

FAQs – Generation Asset Valuation

In this fact sheet, we present answers to some of the questions we are frequently asked on generation asset valuation and optimisation.

Q Why choose Lacima’s software solution for generation assets?

A Lacima’s solution for generation assets enables users to benefit from the ability to value and optimise the widest range of generation assets and contract types with more accuracy and faster than competing software. Lacima has worked with leading electricity generating companies and understands the local complexities of electricity markets in the UK, Europe, North America and Australia.

Q What generator types does this solution model?

A Lacima’s generation assets solution can handle a wide range of generation asset types including thermal generators, dual fuel assets, combinations of gas turbines and heat recovery steam generators, wind turbines and farms, run of river hydro generators, hydro dam storage and pumped hydro storage.

Q My trading system is able to capture my generation assets and their associated power purchase and tolling agreements, but then treats them in a very simplistic way (i.e. as a portfolio of spread options) and so my valuations and risk calculations are being misrepresented. Can I link Lacima’s solution to my ETRM system so that I only have one system of record for the deals?

A Yes. One of the major limitations of most ETRM systems is that they tend to represent complex deals and assets in a very simplistic way for their analytics purposes. Lacima’s generation assets solution automatically uploads the characteristics of your deals and agreements (as well as relevant forward curves, interest rates, volatilities, etc) so that there is no re-keying of information.

Q What type of constraints can you handle when valuing thermal power plants?

A Lacima’s thermal power plant models can handle a wide range of plant constraints and flexibilities, including: capacity, contracted minimum run, minimum stable generation, variable O&M cost, start-up cost (hot, warm, cold), ramp-up rate (hot, warm, cold), ramp-down rate, minimum up/down time, fixed costs, heat rates, duct firing, power

augmentation, fuel switching capability, fuel cost adders/multipliers, tax rates, emissions costs and mean time to fail/fix for forced outage.

Q What kind of algorithm do you use to analyse power plants and what outputs does it generate?

A Lacima's software uses a fast simulation based approach that does not rely on least squares Monte Carlo due to the amount of user intervention typically required by solutions of this type. The approach mimics the typical operation of the power plant by optimising the dispatch over short (user defined) periods to maximise the economic impact (or minimize losses) by dispatching the asset.

Users of Lacima's generation assets solution are able to analyse a wide range of outputs including monetary values for intrinsic and extrinsic value, as well as maximum MWh, total MWh, average peak forward, average off-peak forward, average peak strike, average off-peak strike, face value, distributions of profit/loss, distributions of earnings and distributions of costs.

Q I would like information about the models and valuation methodologies used to value my generation portfolios and wish to avoid receiving a 'blackbox' software solution which produces values I don't understand (and which my software provider can't or won't explain). Does Lacima provide more transparency on these matters?

A Yes, by employing Lacima's software, you benefit from receiving full transparency on our models, algorithms and valuation methodologies. You won't be faced with being unable to provide the auditors with the answers they need to sign-off on your valuation approach.

Q My ETRM system provider doesn't seem to have sufficient in-house quantitative expertise to answer my questions. Can Lacima hold detailed conversations with me about energy specific models and how they can be applied to my complex generation asset portfolios?

A Yes, Lacima has the largest and most qualified team of quantitative experts in the energy risk and valuation software sector, who develop, implement and support the software, and are easily accessible to all clients.



About Lacima

Lacima is a specialist provider of software and advisory services dedicated to valuation, optimisation and risk management for global energy markets. We help you to maximise your profit potential and make more informed decisions by providing tools that yield more accurate valuations, hedging analysis and risk exposure analysis for portfolios of financial contracts and physical assets.

Clients of our software and services include structuring, valuation and risk teams in vertically integrated energy companies, energy retailers, financial institutions and large energy consumers in Europe, North America and Australasia.

Our software solutions have been developed and implemented by peer-recognised experts in energy analytics, offering an unparalleled level of expertise and personalised support.

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