Centre for Energy and Environmental Markets

Border flow rights and Contracts for differences of differences: Models for Transmission Property Rights

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Abstract: In this paper a property rights model for electric transmission is proposed and its properties analyzed. The rights, called "border flow rights," provide an approximation to efficient marginal incentives for transmission expansion. The proposed property rights support financial hedging of transmission risk and merchant transmission expansion through associated financial rights, called "contracts for differences of differences." These financial rights allow for short-term and long-term trading of both energy and transmission in an exchange.

Speaker: Ross Baldick is Professor of Electrical and Computer Engineering at the University of Texas at Austin. He received his B.Sc. (in physics and mathematics) and B.E. (in electrical engineering) degrees from the University of Sydney, Australia, and his M.S. and Ph.D. (both in electrical engineering and computer sciences) from the University of California, Berkeley. In 1991-1992 he was a post-doctoral fellow at the Lawrence Berkeley Laboratory researching electric transmission policy. In 1992-1993 he was an Assistant Professor at Worcester Polytechnic Institute. Dr. Baldick has been a Research Fellow at the Harvard Electricity Policy Group of the John F. Kennedy School of Government, Harvard University, and a Visiting Researcher at the University of California Energy Institute. He has published more than forty refereed journal articles and has research interests in electric power. His current research involves optimization and economic theory applied to electric power system operations, the public policy and technical issues associated with electric transmission under deregulation, and the vulnerability of the electric grid to terrorist attack. In 1994, Dr. Baldick received a National Science Foundation Young Investigator Award and he is the recipient of more than a dozen awards and honors.

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