



**ECONOMIC FUNDAMENTALS OF
ELECTRICITY REGULATION AND MARKETS
Executive Education Course**

**January 10-11, 2006
Room One
UC Davis Graduate School of Management
One Capitol Mall
Sacramento, California 95814**

Electricity Regulation January 10

9:00am – 4:30pm

I. Regulation -

- A. Natural Monopoly
- B. Goals of Restructuring
- C. Stranded Cost Recovery

II. Competitive Wholesale Electricity Markets

- A. Competitive Outcomes
- B. Peak-Load Pricing

III. Market Power in Electricity Markets

- A. Definitions
- B. Influences
- C. Examples

IV. Auction Design and Bid Strategies

- A. Auction Types
- B. Market Power Mitigation and Auction Markets

V. Commodity, Futures and Derivative Electricity Markets

- A. Characteristics
- B. Pools vs. Bilateral Agreements
- C. Forwards and Futures
- D. Hedging as Insurance
- E. Speculation
- F. Risk Preference
- G. Arbitrage

VI. Markets for Electricity Transmission

- A. Spatial Markets
- B. Locational Pricing
- C. Investment Incentives

VII. Retail Pricing

- A. Time-varying Pricing

VIII. Resource Adequacy and Capacity Markets

- A. Resource Adequacy
- B. Capacity Markets