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Conference Energy Finance / INREC 2010

The conference combines the 2010 events of the Energy Finance and INREC conference series and takes place in Essen from Oct. 6 to Oct. 8 2010. Previous conferences of the Energy Finance series have taken place in [Kristiansand](#), Ulm, Oslo, London and Karlsruhe. The [1st International Ruhr Energy Conference](#) took place in Essen in 2009.

Updates

Slides for **all** invited talks have been uploaded, please see the [program section](#).

Slides and papers for contributed talks can be found [here](#).

INSTITUT:IBES

LINKS

- [Masterstudiengang BWL - Energiewirtschaft & Finanzwirtschaft](#)
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COMPONENTS OF THE FORWARD MARKET PREMIUM IN ELECTRICITY

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Abstract

This paper presents a multifactor empirical analysis of the determinants of the realised premia in forward prices for electricity, when compared to their associated spot prices. Considering a wide-ranging set of factors involving fundamental, behavioural, dynamic, market conduct and shock components, a number of propositions are tested on a long data set from the most liquid of European forward markets, the EEX. We show that parts of what is conventionally regarded as the market price of risk in electricity is actually that of its underlying fuel commodity, gas; that market power has a double effect on prices, notwithstanding the theoretical procompetitive properties of forward trading, insofar as it increases spot prices and induces a forward premium; that oil price sentiment spills over and that these premia react in an positive way to scarcity and the higher moments of spot price uncertainty. We observe that considerations of the efficiency of the forward premium are at least as important as those of spot market price formation in wholesale power trading.