Mercurious

2-DAYS "ENERGY SUPPLY CONTRACTS"

STRUCTURING & VALUATION

CONTENT
During this course the complexity of supply contracts is covered. Special attention is given to pricing and risks. Price components are discussed and attention is given to the level of these. What factors are in that of relevance? How are prices calculated? What models can be applied? And what is the disadvantage of those?
The goal of the training is to provide insight in flexibility is priced and what the consequences are for suppliers and consumers.

LEVEL & PREREQUISITES
Mercurious guarantees a very interactive, practical and hands-on two days, full of examples, cases and exercises. Participants are required to participate actively and thereby we stimulate the learning curve optimally.
There are no prerequisites to attend. In other words, you don't need any basic knowledge, and still you'll manage to take it into depth. Mercurious is responsible for the guidance and helps you dealing with these challenges.

EMBEDDED OPTIONS & SUPPLY CONTRACTS
In these sessions you will analyze embedded options which are incorporated in energy sourcing & sales contracts, within organizations or with the outside world.

FLEXIBILITY
What is validity premium (paid by sales department to trading department) incorporated in energy sales contract prices? What is a click option?

→ Exercise: Validity period of a proposal. Decision time relates to price risk (level & volatility).

OPTIONALITY
What is incorporated in energy sales contract prices?

→ Exercise : Internal transfer pricing mechanisms contain optionalities.

OPTION PRICING
How are options priced? What factors influence the option premium? Which factors are of influence?

→ Exercise: Black & Scholes + Binomial valuation model + Monte Carlo Simulations

VOLATILITY AND LIQUIDITY
What is liquidity premium incorporated in energy sales contract prices? How about volatility?

→ Exercise : Internal transfer pricing mechanisms contain optionalities and reflect market characteristics.

SWING OPTIONS & VOLUME FLEXIBILITY
What is the risk related to energy sales contracts? And how should these risks be managed? What are swing options and flex options? How can they be optimized?

→ Exercise: Volume risk (delivery risk), price risk., swing options, Delta hedging.

BOOK STRUCTURE
What are internal transfers and what is internal transfer pricing?

→ Exercise: Interaction between the retail markets/ business and the wholesale markets/business.

PREMIUMS IN PRICING
What is structuring and why is it done?

→ Discussion: Supply contracts face a price which include various forms of premium. Amongst those are profile premiums, validity premium, imbalance premium, liquidity premium, volume flex premium.