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# Strategies of the movers and shakers

Ciara Ryan  
August 15, 2000

## Our initial propositions

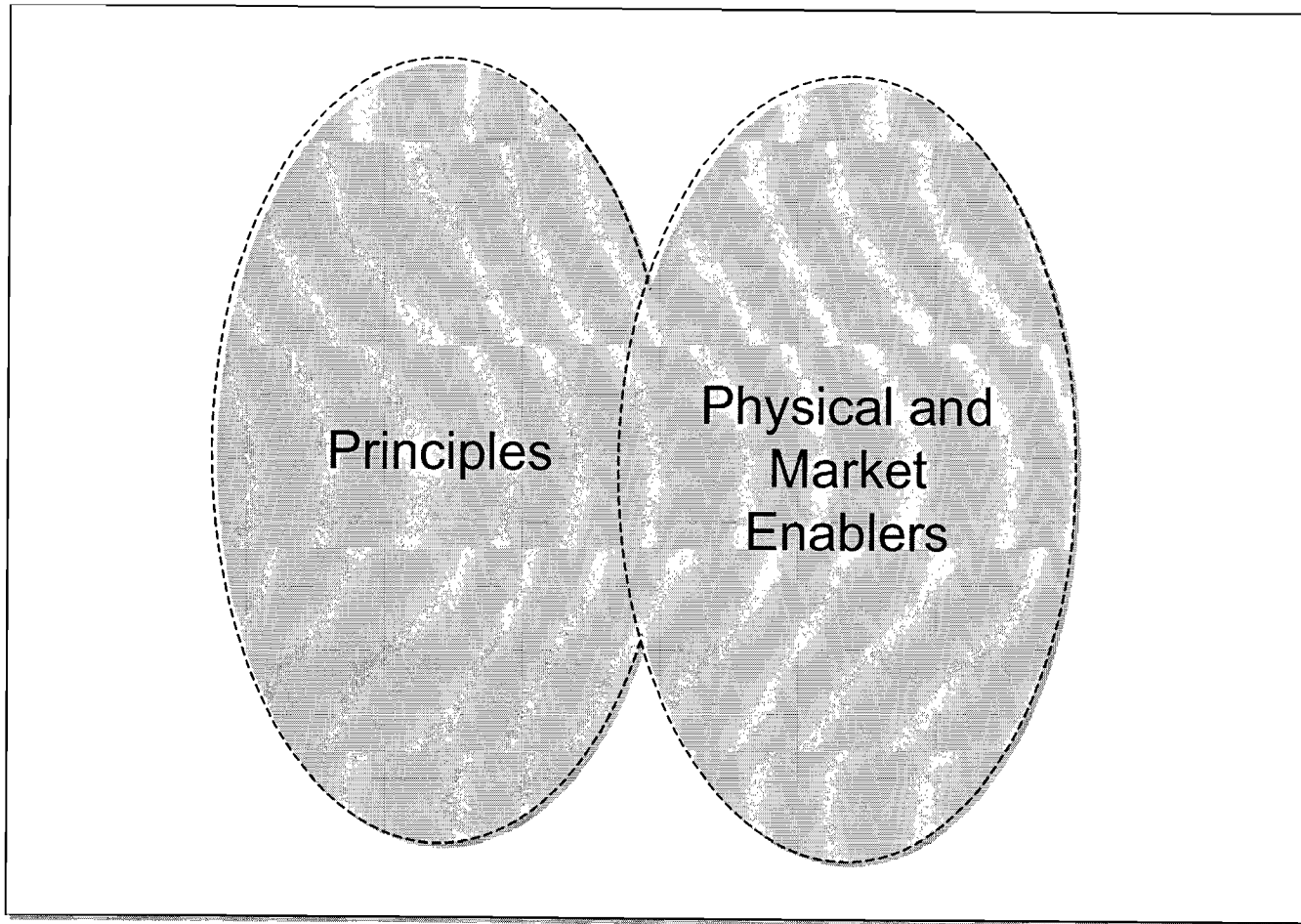
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- Insightful lessons can be learned by comparing market progress and competitive positioning between the electricity and bandwidth markets
- Liquid bandwidth markets will begin to emerge in 2-3 years time, a time period accelerated as technological change strands the assets of incumbents: Trading will become the route to market in such a New World
- Far from leading to the destruction of value, the development of a traded market will allow the sophistication and growth of value added services in bandwidth
- There is an ongoing window of opportunity in the development of bandwidth markets now for many clients to optimize and build on their current portfolio of skills



There are two critical categories of players within the current bandwidth space

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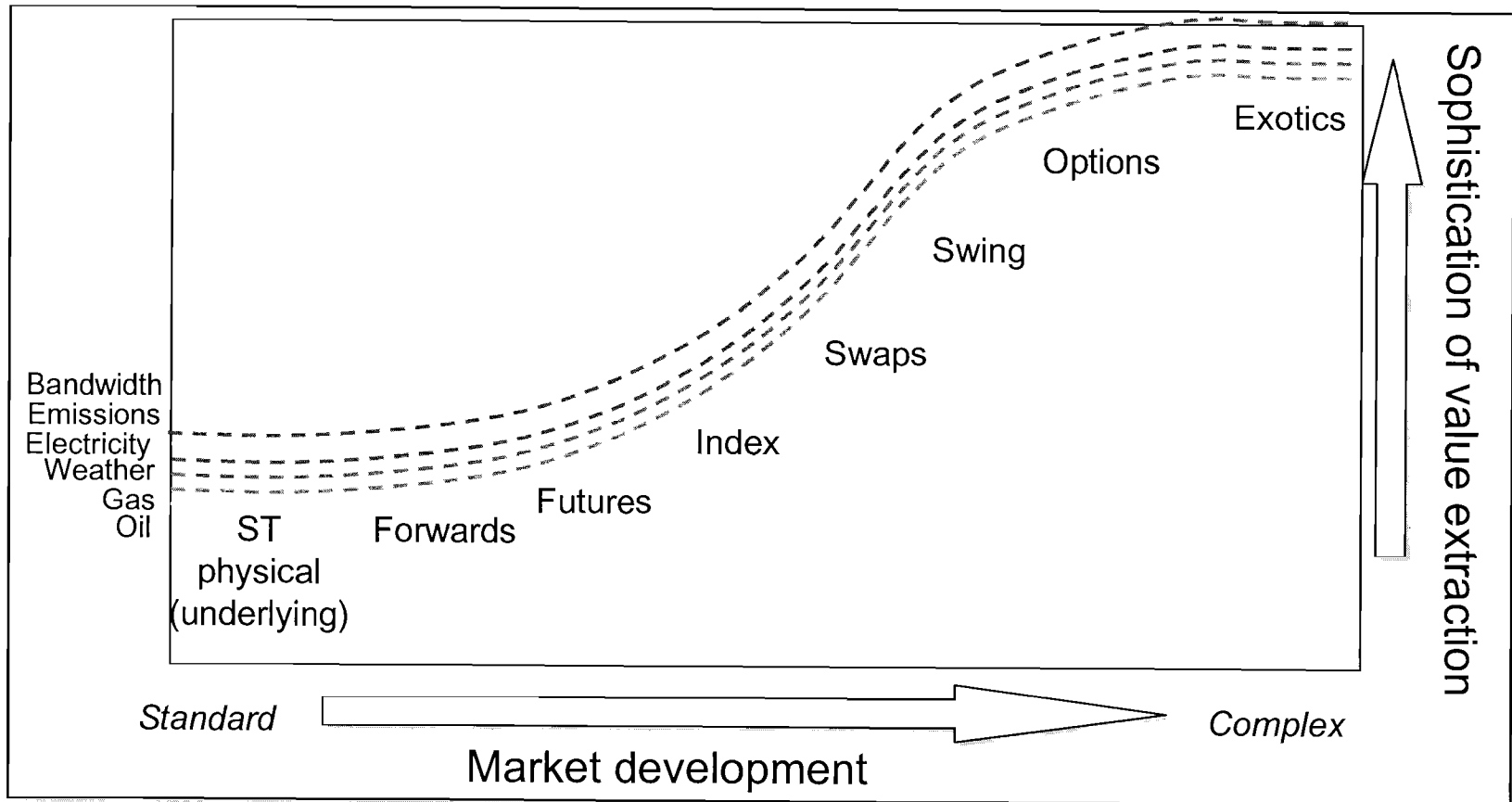
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# The Principles

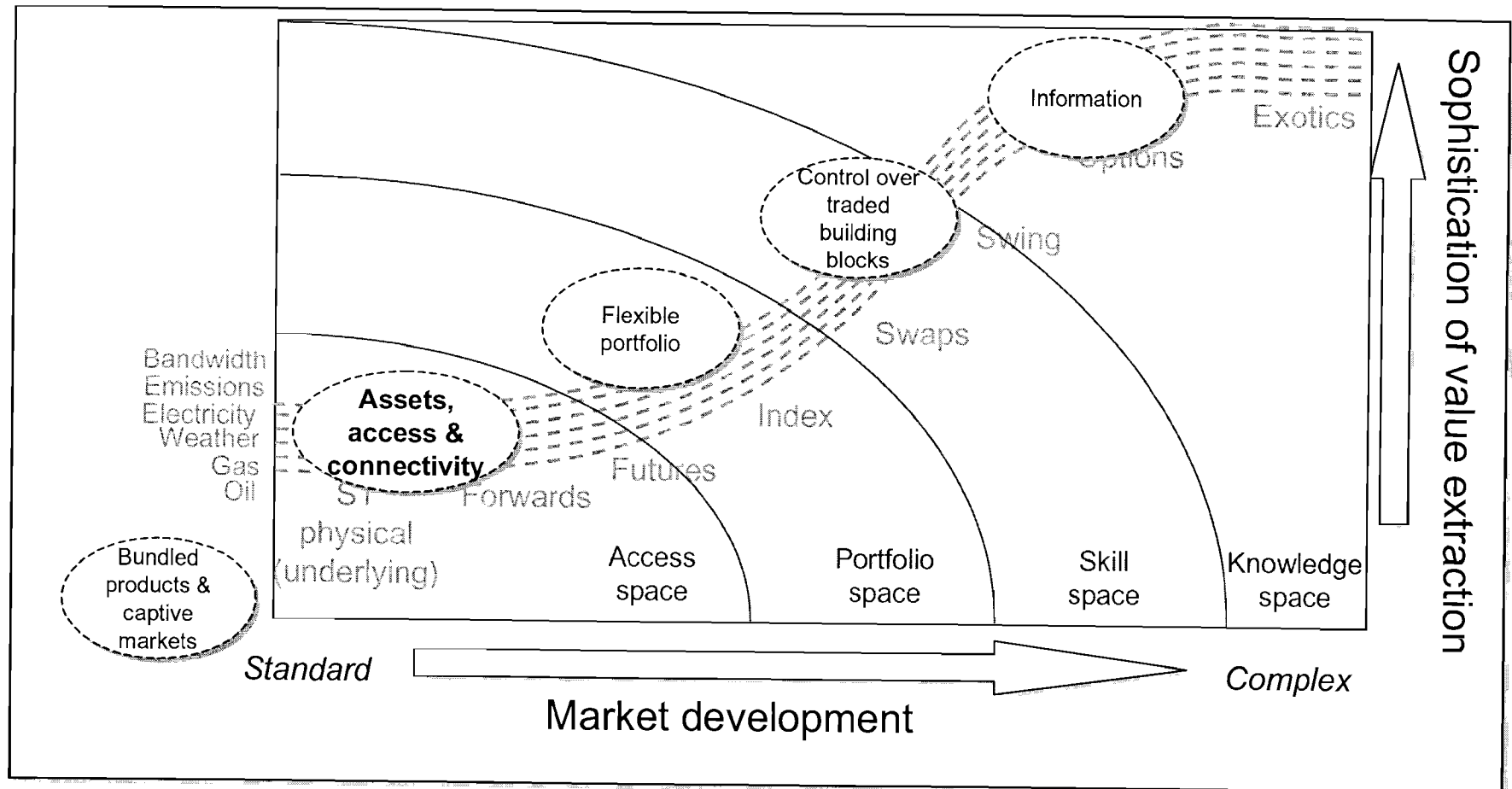


The development of traded products follow a predictable continuum but always based firstly, on a short-term physical market

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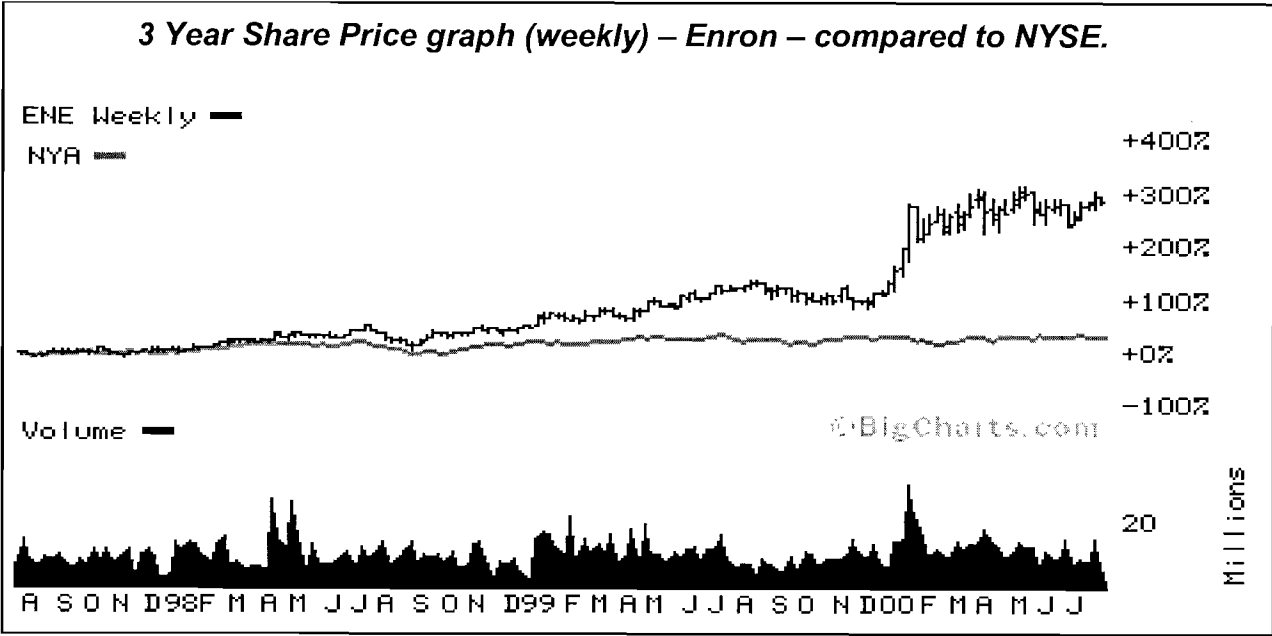


In today's bandwidth markets, connectivity is key



Following recent analysts' comment regarding Enron's bandwidth strategy, \$9B was added to their market capitalization

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*“Investors will recognize \$15 per share of value over the next 12 months..... and is ultimately \$45 per share”*

Schroders, 19/1/00



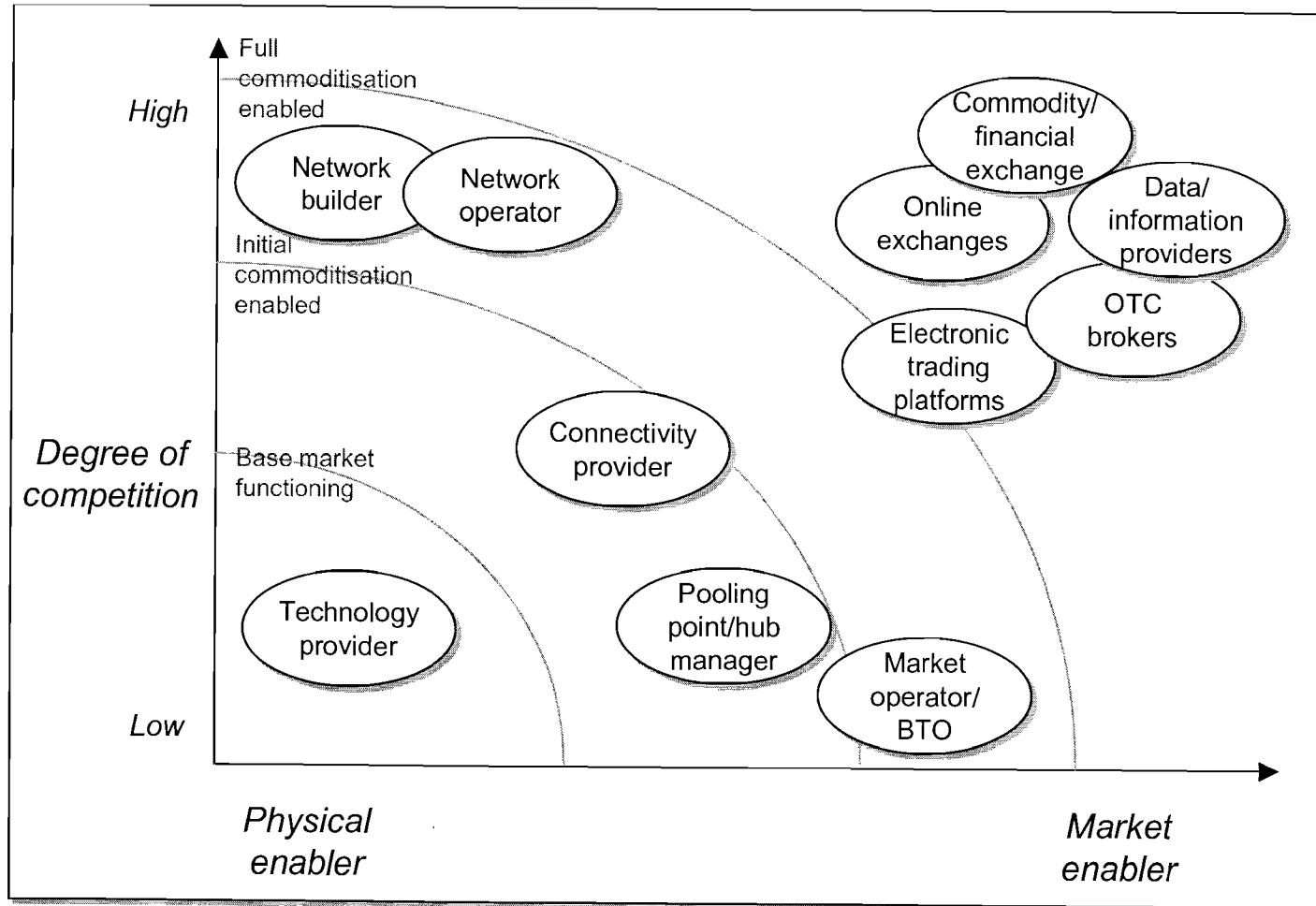
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Enablers: The strategies in play





# The range of physical and market enabler strategies in play



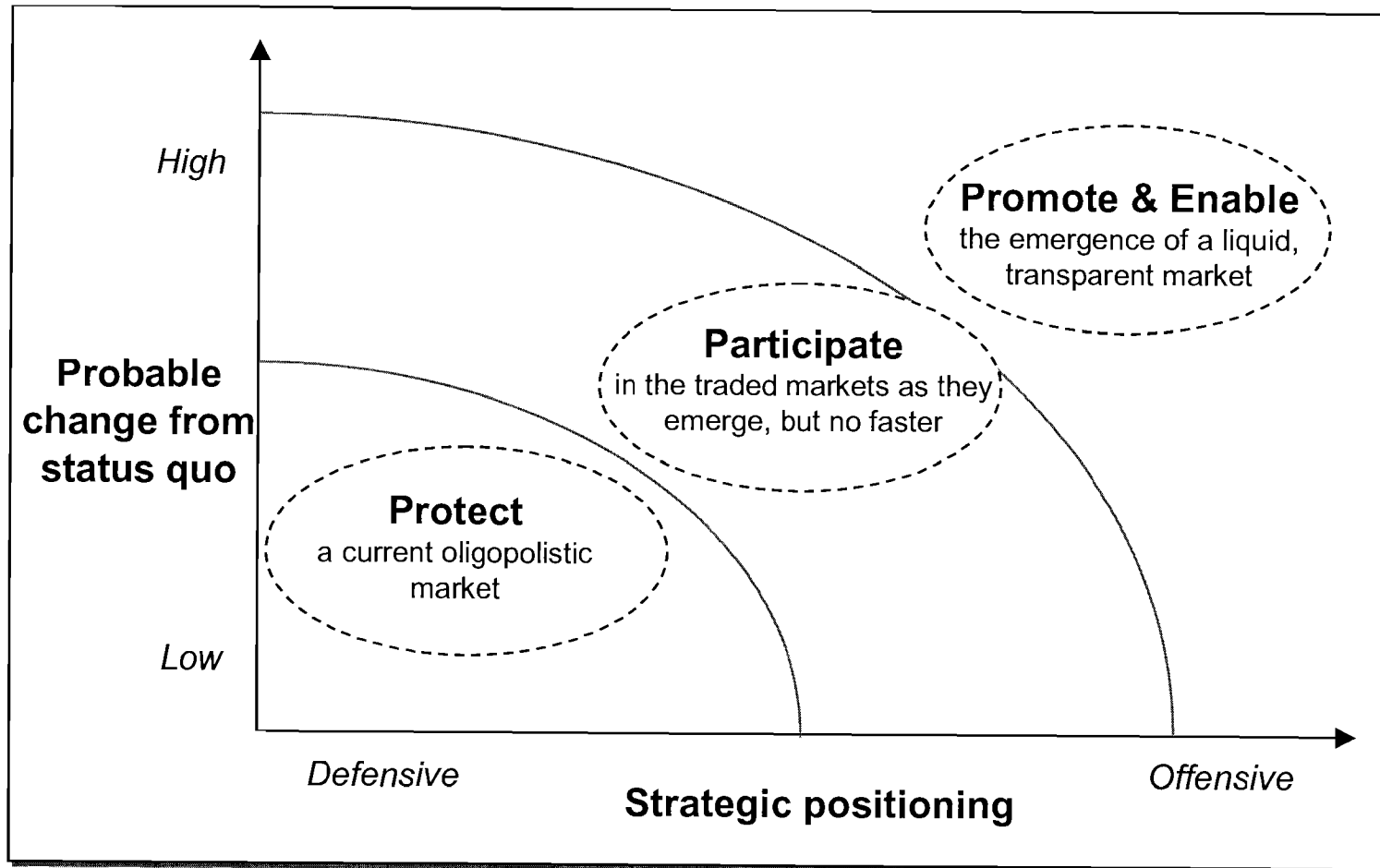
# Interesting headlines

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- “Dynergy launches bandwidth venture with purchase of Extant; first step in bandwidth trading strategy”
- “Aquila unveils broadband unit, shoots for top five by 2002; says bandwidth could eclipse energy in size”
- “A blockbuster of a deal; Enron lines up movie giant for in-home viewing; Paine Webber upgrades Enron”
- “Top El Paso power trading exec to lead bandwidth effort; focus on assets, merchant trading expertise”
- “Online exchanges vie to prove their worth to market, distinguish themselves from each other, OTC brokers”
- “Germany’s Carrier 1 debuts fibre ring; competition seen driving down relatively high domestic prices”
- “Broadwing buys stake in Sonic Technology; bandwidth on demand for short-term needs”
- “Brutal competition to spur long-haul shakeout; Williams, Level 3 to squeeze big carrier, CIBC says”



# Determining a bandwidth strategy: Often the key first step



# Bandwidth trading and risk management: Making it happen within an organisation

## Business model changes

- Structural changes
- Transfer pricing
- Portfolio disaggregation
- Forward curve construction
- Pricing
- New product structuring (IRU, lease, option, swap)
- Recruitment and development
- Reward scheme review
- Performance measure realignment

## plus Capex issues

- System investment
- M&A
- Investment in hubs/ market centres/ ongoing fibre build

## plus related accounting/ legal issues

