
DESIGNING ELECTRICITY MARKETS: **BUILDING EFFICIENCY / MANAGING CONSTRAINTS**

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JANUARY 23, 2018

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MAXIMIZING USE OF ECONOMIC SIGNALS

- Deploy Meaningful Pricing for Network Services (Minimize Administrative Intervention)
- Dynamic, Bid Based Energy Dispatch With Day Ahead Bidding (Payments Made at Bid or Market Clearing Levels?)
- Transparency in Energy And Network Service Markets to Enable Efficient Hedging (Energy, Transmission Rights, Ancillary Services, etc.)
- Effective Monitoring for Market Power / Abuse, Flaws, or Failure
- Passing Through Price Signals to End Users
- No Capping of Prices
- Enable Demand Side Bidding

CLEAR ARTICULATION OF EXTERNAL REQUIREMENTS TO ENABLE INTERNALIZED PRICING IN ENERGY AND NETWORK MARKETS

- Reliability / Security Standards
- Reserve Requirements for Distributors / Non-Interruptible Free Customers
- Market Power Definitions
- Environmental Requirements (Preferably Market Based Through Tax or Trading Not Resource Preferences)
- Circumstances that Could Precipitate Administrative Intervention (e.g. Resource Constraints, Network Outages, Exercise of Market Power)
- Identification of Potential Administrative Actions

EXTERNAL MECHANISMS TO ENHANCE MARKET

- Private Hedging Arrangements (Functional Equivalent of Capacity Market and Exposure to Price Volatility) – Alternative to Socialized \ Capacity Markets
- Medium Term (e.g. 3 Year) Voluntary Capacity Auctions
- Effective / Efficient Fuel Markets

CONCLUSIONS

- Energy and Network Services Markets are Baseline for Efficient Market Design
- Meaningful Prices Enable Optimal Decision Making
- External Factors Should be Internalized in Pricing
- Private Hedging and Capacity Arrangements Should be Informed and Enabled but Participation is by Private Choice not Mandated
- Demand Options Should Have Market Access
- Administrative Intervention in Market Should be Limited and only under Prescribed Circumstances