Seminar 2 ECON4930 Tuesday 15 february

1. Explain Hveding's conjecture: how can price changes modelling N plants with one reservoir each be explained using only aggregate electricity production and aggregate reservoir capacity? Take the aggregate case for price changes as the point of departure (Figure 3.10, Chapter 3) (Hint: establish the connection between the common period price and the plant-specific water value, look at the text in Chapter 4 (and slides 4) for the connection between individual water values and the common social price)

2. Can the case of a multi-year reservoir be properly understood in an aggregate model? (hint: consider the fundamental economic assumption of positive elecricity production in each period)