

Forward Premia in Electricity Markets: Two caveats^{*}

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ABSTRACT

Two important caveats are made for applications and empirical tests of Bessembinder and Lemmon's (2002) theoretical risk premium model for forward premia. Firstly, (relative) forward premia (eventually) decrease in mean power demand. Secondly, empirical tests should use a definition of mean power demand in line with Bessembinder and Lemmon's (2002) theory to avoid confounds.

ABSTRAKT

Dvě důležitá upozornění jsou uvedena pro aplikaci a empirické testování teoretického modelu rizikové premie Bessembinder a Lemmon (2002) pro forwardové premie. Za prvé (relativní) forwardové premie mohou případně klesat v průměrné poptávce po elektřině. Za druhé empirické testy by měly používat definici průměrné poptávky po elektřině v souladu s teorií Bessembinder a Lemmon (2002), aby bylo možné vyhnout se nejasnostem.

Key words: Forward Premia, Electricity Markets, Energy Economics, Mean Power Demand, Financial Markets

JEL Classification: G13, G17, L94, Q41

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