

THE QUESTION OF MARKET POWER IN RESTRUCTURED ELECTRICITY MARKETS

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ABSTRACT

One issue that arises with the move to open the electricity sector to competition is market power. The shift to reliance on competitive market prices instead of regulated rates raises the possibility that some firms could drive up prices by exercising market power. This paper focuses on the issue of market power of generators in the restructured electric power industry in the U.S. Several studies revealed that market power in wholesale electricity transactions had been exercised in different regions. With the move toward restructuring, analysis of market power is coming to Europe more slowly than in the U.S. The analysis of the U.S. experience seems to be highly relevant for Europe as it introduces more competition in the continental electricity markets. The discussions about how the American experience could be used by the Europeans are already very lively and instructive.

INTRODUCTION

The structure of the electric industry until now has been largely a natural monopoly with regulatory oversight to ensure reliable and affordable electric power to the residential, commercial and industrial sectors. The monopoly structure was created to avoid costs of duplication of services and increase efficiency in serving customers. Worldwide, energy network industries are now undergoing a transition from regulated to competitive markets. A new era has begun: in some segments of value chains, monopoly activities are open to competition. Deregulatory initiatives have been taken in natural gas and electric power industries to eliminate traditional constraints and protectionism. Regulatory oversight has been substituted for competition to limit inefficiencies and to ensure that monopoly utilities did not abuse their monopoly power. The pace of liberalization and the route towards it varies geographically. The European electric power industry is in its early stages of transition towards a competitive energy market. In the U.S., for the last two decades, electricity and natural gas industries have progressively experienced major changes in terms of organization and competitiveness.

One issue that arises with the move to open some electric activities to competition is market power. This issue is of particular interest to policymakers and legislators as they consider electricity industry restructuring. The exploitation of market power can significantly erode the consumer benefits that would be expected to result from the transition from regulated to competitive markets. The wave of worldwide electricity market restructuring has brought this issue to a forefront. The shift to reliance on competitive market prices instead of regulated rates raises the possibility that some firms could drive up prices by exercising market power.

There has been a great deal of discussion recently about how to best analyze the potential for market power in restructured electricity markets. The theoretical literature identifies two types of market power: vertical and horizontal. Concerns related to vertical market power are more commonly understood. Some mechanisms for addressing the possible vertical link between generators and transmission grid are widely accepted even if they are not yet successfully everywhere applied. More and more debates are on the horizontal market power in generation activity, which is one of the central issues surrounding electricity industry restructuring in the U.S. and progressively in Europe. The fear is that wholesale firms will manipulate prices in certain areas and/or during certain times.

This paper focuses on the issue of market power of generators in the restructured electric power industry in the U.S. This analysis seems to be highly relevant to study in the era of changes in Europe. There are lively discussions about how the American experience of electricity sector could be used by the Europeans. This paper is divided in three sections:

- In the first section, we will define the notion of market power in theory and as it is applied in the restructured electricity industry.
- In the second section, we will discuss market power of wholesale generators in American electricity markets.
- In the third section, we will suggest some lessons for Europe from the recent American experience.

SECTION 1: DEFINITION OF MARKET POWER IN RESTRUCTURED ELECTRICITY MARKETS

1.1 / Market power in theory

A firm is said to have market power when it can set a price different from the one of perfect competition (price equals Marginal Cost, or MC). In theory, in a perfectly competitive market, market power is not a problem, because no single firm, or small group of firms, can determine market prices. Instead, all sellers are “price-takers,” who assume that their own production and purchase decisions do not affect the market price. They do not control prices and they react to them in making production and investment decisions.

In more specific game theoretic formalization, market power arises when one or more firms can deviate profitability unilaterally from the competitive outcome (Holt 1989). In sealed bid-offer markets, if a firm can profitably and unitarily increase its offers above its costs (or equivalently not submit offers for some units entirely) such that the market price rises above the competitive level, then the firm is said to be able to exercise market power. More generally, in the electric power industry, an enterprise is said to have market power when it acts in a manner that is intended to change market prices and can maintain prices at a non-competitive level for a significant time period. This firm can profitably influence prices by raising its bid above its variable cost or otherwise reducing its output in order to drive up prices and earn a higher level of total profit notwithstanding the loss of profit on the potential output it withholds (Rassenti, Smith & Wilson 2000).

1.2 / Market power in electric power activities

Any attempt to measure or understand the potential for market power must begin with a clear definition of the relevant market that identifies both the geographic area and the

products included. The relevant geographic market is the area in which customers can feasibly find alternatives to a particular supplier. The relevant product market refers to potential alternatives to any supplier's product that would place a limit on the ability of that supplier to raise prices.

In markets where consumers can easily substitute other products or buy the same product at other locations, a firm's market power potential will generally be low. The definition of the relevant market for the purpose of market power evaluation can be difficult and it is especially problematic in the electricity industry for two main reasons:

- Electricity markets are dynamic and can change in just a few minutes, creating opportunities to exercise market power even though the market may be very competitive under most circumstances.
- There is also very little opportunity for real-time demand response in electricity markets. As prices rise for any given product, the quantity demanded will fall, making it more difficult for producers to exercise their market power. In current retail electricity markets, very few end-use consumers face real-time prices, or have the opportunity to be compensated at the market-clearing price for reducing their consumption.

Historically, utilities were vertically integrated from generation to distribution activities. With the reforms in the U.S., most power utilities were forced to divest and get rid of some generation units to be able to sell electricity to end users. Existing vertically integrated utilities had been required to divest their generation and transmission assets in order to alleviate market power. Fair and open competition will be impossible if one entity maintains monopoly ownership over all aspects of the utility system. Requiring a distribution of assets among independent companies will enhance competition and help to protect consumers from the potential abuses of monopoly control. In order to protect against such abuses, utilities have been required to separate their generation, transmission, and distribution assets into distinct and unaffiliated corporate entities. The result is to completely separate upstream and downstream activities with a transmission grid that is still regulated. In Europe the move and pace toward restructuring are very different, as we will see in the third section.

In the U.S., suspicions of market power are pointed out at different levels of operations and more precisely they are more important in two activities: generation and transmission. The generation sector, under the responsibility of federal authorities, is the only one to be fully competitive. Retail sales sector is not yet fully open to competition in all states. The theoretical literature identifies two types of market power, horizontal and vertical. Horizontal market power is exercised when a firm profitably drives up prices through its control of a single activity, such as electricity generation, where it owns a significant share of the total capacity available to the market, or a significant share of capacity "at the margin" (higher-cost capacity that tends to set the market price). Vertical market power is exercised when a firm involved in two related activities, such as electricity generation and transmission, uses its dominance in one area to raise prices and increase profits for the overall enterprise.

Currently, in the electricity industry, the main issue is the role of wholesale companies with generation capacities. Indeed, in generation, market power could be due to:

- One seller having a disproportionate amount of generation in the relevant market,
- Transmission constraints that limit import capability in a certain area, or
- Running certain generating units to maintain reliability (or for other reasons) regardless of whether they are the least expensive during that period of time.

1.3/ Traditional estimation with concentration measures

The fundamental measure of the exercise of market power is the price-cost margin, which measures the degree to which prices exceed marginal costs. Prices above MC lead to both inefficient allocations and potentially to inequitable transfers from customers to producers. In most industries, analysts are unable to measure price-cost margins, because costs are usually the private information of producers. Often concentration measures are used instead as a first screen for the potential for market power.

Authorities concerned with market power have long relied on projected changes in concentration measures as a significant part of their analyses of the impact of structural changes in market. Although the guidelines developed by the Department of Justice (DOJ) and adopted by the Federal Energy Regulatory Commission (FERC) make clear that concentration measures should form only a component of a market power analysis, it is also common for both the FERC and DOJ to use concentration measures as a screening tool. For example, the market power analysis of market based rates for electrical energy in both California and PJM pool (Pennsylvania - New Jersey - Maryland) was dominated by concentration measures (Joskow & Frame 1997). Even if it was clear that concentration ratios should be only one of the tools, in reality the American authorities based their judgements mainly on this tool.

Concentration measures the degree of market domination using market share data. Market dominance is defined as the degree of monopoly market power exhibited by a firm in a competitive market. By looking at the concentration in a market, authorities can assess whether the firms in the relevant market have market power. If a market concentration falls into a "safe level," often no further analysis is pursued. Concentration is affected by two factors: the number of firms in the market, and their relative size.

More economic research has been based upon concentration and its apparent effects than on any other factor in the field of industrial organization. To correctly calculate market power, a specific geographic area and a relevant product market must be defined. Then, an appropriate methodology is selected to measure market power. Even in the case of mergers, the Horizontal Merger Guidelines issued jointly by the DOJ and the Federal Trade Commission (FTC) use the Herfindahl-Hirschman Index (HHI) as a primary screening tool to identify whether markets are likely to have enough competitors to be workably competitive following a proposed merger. Despite all the critics, in a revision of the Horizontal Merger Guidelines in 1998, FERC introduced the concept of an analytic screen that would permit a comparison of pre-merger and post-merger concentration by still relying upon HHI.

Many research papers pointed out high concentration ratios in the US electricity market. Schmalensee and Golub (1984) have calculated HHI values for electricity markets throughout the U.S. for 170 generation markets. They find a significant number of cases where market concentration measured by the HHI is in the "danger zone." While the data used by Schmalensee and Golub do not reflect the increased market role of independent power since 1978, there is little doubt that updated HHI calculations would identify some highly concentrated markets. A recent study by Cardell, Hitt and Hogan (1997) suggests that electricity markets are still highly concentrated today. Using 1994 data and a narrower definition, they calculate HHI values for 112 regions in the U.S. Although this analysis does not reflect the recent wave of mergers and divestitures, approximately 90 percent of these regions have HHI values above 2500. HHI indices only identify situations where some firms

may possess enough market power to interfere with workable competition. They cannot indicate whether firms will actually exercise that market power or the possible implications for prices and profits.

In the 90's, several empirical studies underlined the evolution of the concentration in the electricity generation sector in the U.S. There has been a substantial growth in market concentration that has paralleled the decline in the economic regulation of electricity. It has been achieved through acquisitions, horizontal and vertical mergers, cross-industry mergers, and alliances. Most of these analyses pointed out the risk of market power of firms in such environment.

Although industry concentration and individual firm market share are often correlated with market power, this is not always the case. There are many factors beyond the number and size of firms in a market that impact the degree of competition within an industry. Concentration measures indicate the current distribution of sales or capacity, but cannot tell what will happen to prices when one firm reduces its output. This is a critical question in the electricity market where the product is not storable and short run demand is relatively inelastic. Because of these factors, concentration measures can often be inappropriate.

SECTION 2: MARKET POWER IN THE U.S.

In the U.S., the electricity industry, likely the most stable sector in terms of growth forecasts and rate stability, is experiencing a major change. The vertically integrated monopoly suppliers of power services are quickly becoming an image of the past (Joskow 1997). For the last two decades, the electric utility industry has undergone a progressive transformation from a regulated market place, to one exposed to the influence of market forces. Since the beginning of the 90's, a "new age of competition" has begun: many states, through their regulators, are considering various initiatives of increased wholesale competition for power generation and even direct access to retail customers (Brennan 1996). The power generation function is driven primarily by cost minimization considerations. Transmission is assuming regulated common carrier status, and some local distribution companies emerge as full energy services suppliers.

At the federal level, the generation activity was progressively opened to competition from 1978 (PURPA) to 1992 (EPAct) with the creation of competitive wholesale markets. The transmission network, still regulated, was also reformed by the FERC since 1996 (Order 888 and 889) with the creation of Independent System Operators (ISOs). These operators were supposed to manage the grid, assuring a non-discriminatory access and inciting to invest in the network. A flourishing competitive market is dependent on increased wholesale trading transactions, which in turn is dependent on a comprehensive transmission system. After some criticism, in 2000, federal authorities issued a new order to encourage the development of Regional Transmission Operators (RTOs instead of ISOs). As of early 2002, there were four regions in the U.S. with ISOs running spot markets for wholesale electricity, PJM, New England, California and New York. And Texas

At the retail level, activities are under the responsibility of the public utility commissions (PUCs) in each state, which explains the diversity of the solutions adopted by states in the opening to competition. According to the Energy Information Administration (EIA), as of

December 2001, all states were at least in the process of investigating electricity industry restructuring at the PUC level or in the state legislature. Restructuring legislation has been enacted or a comprehensive regulatory order on industry restructuring has been issued in half of the states. Given the California experience, a number of states have slowed down or reversed course on retail choices. Several others, Texas and Virginia, are going forward with the reform of retail activities. With the introduction of competition in many electricity markets in the U.S., more and more suspicion of market power appeared.

2.1 Empirical studies on electricity markets in the U.S.

At the end of the 90's, analysts have been able to assess the impacts of market power based on data from California. These studies suggest that generators in this market may have earned substantial excess revenues due to market power. Borenstein, Bushnell and Wolak (1999) examine the California wholesale market for June-November 1998. Using the hourly generation levels from the ISO, they determine the competitive price for each hour. The competitive price is then compared to the hourly (unconstrained) price in the California Power Exchange (PX) to estimate the price-cost markup. For the entire 6-month period, total payments to generators were 29 percent, or \$494 million, above competitive levels. At certain times, prices were as much as 75 percent above competitive levels. Empirical studies such as those by Wolfram (1998, 1999) and by Borenstein, Bushnell and Wolak (1999, 2001) measure the extent of market power by first estimating the marginal cost of generating electricity and then comparing these estimates to market prices. However, there are a number of difficulties in attempting to estimate generation costs

In a March 2000 study, the DOE focused directly on the interrelationship between concentration and market power. New simulations of U.S. regional power markets using the DOE method (POEMS) confirm that market power can be profitably exploited in some parts of the U.S. In markets where concentration is high and transmission constraints impede imports of power from distant generators, firms can employ a simple market power bidding strategy to cut output and increase net revenues from generation by driving up the market price of electricity. The exploitation of market power can have a significant impact on wholesale power prices, which is in most regions the component of the total delivered electricity prices paid by consumers.

It is important not to forget the existence, or absence, of market power is a temporal and constantly changing phenomenon. For example, a market power problem that results from transmission constraints may be a problem only on the two or three highest use days of the year. Even market power problems resulting from generation dominance may change from day to day, week to week, or month to month. During some periods of time the ability to import power may be unrestricted. It is important not to ignore this temporal dimension of the problem. That explains why it is so difficult for authorities to estimate horizontal market power of wholesale actors.

2.3/ New methods to evaluate market power of generators

In the U.S., solutions to limit or mitigate vertical market power in transmission are understood in theory even if they are not successfully applied. The FERC worked on this direction with its Order 2000. About the specific market power of generators the situation is different. The FERC has to face criticism about concentration measures as the main screening tools, allegations during peak demand in California and northeast, and so on. American authorities published in 2001 new detailed rules on how to estimate such manipulation of prices.

In mid-November 2000, the FERC issued Order 642, its final rule on filing requirements for mergers involving utilities. For horizontal deals, the new rule reaffirms the use of the Competitive Analysis Screen (CAS), as set forth in "Appendix A" of FERC's 1996 merger policy statement. Among other things, the CAS analyzes which suppliers can participate as sellers within a given destination market (both before and after the proposed merger) to allow the Commission to weigh the effect of the deal on wholesale power markets.

The rule also reaffirms reliance on the HHI statistic for identifying those horizontal mergers that have major competitive impacts. However, noting that the CAS is conservative, the Order states that the mere presence of CAS violations (HHI increases above acceptable levels) will not necessarily cause rejection of a merger or require mitigation measures in order to gain merger approval. Market conditions, ease of entry and market rules, and technical conditions each can cast light on whether a particular merger may harm competition. As mentioned above, market share and HHI are unable to capture the dynamics of competition in restructured power markets.

In December 2001, the FERC adopted new rules to measure market power, as a condition for approving some mergers and granting utilities the right to trade power in the wholesale market. FERC's commissioners said the new test would improve a system that allowed a meltdown to take place in the California market during winter 2000. Commissioners agreed to produce a new market power test based on supply margin assessments (SMA), which examines a company's importance in serving peak electricity loads. Indeed, if a firm is big enough to control the market at peak times, the FERC will look at this company.

SECTION 3: LESSONS FOR EUROPE

Next we suggest few ways of how Europeans can benefit from the American experience.

3.1/ Example of the pilot program of Texas

Five of six companies investigated for overscheduling power last summer made their names public on March 2001. The six companies not only missed power use forecasts in August 2001, but also could have profited from the mistake, according to the Market Oversight Division of the Public Utility Commission of Texas (PUCT). This investigation reflected the concern about market manipulation that may have occurred during the pilot phase of Texas' Retail Choice program last year, which by extension could expose vulnerabilities in the state's deregulated electricity market.

The inquiry by the PUCT concerned the qualified scheduling entities (QSEs), which have a key role in scheduling power across the four transmission zones in the state. The investigation looked into QSE transactions that occurred in August 2001, when Texas was still operating its pilot program for electricity competition. It is important to note that the month of August is a peak-demand period for Texas, and typically during this period transmission lines are overburdened. In the initial phase of its investigation, the PUCT analyzed the forecasting behavior of 45 QSEs during a 15-day period in August 2001. According to the findings, one company consistently missed its forecasts by 5 percent to 45 percent, another by 150 percent to 300 percent, and a third by 75,000 percent to 400,000 percent. The errors reportedly resulted in the six companies included in the investigation receiving at least \$1 million a piece in credits as a direct result of the missed projections, according to the PUCT review. Among the companies that were under investigation, some

responded publicly while others remained quiet. One acknowledged that it had overbooked transactions, but says that it was an "honest mistake."

This investigation underlined the concerns that any market manipulation that might have occurred in August 2001 could be the symptom of larger vulnerabilities within Texas' market model. Texas state regulators remain concerned that such vulnerabilities in the system could ultimately increase the cost of power for customers. As the Texas model for electric competition continues to evolve, the PUCT will be particularly challenged to prevent opportunities for market manipulation or gaming. The experience of the pilot program in Texas is very informative in that although many think that the Texas model is one of the best electricity market models, there were design flaws from which some market participants were able to benefit. It is also important to realize that the pilot program achieved its goal by allowing market experimentation by participants and discovery of design flaws. The quick reaction of regulators resolved the problem before it got too big.

3.2/ Market power in Europe

Electricity and gas liberalization is coming to Europe more slowly than in the U.S. Creation of a single European energy market is inevitable with European law requiring it. An unstoppable tidal needs to reduce prices ; triggered by both the European Union Electricity Directive and technological innovation, it is now in motion, transforming the industry and the company serving it. The Electricity Directive will fragment the traditional industry structure and provoke a complete reorganization. Competition has been driven into a traditionally monopolistic market, appearing first in the more receptive generation and supply segments. In February 1999, European Community member states had to open up a minimum of their market (see Table 1). The Electricity Directive will restructure the industry by forcing EU member countries to increase transparency and "unbundle" their integrated monopolies. It was introduced to reduce electricity prices in Europe, through market liberalization, forcing a shift in economic thinking from a monopolistic to a free market approach (Chevalier 1997). The gradual liberalization process in Europe is finally accelerated even if the situation is currently different in each country.

Table 1: Requirements for market opening under the European Electricity Directive.

19/02/1999	Minimum market opening calculated by the share of total electricity consumed by final consumers with annual consumption > 40 GWh (covers roughly 25 <u>percent</u> of the EU as a whole)
19/02/2000	Threshold lowered to >20 GWh (implied market opening of 28 <u>percent</u>)
19/02/2003	Threshold lowered to > 9 GWh (implied market opening of 33 <u>percent</u>)
19/02/2006	Directive will be reviewed, full competition envisaged thereafter (as in the UK, Finland, Sweden and Norway)

Source: Rider G. (1999)

While some comparisons can be drawn with the American federal electricity market, there are more differences than similarities. While 250 potential players are counted in the new liberalized U.S. market, the number of European players is restricted because of the traditional dominance of national monopolies. The reaction of the main European electric utilities to deregulation has been twofold: to protect their home markets and simultaneously to seek specialized opportunities out of their core business. Forming all types of alliances either between themselves or with other companies, power utilities have developed links with gas companies to control the entry into their industry.

The continental European electricity and gas industries have seen two main trends over the last years. First, both industries have progressed towards liberalization and deregulation, as promoted by the European Union Electricity and Gas Directives. Second, the companies have followed process of diversification across both business units and national borders in order to reduce exposure to their core businesses. These two trends have led to a consolidation wave in the energy industry. Within 5 years, the energy industry as we know it in Europe will cease to exist.

European authorities not only focused on market structures thanks to the American experience, but also analyzed firms' behaviors. A consultation document (Green paper) was published in December 2001 to launch a debate on the merger control in Europe. A key point is that cross border operations need to be analyzed with a similar approach which is not yet the case among countries. The commission will adopt new rules for mergers and acquisitions in 2002 after the reactions to the Green Paper are received. The concentration measure will not be the only tool of measuring market power. Using HHI measures in Europe, analysts find very high levels of concentration: in France, Spain, and Italy among others. These results make one think that risks of market power exist all over Europe in several energy segments. But, concentration measures suffer from a number of weaknesses, which are exacerbated when applied to energy markets. Therefore this tool is not relevant in the European playing field otherwise almost all the firms should be suited for dominant position. European markets are concentrated with a limited number of firms. The European view on concentration is stricter than in the U.S.

Horizontal market power abuses are of course feared by European authorities but not in the same way as American authorities. There are several reasons for this different perspective:

- Definition of market power in Europe: the definition of the geographic market is very difficult. Should one region, one country, several countries or the European Union as a whole should be considered in analysis?
- Concept of market power in the European laws: the possession of market power is not forbidden contrary to the exercise of market power. This difference explains why not many antitrust inquiries have been launched in European countries. An inquiry is launched when there is suspicion of abuse of a dominant position. When a firm in a dominant position does not use its power, the European Commission will not inquire.
- Deregulation process in Europe: maybe the most important difference with the U.S. is the speed and the route toward deregulation. In Europe, the move toward deregulation is slower than in the U.S. It is not really possible for a firm to use market power yet. Nevertheless, the creation of big groups that operate in partially open markets worries analysts and authorities.

In most European countries, the restructuring process has begun in generation. Retail activities are not yet open. Even if in some European countries, the degree of competition is more important than in others, the European Commission has not yet launched inquiries like in the U.S. In some regions, the national authorities are against the formation of big groups (like in Spain) contrary to some other governments, which allow the formation of big energy groups (like in Germany). Before thinking of abuse of market power, one current discussion is how the situation will evolve with the "national champion firms?" To survive in this new competitive environment, national firms are seeking to protect their positions in their home markets and to increase their businesses in new areas to build a new European position. Energy companies are being forced to define new strategic priorities.

Nevertheless, the move of consolidation in Europe launches the discussion on market power. Size appears to be a competitive advantage for firms. How far can size go? Authorities are looking with interest to the American experiences, rules and cases. The European view seems to be stricter. European authority, the Commission, looks after the competition and ensures that all these deals do not lead to the creation or strengthening of a dominant position in the energy market. The question is how to monitor competition in Europe while there is a consolidation process and still national differences.

CONCLUSION

In the process of restructuring the electric industry, authorities must ensure that a structure is not created where a supplier possesses sufficient market power to essentially become an unregulated monopoly. There must be a market structure established to provide fair competition: competition among electric suppliers and buyers must be fair, non-discriminatory, and consistent, competitors should be subject to legal and regulatory treatment which will ensure a level playing field for competitors and consumers.

The restructuring of the electricity industry was motivated largely by a belief that markets and competition are superior to command-and-control directives. However, the possible exercise of market power by generators, with the perception of huge wealth transfers from consumers to power companies, has been quite controversial, especially in California. As Costello (2001) notes: "Electricity markets are truly unlike other markets...lack of storage forces real time balancing of supply and demand. At the same time, demand and supply show extremely low price elasticities in the short run. All this makes market prices volatile and markets prone to possible manipulation."

As a consequence, the antitrust regulation of electric power generation has become increasingly important in law, economics and engineering. Market power, tacit collusion, and related antitrust issues are now key policy concerns in many restructured power markets. Policy makers need to estimate the ability of firms to sustain prices above competitive levels. In the past, because of the proprietary nature of cost information in most industries, such estimates have relied on concentration measures. Concentration measures, however, suffer from a number of weaknesses, which are exacerbated when applied to restructured electricity markets. In the U.S., the federal authorities are changing their way to estimate market power. Even if all the energy experts do not accept their new method, it is a first step toward a better method.

The goal of complete elimination of market power seems to be unreachable. The possession of market power will continue to be a fact in the electricity industry simply because of transmission constraints and the necessity to run units in certain areas to maintain reliability. The possession of market power is not the problem. The problem is the exercise of market power to raise prices beyond what they would otherwise be in a competitive market. Market power, its existence, extent, and mitigation, have to be determined based on the specific facts and circumstances of the market.

The year 2001 was rich with events in the electricity sector in the U.S. More and more allegations of manipulation of prices were realized towards generators in several areas. Authorities are still inquiring for the responsibility of generators in the California crisis. In the next months, analysts are expecting more and more antitrust inquiries and new ruling

from the FERC. The generators seem to be afraid according to the new wave of mergers-acquisitions in past weeks. With the move toward deregulation, analysis of market power is coming to Europe more slowly than in the U.S. European actors look with interest at the American experience on market power to be able to monitor competition in the new European battlefield.

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