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Submissions
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Dear Sir or Madam

1 CONSULTATION PAPER - SCARCITY PRICING OPTIONS

Thank you for the opportunity to provide comment on the consultation paper on the Electricity Authority's (Authority's) scarcity pricing options. No part of our submission is confidential. Mighty River Power's response to the detailed consultation questions is outlined in Appendix 1.

2 SUMMARY OF SUBMISSION

- Mighty River Power accepts that introducing administratively determined scarcity prices during explicit (capacity or reserve) shortfalls would align our market with common international practice; however, cumulative price thresholds should be included as protection and the price should not be a floor.
- We do not agree with the proposed information disclosure option.
- We do not agree that scarcity prices during official conservation campaigns (OCCs) are warranted.
- If the Authority chooses to introduce scarcity prices during OCCs, there are a number of difficulties that need to be addressed, including how the market is dispatched.
- Furthermore, if the Authority does introduce scarcity prices during OCCs, it must stipulate a review date for the mechanism, and any further evolution of it should be predictable and clearly signalled to the market now.

3 PRINCIPLES

Mighty River Power believes the development of the New Zealand electricity market should be focused on:

- Providing regulatory stability, predictability and transparency;
- the importance of dynamic efficiency (investment) compared to allocative or productive efficiency;

- ensuring security of supply and a robust transmission grid;
- ensuring there are no impediments to infrastructure investment;
- promotion of competition (removal of barriers to entry) and market-based solutions where possible; and
- reliance on structural solutions rather than behavioural regulation, where possible.

4 MIGHTY RIVER POWER'S PREVIOUS SUBMISSIONS

Mighty River Power outlined its views on security of supply and scarcity pricing in its submission on the Ministerial Review. As a principle, we are strongly supportive of mechanisms which improve the interaction of supply and demand to discover a clearing price (such as demand-side participation), but we oppose intervention in pricing signals during the normal operation of the market, when all demand is being satisfied by available supply, unless compelling evidence exists that the market has failed.

Mighty River Power concluded that the introduction of administered Value of Lost Load (VoLL) pricing during forced load reductions is appropriate primarily because the marginal demand reduction had not occurred through a market-based commercial arrangement (which, with sufficient demand-side participation would not require an administered price) but had been forcibly curtailed at that point in time. However, we were of the firm view that a floor on spot prices when load reductions – if any - are purely voluntary is an unnecessary distortion.

The submission stated a clear preference for managing security of supply through market-based mechanisms such as demand-side participation and emphasised that intervention in the market should only be pursued as a last resort.

Broadly, this is still Mighty River Power's position. Our detailed comments on the specific measures proposed by the Authority are outlined below.

5 LONG-TERM MARKET EVOLUTION

The issues the Authority has identified principally arise because demand response in scarcity situations is involuntary and the priority is administratively determined. In an ideal market, prices are formed through the interaction of suppliers and an appropriately involved demand side. Long-term market evolution is the tool by which the Authority should aim to bridge the gap between current reality and future ideal.

Mighty River Power still believes that security of supply should primarily be managed through market-based mechanisms such as demand-side participation, consistent with our principle of the promotion of competition and use of market-based solutions where possible.

Mighty River Power believes that the Authority's main focus should be on achieving the appropriate level of participation of the demand side so interventions in the pricing process can be reduced over time and eventually eliminated. This market

evolution will take time, and the desired evolution path needs to be clearly signalled in advance. Progress along this path needs to be steady and predictable so that investment can take place. It is this steady and predictable market evolution path that is most likely to lead to dynamic efficiency gains being achieved over time.

Notwithstanding our concerns outlined below, we accept that interventions may be introduced from time to time, in order to address perceived shortcomings. To avoid these interventions becoming an obsolete burden over time, it is essential that:

- All interventions are reviewed regularly;
- The default position for the review is that the intervention should be removed unless there is conclusive evidence that it is still necessary to address an enduring market failure, and is both effective in addressing the stated problem and operationally efficient; and
- firm review deadlines are put in place at the time the intervention is introduced.

6 DETAILED ASSESSMENT OF PROPOSALS

The Authority's scarcity pricing proposals are based on the premise that they will provide better price signals during scarcity events, and these better price signals will provide efficient investment incentives which in turn ensure that the optimal level of security of supply is provided[1].

Mighty River Power's views on the individual proposals are driven by the following key questions:

1. Is there evidence that current levels of security of supply are inadequate?
2. Are the individual proposals likely to address proven shortcomings in the current market design and what are the complexities that need to be addressed?
3. Are the benefits of the proposals likely to outweigh the costs?

We touch on these three questions in turn.

6.1 Is Security of Supply Currently Sub-optimal?

The Authority justifies its proposed scarcity pricing measures primarily on the basis that situations exist where prices may be suppressed, and that these suppressed prices are undermining incentives to invest in last resort generation.

If this were true, one would expect security of supply to currently be below the optimal level. On the basis of available evidence, this is not the case.

[1] We note this view is potentially at odds with reducing Whirinaki's offer price from $5,000/MWh to short-run marginal cost, as contemplated in a recent consultation paper.

The Ministerial Review noted that new plant had been added faster than load growth in recent times. The Authority's own review of shortage events[2] from 2003 to 2010 provides no evidence that under-investment in generation has led to shortages in the past[3]. Similarly, the System Operator's annual security assessment for 2011 finds that acceptable Winter Energy Margins are expected to be attained in 2011 and 2012, and with investment in committed, high probability and most medium probability plant, acceptable Winter Energy Margins would be attained over the nine-year horizon. A similar picture exists for Winter Capacity Margin. Overall, available evidence indicates that security of supply is being maintained at approximately the optimal level.

Currently, the Authority's view of security of supply is primarily informed by the System Operator's annual security assessment, which determines whether analytically-derived capacity and energy security of supply standards are likely to be met. This assessment should continue to be the primary driver of the Authority's views on security of supply. While supporting qualitative evidence is important, we caution the Authority against placing undue weight on media statements and the like. That said, we do acknowledge the Authority (and Government's) concern about the frequency of OCCs over the past decade[4]. Arguably, this creates the perception that the industry is not prudently managing fuel risk appropriately, and/or is "too quick" to rely on the option of OCC-generated voluntary demand response. While (in 2001 and 2003) Mercury Energy's "Beat your Bill" campaign rewarded customers financially for savings, the perception remains that an appropriate level of security of supply was not being provided. However, we are of the view that potential solutions to this problem are already being introduced (clear, independently set triggers for OCCs, and mandated customer compensation during OCCs). To add to these with a direct wholesale market intervention – with the complexities outlined in Section 6.2.1 - unnecessarily risks a range of outcomes which are largely unpredictable at this stage. A more prudent approach would be to delay the intrusive measure of spot prices floors during OCCs until the effect of other initiatives (robust triggers of OCCs, customer compensation) is clear.

6.2 IR Shortfalls, Rolling Outages and Grid Emergency Load Shedding

From a pragmatic perspective, we accept that administratively determined scarcity prices are a suitable mechanism to ensure price signals are appropriate under involuntary load shedding due to insufficient capacity at the national level as,

[2] Scarcity Pricing – Review of Past Events, 20 May 2010, paper considered at Scarcity Pricing and Default Buyback Technical Group meeting of 27 May 2010

[3] The review showed that most shortage events were of a local or regional nature, and mostly due to transmission issues. Only one regional event was due to insufficient generation. Of the four island-wide events, two were related to the sudden loss of generation plant.

[4] Given current thresholds (start at 10% risk curve, discontinue above 8% risk curve), no public conservation campaigns would have been held in 2001, 2003 and 2008.

arguably, the market has ceased to clear normally and price suppression (below an acceptable value of lost load) is a valid concern.

Most electricity markets Mighty River Power is aware of impose an administrative scarcity price under these circumstances and the New Zealand market is arguably somewhat unique in that it currently does not do so when forced load shedding occurs.

The Authority's proposals to modify the pricing process where there is an IR shortfall and to impose floor prices under rolling outages and grid emergency load shedding can therefore be seen as addressing areas where the current market design is inconsistent with the approach taken in other similar electricity markets.

It is important to bear in mind that in these situations:

- There is either forced load shedding (emergency and rolling outage load shedding) or the market is not dispatched to a N-1 level of security (IR shortfall); and
- prices are potentially suppressed because they are determined based on actual (post-load shed) demand (emergency and rolling outage load shedding) or IR requirement is relaxed (IR shortfall).

We consider that the proposals can be justified in these limited circumstances because the market is no longer clearing (available supply is no longer capable of meeting demand), and has therefore effectively ceased to clear on a willing buyer/willing seller basis. However, it is critical that the application of this price is as clear to market participants (as practically possible) leading up to and including real-time, so that these participants can respond accordingly.

We are of the view that scarcity pricing should apply to nationwide shortages only. The function of scarcity prices is to provide signals for investors in supply-side or demand-side capacity, since it is these participants who are exposed to the price. If scarcity prices are applied to smaller geographical areas such as islands, zones or even nodes, they increasingly apply in situations where a lack of transmission capacity or availability is ultimately the underlying cause. Here the usefulness of scarcity prices is severely limited since the party often best placed to remedy the limited capacity (Transpower) is in no way exposed to the scarcity price. Therefore Mighty River Power supports the application of scarcity pricing on a national level only as this is the only option that avoids the potential for scarcity prices to arise from transmission inadequacy.

We also consider that the Authority needs to put permanent measures in place to manage the implications of scarcity pricing on the risks faced by market participants. Our preference is to have capacity scarcity prices applied as an administered price, rather than a floor. Specifying scarcity prices as floor prices imposes unlimited upside price risk on the industry unless mechanisms such as cumulative price thresholds are introduced (which we believe should be used regardless of whether it is

administered, floor or cap). While prices are currently uncapped, implementing floor prices provides a clear signal to market participants that the Authority not only views these prices as appropriate, but would also be comfortable with prices exceeding these levels.

Since the floor prices proposed by the Authority are calculated on the basis of the revenue required for a hypothetical last resort capacity provider, specifying the scarcity price as a price cap also would make risks more manageable and would also be consistent with the approach adopted in similar markets overseas.

6.2.1 PROPOSALS RELATING TO OFFICIAL CONSERVATION CAMPAIGNS

Mighty River Power does not believe that any intervention in the price formation process is warranted or necessary when the market is still capable of clearing and there are no involuntary demand reductions. Therefore, we do not support the Authority's proposal for a floor price of $500/MWh during OCCs. Intervention in the price formation process is inappropriate at this stage as it prematurely undermines the normal functioning of the market, creates perverse incentives and carries a risk of unintended consequences.

We accept that, at the currently proposed settings (10% risk curve, $500/MWh), the likelihood of the floor actually applying in practice is low. However, it is difficult to predict (even with the aid of theoretical models) how the floor will alter the risk perceptions, and thus behaviour, of market participants.

This intervention also moves the New Zealand electricity market further away from a normal interaction of supply and an appropriately involved demand side. We are unaware of any electricity market where administrative price floors are imposed before any involuntary load shedding has occurred.

If the Authority chooses to implement such a mechanism, there are a number of complexities which we believe need addressing:

1. The proposal alters rewards (and therefore incentives) for incremental demand reductions. We accept the Authority's view that it is the prospect of lower prices through voluntary demand reduction increases the attractiveness of OCCs for some market participants, and that, with respect to OCC-motivated demand savings without compensation, it would be desirable for final prices during OCCs to reflect demand before voluntary savings. However, this not only ignores that the market is now required to compensate these voluntary savings (remarkably, whether they occur or not[5]), but it also ignores the risk and potential costs of excess demand reduction that will result from disconnecting the price-quantity tradeoff which drives economic demand reduction.

[5] See Mighty River Power's submission on the Customer Compensation Scheme – Mandatory Default Arrangement, 13 January 2011

Floor prices will send an exaggerated price signal to exposed demand-side parties, resulting in demand response being more significant than actually warranted. Price floors also prevent the demand side from capturing the full benefits of demand reduction[6]. The following examples illustrate the inefficiency created by this approach.

First, consider the example of an industrial consumer with three individually controllable machines who values electricity just below the floor price (e.g. at $495/MWh). By switching off one machine demand could be kept at a level which keeps the clearing price at $495/MWh or below. Clearly, the economically efficient outcome is for this organisation to shut one machine down and produce with the other two. However, if the floor price is set artificially high at $500/MWh, production will be shut down completely, even though this is an inefficient outcome. Price reduction over remaining load is an essential reward for incremental demand reductions.

This is also illustrated by the example of a generator who is slightly short. It may be worthwhile for this generator to pay one of their customers to reduce load. Price reduction over remaining load is part of the reward reaped by this generator. A binding floor price would eliminate this reward and therefore reduce incentives for this generator to buy back load from its customers.

2. The proposal creates poor incentives. While (as argued by the Authority) a short generator could have an incentive to suppress prices during an OCC, a long generator conversely will have the incentive to increase price in order to benefit, and it is long generators who are the primary beneficiary of floor prices.

   Incentives on market participants depend on a complex set of factors including portfolio position, generation portfolio, fuel availability/storage and risk appetite. Looking at hydro generation, a binding floor price will provide an incentive to run down hydro storage faster if market participants' internal water values are lower than the price floor.

3. It is unclear how dispatch will occur when the price floor applies. The methods considered by ETAG and MED[7] as part of the Ministerial Review are unlikely to

[6] We understand that the Wholesale Market Development Group explicitly chose ex-post settlement for the NZEM so that electricity customers could benefit from reductions of discretionary load not only by avoiding high prices on that discretionary load, but also by the potential for price relief across the rest of their load.

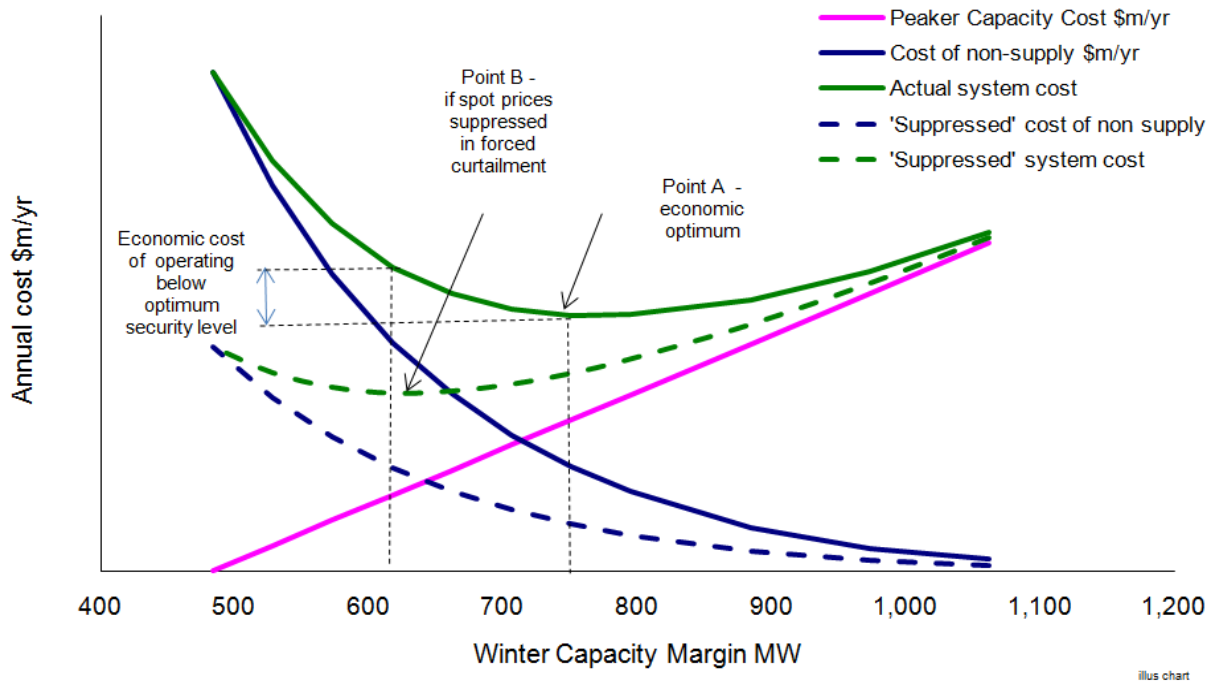
[7] ETAG and MED, Improving electricity market performance: Summary note on recommendations taking account of submissions. On page 6, alternatives noted include normal dispatch with only purchasers facing the floor price, or generation/supply would receive a spot price adder so the clearing price reaches the floor price. The first alternative would create a significant settlement surplus which would eventually be rebated back to purchasers, eliminating at least some of the price signal. It is unclear how the second alternative would address the problem as generators would know about the adder in advance. The basic point is that any mechanism which interferes with the pricing process to impose an

be workable. While the floor may be applied ex-post (and thus leaving "normal" market clearing prices to be published during the dispatch process and in real-time), all participants will know what the floor is in effect and will adjust behaviour accordingly (depending on water values and risk perceptions). We stand by our views as articulated in our Ministerial Review submission[8].

4. The Authority has been set up as an independent regulator with the expectation that it will make robust decisions. Mighty River Power believes that the Authority has put in place a foundation for good decision making through its interpretation of statutory objectives and the development of a consultation charter with code amendment principles. We believe that subjecting proposals to robust cost benefit analysis is essential.

   The methodology underpinning the Authority's cost benefit analysis is represented by Figure 1. The underlying logic is that price suppression reduces the cost of non-supply perceived by the industry, reducing investment in peaking generation. As a result, the level of security of supply provided is sub-optimal (level at Point B compared to the optimal level at Point A).

Figure 1: Graphical representation of cost/benefit methodology



artificially high or low price on the market is likely to have unintended consequences because prices can no longer be relied upon to incentivise and reward proper behaviour.

[8] MINISTERIAL REVIEW ON IMPROVING ELECTRICITY MARKET PERFORMANCE, Mighty River Power Submission, 16th September 2009, page 9

As outlined in Section 5.1 of this submission, there is no evidence that the current market arrangements are providing a sub-optimal level of security of supply[9]. This calls into question the basis for the Authority's cost benefit analysis.

If security of supply is currently at (or near) the optimal level of a Winter Capacity Margin of 780MW, then the Authority's scarcity pricing measures will not be capable of delivering any benefit in terms of avoided curtailment. There is a risk that the scarcity pricing measures will drive market participants to adopt excessively risk-averse practices which will increase security of supply beyond the optimum, to a point to the right of Point A. At best, the measures will have no perceptible effect and therefore incur no costs other than implementation costs.

It is therefore questionable whether the proposals can be justified on the basis of benefits to consumers arising from "optimised" security of supply, as the Authority claims.

5. The paper notes that the Authority retains the discretion to alter the trigger points for OCCs and (if introduced) the level of the applicable floor price, and perceives the risk that incentives for some market participants to "talk up" the supply risk has not been eliminated. The credibility and durability of the trigger points is directly linked to the Authority's actions. If there are concerns regarding the Authority's ability to withstand the effect of lobbying, introducing a price floor is unlikely to be a suitable way of addressing these concerns, as the credibility and durability of the price floor would be subject to the same concerns. These concerns would be better addressed by removing the Authority's discretion to alter the trigger points and require Ministerial approval for any change.

6.2.2 REVIEW MECHANISM

Given the complexities outlined above, the lack of international experience, and the difficulty in predicting behavioural responses to such an intervention, it is difficult for us (and, we believe, the Authority) to predict the full consequences of the scarcity price proposal. It is therefore imperative that, if the Authority chooses to introduce such a mechanism, a review is planned after a defined period. It is our view that this review should take place after any OCC, and in 5 years (regardless of whether it has

[9]An EA review of shortage events from 2003 to 2010 found that most were of a local or regional nature, and mostly due to transmission issues. Only one regional event was due to insufficient generation. Of the four island-wide events, two were related to the sudden loss of generation plant. Similarly, the System Operator's annual security assessment for 2011 finds that acceptable Winter Energy Margins are expected to be attained in 2011 and 2012, and with investment in committed, high probability and most medium probability plant, acceptable Winter Energy Margins would be attained over the nine-year horizon. A similar picture exists for Winter Capacity Margin.

been triggered). The review would seek to establish whether the presence of the scarcity floors had been (net) beneficial, and should start from the position that the intervention is no longer necessary.

The process by which the Authority reviews, amends or removes the scarcity pricing mechanism must be predictable, and should be based on the same robust set of principles as applied to any rule change.

6.2.3 PROPOSAL FOR INFORMATION DISCLOSURE / FINANCIAL PENALTIES

The Authority bases its proposal for information on a desire to deter lobbying for OCCs. Mighty River Power considers that this concern is exaggerated now that the Authority has implemented changes to the Code which require the System Operator to manage OCCs based on a set of deterministic criteria. Therefore, the proposal for additional information disclosure mechanisms is unnecessary.

We also do not support any requirement for market participants to disclose net positions as such a requirement would be likely to make commercially sensitive information available to competitors[10]. This could make it difficult for short parties to obtain hedges at competitive prices. It is also difficult to see how the Authority would summarise the information in a form that is meaningful, but avoids undermining competition in the market by disclosing commercially sensitive information.

Mighty River Power strongly opposes any financial mechanism. In our view, it is inappropriate for the Authority to be making decisions for market participants on what constitutes an appropriate level of hedging. The proposed financial mechanism would effectively introduce compulsory hedging to the New Zealand electricity market. If the Authority wishes to introduce compulsory hedging, then this should be considered separately from scarcity pricing, and be subjected to a thorough consultation process.

7 TRANSITIONAL ARRANGEMENTS

The consultation paper explores three different transition arrangements:

a) Staging introduction of the measures, focusing first on capacity-related measures and disclosure requirements;
b) Introducing the whole package of changes, but increasing the value of scarcity prices over a transition period; and
c) Introducing the whole package (including disclosure) with full scarcity price values, but moderating the impact with a 'stop-loss' type mechanism that is progressively relaxed.

[10] Even though the consultation paper envisages that the EA would publish only a summary report, it is difficult to see how

Mighty River Power considers that there is merit in parts of the options considered by the Authority, but that the Authority should consider putting in place a range of permanent measures to mitigate the potential negative effects of the scarcity pricing measures.

Consistent with our preference for predictable evolution of the market, it is important to ensure that any transition arrangement does not create uncertainty. If the Authority is minded to introduce scarcity prices, these should be introduced at their full value rather than being phased in, in an uncertain fashion. Introducing measures with starting values and foreshadowing future reviews only results in regulatory uncertainty in an industry where stability is particularly important due to the size and long time horizons of investment decisions.

Of the options considered, Mighty River Power supports elements of a) and c), but considers that the optimal transition would be as follows:

- Focus on capacity related measures only (e.g. scarcity prices as both floors and caps during rolling outages and grid emergency load shedding and IR changes). Other measures should not be implemented;
- All changes introduced in their final form, effective from the same date, but with sufficient lead time for market participants to adjust;
- Measures introduced with permanent stop-loss measure akin the Cumulative Price Threshold that exists in the Australian electricity market.

It is our view that the transitional arrangement described above provides a clear and predictable transition while mitigating some of the most significant disadvantages of the current proposals.

If you have any questions on this submission, please contact myself or Ramon Staheli on 09 580 3623 or Ramon.Staheli@mightyriver.co.nz.

Yours faithfully

Fraser Whineray
GM Operations

APPENDIX 1: SPECIFIC MATTERS

Number	Question	Comment
1.	To what extent is price suppression an issue with current pricing arrangements	There is no evidence that price suppression is reducing security of supply below the optimal level. Therefore, possible price suppression during rolling outages or grid emergency load shed is in the nature of a technical market operation issue.
2,	To what extent do you agree that the spot price suppression will adversely affect security of supply?	Not at all. The System Operator's annual security assessment shows that security of supply is at the appropriate level.
3.	What is your assessment of historic security of supply performance, and the likely future performance under current arrangements?	Historic security of supply performance has been adequate, and there is no reason to suspect this will not continue into the future.
4.	What is your view of the price floor to be applied in emergency load curtailment	Mighty River Power opposes the price floor as proposed. However, we support an administrative price being applied that functions both as a floor and a cap. This should apply to nation-wide load curtailment only.
5.	What is your view of the proposed treatment of load curtailment in AUFLS events.	Mighty River Power supports the proposed approach.
6.	What is your view of the proposed approach to pricing during IR shortfalls.	Mighty River Power supports the proposed approach.
7.	What is your view of the proposed price floor to be applied during rolling outage load curtailment	Mighty River Power opposes the price floor as proposed. However, we support an administrative price being applied that functions both as a floor and a cap. This should be applied to nation-wide rolling outage load curtailment only.
8.	What is your view of the proposed disclosure mechanism?	Mighty River Power opposes it. The proposal risks undermining the ability of market participants to manage their risk positions appropriately if commercially sensitive information is disclosed.

9.	What is your view of these possible financial mechanisms?	Mighty River Power opposes it. Mighty River Power is opposed to any suggestion that the Authority should be interfering in the risk management decisions of market participants. The proposal amounts to introduction of compulsory hedging. If the Authority wishes to implement compulsory hedging, then this should be considered separately from scarcity pricing.
10.	What is your view of the comparative merits of disclosure versus a spot price floor to address concerns about over-reliance on public conservation campaigns? Is there merit in pursuing both mechanisms.	Neither proposal has merit, either on its own or in combination. The implementation of a deterministic approach to calling of official conservation campaigns has rendered these concerns obsolete.
11.	What is your view of the proposed approach to imposing a minimum geographic threshold before any scarcity price floor is applied?	Mighty River Power supports the proposed approach.
12.	What is your view of the preferred approach to transition arrangements?	Mighty River Power supports an alternative approach as outlined in Section 6 of our submission.
13.	What is your view of the proposed approach to review arrangements?	We support regular reviews. These need to be conducted from the perspective that the intervention should be removed unless there is conclusive evidence that it is still necessary to address an enduring market failure, and is both effective in addressing the stated problem and operationally efficient.
14.	What is your view of the proposed changes when assessed against the Electricity Authority's statutory objective?	Mighty River Power considers that the full suite of proposals is inconsistent with the Authority's statutory objective. Imposing measures in the absence of evidence that security of supply is sub-optimal does not support competition, and has the potential to increase security of supply above optimal levels at to the detriment of consumers.
15.	What, if any, other reasonably practicable options should be considered?	The Authority should modify its proposals to include only modification of the pricing process under IR shortfalls and the introduction of administrative pricing under rolling outages and grid emergency load shedding.
16.	What is your view of a capacity mechanism, when assessed against the Electricity Authority's statutory objective?	Mighty River Power's views would depend on the precise design of such a mechanism.

17.	What is your view of the costs and benefits of the proposed changes?	Overall, Mighty River Power considers that the cost/benefit analysis is flawed in that it is based on the incorrect assumption that security of supply is sub-optimal. The results of the cost/benefit analysis are therefore incorrect.
18.	What is your view of the likely impact on prices of the proposed scarcity pricing changes, both in the near term (static effects) and over time (when parties can adjust their plans and behaviour)?	Our view is that the proposals will increase electricity prices both in the near term and over time. Increasing security of supply above current levels is costly in terms of more conservative fuel management and increased investment in generation. These additional costs will be reflected in prices over time.
19.	What further pro-competitive initiatives should the Authority be considering at this time?	
20.	Do you agree that the undesirable trading situation provisions could be invoked to address an exceptional event, and ensure that scarcity pricing is not applied in an inappropriate situation? If not, what changes should be considered in relation to the undesirable trading situation provisions?	In theory, the UTS provisions could be used.
21.	What is your view of price capping mechanisms, when assessed against the Authority's statutory objective?	To the extent that they reduce both opportunities for the exercise of market power and reduce overall price volatility, they would be in the long-term interests of consumers.