

Accepted Manuscript

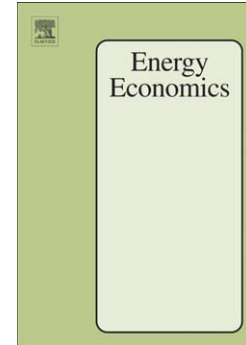
Investing in vertical integration: electricity retail market participation

Toby Daglish, Gabriel Fiuza de Bragança

PII: S0140-9883(17)30248-7
DOI: doi: [10.1016/j.eneco.2017.07.011](https://doi.org/10.1016/j.eneco.2017.07.011)
Reference: ENEECO 3704

To appear in: *Energy Economics*

Received date: 21 July 2016
Revised date: 20 July 2017
Accepted date: 21 July 2017



Please cite this article as: Daglish, Toby, Bragança, Gabriel Fiuza de, Investing in vertical integration: electricity retail market participation, *Energy Economics* (2017), doi: [10.1016/j.eneco.2017.07.011](https://doi.org/10.1016/j.eneco.2017.07.011)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Investing in vertical integration: electricity retail market participation

Toby Daghish¹ and Gabriel Fiuza de Bragança²

Abstract

Electricity industries are frequently characterised by a high degree of vertical integration. We explore the option for a generator to enlarge its participation in the retail market, and show that the firm will choose to delay if market demand is too high or low. In the former case, high wholesale prices may make fixed price retail customers unattractive, while in the latter, too little revenue is earned to justify the option's expense. Increased volatility can, under some circumstances, lower the value of the option, contrary to conventional real options theory. Firms expand their retail positions more aggressively in concentrated markets, vertically integrated markets, and markets where financial hedging is prevalent.

Keywords: Electricity; Real Options; Vertical Integration; Investments; Market Structure; Market Power.

1. Introduction

Electricity markets often present market power issues, along with intricate market structure. In addition, electricity market participants frequently participate in both generation and retail markets simultaneously, which is referred to in the economics literature as vertical integration. Electricity firms who are both retailers and generators are termed “gentailers”.³

This paper develops a structural model of a decentralized electricity market and shows that market structure can affect gentailer decisions about when

¹Victoria University of Wellington. E-mail: toby.daghish@vuw.ac.nz.

²Instituto de Pesquisa Econômica Aplicada. E-mail: gabriel.fiuza@ipea.gov.br.

³The term *gentailer* is in wide circulation in New Zealand and Australia, used to describe vertically integrated electricity retailers/generators. The first academic reference we can find to its use is Meade (2005).

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات