

SPECIAL ADVANCE NOTICE

TRADING RISK 2003

National Risk Management Conference
May 26 - 28, Star City Sydney

Featuring the return of our premier Currency Risk and Energy Risk events, presented in an exciting parallel-streamed programme



DAY ONE - STREAM ONE

3RD ANNUAL CURRENCY RISK 2003 NATIONAL CONFERENCE

Keynote Presentations:

- **Outlook for the Major Global Currencies**
*Greg McKenna - Senior Currency Strategist,
National Australia Bank*
- **The Middle East Crisis and the Aussie Dollar**
John Edwards - Chief Economist HSBC
- **Dynamic Currency Hedging**
*Jill Pleban - Division Director,
Macquarie Bank*

DAY ONE - STREAM TWO

2ND ANNUAL ENERGY RISK 2003 NATIONAL CONFERENCE

Keynote Presentations:

- **CSIRO Energy Sector Outlook to Year 2020**
*Dr. Adrian Williams - Chief of Division,
Energy and Transport Sector, CSIRO*
- **At-Risk Methodologies and Real Options**
Dr. Chris Strickland - Principal, Lacima
- **Alternative Risk Transfer (ART) and the
Weather Market**
*Dr. Harvey Stern - Climate Manager,
Bureau of Meteorology*

DAY TWO - COMBINED STREAM (CURRENCY RISK AND ENERGY RISK) DEVELOPMENTS IN RISK ANALYSIS AND MANAGEMENT

Featuring: Managing Market Illiquidity, Forecasting Volatility, Optimising Portfolio
Diversity and Performance, Credit Risk in a Volatile Market, and much more...

DAY THREE - OPTIONAL MASTERCLASS

PRICING TECHNIQUES IN THE ENERGY MARKETS

Expert Presenters:

Dr. Harvey Stern (Australian Bureau of Meteorology),
Glen Dixon (Griffith University),
Dr Quentin Kerr & Linda Murdoch (Intelligent Energy Systems)

TRADING RISK 2003

The volatility and complexity of variables impacting financial markets can have a major impact on the profit and loss of many Australian companies. The challenge of operating and managing exposures related to these markets presents significant implications for the risk management and operational infrastructure specific to affected organisations. Moreover, given recent media attention of corporate failures in this regard, the issue of financial markets risk is attracting closer scrutiny by organisational boards, underlying a move towards the integration of these activities within a wider framework of dynamic enterprise-wide risk management.

The Trading Risk 2003 National Conference is an innovative combination of 2 of our highly successful knowledge events - Currency Risk 2003 and Energy Risk 2003. With a commitment to knowledge and training excellence, this premier event distinguishes itself with a line-up of leading experts, and a knowledge programme that is designed to be practical and readily applicable by industry.

This is a strategic industry event for organizational leaders, professionals and other senior practitioners that have responsibilities or related interests in the areas of financial markets risk, trading and enterprise risk, treasury operations or risk management infrastructure.

Seminar Objectives

- A strategic knowledge event designed to update professionals on emerging market risks and issues, and on developments in the theory and application of risk management.
- Featuring leading authorities on risk management and industry sector development from industry, government and academia.

Conference Structure

The program is run over 3 days, which may be booked separately, or as a package of 2 or 3 days.

DAY ONE is split between 2 streams - **Currency Risk** and **Energy Risk**.

DAY TWO is a combined stream, featuring shared quantitative risk management and pricing issues common to both fields

DAY THREE is a separately bookable Masterclass, covering Pricing Techniques in the Energy Markets.

Currency Risk

The volatility of the Australian dollar against other currencies can have a major impact on the profit and loss of many Australian companies. When dealing with large volumes of money over periods of weeks or months, businesses place themselves at high risk should the exchange rate go in the 'wrong' direction. Managing foreign exchange risk has therefore become an integral part of the daily activities of exporters, importers, borrowers and investors.

Particularly in the recent period, volatility in the Australian dollar has shown to be highly correlated with international factors, and therefore has proved difficult to forecast without a considerable investment in analytical resources. Accordingly, many organisations have found commercial risk management products to be an efficient and flexible solution for managing ongoing currency exposures.

This Conference will educate companies with a foreign currency exposure - through international trade, or offshore operations or investments - in risk management techniques and currency hedging products and opportunities available to protect and enhance their investments.

Energy Risk

The extent with which energy companies and users can develop innovative and profitable positions within either the wholesale or retail markets is directly impacted by their capabilities in energy risk management. Volatility in Australian energy markets can have a major financial and competitive impact on many industry participants, and can impact end-user prices for gas and electricity.

Expertise in energy risk management can therefore provide strategic and competitive benefit from this volatility, and can provide scope to appropriately manage the upsides and downsides of market exposure. Moreover, for those end-users that prefer to procure energy through energy retailers, an understanding of energy risk management can enhance negotiating strength, and provide a platform for the consideration of a broader range of innovative products and services.

This Conference will educate companies with an exposure to Australian gas or electricity markets (whether directly, or via an energy retailer) in the fundamentals of energy risk management, including a review of products, systems and strategy.

Who should attend?

Executives, Managers and Operational staff from the areas of:

- Trading and Marketing
- Risk & Compliance
- Treasury and Finance
- Contracts & Settlements
- Derivatives
- Organisational Risk Management
- Systems Development and Implementation
- Market Reform and Regulatory Development
- Internal Audit
- Strategic Planning
- Financial Planning & Analysis
- Portfolio Management
- Risk Valuation
- Portfolio Planning and Analysis
- Insurance

Cannot Attend?

Purchase the conference notes and training materials for \$650 + 10% GST (\$715 total) by appropriately marking the registration form.

Travel and Accommodation

Altitude Travel Randwick can provide airfare and accommodation packages for the conference at substantial discounts to the full economy airfare and hotel published rack rates (subject to availability). Please contact Norman or Henry at Altitude Travel Randwick for all reservations.

Tel: (02) 9326 3577 **Fax:** (02) 9326 3677

Email: info@altitudetravel.com.au

REGISTRATION

Fax - Back Registration Form

please print or photocopy this form for multiple registrations

Mr / Mrs / Ms / Dr

First Name

Surname

Position

Company

Address

.....

Postcode City

State Country

Tel Fax

Email

Authorising Manager

Position

Registration

DAY ONE, TWO or THREE

Please select day:

1, 2, 3 (Masterclass) \$1490 \$149 \$1639

Any 2 Day combination

Please select day:

1, 2, 3 (Masterclass) \$2490 \$249 \$2739

All 3 Days (incl. Masterclass) \$2990 \$299 \$3289

Currency Risk stream

Energy Risk stream

(Please tick which **DAY ONE** stream you are registering for)

Early Bird Offer: 10% discount for all registrations received prior to Friday April 24 (Not including Group Discounts)

Group Discount: Complimentary 3rd registration for every 2 full price registrations purchased per company.

Payment Method

Crossed Cheque, made payable to **Quorum United**

Amex Visa MasterCard

Diners Club Bankcard

Card Holders Name

Amount

Card no.

Signature

Expiry date

Early Bird Discount:

Register with full payment by Friday April 24 to incur 10% discount.

Venue:

Star City Casino and Hotel Conference Centre,
80 Pyrmont St, NSW 2009.

T: 61 2 9777 9000

Host:

Quorum United PTY LTD - Events excellence ABN: 21 096 634 070

Cancellation:

If unable to attend, a substitute delegate is welcome.

For cancellation of registration, notice in writing must be received at least 14 days prior to the conference, and occurs a \$200 fee (+GST). From 7 - 14 days prior, Conference documents and a 50% refund are available.

No refunds are possible less than 7 days prior to the conference.

Some changes are expected for the final program.

EARLY BIRD DISCOUNT,

Register and pay by Friday April 24 to save 10%.



HOW TO REGISTER:

Tel: 1300 88 75 00 Fax: + 612 9280 2084 Email: events@quorumunited.com.au www.quorumunited.com.au

Mail: Quorum United PTY LTD, GPO Box 3540, Sydney 2001

REGISTER AND PAY BY FRIDAY APRIL 24 AND SAVE 10%

DAY ONE

STREAM ONE CURRENCY RISK 2003

9:00 - 9:10

Opening Remarks from the Chair

9:10 - 9:50

The Behaviour of the Aussie

Dr Olin Henry - Melbourne Institute of Applied Economic and Social Research

- The Aussie: a historical review
- Key external drivers of movement in the Australian dollar
- Key internal drivers of movement in the Australian dollar
- The AUD and current macro-economic policy
- Outlook for the dollar

9:50 - 10:30

The Spectre of Deflation - An Emerging Risk?

- Inflation and deflation in historical context
- Deflation and Australia's trading partners
- An emerging risk for the Australian economy?
- Key policy tools
- Outlook for prices and the currency

Break: 10:30 - 10:45

10:45 - 11:25

The Current Account - Cause for Concern?

Dr Graham White - Department of Economics, University of Sydney

- 2003 expectations for the current account
- Large deficits and medium term sustainability
- Exchange rate implications

11:25 - 12:05

Outlook for the Major Global Currencies

Greg McKenna - Senior Currency Strategist, National Australia Bank

- Emerging risks and trends facing the global currency markets
- The forward outlook for the currencies of Australia's major trading partners
- The AUD in the global context
- Forward outlook for the Australian dollar

STREAM TWO ENERGY RISK 2003

9:00 - 9:10

Opening Remarks from the Chair

9:10 - 9:55

CSIRO Energy Sector Outlook to Year 2020

Dr Adrian Williams - Chief of Division, Energy and Transport Sector, CSIRO

- Macro trends and national priorities
- Overview of Australia's energy system
- Outlook for the gas and electricity systems
- CSIRO'S R&D strategy

9:55 - 10:40

Understanding the Gas Market Implications of an Alternative Locational-Temporal Pricing Logic

Andrew Brown - Senior Associate, RBZ Group

- The current review of the spot market pricing logic
- Spot market pricing and allocation efficiency
- How would an alternative pricing logic change the market system?
- Understanding the justification logic for change

Break: 10:40 - 11:00

11:00 - 11:45

At-Risk Methodologies and Real Options

Dr Chris Strickland - Principal, LACIMA

- At-risk methodologies (VaR, EaR, PaR, CaR)
- Modelling energy risk factors (prices, load, generation, temperature)
- Development in Real Options
- Applying Real Options theory to energy markets (generation, fuel supply agreements)
- Using the market data (historical, forecasts)
- Applying at-risk to energy portfolios
- At-risk analysis of energy portfolios

11:45 - 12:35

Managing Risk by Optimising the Physical Asset Portfolio

- Physical assets and their role in risk management
- Risk dimensions and portfolio optimisation
- Managing risk with renewable energy assets
- Managing risk with complementary commodity assets
- Observations of investment trends and success factors for participation in the energy market of the future

DAY ONE

STREAM ONE

CURRENCY RISK 2003

12:05 - 12:45

The Middle East Crisis and the Aussie dollar

John Edwards - Chief Economist, HSBC

- The dollar impact of the 1991 Gulf War
- The dollar, the oil price and the region
- Currency scenarios for the current Iraq conflict
- Forward outlook for the Australian dollar

Lunch: 12:45 - 1:45

1:45 - 2:25

Currency Risk in Emerging Markets Case Study

- Currency risk management issues in emerging markets
- Challenges for effective risk management
- Establishing infrastructure to manage currency risk in emerging markets

2:25 - 3:05

Dynamic Currency Hedging

Jill Pleban - Divisional Director, Macquarie Bank

- Managing currency risk
- Three approaches to hedging
- Comparing difference hedging approaches
- Macquarie and currency risk management

Break: 3:05 - 3:20

3:20 - 4:05

Sydney Futures Exchange: Currency Derivatives

Maurice Farhart - Currency Products Manager, SFE

- An introduction to currency derivatives traded on the SFE
- How to trade currency derivatives traded on the SFE
- Current observations of the currency derivatives market

4:05 - 4:50

Outsourcing Forex and Treasury Operations

Mike Ward - Associate Director, Oakvale Capital

- Issues in considering the outsourcing option
- Outsourcing, risk and the bottom line
- Alternative outsourcing options

4:50 - 5:00

Closing Remarks from the Chair

STREAM TWO

ENERGY RISK 2003

PARTICIPATE IN THIS PREMIER KNOWLEDGE EVENT EITHER ON DAY ONE, TWO OR THREE, OR ANY COMBINATION OF THESE DAYS.

Lunch: 12:30 - 1:30

1:30 - 2:15

Alternative Risk Transfer (ART) and the Weather Market

Dr Harvey Stern - Climate Manager, Bureau of Meteorology, Victoria

- Securitisation of weather risk
- Channels for weather risk transfer
- Catastrophe bonds
- Weather derivatives

2:15 - 3:00

Benchmark Forward Curves as a Risk Management Tool

- Forward curves and the management of market risk
- Methods of collation
- Forward curves and a high change environment
- Benchmark forward curves as a risk management tool

Break: 3:00 - 3:20

3:20 - 4:05

Applying Real Options to energy assets

- Traditional discounted cash flow versus real-option valuation
- Power plants as a basket of options
- Storage facilities as spread options
- Establishing consistency between market-based and asset-based risk management

4:05 - 4:50

VicHub: Opportunities for the East-Coast Market

Katrina Nelson - Marketing Manager, Duke Energy International

- The VicHub project
- VicHub: What it means for the energy industry and its customers
- Future infrastructure developments

4:50 - 5:00

Closing Remarks from the Chair

5:00pm

End of Session Networking Cocktails

DAY TWO

COMBINED STREAM TRADING RISK 2003

9:00 - 9:10

Opening Remarks from the Chair

Developments in Risk Analysis, Management and Systems

9:10 - 9:55

Managing Market Illiquidity

- The importance of liquidity
- The implications of illiquidity for market trade, product innovation and pricing
- Managing exposures to illiquid markets for risk products

9:55 - 10:40

Forecasting Volatility - A Practical Consideration

**Trevor Nathan - Global Foreign Exchange,
Commonwealth Bank of Australia**

- A framework for understanding volatility
- Alternative methods for forecasting volatility
- Forecasting volatility from historical data
- Using measures of implied volatility
- Issues for Australian financial markets

Break: 10:40 - 11:00

11:00 - 11:45

Derivatives - Instruments of Wealth Destruction????

Steven Cheesewright - Executive Director, Walter Turnbull

- The case for the prosecution
- The case for the defence
- Effective use of derivatives
- Policy and procedural safeguards

11:45 - 12:30

Implementing a Value-at-Risk framework

**Jeff Summerville - Manager, Global Risk Management
Solutions, PricewaterhouseCoopers; David Foster -
Market Risk Manager, AWB Limited**

- Using VaR to improve decision making
- Incorporate VaR into risk control structure
- Improving performance measures using VaR:
Risk vs. Return Analysis
- Allocating trading risk capital
- What are its limitations? - Backtesting portfolio's
- How VaR is being used and adapted in other industries

Lunch: 12:30 - 1:30

1:30 - 2:15

Asset Portfolio-Optimising Diversity and Performance

- Portfolio assessment metrics
- Techniques for optimising diversity and performance in a financial asset portfolio
- Interesting developments portfolio optimisation research

2:15 - 3:00

Credit Risks in a Volatile Market

**Colin Atkin - Associate Director, Corporate & Infrastructure
Finance Ratings, Standard & Poor's**

- Valuing risk appetite - the credit rating perspective
- The credit risk framework
- Current market developments
- A credit risk assessment solution

Break: 3:00 - 3:20

3:20 - 4:05

Treasury Management Systems

Ivan St Clair - Partner, Ernst & Young

- Current status of systems
- Trends in treasury operations
- System selection and implementation
- Risk management issues

4:05 - 4:50

Managing Trading Risk in the Context of Enterprise Risk

Ian Abrahams - Director, CorProfit

- Understanding risk management at the enterprise level
- The dangers of managing trading risks without consideration of enterprise capabilities and risks
- Optimising trading risk management within the enterprise context

4:50 - 5:00

Closing Remarks from the Chair

Close: 5:00pm

DAY THREE

OPTIONAL MASTERCLASS - MAY 28, 2003

PRICING TECHNIQUES IN THE ENERGY MARKETS

Expert course directors

Harvey Stern

BSc Monash University MSc, Ph.D, University of Melbourne) (ASIA, Australian Securities Institute of Australia

Dr. Stern is a meteorologist with the Australian Bureau of Meteorology, and currently heads the Climate and Consultancy Section of the Bureau's Victorian Office.

Glen Dixon

BSc.(Hons) MSc (Forthcoming) PGDipEd, University of Queensland, BEc BSc, Australian National University

Glen Dixon is currently an Associate Lecturer in the School of Accounting, Banking and Finance and researcher in the Financial Risk Management and Valuation Centre which includes studying towards a PhD in Energy Markets. Glen has over 5 years of research in Energy & Weather Derivatives, Energy Risk Management and Energy Forecasting Models. Glen has extensive experience in the electricity and energy fields, having worked for Queensland Purchasing, iEnergy and Intelligent Energy Systems and provided consulting to their clients. Glen has also worked for GE Finance and Insurance.

Quentin Kerr

BSc.(Math), Beijing Normal University, PGdip,(Scientific Computing), Queensland University, Ph.D, (Financial Mathematics), Queensland University
Dr. Kerr started at IES as a contract and risk analyst. He is specialising in stochastic modelling in financial applications. He officially received his Ph.D degree from the University of Queensland in August, 2001. His thesis entitled stochastic modelling and derivative pricing on the energy market. He was awarded APA scholarship for three and half years when he was a Ph.D candidate in Queensland.

Linda Murdoch

B E.,(Elec, Hons), M E (Elec, Hons) University of Wollongong

Linda is an experienced electrical engineer with a background at BHP. She works as an energy analyst for IES, where she applies her analytical skills to electricity market studies and related work. Linda has participated in many IES consultancy studies on the electricity market. She also has a major role in marketing activities for IES.

9:00 - 9:10

Opening Remarks from the Chair

Glen Dixon - Associate Lecturer, Griffith University

Session 1:

9:10 - 11:00

Forward Price Curve in the National Electricity Market with an Overview of 10 Techniques

Glen Dixon - Associate Lecturer, Griffith University

- What is the forward price curve?
- Uses of the forward price curve?
 - Derivative Pricing, Contracting Levels and Contract Pricing, Risk Management, Basis for Trading, Scheduling outages and repairs.
- Techniques to building the forward price curve:
 - Arbitrage, Market Determined, Quantitative, Econometric, Structural, Neural Networks, Conditional Pareto, Regime Switching, Game Theory and combinations of these models known as the Hybrid.
- Problems in building the forward price curve?
 - Non storability of electricity, Illiquidity, Price Transparency, Cyclicity and Lack of Data and Price History.
- Analysing the factors influencing and affecting the forward price curve?
 - Arbitrage, Market Determined, Quantitative, Econometric, Structural, Neural Networks, Conditional Pareto, Regime Switching, Game Theory and combinations of these models known as the Hybrid.
- Causes of Volatility
- Approaches to Volatility
 - Historical, Implied, Statistical (like Normal, Log Normal, Weibull and Burr Type XII distributions) and Simulated

Break: 10:30 - 11:00

Session 2:

11:00 - 11:40

Forward Price Curve in the National Electricity Market with a Comparison of 3 Techniques

Dr Quentin Kerr - Quantitative Analyst, Intelligent Energy Systems

- The models
 - Case study: Using a Quantitative Model in NEM (E.g. One factor vs Multifactor Jump-diffusion Modelling)
 - Case study: Using a Structural Model in the NEM (E.g. Monte Carlo)
 - Case study: Using a Time Series Model in the NEM (E.g. ARCH, GARCH and ARIMA)
- Tests of Accuracy:
 - Forecast Accuracy over short and long terms, Ability to handle dynamic bidding behaviour, Ability to handle increase transmission, planned and unplanned outages.

Session 3:

11:40 - 12:00

Bidding Behaviour in the National Electricity Market

Linda Murdoch - Energy Analyst, Intelligent Energy Systems

- What drives generator behaviour in New South Wales and other NEM regions?
- What spot market outcomes have resulted?
- What is the impact of longer term issues on behaviour?

Lunch: 12:00 - 1:30

DAY THREE

OPTIONAL MASTERCLASS - MAY 28, 2003

PRICING TECHNIQUES IN THE ENERGY MARKETS (continued)

Session 4:

1:30 - 2:30

Exotic Energy Derivatives Useful
for the National Electricity Market

Glen Dixon - Associate Lecturer, Griffith University

- Introduction to swaps and spreads
 - Natural Gas Swaps
 - Basis/Location Swaps
 - Example of a Two Way Hedge
 - Caps, Floors, Collars
 - Vanilla Swap, Variable Volume Swaps and Differential Swaps
 - Participation Swaps, Double-Up Swap and Extendable Swap
 - Swaptions, Captions and Floptions
 - Spreads covering Calender and Crack
 - Introduction to Options
 - Overview of American, European, Asian, LookBack and Exchange Options
 - Overview of Option Pricing Techniques
 - Binomial Trees, Finite Difference Methods and MonteCarlo
 - An introduction to Exotic Energy Options: Basket, Barrier, Compound, Digital, Swing and Spark Spread Options.
 - Introduce the concept of Binomial Forrest with reference to a Swing Option. This assumes Variable Volume for large end users of electricity.
 - Basket, Barrier, Compound, Digital and Spark Spread Options will be discussed about their use in the New South Wales Market.
 - A Case Study of a Swing Option which could be used in the New South Wales Market.
-

Session 5:

2:30 - 3:15

Short-Term Demand Forecasting
in the National Electricity Market

Dr Quentin Kerr - Quantitative Analyst, Intelligent Energy Systems

- What is the difference between short term and long demand forecasting
 - Forecasting Models (E.g. Times Series Models)
 - Weather Impact Consideration
-

Break: 3:15 - 3:45

Session 6:

3:45 - 5:20

Application of Weather Derivatives and Weather
Modelling to the New South Wales Market

**Dr Harvey Stern - Manager, Climate Services Victoria,
Bureau of Meteorology, and Glen Dixon - Associate Lecturer,
Griffith University**

- Weather Derivatives Explained
 - A Brief History of the Weather Derivatives Market
 - What types of Weather Derivatives are there and how can they be used in the Energy markets. Specific energy industry applications utilising:
 - Forecast accuracy data bases
 - Synoptic weather pattern databases
 - What are the 3 types of techniques used in Weather Modelling
 - Historical Simulation
 - Direct Method of the underlying distribution
 - Indirect Method of the underlying distribution
 - How does a 2 Factor Mean-Reverting Diffusion Process with Stochastic Volatility work.
 - Using a Markov Chain Monte Carlo Technique
 - Using a Gibbs Sampling Techniques
 - Several illustrations will be presented using Sydney, New York and Philadelphia data.
 - Other applications
 - Several Case Studies in the Australian Market including Power and Gas
 - Ongoing research
 - Implications of the growing interest for New South Wales and the Asia Pacific Region with some statistics from the Weather Risk Management Association.
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5:20-5:30

Closing Remarks from the Chair

Glen Dixon - Associate Lecturer, Griffith University
