Hungary: Electricity and gas market develops despite all restrictions, traders seems to be successful

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The Hungarian electricity and gas market development and actions of the European Commission regarding the reduction of certain government decisions, generate extra administrative and regulatory burden on operators.The current structure of production is still not optimal. The excessive renewable power generation - mainly in Germany,does not support the real costs which do not appear in that capacity to the market price, which is produced due to the ongoing reduction of volume growth in the domestic and regional wholesale prices. The process is controlled by victims of the gas power plants, which are excluded from production dramatically.

As a result, the electrical power system is becoming more exposed to the weather and fluctuations in renewable energy production, which in the short term, risk control and stability of the system.

The government makes the system operators and the universal service, imposes unreasonable restrictions on the sale of foreign investors. Access to resources is essential, state border capacity allocation leads to failure of the system, competition exist but. However, the influence of competition leads to adverse selection of traders.

The amendments to the current energy law, burdens regulated market consumers, particularly for renewable energy production which slightly decreased charges for support, but the competition in the market increased by 42 per cent on users. Due to the existing overhead reductions of industrial-residential cross-subsidies amounted to HUF 44 billion a year.

The current domestic wholesale product reference, the annual base load (base) cost of transport as a whole fell sharply in 2013. The main reasons for the decline in prices of these Europe-wide green energy production, anti-growth, and the ever-growing power of domestic import volume.

The European stock exchanges gas prices were steady except for the high spring rates, year 2014 began a steady fall. The imports mainly serve to meet the needs of the competitive market, the ratio in 2013 was well above the 50 per cent, but do not consider this to be impossible to import dependency. The border between the country of import competition has emerged, helping the domestic industry more competitive companies, as formulated by the Government so far overhead reductions.

The domestic electrical energy exchange is developing year by year and contributed to the growth of liquidity, especially the next day (spot) market.

The energy retail market has entered a mature stage at the age of 10. The ever stronger competition, consumer prices have fallen the steadily decreasing margin trading. Traders are becoming more sophisticated in risk management techniques and portfolio management in order to survive the decrease in product margin, which is the pricing of new products appear as plentiful supply for consumers. However, the management of market risk management is too difficult and unavoidable risks of regulatory actions to them for the unexpected and short-term interests.