



Executive Education Course

**January 8 -9, 2004
Board Room
California ISO
Folsom, California**

**ECONOMIC FUNDAMENTALS OF
ELECTRICITY REGULATION AND MARKETS**

Electricity Regulation January 8

10:00am – 5:30pm

I. Regulation -

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

II. Wholesale Electricity Markets

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

LUNCH

III. Market Power Basics

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

IV. Electricity Auction Markets

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

Market Design and Organization January 9

9:00am – 4:30pm

V. Commodity Market Organization

- A. Characteristics
- B. Pools vs. Bilateral Agreements

VI. Financial Instruments and Hedging

- A. Forwards and Futures
- B. Hedging as Insurance
- C. Speculation
- D. Risk Preference
- E. Arbitrage

LUNCH

VII. Transmission Management and Pricing

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

VIII. Retail Markets

- A. Retailing Functions
- B. Default Provider Issues
- C. Resource Adequacy
- D. Realtime Pricing