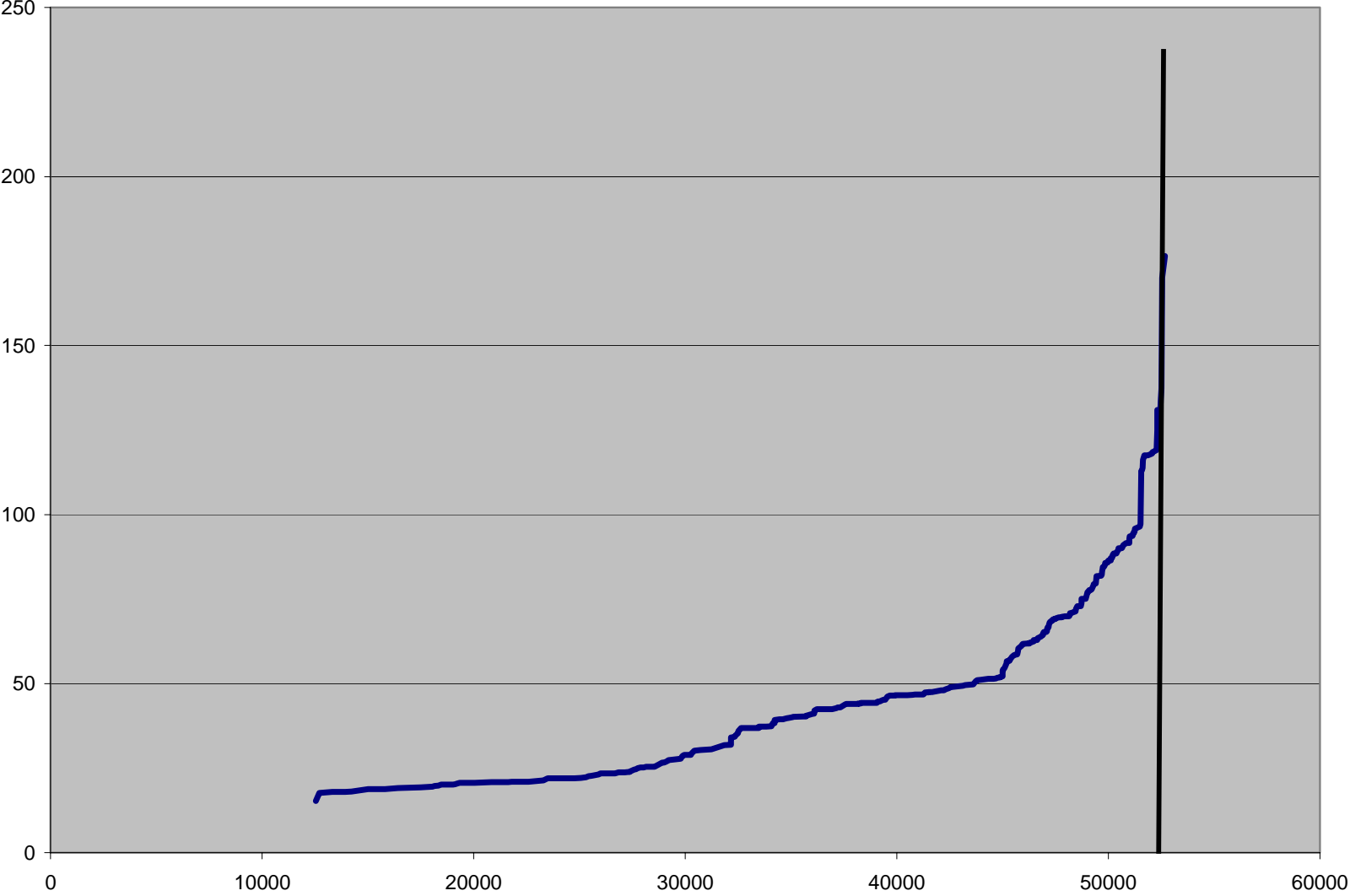


Competitive Assessment  
using principles  
of residual demand

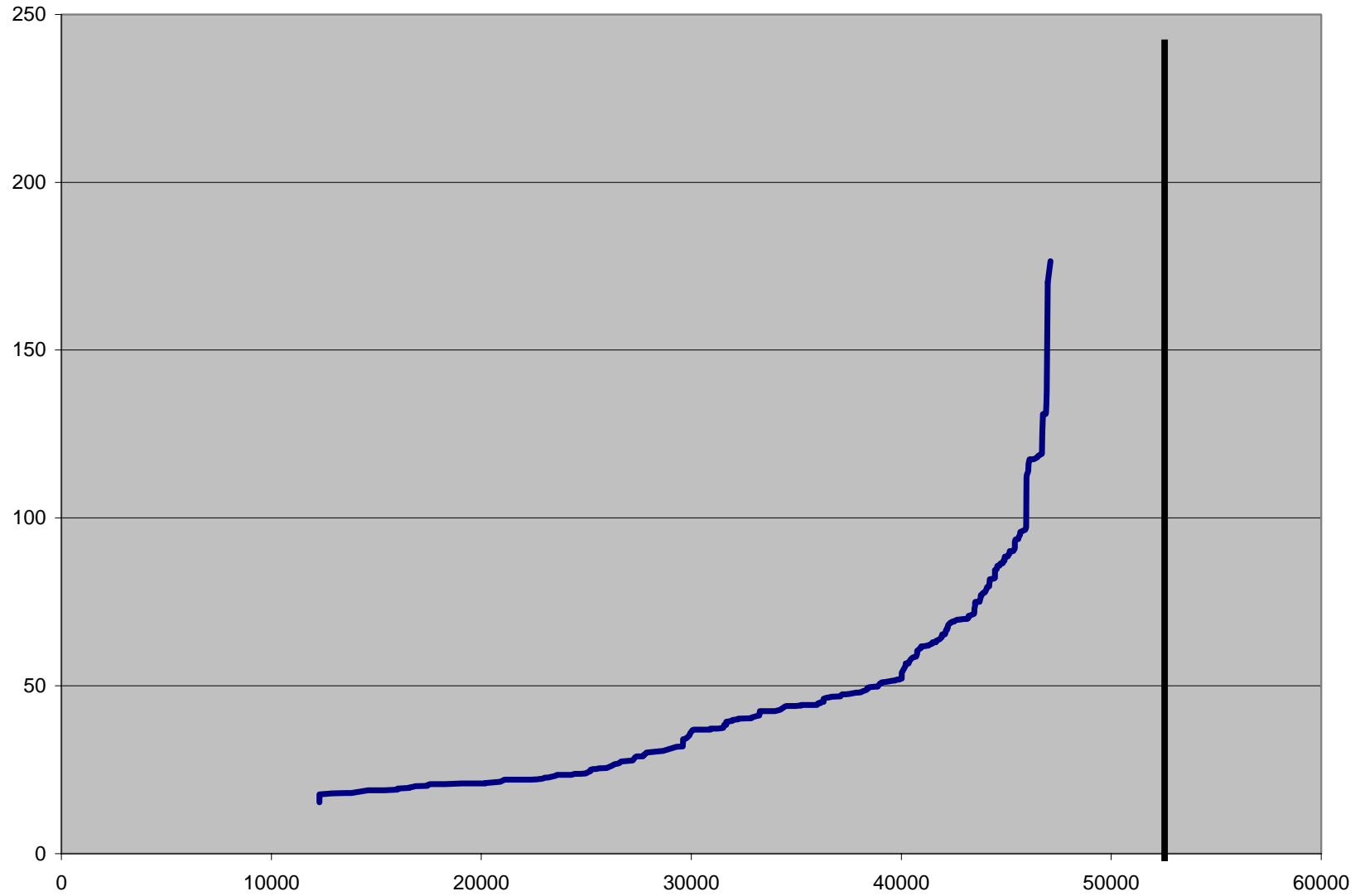
James Bushnell

MSC meeting 5/24/05

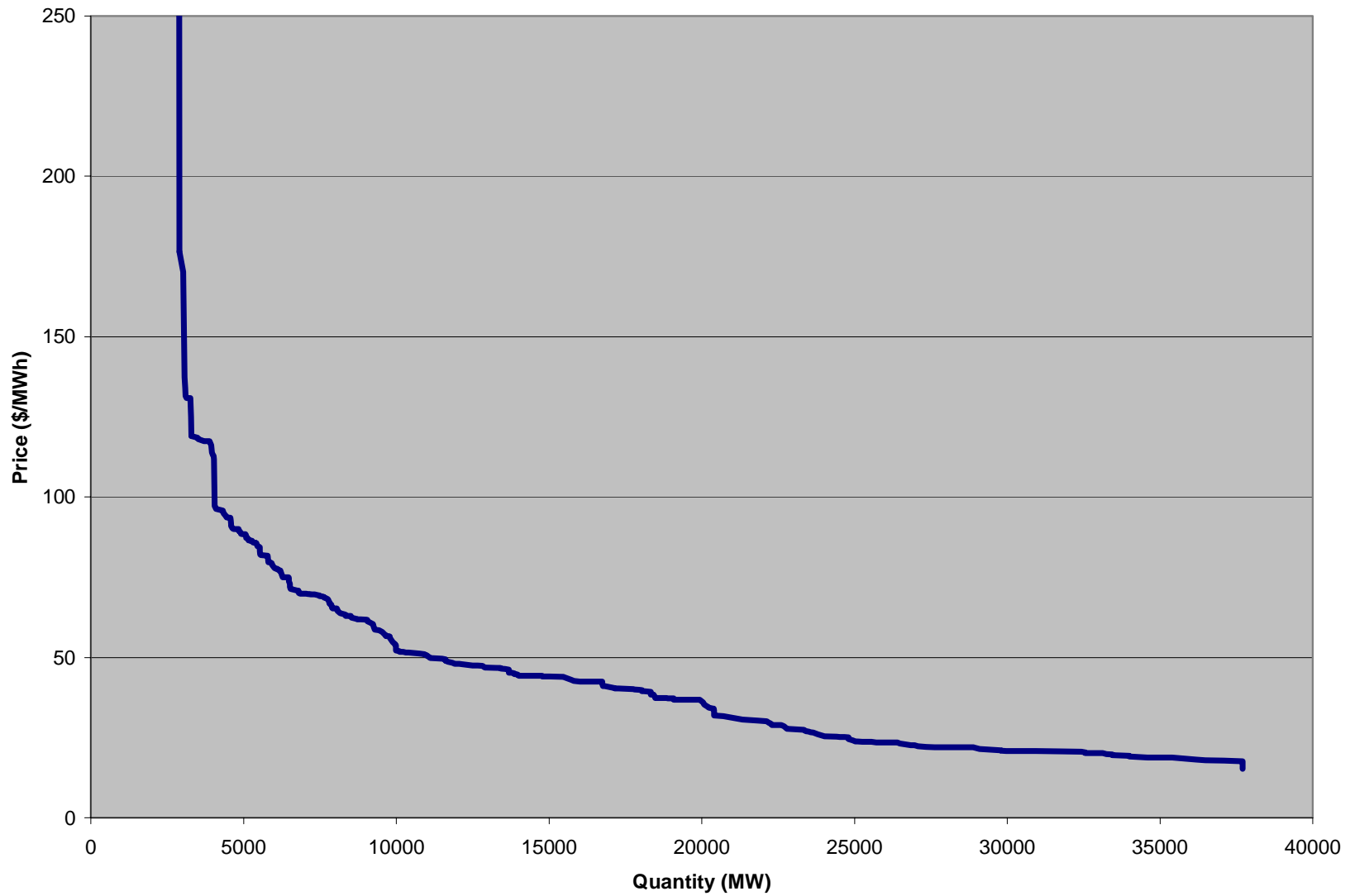
# Total Supply



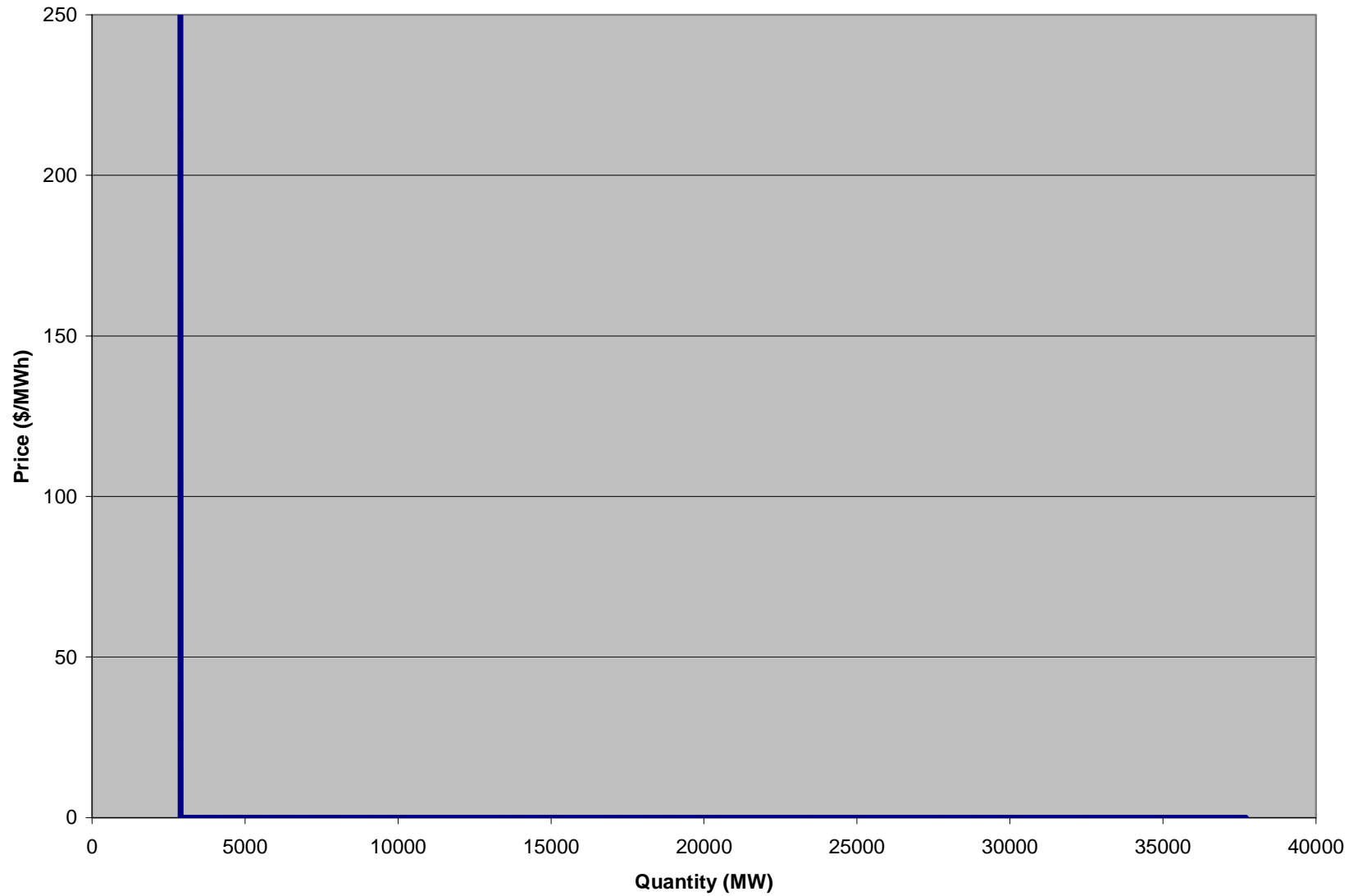
# Without 1 Firm



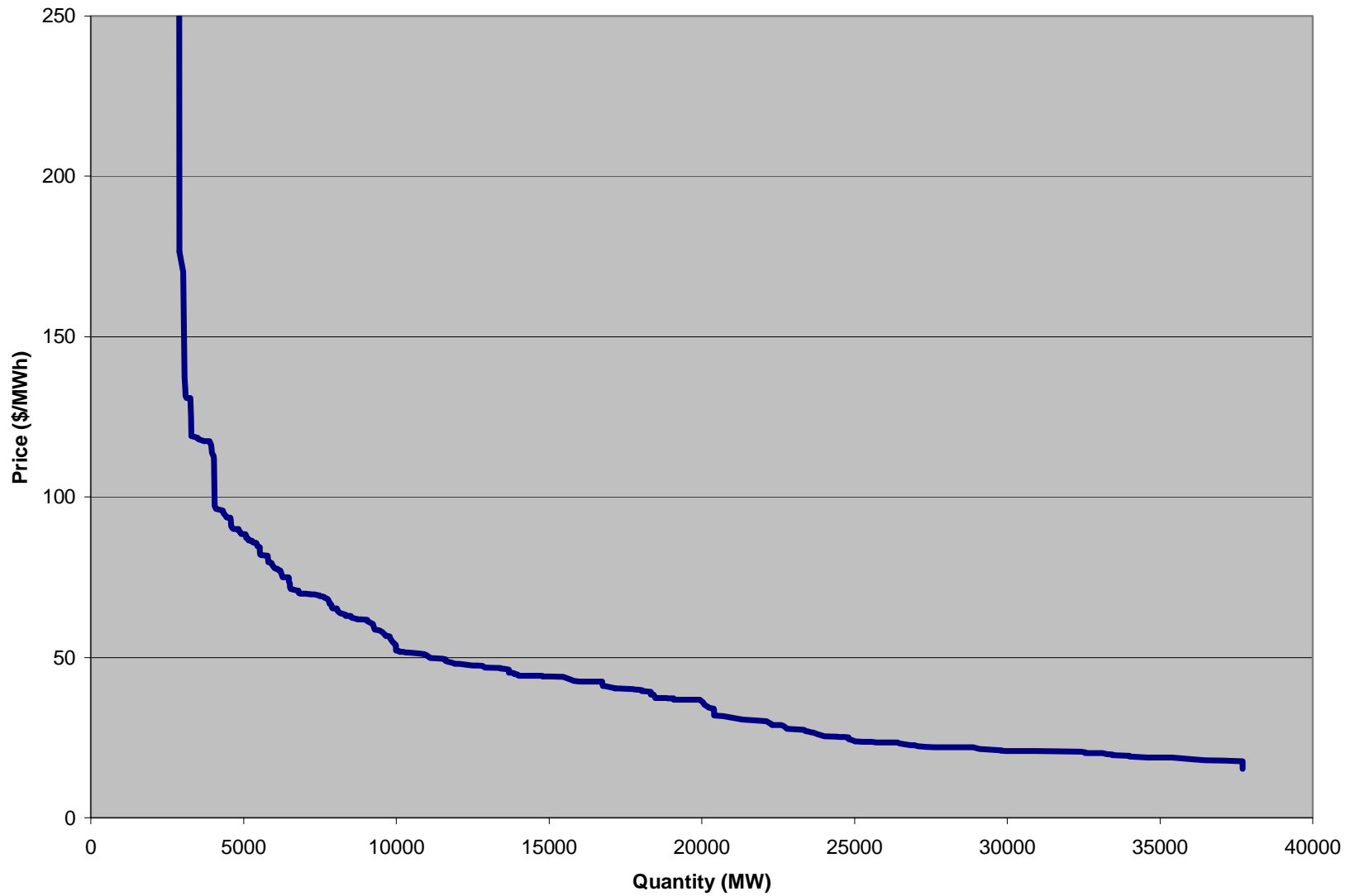
# Residual Demand



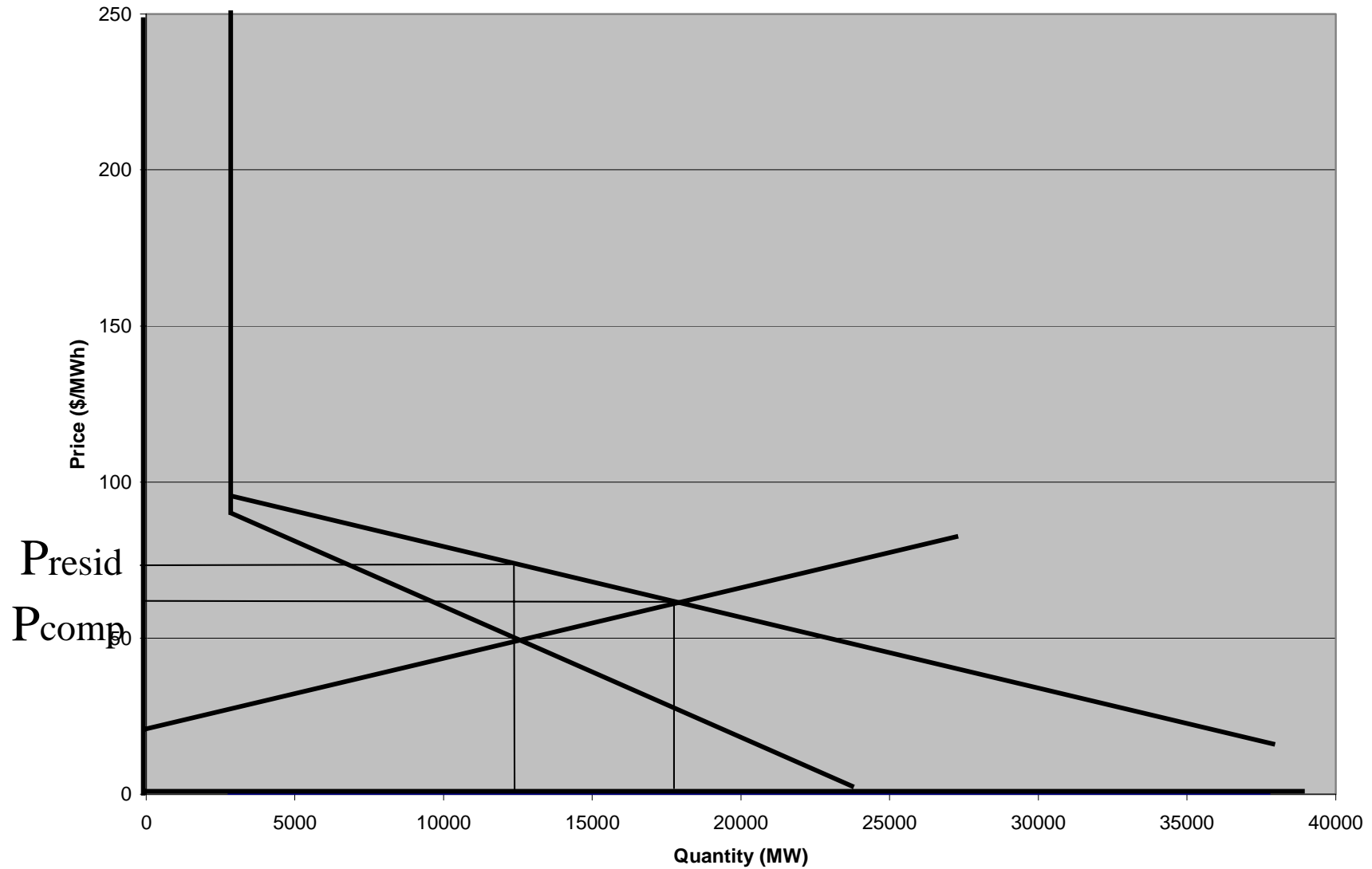
# Pivotal Supplier



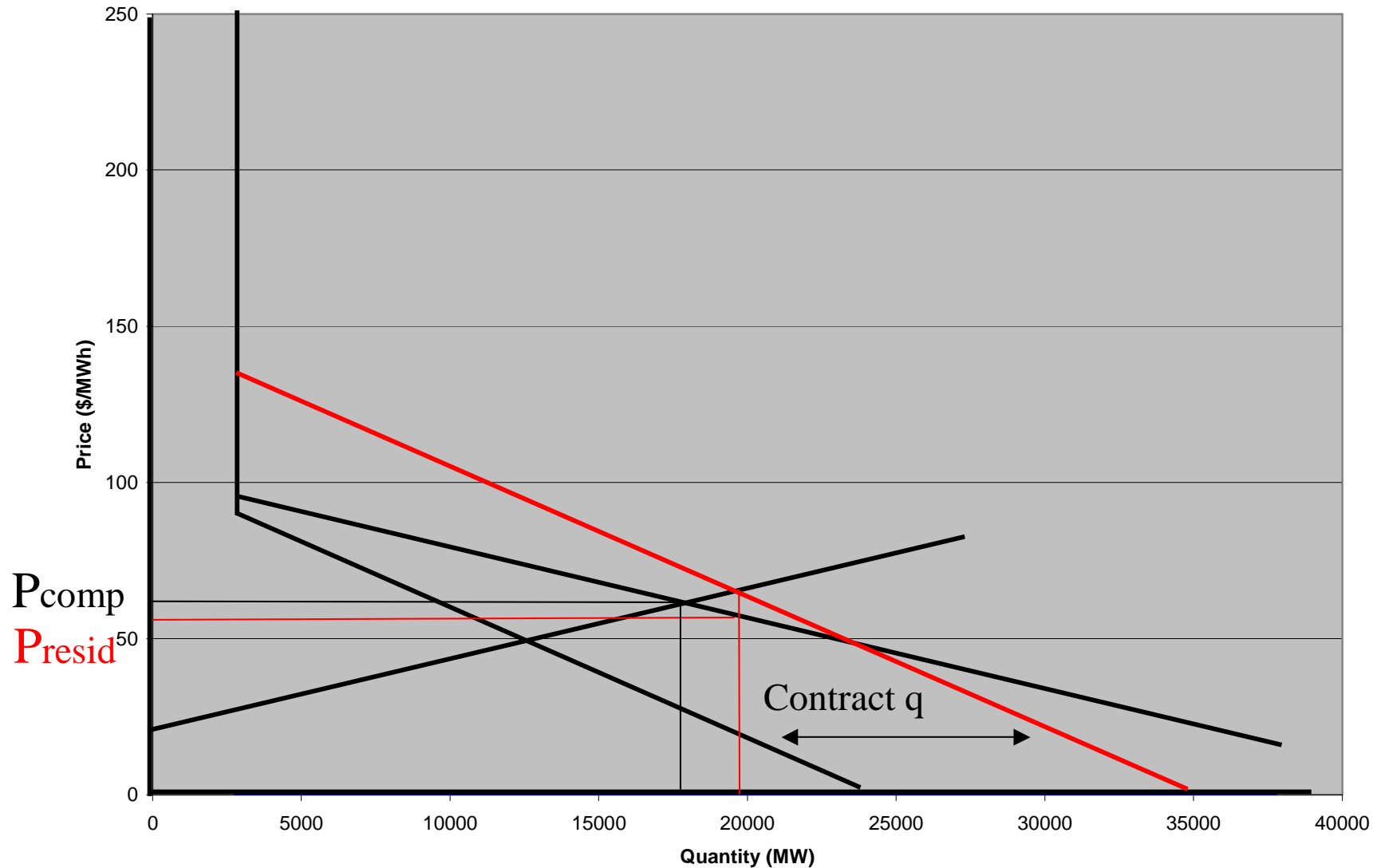
# Residual Demand



# Maximizing Profit Facing with forward contracts



# Maximizing Profit Facing Residual Demand





# Summary

- Residual demand provides a more complete picture than pivotal supplier analysis
  - requires cost data in addition to capacity
  - can incorporate more detailed impact of contracts
- Can be easily modified to oligopoly (many strategic firms) scenarios from monopoly (1 supplier) scenarios
- Possibly could be adapted to account for transmission constraints & shift factors to assess local competitiveness