



# Mitigation in the RPM Incremental Auctions

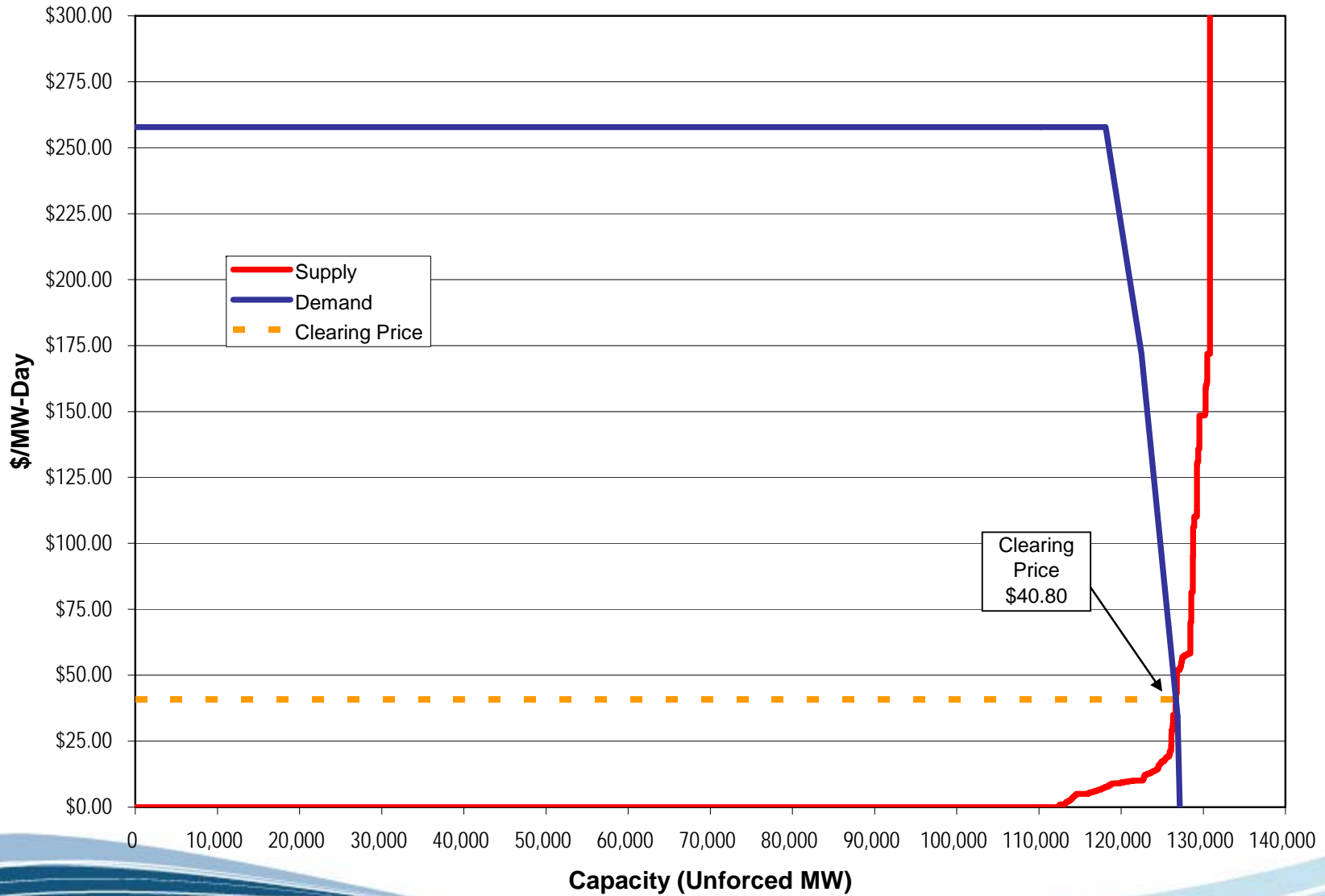
RPMWG  
August 14, 2007

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Market Monitor

- Supply
  - Base auction clears capacity offers in merit order
  - Least expensive capacity purchased to meet demand
  - Remaining capacity is high end of supply curve
- Demand
  - Risk to buyers in incremental auction is paying a penalty
  - Penalty is greater of two times the clearing price or the cost of new entry
  - Buyers have no information about supply offers other than the posted base auction supply curve and the cleared price and quantity
- Clearing price in incremental auction
  - Equals market value
  - Competitive outcome



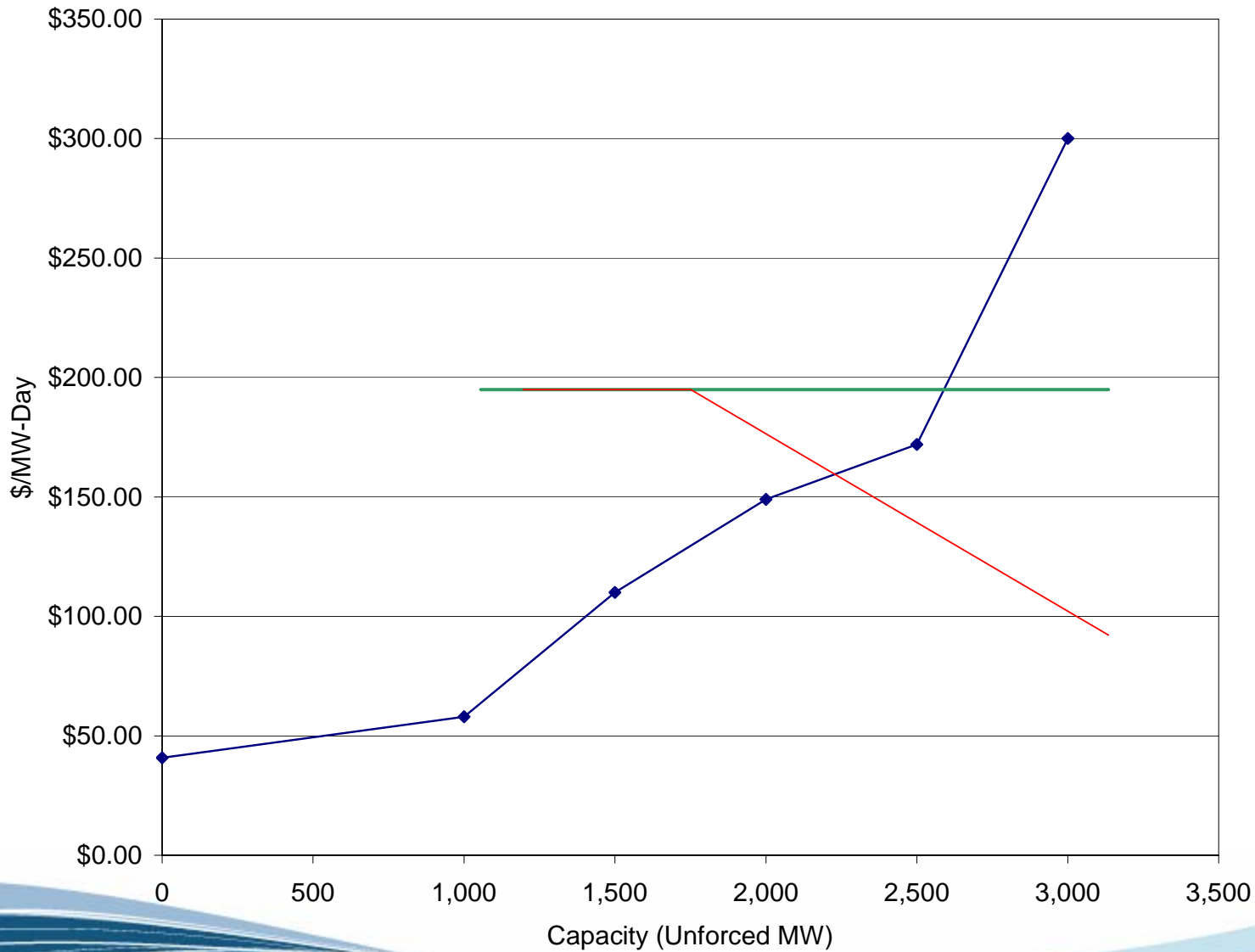
# RTO supply/demand curves: 2007-2008 RPM auction



- Demand curve one (green)
  - All buyers bid the penalty level
- Demand curve two (red)
  - Some buyers bid penalty level
  - Some buyers bid less than penalty level



# RTO incremental supply/demand curves - hypothetical



- Market power mitigation provisions of tariff apply to all auctions
- Result is competitive outcomes in all auctions
- No reason to modify market power mitigation provisions of tariff