



Electric Generation Fuel Fact Pattern



 Forecast Four Years of Electric Load & Model "Anticipated Requirements" of Generation Fuel(s) 2. Forward
Hedge
Natural Gas
or Fuel Oil
Price Risk
With
Derivative
Contracts

"Referenced Contract(s)"

3. Buy the "Unfilled"
Natural Gas or Fuel Oil Day-Ahead to Generate Electricity

Cash Commodity "p" 4. Deliver
Electricity to
Load OnDemand &
Sell at Rate
Tariff

Cash Commodity "S"

Unfilled Anticipated Requirements



1. Forecast Four Years of Electric Load & Model <u>"Anticipated Requirements"</u> of Generation Fuel(s)

NO CROSS-COMMIDITY HEDGING 2. Forward 3. Buy the Hedge "Unfilled" **Natural Gas Natural Gas** or Fuel Oil Sprice Risk or Fuel Oil Price Risk Day-Ahead With to Generate Derivative Electricity Contracts "Referenced Cash Contract(s)" Commodity "P"

4. Deliver
Electricity to
Load OnDemand &
Sell at Rate
Tariff

Cash Commodity "S"

Good News: This "Unfilled," Matched-Commodity Fact Pattern is Enumerated

Unpriced Anticipated Requirements



1. Forecast
Four Years of
Electric Load &
Model
"Anticipated
Requirements"
of Generation
Fuel(s)

2. Forward
Hedge
Natural Gas
or Fuel Oil
Price Risk
With
Derivative
Contracts

"Referenced Contract(s)"

3. A Forward

<u>Un</u>priced
Purchase of
Fuel(s) to
Secure a
Reliable
Physical
Flow

4. *Schedule*Day-Ahead
Priced
Natural Gas
or Fuel Oil to
Generate
Electricity

Cash Commodity "P"

5. Deliver Electricity to Load On-Demand & Sell it at Rate Tariff

Cash Commodity "S"

Needed: Unfilled *OR Unpriced* Anticipated Requirements

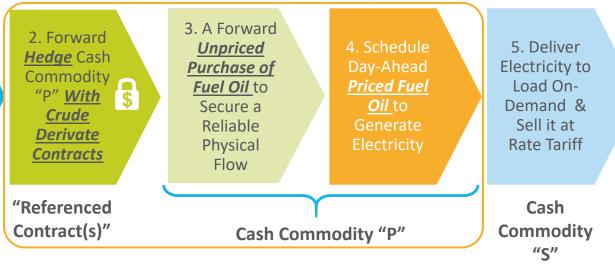
- Define "Unfilled" Accordingly, or
- Extend the Exemption

Cross-Commodity Hedges



Cross-Commodity Enumerated Hedging is When the Referenced Contract's Underlying Commodity Differs from Cash Commodity "P" Below

1. Forecast
Four Years of
Electric Load &
Model
"Anticipated
Requirements"
of Generation
Fuel(s)



Needed: In the Scope of (a)(5) Cross-Commodity Hedges, Include (a)(10) Unfilled [or Unpriced] Anticipated Requirements

Some Bilateral Electric Transactions Similar to Fuel Hedging



Forward Months' Unpriced Wholesale Electric

Transactions

- Lock in Conversion of Natural Gas to Electric Energy
- Satisfy Capacity Reliability Requirements

Use Natural Gas
Derivative
Contracts to
Hedge Forward
Electric Energy
Price Exposures

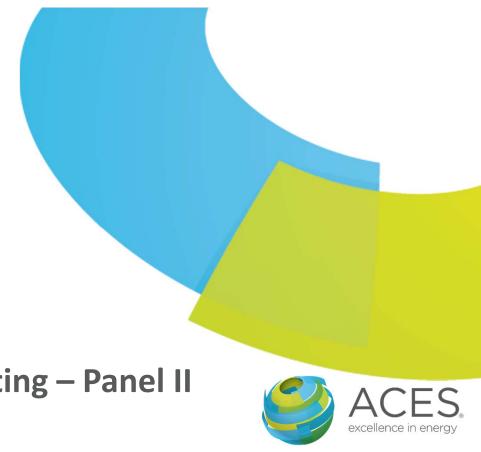
Daily Electric
Energy Delivered
is Priced Directly
to Natural Gas
Daily Indices

- The Asks Are Identical
 - Unfilled [or Unpriced] Anticipated Requirements
 - Cross Commodity Scope Incudes Anticipated Requirements

Beyond Enumerated Hedging



- Commercial End-User Compliance Requirements
 - Below Position Limits
 - Exceeding Position Limits
- Not-for-Profit Energy Utility Exemption Concept
 - Request for Comments



Jeff Walker
CFTC EEMAC Meeting – Panel II
May 7, 2020