Forward Premia in Electricity Markets: 
Two caveats*

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ABSTRACT
Two important caveats are made for applications and empirical tests of Bessembinder and Lemmon's (2002) theoretical risk premium model for forward premia. Firstly, (relative) forward premia (eventually) decrease in mean power demand. Secondly, empirical tests should use a definition of mean power demand in line with Bessembinder and Lemmon's (2002) theory to avoid confounds.

ABSTRAKT

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