

COMPETITION MONITORING BY AN ELECTRIC SYSTEM OPERATOR IN A COST BASED WHOLESALE MARKET. LESSON FROM THE CHILEAN EXPERIENCE.

Andrés Alonso, Vice President of the Board of Directors, National Independent Electric System Operator, Chile.

+562 2424 6311, andres.alonso@coordinador.cl

Associate Researcher, Advanced Center for Electrical and Electronic Engineering, Universidad Federico Santa María, Chile.

+569 9161 3899, andres.alonso@ac3e.cl

Overview

The principles of coordination of the operation of any electrical system are: security, more economical operation and open access to transmission systems. In the case of Chile, the wholesale market is based in declared costs instead of bid offers. Anyway, to these principles was added for the National Independent Electric System Operator of Chile, the function of monitoring the conditions of competition in the electricity market, and in case of detecting indications of actions that could constitute violations of the Free Competition, it must be brought to the National Economic Prosecutor (Competition Authority). Is it necessary this role in a cost based wholesale market?. Yes, because the participants have the same incentives of a bids based wholesale market. Why does this entity have this role? For its privileged access to information, deep knowledge of the electricity market and the ability to have dedicated resources for the development of this function.

Methods

Economic and Institutional Analysis

Results

Not applicated.

Conclusions

Many countries in Latin America opted for cost designs at the time of deregulation with the goal of preventing the exercise of market power in the spot market. But the exercise of market power is still possible in a cost-based spot market designs.

In developing countries, where institutional failures are critical determinants for a successful implementation of a policy, the identification of a social goal and then on its implementation through a process of role assignment to institutions is crucial. Some important policy implications arise to improve the institutional design of those sectors, and also for other sectors or countries interested in the implementation of the role of market monitoring in the electric system operators.

Monitoring of competition in an electric system operator must depend on the Board of Directors, that is, it will be at the highest hierarchical level and far from the operating line.

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