



European Power Price Drivers Methodology



Introduction

ICIS publishes European Power Price Drivers (EPPD) once a month for 12 months of the year. Data for key drivers are ICIS proprietary prices. For a full methodology of how these prices are obtained please access the following documents:

- Power price assessments – please see the European Daily Electricity Markets methodology: <http://www.icis.com/energy/electricity/europe/daily-markets-methodology/>
- NBP, TTF, PSV price assessments and ENI gas release formula – please see the European Spot Gas Markets methodology: <http://www.icis.com/energy/gas/europe/spot-market-methodology/>
- Emissions price assessments – please see the European Daily Carbon Markets methodology: <http://www.icis.com/energy/carbon-emissions/daily-markets-methodology/>
- Coal price assessments – please see the Coal Swaps Daily methodology: <http://www.icis.com/energy/coal/global/swaps-daily-methodology/>
- Spark and dark spreads – please see the European Daily Electricity Markets methodology: <http://www.icis.com/energy/electricity/europe/daily-markets-methodology/>

Secondary sources of data are also used in this report:

1. Brent – Brent crude prices are sourced from the Intercontinental Exchange, ICE. The value used is the Brent front month contract as it is trading on the exchange at 16:30 London time.
2. Currency – Forward currency rates are calculated using 29 pricing points, sourced from Bloomberg, at 16:30 London time every day. The pricing points used are all of those available: spot, one week ahead, 24 months ahead and three to five years ahead. Using these points, we calculate a smooth curve which provides us with rates for each day out to five years. From these values, we then create appropriate rates for the contracts quoted by us in our assessment tables.

Market data

Correlations

The correlations between key power contracts and other drivers are calculated by ICIS on a monthly basis, to illustrate the relationships between power price movements and other markets.

The coefficient of determination r^2 is a method to discern how strongly correlated two sets of figures are. The closer r^2 is to 1.0, the stronger the positive correlation and the two move in tandem. The closer r^2 is to -1.0, the stronger the negative correlation, and the two move in equal and opposite directions. Meanwhile, the closer r^2 is to zero, the weaker the correlation, and the two have no linkage.

Production data

This data is collected from national grid operators, including but not limited to French grid operator RTE, TenneT in the Netherlands, Italy's Terna, CEPS in the Czech Republic and PSE in Poland. Other sources include Germany's regulator the Bundesnetzagentur, UK system operator ELEXON and the European Network of Transmission System Operators for Electricity (ENTSO-E), as well as transparency information on the German/Austrian market provided to electricity exchange EEX.

Renewable energy production forecasts also use Day-ahead forecast data for up to six days. This is provided to EDEM by SpotRenewables.com, a product from EuroWind GmbH. For more information, please visit www.spotrenewables.com

Cross-border flows

This data is collected from national grid operators, including but not limited to French grid operator RTE, TenneT in the Netherlands, Italy's Terna, CEPS in the Czech Republic and PSE in Poland. Other sources include: Germany's regulator the Bundesnetzagentur, UK system operator ELEXON and the European Network of Transmission System Operators for Electricity (ENTSO-E), as well as transparency information on the German/Austrian market provided by the electricity exchange EEX.

Market data (cont)

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Plant information database

ICIS maintains a database including existing and projected plant information across Europe. Plants with a capacity of 100MW and over are listed in the plant project information tables. This information is updated by the ICIS editorial team continuously and the latest version is made available to EPPD subscribers once a month. Information from secondary sources and national transmission system operators and energy regulators is also included where available.

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