REFeree’s review

Program: Master in Corporate Finance

Student: Ilya V. Galaktionov

Title of thesis: Electricity demand forecasting methods: the impact on financial results of Russian electricity trading companies (VOES case)

Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives. 5 4 3 2

Structure and logic of the text flow. Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts. 5 4 3 2

Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives. 5 4 3 2

Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references. 5 4 3 2

Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objects; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives. 5 4 3 2

Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results. 5 4 3 2

Quality of thesis layout. Layout fulfills the requirements of the Regulations for master thesis preparation and defence, correct layout of tables, figures, references. 5 4 3 2

Each item above is evaluated on the following scale, as applicable: 5 = the thesis meets all the requirements, 4 = the thesis meets almost all the requirements, 3 = a lot of the requirements are not met in the thesis, 2 = the thesis does not meet the requirements.

Additional comments:

The thesis under review examines how electricity demand forecasting techniques could influence financial results of an electricity trading company based on one specific trader - VOES.

First chapters of the thesis offer a thorough review of electricity market in Russia, existing research on this field and introduce electricity demand forecasting models further examined in the case study. However, certain conclusions are missing, such as why accuracy of demand forecasting would be a main driver of trader's financial result, what other drivers would be and what their relative importance is. Such discussion would have aligned aims and objectives of the research with conclusions, which is currently lacking.

Data gathering process is well explained, but certain biases and omissions are not properly addressed in the study. For example, one can reasonably assume that seasonal pattern in electricity demand exists, but lack of data for the case company doesn't permit to properly define such pattern. Influence of this bias (if any) on case study result should be addressed, especially with regards to very minor improvement of financial results obtained using suggested methodology. Assumptions on sale and purchase prices for a trader should also be better justified, as the market experiences frequent regulations changes, and certain references address regulatory framework for 2015 rather than 2013-2014, for which data was collected and analysed (see p.39).

Another issue is case company itself. The author gives a deep and thorough review of suggested forecasting models, tests their results and suggests the one to be advised to the case company, but what is the actual method the company applies is unknown, thus leaving study results and conclusions very theoretical.

Conclusion of the thesis is in line with the results of the analysis. However, it lacks explanation why 2% improvement of the EBIT due to more accurate demand forecasting would be so important for the case company compared to other sources of improvement.
The layout meets the requirements of the Regulations for master thesis preparation and defense, text is well structured, reader-friendly and clear.

Master thesis of Ilya Galaktionov meets the requirements of Master of Corporate Finance program, and according to the reviewer's opinion deserves a "good" grade (FCTS grade D), thus the author can be given the desired degree.

Date: 10.06.2015

Referee: (academic title, name)
Associate Professor
Anna E. Loukianova