Abstract:
We consider the use of forward contracts to reduce risk for firms operating in a spot market. Firms have private information on the distribution of prices in the spot market. We discuss different ways in which firms may agree on a bilateral forward contract: either through direct negotiation or through a broker. We introduce a form of supply function equilibrium in which two firms each offer a supply function and the clearing price and quantity for the forward contracts are determined from the intersection. In this context a firm can use the offer of the other player to augment its own information about the future price.

Bio:
Eddie Anderson is Professor of Decision Sciences and Associate Dean (Research) at the University of Sydney Business School. Prior to joining the University of Sydney in 2008, he was at the Australian Graduate School of Management, University of New South Wales, and he also worked for many years at the University of Cambridge. He has held a variety of academic management roles in the past, being Associate Dean at the Australian Graduate School of Management for five years, as well as being Acting Dean there in 2006. Eddie has an honours degree in Mathematics from Cambridge, and a PhD in Operations Management, also from the University of Cambridge.

Eddie has published three books and over 60 papers in international academic journals. Thirteen students have successfully completed PhDs under his supervision. He has research interests in supply chain management; risk management; game theory and optimization. Much of his research involves the application of these ideas in energy markets, where his work has been supported by two Australian Research Council Discovery grants. He is Area Editor for Energy at the journal ‘Operations Research’.

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All are welcome!