

Energy Hedging & Risk Management Glossary

A comprehensive source of information for anyone involved in energy hedging and risk management.

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A

Accumulation

A situation in which the market is dominated by buyers, who 'accumulate' the commodity they are trading.

American Style Option

An option which can be exercised by the buyer (holder) at anytime during its life.

Ancillary Services

Any service required by a system operator to deliver electricity to the ultimate consumer. Ancillary services include balancing services, load following, or providing reactive power.

API

American Petroleum Institute

Arbitrage

The simultaneous purchase of a commodity/derivative in one market and the sale of the same, or similar, commodity/derivative in another market in order to exploit price differentials.

Asian Option (Average Price Option)

An option that is exercised against an average over a period of time.

Associated Gas (Wet Gas)

Natural gas produced in association with crude oil. Non-associated gas, or dry gas, is natural gas that occurs on its own.

At-The-Money Option (ATM)

An option whose exercise price is equal, or close to, the current price in the underlying market.

B

Backwardation

A market where the price for nearby delivery is higher than for further forward months. The opposite of backwardation is contango.

Barge

Vessel carrying oil, usually on rivers, containing between 8,000 and 50,000 bbl, or weighing 1,000 to 10,000 tonnes. In the US, barges can be up to, and occasionally over, 100,000 bbl in capacity.

Barrel

A volumetric unit of measure for crude oil and petroleum products. 1 barrel is 42 US gallons.

Base Load

The minimum amount of electric power delivered or required over a given period of time at a steady rate. The minimum continuous load or demand in a power system over a given period of time.

Base Load Plant

A plant normally operated to take all or part of the minimum continuous load of a system, and which consequently produces electricity at an essentially constant rate. A base load plant typically has relatively high fixed costs and low unit operating costs. Traditionally, nuclear plants have been considered as base load plants.

Basis

The difference between the price of a spot commodity and a forward commodity; the difference between the price of a commodity at one location and another location.

Basis Swap

Basis swaps are used to hedge exposure to basis risks, such as locational risk or time exposure risk.

Bearish

The belief that the price is going to fall.

Bid

An indication of willingness to buy a specified amount of a commodity at a specific price.

Black-Scholes

Options pricing theory derived by Fisher Black and Myron Scholes, based on the theory that price volatility is random around a given trend.

British Thermal Unit (BTU)

The quantity of heat required to raise one pound of water (about one pint) one degree Fahrenheit at or near its point of maximum density. A common unit of measurement for gas prices. 1034 Btus = 1 cubic foot. An MMBtu (-mil Btus) is roughly equivalent to a Mcf (a thousand cubic feet).

Bullish

The belief that the price is going to rise.

Burner-Tip

The point at which natural gas is used as a fuel.

C

Call Option

An option that gives the buyer (holder) the right but not the obligation to buy a specified quantity of an underlying futures contract at a fixed price, on or before a specified date. The grantor of the option is obliged to deliver the future at the fixed price if the holder exercises the option.

Capacity

The power output rating of a generator, typically in megawatts, measured on an instantaneous basis.

Cash and Carry

An arbitrage transaction involving the simultaneous purchase of a cash commodity with borrowed money and the sale of the appropriate futures contract.

Cash Market

The physical market underlying a futures or options contract.

Cash Settlement

The settlement of futures or options by paying a cash difference, rather than taking/making physical delivery.

Channel

Like it sounds a channel in which prices are moving. Parallel trend lines are drawn along the lows and highs of a price chart, forming a channel in which prices move. The trend lines form areas of support and resistance. Depending on the trend, the channel can be a down channel or an up channel.

CIF

Cost, insurance and freight charges for shipping products.

City-Gate

Physical location where gas is delivered by a pipeline to a local distribution company.

Clearing

The process of matching trades, settling trades and provision of a guarantee for traded contracts, often a service performed by exchanges.

Clearing Fee

A fee charged by a clearing house for clearing trades.

Close Out

Finalizing a transaction by making an equal and opposite trade to an open position.

CNG

Compressed natural gas, an automotive fuel.

Cogeneration

The production of both electricity and useful thermal energy from the same energy source. Natural gas tends to be a favored fuel for combined-cycle cogeneration units, in which waste heat is converted to electricity.

Combination Hedging

A risk management strategy that uses a combination of hedges using different derivative instruments.

Combined Cycle

The combination of one or more gas turbine and steam turbines in an electric generation plant. An electric generating technology in which electricity is produced from otherwise lost waste heat exiting from one or more gas (combustion) turbines. The heat is routed to a conventional boiler or to a heat recovery steam generator for use by a steam turbine in the production of electricity. This process increases the efficiency of the electric generating unit.

Combined Heat and Power (CHP)

Power plant, usually embedded, which produces both electric and thermal energy in the form of steam.

Congestion

When prices trade at similar levels over a period of time, the chart becomes cluttered with business at these levels and is referred to as 'congested'. Congestion areas are often seen as providing support/resistance. They are the levels at which, rather than breaking into new ground, prices tend to bog down and become trapped.

Consolidation

Prices moving in a broadly sideways range after a sharp move in one direction. If the prices have risen sharply, the gains are 'consolidated', often for several days after the major move.

Contango

Market situation where prices are higher for forward delivery dates than for nearer delivery dates. Opposite of backwardation.

Conway

Conway, Kansas. The main propane trading hub in the Midwest United States.

Covered Option

An option written against an underlying position.

Curve-Lock Swap

A swap which "locks" the counterparty into an existing price relationship in the forward curve, with the aim of benefiting from any shifts in the forward curve e.g. between backwardation and contango.

Cushing

Cushing, Oklahoma. The delivery point for NYMEX WTI crude oil futures.

Crack Spread

The spread differential which represents refining margins. For example, if crude oil is trading at \$65/BBL and gasoline is trading at 2.25/gal then the crack spread is \$29.50.

D

Degree Day

Degree days are measured as the number of degrees above or below a standardized temperature on any given day. In winter, traders track heating degree days week by week, or month by month, normally against a standard temperature of 65F, on the basis

of how many degrees of heat are required to bring the temperature up 65F. In summer, the market tracks cooling degree days, which are computed in the opposite manner.

Delta

The rate of change of the value of an option with respect to changes in the price of the underlying commodity.

Delta Hedging

The process whereby the grantor of an option decides to buy or sell more or less of an underlying futures contract in order to protect against being declared upon by the options holder. If delta hedging, the grantor of a call option will buy more of the futures contract if it rises in value towards the strike price (as the probability of being declared upon rises towards 100%). The grantor of a put option will typically sell more of the underlying futures contract if it slides in value (as the probability of being declared upon rises towards 100%).

Delta Neutral

A state where the grantor of an option has balanced the probability of being declared upon through buying/selling the underlying futures contract.

Demand Side Management

All activities or programs undertaken by an electricity system or consumers to influence the amount and timing of electricity use.

Demurrage

The detention or delay of a vessel in loading or unloading beyond the time agreed upon. Demurrage charges are usually incurred for any delay.

Differential

The difference between two prices. A large and increasing percentage of all oil transactions are effected on the basis of differentials, also known as spreads, rather than outright flat prices.

Differential Swap

A contract to exchange the difference between 1) the differential between the price of two products (fixed), and 2) the actual differential over time (floating).

Double-Up Swap

An instrument that grants the swap provider an option to double the swap volume before the pricing period starts; granting this option, swap users can achieve a swap price which is better than the actual market price. The mechanism by which this is achieved involves consumers (who are buying fixed) selling a put swaption, or producers (who are selling fixed) selling a call swaption; in either case, the premium earned from the sale is used to subsidize the swap price.

DOE

United States Department of Energy

Dow Theory

Theory of market movement developed by Charles Dow that prices move in defined trends of successive higher peaks and higher troughs in an uptrend, and lower peaks and lower troughs in a downtrend. Dow divides trends into primary, secondary and minor. Volume patterns are associated with specific points in a trend. Dow Theory is the foundation of most modern technical theory.

Dry Gas

Natural gas which does not contain liquid hydrocarbons. Gas is usually priced on a dry basis.

E

EIA

Energy Information Administration

EFP

Exchange of futures for physical: refers to the exchange of a futures position for a physical (swap) position.

Elliott Wave

A theory developed by Ralph Elliott that prices move in a main five-wave trend followed by a corrective three-wave trend, the extent and scope of which are governed by certain commonly seen ratios.

European Option

An Option that can only be exercised on the date of expiry. These typically trade in the OTC markets.

Exchange-Traded

Futures or options that are traded on an exchange such as NYMEX or ICE, with standard contracts and rules.

Exercise

The procedure by which an option holder takes up the rights to the contract and is delivered a long (call) or short (put) futures position by the grantor at a fixed price.

Expiry (Expiration Date)

The date by which an option holder must decide whether to exercise or abandon an option.

Extendable Swap

An extendable swap is constructed on the same principle as the double-up swap, except that instead of doubling the swap, the provider has the right to extend the swap, at the end of the agreed period, for a further predetermined period.

F

Feedstock

Raw material used in a processing plant.

Feedstock Gas

Gas used as a raw material for chemical properties in creating an end product (like plastics or fertilizer).

FERC

Federal Energy Regulatory Commission. A US federal agency created in 1977 to regulate, among other things, interstate wholesale gas and transportation of gas and electricity at "just and reasonable" rates. Located in Washington.

FERC Order 636

The 1992 order that unbundled US pipeline services, requiring pipelines to cease their merchant function and instead become solely a transporter of gas.

Fibonacci

Fibonacci levels are commonly observed ratios between the size of a main trend and retracements. The main ratios are 38.2%, 50%, 61.8%, 100% and 161.8%. These ratios are derived from the number series named after the Italian mathematician: 1, 1, 2, 3, 5, 8, 13, 21, etc... If the first term is divided by the one to the right of it, the result gets nearer and nearer to 0.618, a ratio that recurs in nature and art.

Firm Gas

Natural gas sold on a continuous basis for a defined contract term.

Firm Power

Electricity capacity intended to be available at all times during the period covered by a guaranteed commitment to deliver, even under adverse conditions, but subject to force majeure interruptions. Firm power consists of either firm energy, firm capacity, or both.

Force Majeure

Denotes circumstances beyond the control of a company, which force the breaking of a contract.

Free on Board (FOB)

FOB prices exclude all insurance and freight charges. Most oil is sold either FOB (effectively priced at the loading port) or CIF (effectively priced at the delivery port).

Fuel Switching

Substituting one fuel for another based on price and availability. Large industries often have the capability of using either oil or natural gas to fuel their operation and of making the switch on short notice.

Futures

An agreement to make or take delivery of a commodity at a fixed date or strip of dates in the future, at a price agreed upon at the time of dealing.

G

Gallon

There are 42 US gallons in a barrel.

Gamma

The rate of change in delta per unit change in the underlying instrument.

Gasoil

An intermediate distillate product used for diesel fuel, heating fuel and sometimes as feedstock. In US parlance: No. 2 Heating Oil.

Gasoline

Volatile motor fuel used in cars.

Generation

The process of producing electricity by transforming other forms of energy such as steam, heat or falling water. Also, the amount of electricity produced, expressed in kilowatt-hours (kWh) or megawatt-hours (MWh).

Generator

A producer of electricity, both literally and figuratively.

Gigajoule (GJ)

A joule is an international unit of energy defined as the energy produced from one watt flowing for one second. A very small unit of energy, there are 3-6-mil joules in a kilowatt-hour. For gas, one gigajoule = 0.96 Mcf under standard temperature and pressure conditions.

Group 3

Formerly three railroad companies in Tulsa, Oklahoma. Group 3 now refers to the pipeline price of petroleum commodities from Tulsa to Minnesota in the US.

H

Head and Shoulders

A reversal pattern characterized by a high, a higher high, a lower high, and a break below the line joining the lows between the highs, the so-called neck-line.

Hedge

The reduction of risk by covering anticipated commitments, in the future, through a swap, future or option contract.

Henry Hub

A pipeline interchange near Erath, Louisiana, where a number of interstate and intrastate pipelines interconnect through a header system operated by Sabine Pipe Line. It is the standard delivery point for the NYMEX natural gas futures contract in the US.

Historic Volatility

The change in the absolute value of a commodity or instrument over a certain period, expressed as a percentage of the lowest price recorded in that period.

I

IEA

International Energy Agency

Implied Volatility

The volatility implied by a certain option price.

Index Swap

In the natural gas market in North America, index swaps are often used to hedge against location price risk (a form of basis risk). The seller receives a fixed, or otherwise determined, price and pays the buyer the published index value for natural gas from a specified location.

Interruptible Gas

Gas sold to customers with a provision that permits curtailment or cessation of service at the discretion of the supplier.

Inter-Month Spread

Simultaneous purchase and sale of a future in two separate trading periods.

In-The-Money Option

An option which has intrinsic value. A put option is in-the-money when its strike price is above the value of the underlying futures contract. A call option is in-the-money when its strike price is below the value of the underlying futures contract.

Intrinsic Value

The value to an option holder if (s)he were to exercise an option today.

IPP

Independent power producer – Unregulated power generators which, unlike utilities, have no franchised retail service territories. Even a plant built by an investor-owned utility to serve its native retail load is not an IPP. It's still a utility plant. Also, utilities that form affiliates and build outside of their territories can be IPPs.

K

Kilowatt

One kilowatt equals 1000 watts. Abbreviates to kW.

Kilowatt-Hour (KWh)

The basic unit for pricing electric energy, equal to one kilowatt of power supplied continuously for one hour (or the amount of electricity needed to light ten 100-watt light bulbs for one hour). One kWh equals 1,000 watt-hours. One kWh = 3.306 cu ft of natural gas.

L

Lambda

The measure of the rate at which fuel is consumed relative to electric output, expressed in Btu's per kWh.

LIBOR (London Interbank Offered Rate)

Forward foreign exchange interest rates.

Lifting

The act of loading petroleum or petroleum products at a terminal or transfer point.

Light Crude Oil

Has an API gravity higher than 33 degrees. The higher the API gravity, the lighter the crude oil.

Light Ends

Group of petroleum products with the lowest boiling temperatures, including gasolines and distillate fuels.

Liter

A liter is 1,000th of a cubic meter. There are 3.78541 liters in a gallon.

LLS

Light Louisiana Sweet. A US crude oil.

LNG

Liquefied natural gas. Natural gas converted to a liquid state by pressure and severe cooling, and then returned to a gaseous state to be used as fuel. Acceptable first reference abbreviation. LNG is moved in tankers, not via pipelines. LNG, which is predominantly methane, artificially liquefied, is not to be confused with NGLs, natural gas liquids, heavier fractions which occur naturally as liquids.

Load

The amount of electricity delivered or required at any specific point or points on a system. The load of an electricity system is affected by many factors and changes on a daily, seasonal, and annual basis, typically following a pattern. System load is usually measured in megawatts (MW).

Long Position

When a trader buys a commodity, in the hope that its value will go up, he is said to be long.

LPG

Liquefied petroleum gas, typically ethane, propane, butane and isobutane. Usually produced at refineries or natural gas processing plants, including plants that fractionate raw natural gas plant liquids. LPG can also occur naturally as a condensate.

M

Margins

A deposit paid on a futures transaction. Initial margin is paid, followed by top-ups as the position develops. Margins are paid to the exchange.

Marginal Cost Pricing

A system of pricing designed to ignore all costs except those associated with producing the next increment of power generation. Sometimes referred to as incremental cost pricing.

Mark-to-Market

To revalue futures/option positions using current market prices to determine profit/loss.

Mcf

One thousand cubic feet of natural gas.

Megawatt (mw)

A unit of electrical power equal to one million watts or one thousand kilowatts.

Megawatt-Hour (MWh)

One million watt-hours of electricity. A unit of electrical energy which equals one megawatt of power used for one hour.

MMbtu

One million British thermal units.

MMcf

One million cubic feet of natural gas.

MMS

The US Minerals Management Service, an agency of the Interior Department.

Mogas

Used in some markets as a substitute term for gasoline.

Momentum

The simple difference between the price now and the price N days ago. Momentum is negative if the price now is below the price N days ago, and positive if it is above.

Mont Belvieu

Mont Belvieu, Texas. The main propane trading hub along the United States Gulf Coast.

Moving Average

The mean of prices over a pre-defined period, for instance, the previous five days. The moving average for different time periods can be charted to generate short- and medium-term buy/sell signals.

N

Naked Option

A short option position in which the writer does not have the underlying commodity.

National Energy Board

The Canadian regulatory body which oversees inter-provincial natural gas trade and pipelines. Located in Calgary, Alberta.

Natural Gas

A naturally occurring mixture of hydrocarbon and non-hydrocarbon gases found in porous geological formations beneath the earth's surface, often in association with petroleum. The principal constituent is methane.

NGL

Natural gas liquids. Can include ethane, propane, butane, isobutane and natural gasoline/condensate. Not to be confused with LNG, liquefied natural gas. LNG is artificially liquefied methane, not the heavier fractions defined as NGLs.

NYH

New York Harbor – The delivery point for the NYMEX gasoline and heating oil contracts.

NYMEX

New York Mercantile Exchange. Also known in the energy industry as “the NY Merc”.

NEW

Oil and petrochemicals market abbreviation for Northwest Europe.

O

Offer

An indication of willingness to sell a specified amount of a commodity at a specific price.

Off-Peak

Light load hours. The time of the day when a power system would experience its lightest load, usually in the middle of the night.

OPEC

The Organization of the Petroleum Exporting Countries. Group of crude-producing countries which has used its collective weight of production since OPEC was founded in 1960 in an attempt to influence oil prices.

Open Interest

Open interest is the number of open contracts on a given future or options contract. Longs or shorts that have not been closed out are OI. Short-covering/profit-taking will tend to reduce OI.

Options

A contract under which the writer of the option gives someone the right but not the obligation to buy or sell an underlying commodity, for instance, a futures contract. Options can be over-the-counter or exchange-traded.

OPIS

Oil Price Information Service

Out of the Money Option (OTM)

An option with an exercise price lower than the current market level of the underlying instrument. Such an option has no intrinsic value, but has got time value, as price changes in the underlying might bring it back into the money.

Over the Counter (OTC)

Bilateral markets in which contracts for futures, options and swaps are written on a tailor-made basis.

P

PADD

Petroleum Allocation for Defense District. A group of five geographic areas in the US used in reference to petroleum distribution.

Parking

Providing a customer with temporary gas storage, typically at a market hub.

Participation Swap

Similar to a regular swap in that the fixed price payer is fully protected when prices rise above the agreed (fixed) price, with the difference that the client "participates" in any price decrease.

Peak Demand

The maximum load during a specified period of time.

Peak Load

The maximum electrical load demand in a stated period of time. On a daily basis, peak loads occur at midmorning and/or in the early evening.

Peak Load Plant (Peaker)

A plant usually housing low-efficiency, quick response steam units, gas turbines, diesels, or pumped-storage hydroelectric equipment normally used during the maximum load periods. Characterized by quick start times and generally high operating costs, but low capital costs.

Peaking Capacity

Capacity of generating equipment normally reserved for operation during the hours of highest daily, weekly, or seasonal loads.

Physical Delivery

The transfer of ownership of an underlying commodity between a buyer and seller to settle a futures contract following expiry.

Posted Price

Outright, non-market-related price requested by a seller of crude oil or products. Effectively, the list price.

PPM (Parts per million)

Typically used to designate amount of metals or other impurities in refined oil products.

Pre-Paid Swap

By means of a pre-paid swap, the fixed payments that form one side of the cash-flows generated by a standard swap, and which are normally paid over the life of the swap, are discounted back to their net present value and paid as an immediate cash sum to one of the swap counterparties. That counterparty will then make floating price payments over the life of the swap, just as in a standard swap.

Premium

The price of an option, as determined by an options pricing model.

Prompt

A prompt cargo describes a cargo available for immediate lifting (one to two days). Prompt tonnage refers to tankers available to lift cargoes immediately.

Put Option

The right, but not the obligation, to sell a commodity, for instance, a future.

Puts/Call Ratio

The ratio of puts to calls in an options market.

R

Rack Price

The price of petroleum products at a refinery or wholesale loading rack. Rack-pricing is effectively cash and carry at the rack.

Resistance

A price at which sellers are likely to enter the market in an uptrend.

Resids

Oil market jargon for residual fuel oils.

Resistance

A price at which sellers are likely to enter the market in an uptrend.

Reverse Tolling

When a gas pipeline recalls gas used for electric generation and diverts it to end-use markets when gas prices are higher than power prices.

RFG

Reformulated gasoline. US specified gasoline formulated with a higher oxygen content than pre-1990s gasolines. RFG is specified to contain 2.7% oxygen, and is designed for year-round use in urban areas. So-called oxygenated gasoline is specified with a 2% oxygen content, and is intended for winter use.

Rho

The rate of change of the value of an option with respect to the risk-free rate of interest.

Roll Over

The transfer of a position from one futures period to another involving the purchase (sale) of the nearby month and simultaneous sale (purchase) of a further-forward month.

S

Secondary Market

In natural gas, the trading of transportation capacity.

Settlement Price

A price established at the close of a trading day used to calculate the settlement of futures contracts.

Short Position

When a trader sells a commodity he doesn't own, with a view of buying it cheaper at a later date, he is said to be short.

Sour/Sweet Crude

Definitions which describe the degree of a given crude's sulfur content. Sour crudes are high in sulfur, sweet crudes are low.

Sour/Sweet Gas

Sour gas is natural gas which contains lethal hydrogen sulfide, and must be purified before being injected into a pipeline. Sweet gas is gas found in its natural state which does not need to be purified to remove sulfur-bearing compounds.

Spark Spread

The cost difference of converting natural gas into electricity. It can also be the difference between gas and electricity futures prices.

Spot Market

A market where the commodity being traded is for immediate delivery.

SPR

United States Strategic Petroleum Reserve

Spread

The difference between two prices, either across time or between commodities or instruments.

Spread (options)

An option trade in which two or more open positions are established in order to trade the differentials and offset risk. Option spreads may use different strike prices and/or expiry dates.

Spread-Trading

Buying one instrument/commodity and selling another, with a view to profiting from the change in the gap between the two markets.

Stop-Loss Order

Buy or sell orders put in through a broker, which are automatically triggered if the price moves above or below a certain level.

Storage

In oil: typically onland tankage facilities for short- or long-term storage of crude or products; sometimes used in economic parlance interchangeably with the concept of oil stocks. In natural gas: facilities used to store natural gas which has been transferred from its original location. Usually consists of natural geological reservoirs like depleted oil or gas fields, water-bearing sands sealed on top by an impermeable cap rock, underground salt domes, bedded salt formations, or in rare cases, abandoned mines.

Straddle (long)

The simultaneous purchase of a put and a call option with different maturities. This is a bet that volatility will increase; the rise in the value of one option will offset the non-productive premium paid by the other option.

Straddle (short)

The simultaneous sale of a put and a call with different maturities, with a view that volatility will go down.

Strangle

Buying call and buying put with the same maturity.

Strike Price

The price at which an option holder has the right to buy or sell an underlying commodity/derivative.

Support

A price at which buyers are likely to start buying in a downtrend.

Swap

An exchange of streams of payments over time according to specified terms of the contract. Generally one party agrees to pay a fixed price in return for receiving a floating price from another party. If the floating price rises, the buyer of the swap receives a payment from the seller of the swap equal to the current market price minus the fixed price of the swap. If the floating price falls, the buyer of the swap pays the seller of the swap the floating price of the swap minus the current price of the swap.

Swaption

An Option to purchase (call swaption) or sell (put swaption) a swap at some future date.

T

Take-or-Pay

A clause in an energy (natural gas, electricity, crude oil) supply contract which provides that a minimum quantity of energy be paid for, whether or not delivery is accepted by the purchaser.

Theta

The rate of change of the value of an option with respect to time.

Throughput

The volume of energy flowing through a pipeline, refinery or terminal.

Time Value

The time component in a premium for an option. Typically the time value of an option declines as it moves closer to expiry.

Tolling Arrangement

An arrangement whereby a party moves fuel to a power generator and receives kilowatt hours (kWh) in return for a pre-established fee.

Tolling Fee

A fee paid for use of electric generation assets used to convert fuel to power.

U

Unconventional Gas

Natural gas that cannot be produced using current technologies.

Uncovered Position (futures)

Where a long market player has bought more of a commodity than he has agreed to sell, or where a short market player has sold more of a commodity than (s)he has to deliver.

Uncovered Position (options)

When the grantor of an options position has no cover in the underlying futures market against a price swing in the holder's favor (see delta hedging).

USAC

Tanker and market abbreviation for US Atlantic Coast.

USEC

Petrochemical markets abbreviation for US East Coast.

USGC

Market abbreviation for United States Gulf Coast.

USWC

Tanker and market abbreviation for US West Coast.

V

Vega

The rate of change of the value of an option with respect to the volatility of the underlying instrument (also sometimes called kappa).

Volatility

A value attributed to an underlying futures contract which determines the premium that is set by the grantor. Includes an element of historical volatility, and the volatility which the grantor of an option believes will still be seen in that futures contract.

W

Watt

A measure of real power production or usage equal to one Joule per second. The rate of energy transfer equivalent to 1 ampere flowing under a pressure of 1 volt.

Wet Gas

Natural gas containing liquefiable hydrocarbons. Natural gasoline, butane, pentane and other light hydrocarbons can be removed by chilling and pressure or extraction. It also refers to gas that has water in excess of 7lb/mil cu ft (MMcf).

Wheeling

In the gas business, refers to the transfer of gas between pipelines. In the power business, refers to the transfer of electrons across transmission grids.

Wheeling Service

The movement of electricity from one system to another over transmission facilities of intervening systems. Wheeling service contracts can be established between two or more systems.

WTI (West Texas Intermediate Crude Oil)

WTI crude is deemed to be traded at Cushing, Oklahoma. Traders typically refer to the NYMEX Light Sweet Crude futures contract as the WTI contract.

Mercatus Energy Advisors is the leading, independent, energy risk management advisory firm. We provide our clients with innovative solutions in the financial and physical energy commodity markets through a comprehensive suite of quantitative and qualitative services.

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