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Subject: Abstract til EF2012

Forecasting CfD prices using prior elicitation

Contracts for Difference (CfDs) are forwards on the spread between area and system prices. Together with system price forwards, these products are used to hedge the area price risk in the Nordic electricity market.

CfDs are typically available for the next two months, the next three quarters and the next three years. However, CfD contracts are not traded at NASDAQ OMX Commodities for every Nord Pool Spot price area. We therefore ask the following hypothetical question: What would the CfD price have been, say in the price area NO2, if it had been traded? We build regression models for each observable price area, and use prior information on how similar the different price areas are to forecast the price in an area where CfDs are not traded.

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Vennlig hilsen

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