Utilising market dynamics

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What has happened?

Liberalisation = market price risks/reward

Decarbonisation of generation = Transition to renewables driven by weather measures resulting in short term price volatility

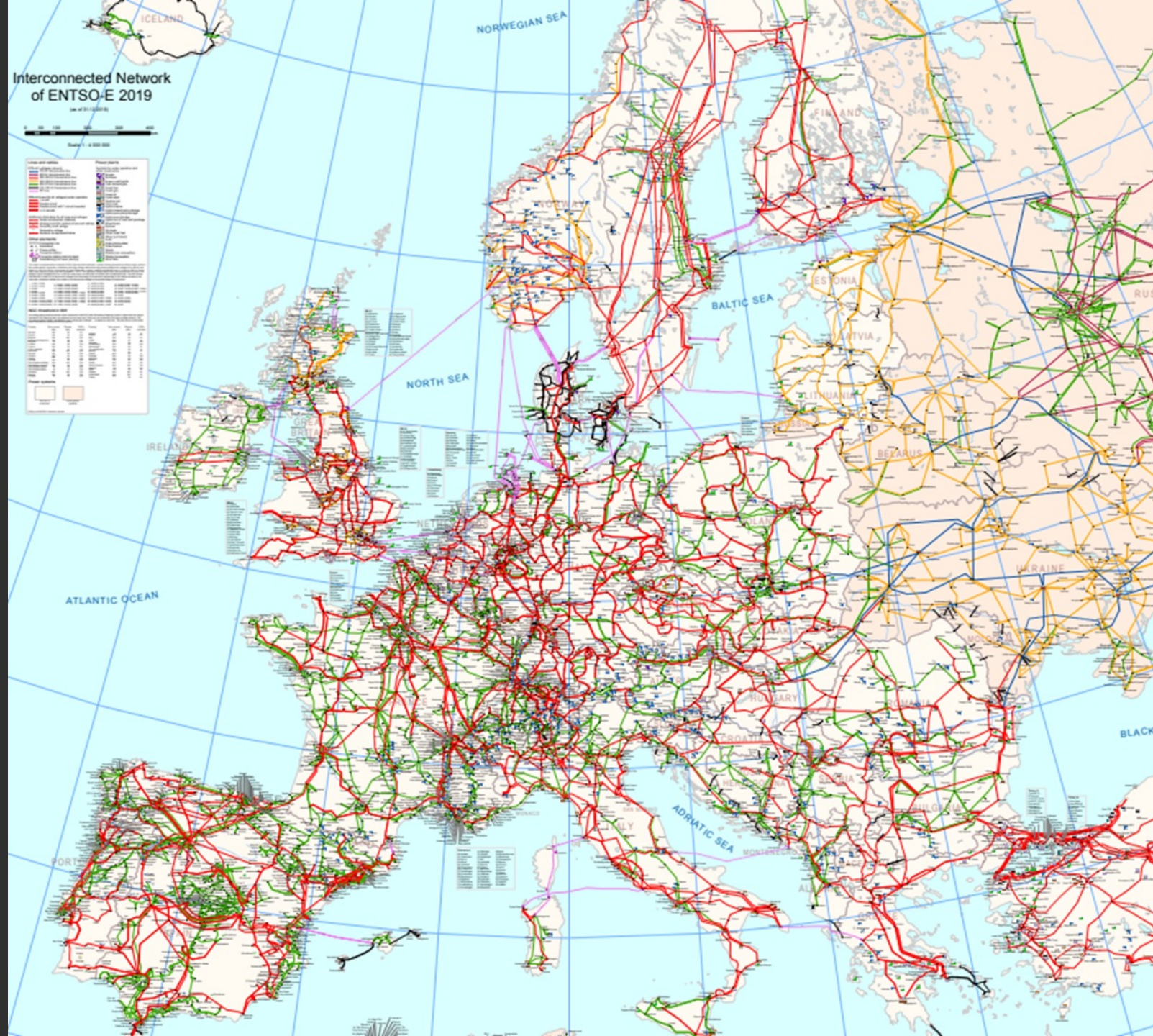
Decentralisation and distribution = complexity in energy mix and balancing (market/ancillary)

Electrification and flex/storage = price triggered consumption (market/ancillary)

New breed of investors = focus on return rates and scale of economics

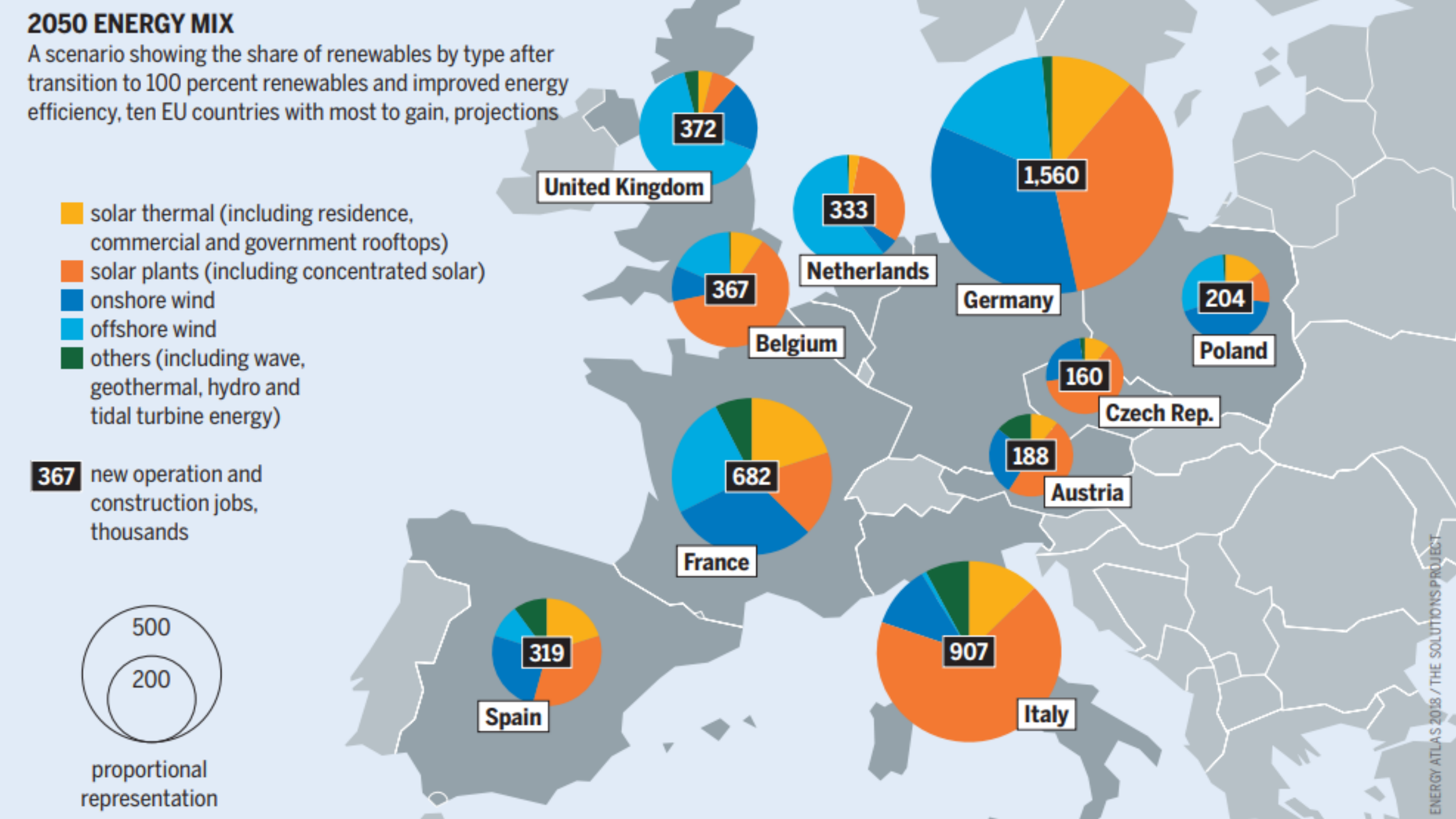
Shift in market liquidity and volatility = a new school of trading centered around short term (real-time) trading

War in Ukraine = acceleration of renewables and hydrogen economy to relief dependence on Russian gas supply

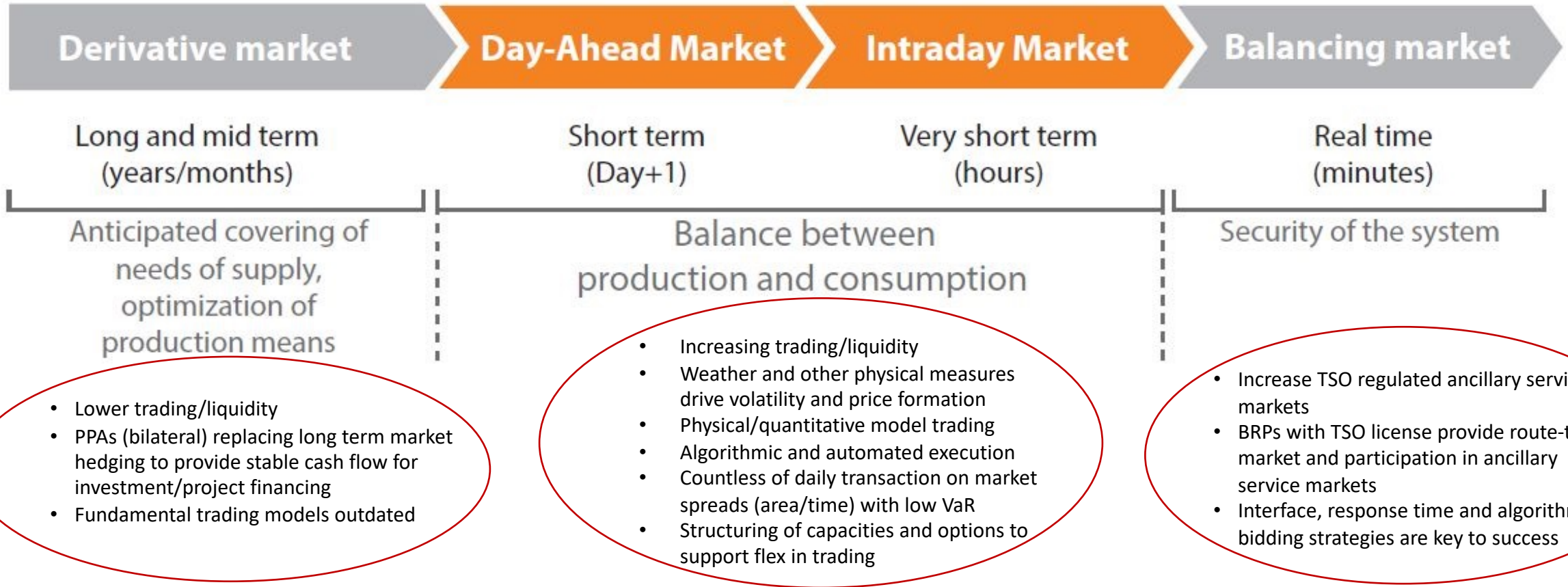


2050 ENERGY MIX

A scenario showing the share of renewables by type after transition to 100 percent renewables and improved energy efficiency, ten EU countries with most to gain, projections



The Power Market



The Silicon Valley of Energy Trading

On the back of pioneering energy trading companies Danske Commodities and Centrica Energy Trading a school of start-up companies have been growing and expanding fast.

Trading is Utilization of Market Dynamics

Key Backdrop:
The implementation of a liberal energy market designs (in EU, US and some APAC markets) dissolving monopolies and making trading a critical resource in ensuring market efficiency and balancing of the system.

Main triggers for trading performance in dynamic markets:

- Quantitative modeling of physical energy data and forecasting (in real-time). Effectively they are hybrid trading/software companies
- Operation in multiple markets to leverage flexibility across markets
- Business model centered on the physical ST market (smaller spreads and low VaR) as opposed to conventional power and gas companies
- Algorithmic execution of trades - 1000s of transactions daily
- Business model centered on risk/reward and high tolerance for structured risk in books
- Highly agile and performance/incentive driven businesses with less corporate control, hierarchy, strict governance

Commercial Risk/Reward

You need to ask yourself…

- What is your risk/reward appetite and mandates?
- How will your risk/reward profile impact your investment/project financing/operations?
- Which commercial risks are acceptable – long/short term price, volume, profile, capture rates, imbalance, curtailment etc.
- What is the premium you are willing to pay to offset any given risks?

Have a chat with the risk takers!

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