



Deal Structuring in Power Markets

The Need

Evolving wholesale power markets are challenging market participants to develop responses using an innovative combination of traditional power assets and new financial tools. RTO/ISO rule changes and market driven pricing for power, ancillary services and transmission are new concepts that give rise to both opportunities and potential risks. To compete effectively and achieve strategic corporate goals those creating, managing or supporting power deals and/or power assets will need a thorough understanding of how to marry the changing physical energy markets with the new financial tools. Personnel providing legal, accounting and administrative support will also benefit.

The Program

The course begins with a review of capacity issues and pool pricing concepts in today's market. Understanding the consequences of combining different types of energy is essential to control and exploit market opportunities. Locational/zonal transmission concepts and transmission load relief guidelines add new requirements for transmission price risk control. The course also introduces and applies a full range of risk management concepts, including fixed transmission rights, contracts for differences, power swaps, embedded physical options and multi-energy financial structures through to innovative power deals and power asset management.

The Practical

This program's emphasis on practical issues will enable participants to utilize these new tools in physical power transactions, plant investment, merchant power plant management, fuel supply management and power trading.

Summary and Objectives

At the conclusion of this program participants will be able to:

- ✓ *Understand the issues facing power providers and merchant power plants*
- ✓ *Evaluate the differences between firm power, non-firm power and financially firm energy*
- ✓ *Review the proposed power master agreement definitions*
- ✓ *Utilize fixed transmission rights and contract for differences to manage locational marginal-zonal pricing risks*
- ✓ *Understand the evolving process of developing a power price curve and the use of Spark Spreads to develop long term price curves*
- ✓ *Explain how swaps, options and other financial tools aid in structuring unique deals for both consumers and generators*
- ✓ *Apply financial products to: improve risk management techniques; monetize dispatch flexibility and enhance physical plant investments*
- ✓ *Explain and apply multi-fuel techniques to power plants and create innovative multi-fuel deal structures*
- ✓ *Compare the financial hedges and weather hedges for standard offer contracts and merchant power plants*

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