

**Title: Swapping generators' assets: market salvation or wishful thinking**

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**Abstract:** In April this year the New Zealand Commerce Commission released a review of the New Zealand Electricity Market (NZEM). This review, commonly referred to as the Wolak report, concluded that there was evidence of exercise of market power in the NZEM and was followed by a ministerial review of the NZEM. Both the Wolak report and the market review suggested a number of structural improvements to the NZEM. The likeliest structural change, suggested by both reviews, is a number of asset swap and divestiture options.

We will present a brief review of the NZEM and the background to these suggested changes. We will then examine these suggestions in the framework of simple Cournot models in the presence of changing costs and line constraints. We will demonstrate that for our simple examples, these structural changes will achieve the opposite of what was intended. This is joint work with Tony Downward and David Young.

**Monday, October 05, 2009**  
**3108 Etcheverry Hall**  
**3:30pm-5:00pm**

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