

# *Risk Management and Flexible options*

**Craig Spencer**  
*Power Purchasing – Trading*

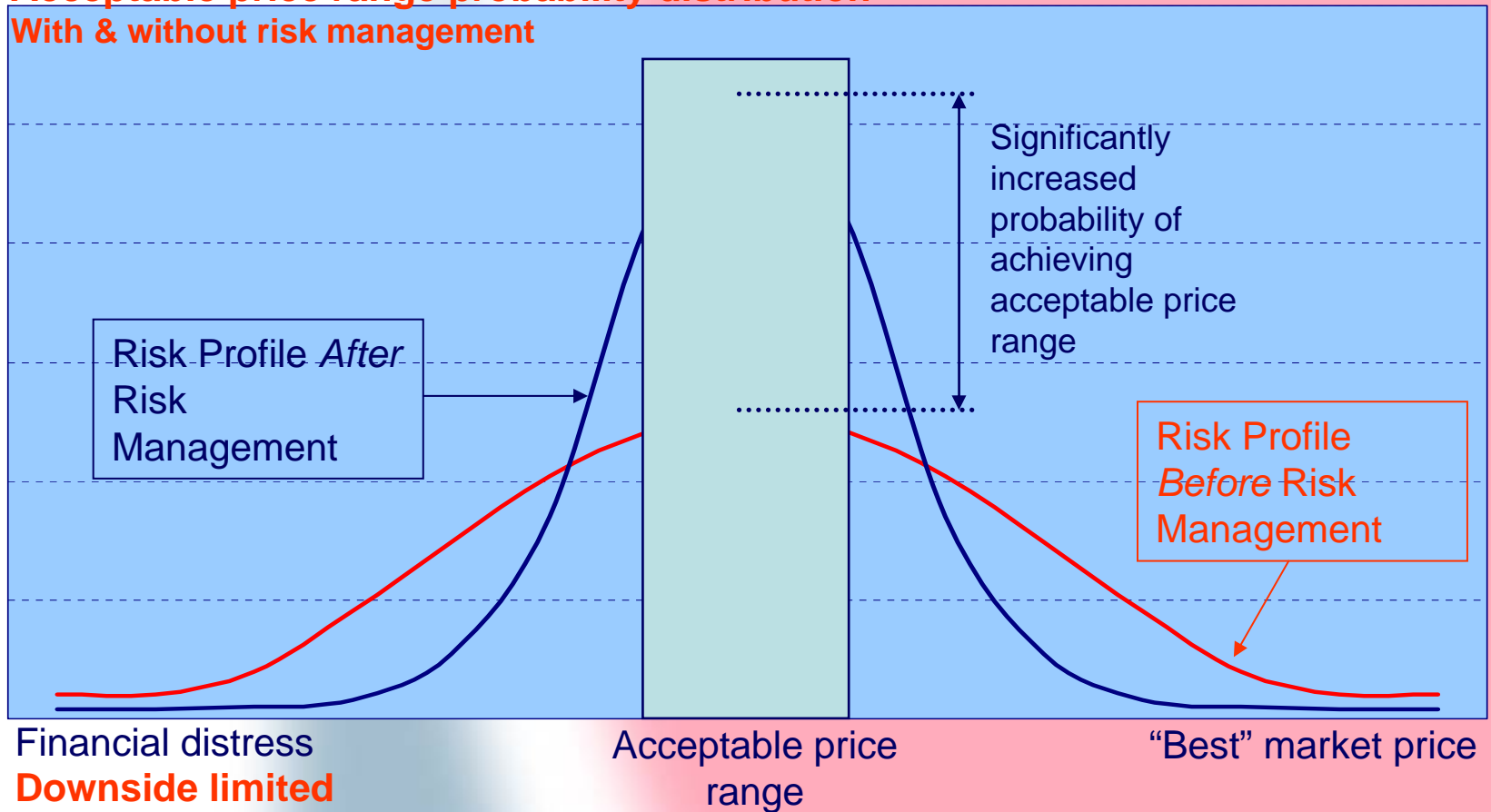


# What is Risk Management?



# Reducing Price Risk

Acceptable price range probability distribution  
With & without risk management



# Select the best supplier



# Credit Risk



# Liquidity Risk



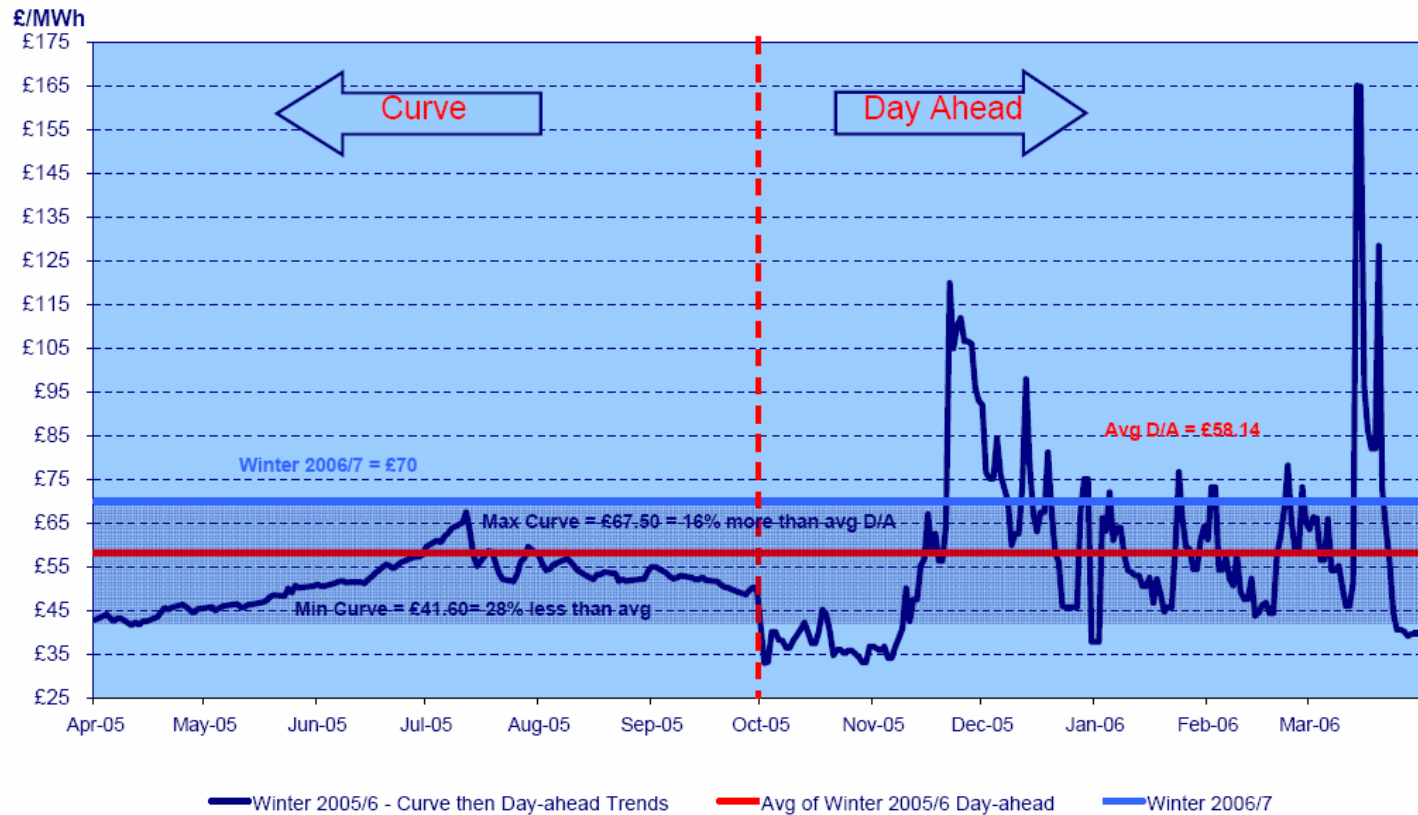


# Basis Risk

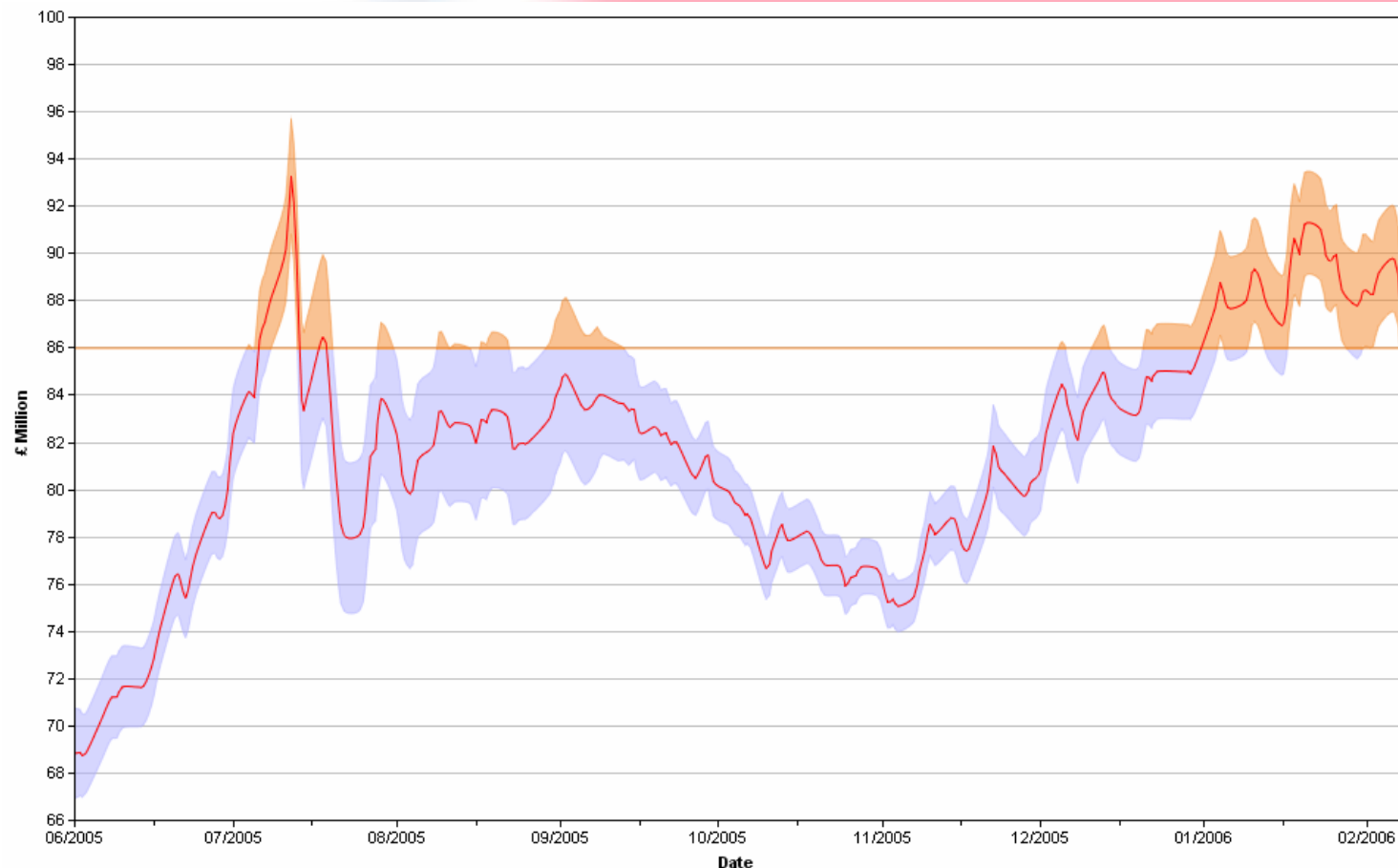
Confidential



Electricity Winter 2005/6 - Forward Curve v Day-ahead

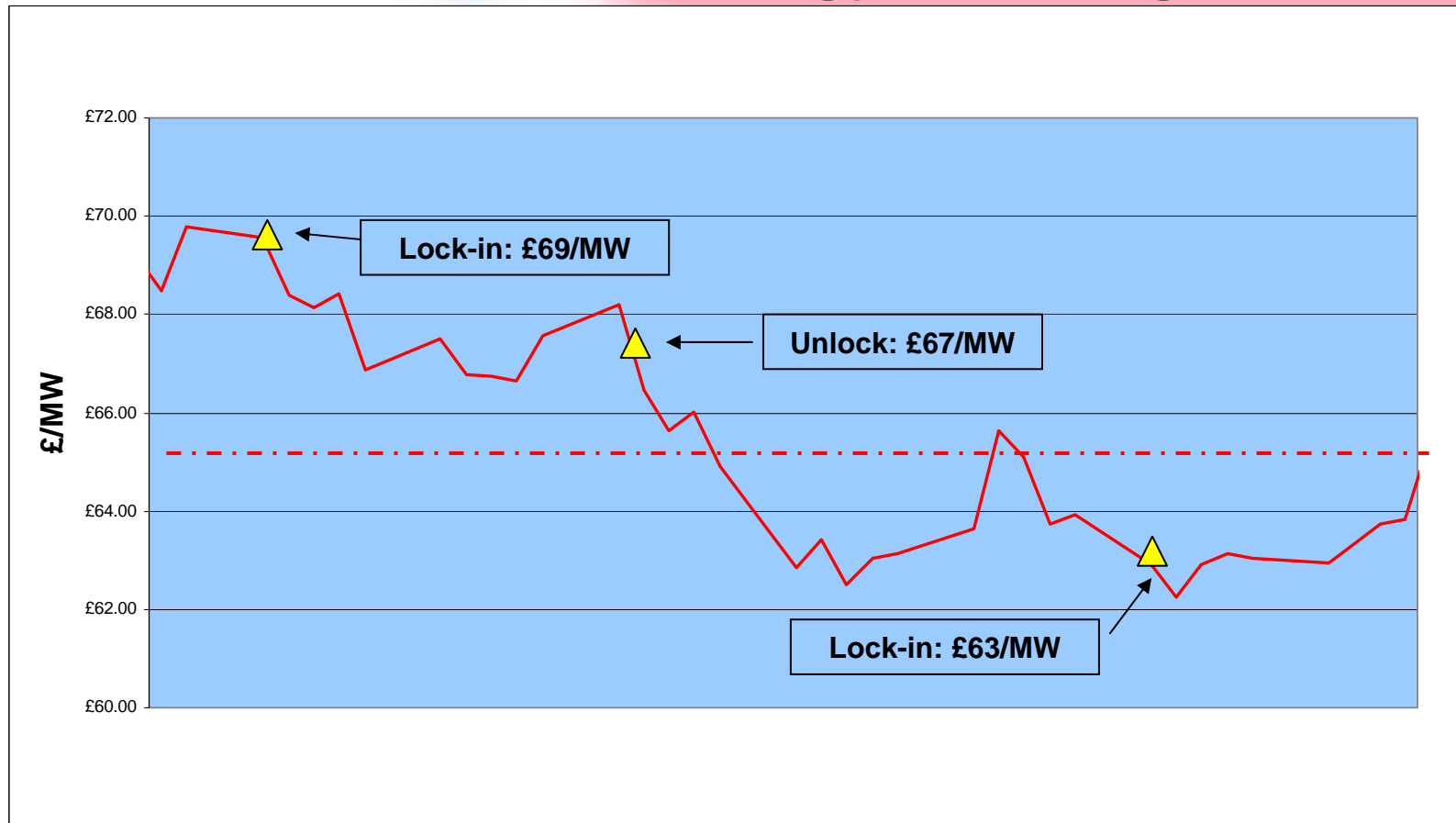


# Value-at-Risk – Risk monitoring and targeting





# Lock and Unlock Strategy – Falling Market

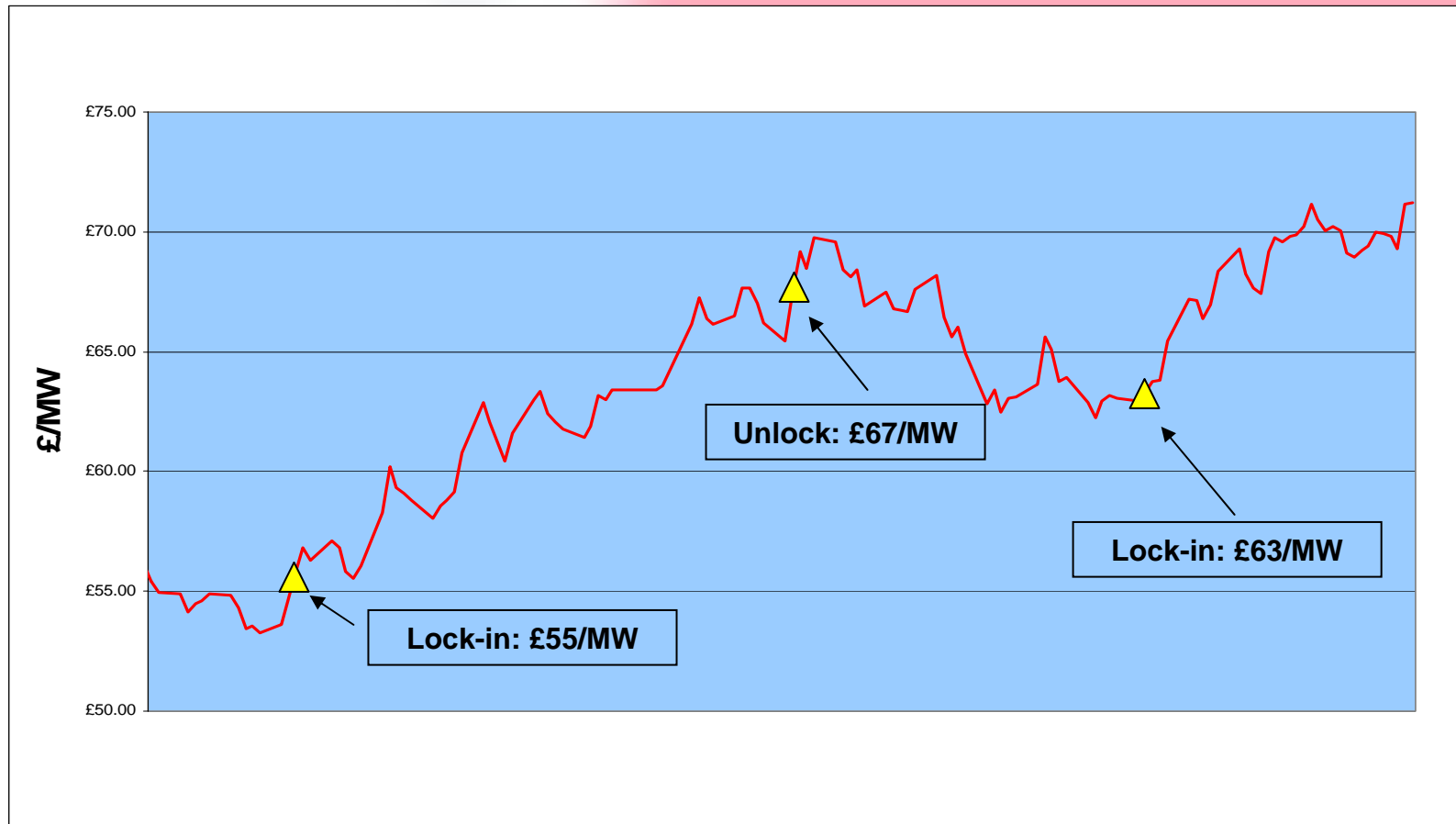


Current Locked-in rate:	<del>£69/MW</del>
Buffer:	<del>£65/MW</del>

Resulting rate:	<del>£69/MW</del>
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# Lock and Unlock Strategy – Rising Market



Current Locked-in rate:	<del>£65/MW</del>
Buffer:	<del>£12/MW</del>

Resulting rate:	<del>£53/MW</del>
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# The importance of fundamentals

## *Rough Storage Issues*



# Changing Gas Fundamentals



# Market Timing is Key



# Questions

