

ALLOCATING COSTS COMMENSURATE WITH MULTIPLE TRANSMISSION BENEFITS

Toulouse Conference on the Economics of Energy Markets
January 17-18, 2013

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Abstract: Transmission expansion interacts with electricity market design. A major challenge is to improve the information and rationalize the incentives deployed. Transmission investment presents the most difficult challenges for an electricity market. In practice and in theory, market failures can be significant. If regulatory intervention is required to plan, coordinate and mandate transmission investment, how can the intervention reinforce the larger market design? A transmission infrastructure mandatory cost allocation framework requires a hybrid system that is regional in scope and compatible with the larger market design. A key principle would be to align cost allocation with benefits.