

# Volatility in the Marketplace: A Slide Show in Search of a Theme

by

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for

ELCON/PGC Seminar

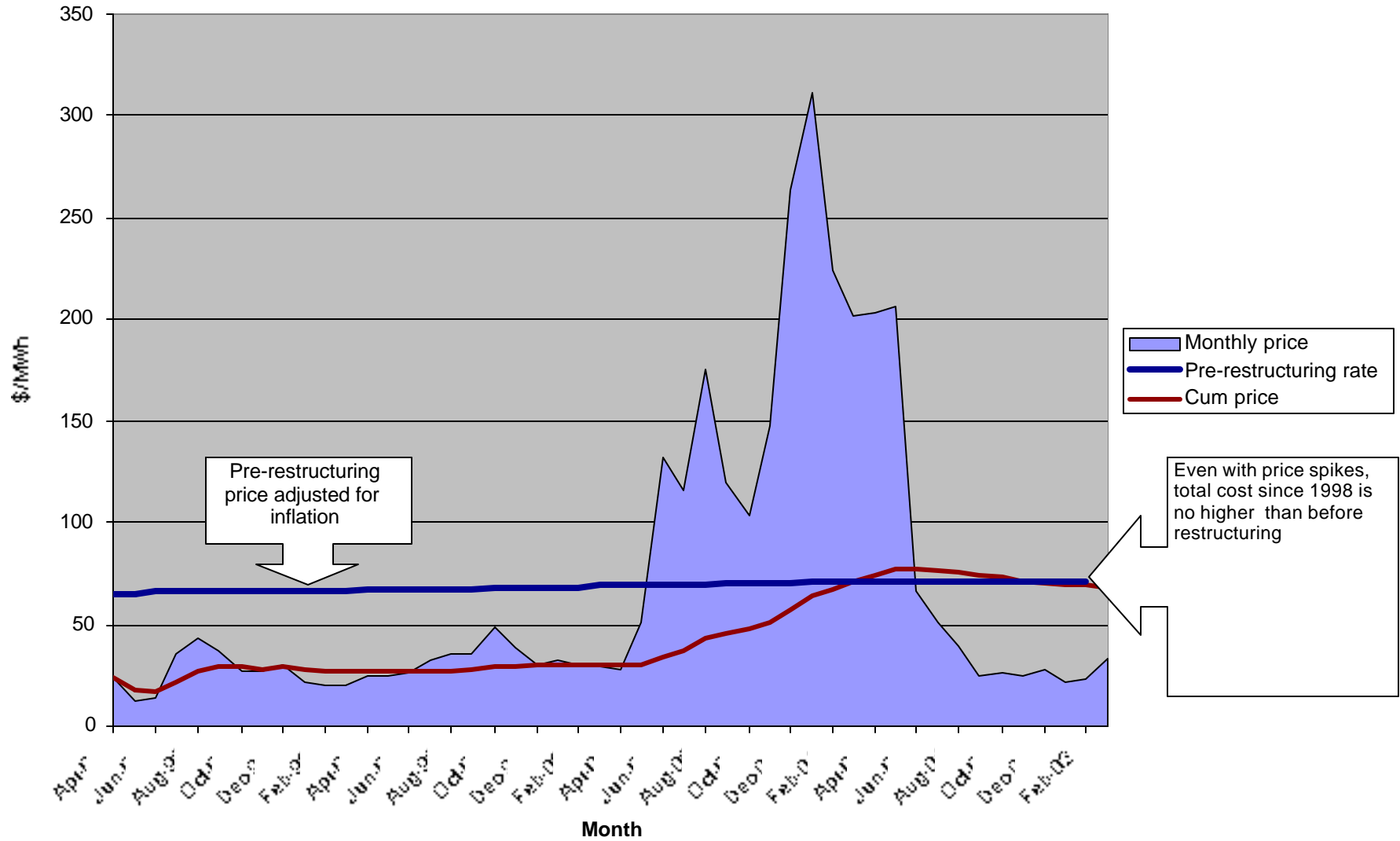
October 10, 2002

Arlington, VA.

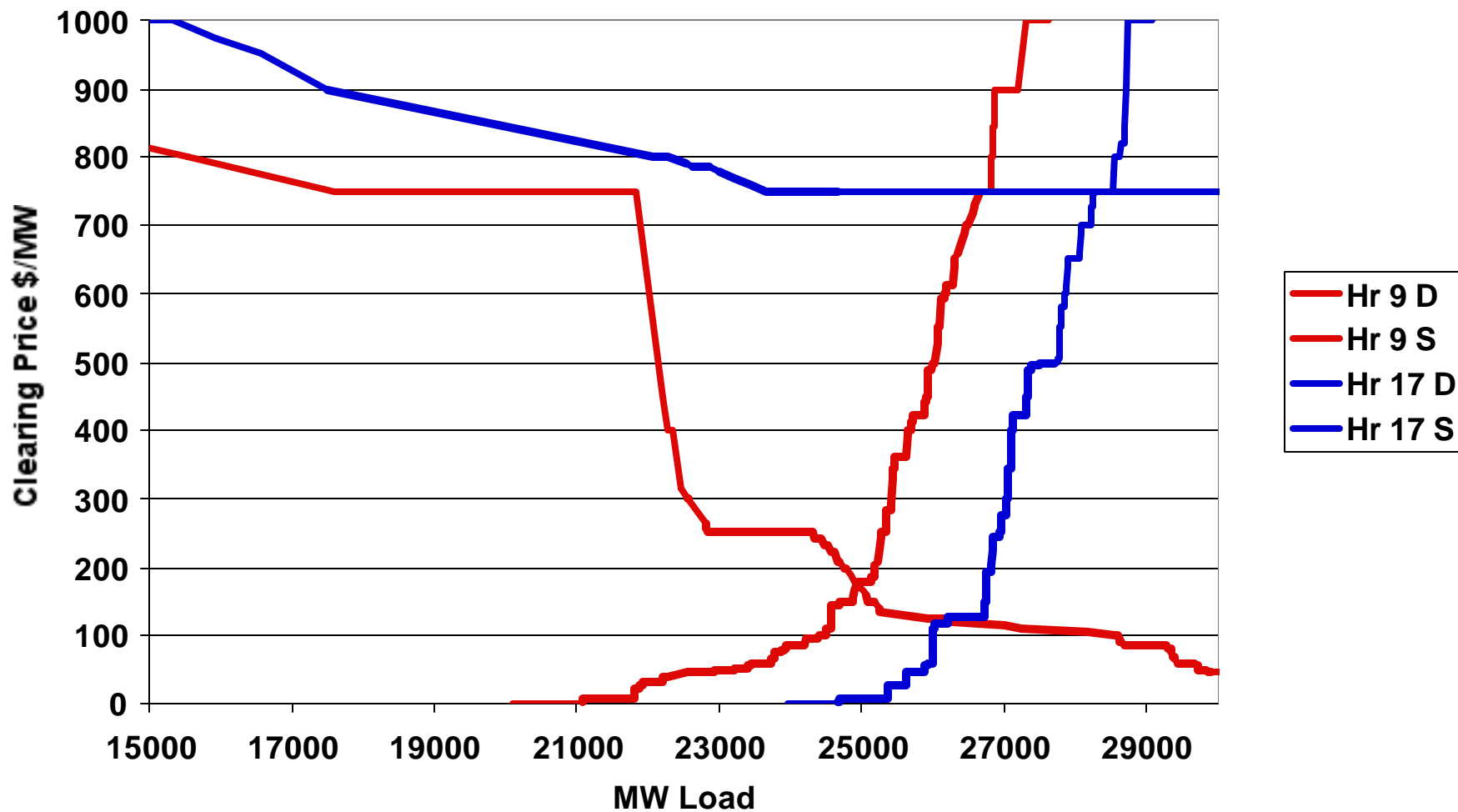
The logo for the Western Power Trading Forum (WPTF) features the letters 'WPTF' in a large, bold, white serif font, centered within a black rectangular background.

Western Power Trading Forum

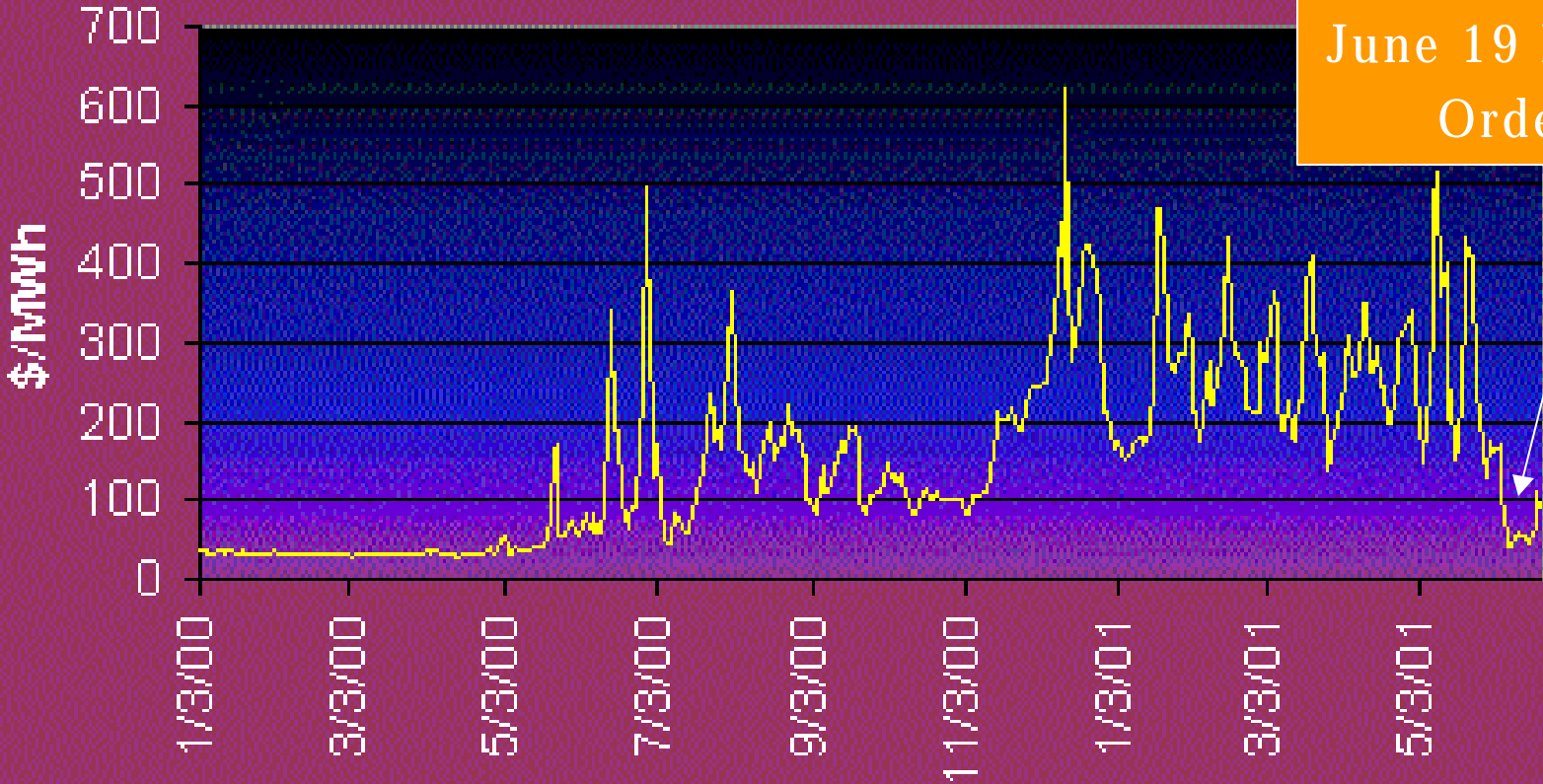
# Electricity prices



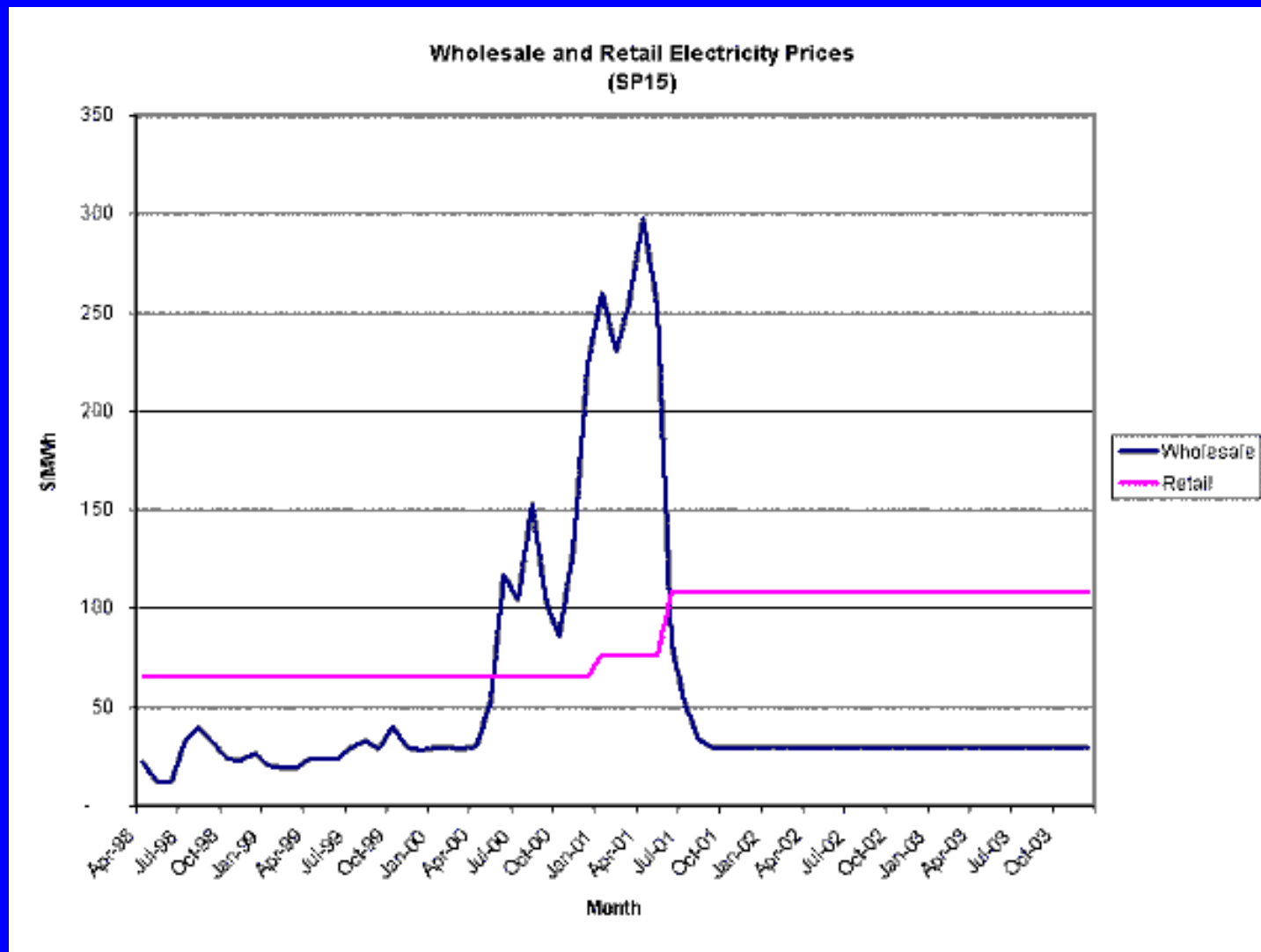
June 29 2000 PX Bid Curves  
9am and 5pm Supply and Demand Bids



# North Path 15 On-peak Day-ahead

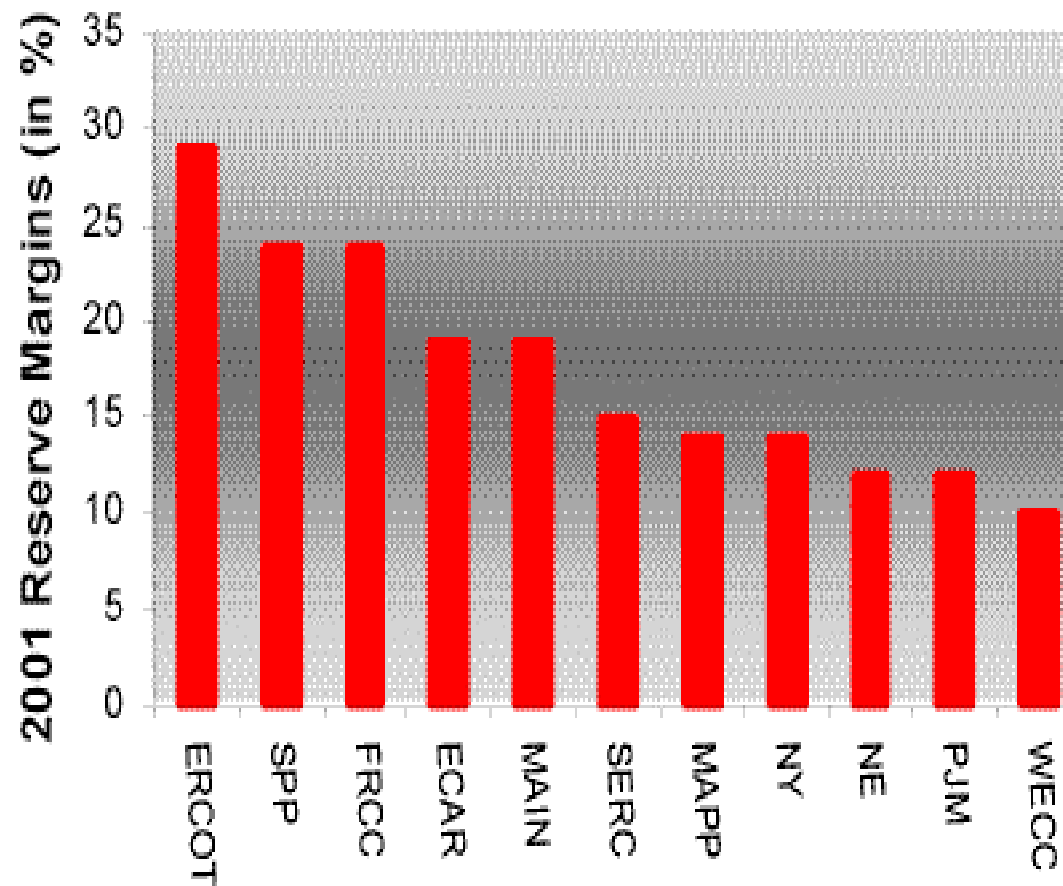


June 19 FERC Order



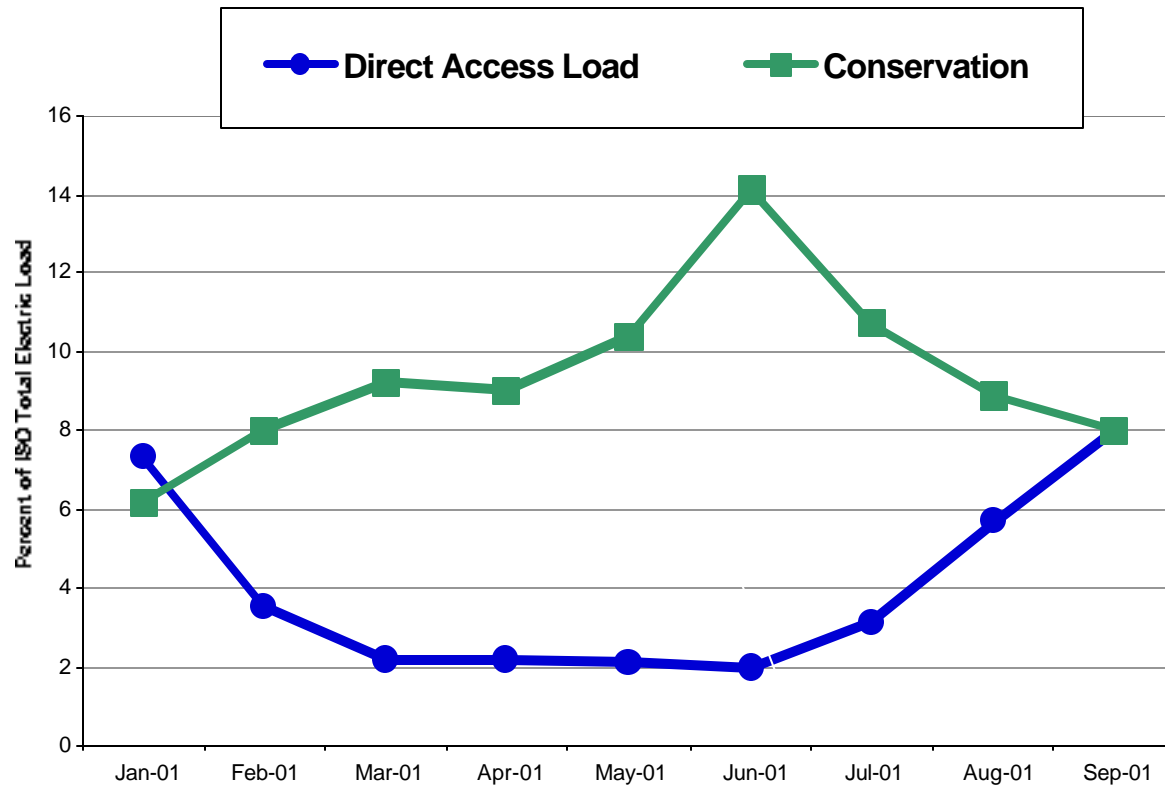
Source: New West Energy

## WECC Reserve Margins are among the lowest in the country



Source: Spring 2002 CERA Watch *Power Sector Outlook 2002: Survival of the Fittest*

## Lost Energy Sales to Repay California:



Source: Energy Market Advocates

Higher margins



**1. Structured products:**  
fewer competitors, market-neutral strategy; high margins commensurate with experience and intellectual capital

**2. Speculative transactions:**  
risk-taking strategy; margins generally commensurate with risk exposure

Lower margins



**3. Basic transactions:** low-margin business; more competitors; margins commensurate with scale and scope



Source: Salomon, Smith, Barney, *Merchant Energy Primer*, 2/1/2002

# Wide Spreads In Power Beckon A-Rated Players

By Mark Golden

A Dow Jones Newswires Column

August 9, 2002

**... A big profit opportunity for traders with A-rated credit. Several such players are launching new power trading desks, while others are ramping up operations. RWE AG (G.RWE), privately-held trader Louis Dreyfus, hedge-fund manager Citadel Investment Group, TXU Inc. (TXU) and Bank of America Corp. (BAC) have gotten the most talk,**

# **Bank of America Is Seeking Energy-Trading Authority**

**By MARTHA BRANNIGAN and KATHRYN KRANHOLD**  
**Staff Reporters of THE WALL STREET JOURNAL**  
**September 13, 2002**

**The Charlotte, N.C., banking company in late July began offering cash-settled electricity derivatives aimed at hedging the risks of fluctuations in electricity prices ...**

# Conclusion

GLOBAL INVESTING: Ratepayers to  
suffer from light-speed deal

By John Dizard

Financial Times; Aug 30, 2002

**There will be a power struggle and, given the Fed's Constitutional authority over interstate commerce, the states are on track to lose much of their authority. That won't happen overnight but it will happen.**