

This course is extremely practical. Participants play trading games and have to solve many exercises & cases. A steep learning curve and an increase of both knowledge and skills will be the result. You will be provided with a clear insight in the complexity of the power market.

Learning objectives

Acquiring insight and knowledge of:

- The working of processes in the power sector
- Variety & working of power plants
- Production & consumption
- Market participants & their roles
- Power grids, TSOs & Balancing regimes
- Cross-border trading, constraints & solutions
- Market coupling
- Power trading & risk management
- Products traded in the power markets
- The working & applications of those products
- The dynamics of pricing
- Fuel prices vs. power prices
- Spot products vs. derivatives
- Risks connected to the power markets
- Event risk & volatility
- Skew, liquidity & correlation

Target group

Mercurious' Power Trading training courses are particularly suitable for compliant financial and energy community including:

- Energy executives
- Risk managers & Commodity traders
- Power traders & Power analysts
- Bankers
- Back office staff, ICT & Legal staff
- Employees of Finance & Control
- Energy equity analysts
- Investment managers & Portfolio managers
- Consultants to the power sectors
- Journalists focused on the power industry

Training

The Power Trading course is designed to provide participants with an introduction to power, power trading, market participants and fundamentals such as production and consumption. Additionally, a broad practical insight regarding risk management and trading strategies with derivatives is provided. The training sessions have a strong interactive character whereby the contribution of participants is of utmost importance. During the training sessions a clear overview of the working of power markets is given by means of questions, theory and theses.

Content

The Power Trading training course covers two full days. The course can, of course, be adapted to specific sections, and we can tailor the course to your specific requirements. While dealing with each subject, attention is given to the various characteristics, aspects, opportunities and risks attached to that subject.

2-DAY TRAINING COURSE: POWER TRADING

Program:

DAY 1: MARKET STRUCTURE

Session 1- Explanation of the physical markets

- Power production
 - Fuelling (Coal, Gas, Nuclear, Hydro, Wind)
 - Consumption curve; seasonality
 - Daily pattern (day-night)
 - Weekly patterns (working days vs. weekend)
 - Yearly patterns (winter-summer)
 - Definitions
 - Peak vs. off-peak
 - Base load vs. peak load
- Physical flows
- Transport problems
- Market participants
 - Producers
 - Customers
 - Governments
- Difference between those parties

Session 2- Financial markets

- Exchange trading vs. OTC markets
- Power Exchanges
 - Nordpool Spot
 - Nasdaq OMX Commodities
 - EEX
 - Powernext
 - EPEX
 - N2EX
 - ICE
 - APX-Endex
- Carbon exchanges
 - Futures (ECX)
 - Spot markets (Bluenext, Climex)
- Market participants & their role
 - Brokers
 - Traders
 - Dealers
 - Market Makers
 - Liquidity Providers
 - Marketers
 - Wholesale Merchants
 - Investment Banks
 - Traders (Speculators, Hedgers, Arbitrators)

DAY 2: PRICING, TRADING & RISK MANAGEMENT

Session 3- Pricing & Trading

Pricing

- Why are power prices so volatile?
- Nordic vs. continental power markets
- Price drivers
 - Carbon emission price
 - Weather / seasonality, Day/night
 - Costs of construction, production & maintenance
 - Fuel prices (fuel switching),
 - Transport & Foreign exchanges rates

Trading

- Propriety trading vs. portfolio optimization
- Arbitrage & Clearing & settlement
- Financial products
 - Spot vs. forward (Within day ,block/strip trading), Day ahead, BOW, WKND, WDNW, Month, Quarter, Cal)
 - Derivatives (Forwards / futures, Options (cap & floor), Swaps)
 - Spreads (Dark spread, Spark spread, Black spread, Dirty vs. clean (green))
- Linking physical & financial markets (Market coupling, Trilateral market coupling)

Session 4- Risk & Risk Management

- Defining risks (Financial, Operational, Legal, Regulatory, Tax / subsidy, Market, Natural, Liquidity, Credit, Counterparty, Transport)
- Measuring risks (Value at Risk (VaR), Stress testing. Volatility, Skew, Kurtosis)
- Control risks (Accept or hedge?, Hedging tools & instruments, Derivatives, Spreads, Trading strategies)
- Implementation
- Curve trading
 - Forward curves (Contango, Backwardation)

Exercises

Practical exercises being used in this course help you to understand 'why' and 'how'. This assures that you will improve your skills, besides from the increase of knowledge, by means of facts and theory. Exercises used in this course:

- Asset & Portfolio management for power
- Hedging & optimization of power plants
- Proxy hedging & Virtual ramping up and down of power plants
- Spark & Dark spreads & Real options

Trading Game

Participants of the course will play trading games. This objective of this is to make attendees familiar with the psychology, pressure and stress of trading (though in a fun way this time). The participants will also learn about trading systems traders use or players in the OTC market. Last but not least by this practical workshop you will be able to implement vocabulary and terminology with respect to trading.