

# **ETA Workshop 2.3**

Local Market Power

# Opportunities to Exercise Market Power under the SEM design

- Where transmission constraints exist, generators may be able to benefit from local market power
- Where a generator is constrained on, it can benefit by raising its offer prices, as the TSO often has to dispatch them, irrespective of the merit order
- Where a generator is constrained off, it can benefit from reducing its offer price, as it retains any difference between SMP and its offer price (i.e. inframarginal rent)

# Local Market Power Mitigation in SEM

- Some of the measures put in place to mitigate market power in general will also mitigate local market power e.g.:
  - Bidding principles (licence condition and BCOP)
  - Market monitoring
- The Grid Code also prevents the withholding of capacity

# Local Market Power in I-SEM

- Market Power Workstream will consider market power across the market timeframes
- Therefore the issue of local market power is best considered there
- Are there specific issues that should be considered in relation to the BM design in relation to market power.