available at www.tge.pl in the [Regulations](#) section.

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