

Introducing ...



TLG's new fuel-to-power market analysis model

QUAFU — 夸父 in Chinese characters — is a legendary character in a Chinese folk tale. QUAFU chases the sun in order to relieve the suffering of his people from the harsh drought. Chinese grandparents relate this story to their grandchildren in order to inspire them not to give up when chasing their goals.

For as long as we can remember, we've analysed energy markets on behalf of clients... to value assets and potential investments... to identify downside risks and upside possibilities... to evaluate the impact of alternative regulatory policies... or simply to better understand the underlying market dynamics.

Such analyses address many questions: Where are the investment opportunities? Is this a resilient strategy? Why are we seeing these extremely [high]/[low] prices? What level of vesting contract cover is needed? Are generators exploiting market power? What is the value of ancillary services? What happens if we connect these two markets? Or introduce new fuel arrangements?

To shed light on these and other questions, virtually every consultant uses a market model. These models are inherently complex and not easily understood — that's why these models are often called "black boxes". But not all black boxes are the same. In life, as in school, extra credit goes to those who pay attention.



That's why we're proud to announce QUAFU, our new proprietary market model. Three years in the making, two years in testing... built on a cutting-edge optimisation foundation, QUAFU offers:

- A fuel-to-power model incorporating both physical and contractual fuel supply sources and constraints, enabling integrated assessments of a region's entire energy supply chain;
- Exceptional calibration to the economic fundamentals of observed market behaviour – allowing greater focus on how market power affects value and investment timing;
- Robust sensitivity analysis because solutions are more comprehensive, without resort to heuristics or short-cuts that market models commonly use to solve large, complex problems; and
- Exceptional solution speed and scalability (already used to analyse markets ranging from Singapore to Texas).

QUAFU... designed by TLG in Hong Kong, incorporating insights from the team's energy market experience across five continents, applied throughout Asia on projects big and small — and, most recently, used (in slightly modified form) to support a Brattle Group study of the ERCOT market in the USA (see <http://www.texascleanenergy.org/2013-research.php>).

We chased the sun and brought it home

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