
**Investigation of Illegal Behavior Patterns in Contravention of the Competition Law
Regarding Electricity Industry Liberalization in Taiwan**

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Abstract

The thrust of this paper is to analyze illegal behavior patterns contravening the competition law in regard to the liberalization of the electricity industry in Taiwan. In order to achieve this objective, we first review illegal behavior patterns in the deregulated electricity market in developed countries, and then discuss the kinds of possible illegal behavior patterns that might manifest themselves during the process of liberalizing the electricity industry in Taiwan. Moreover, the responsibilities and role of the Fair Trade Commission (FTC) are elaborated. The research results show that the characteristic differences between the electricity industry and other industries include: (1) the changes in electricity market supply and demand exhibit far greater fluctuations than other markets; (2) the short-term transactions with respect to supply and demand have to be matched in advance and the deal has to be settled after delivery; (3) the market regulation must define the specific energy supplier as the last resort of supply for the public interest; and (4) the electricity industry is capital-intensive, knowledge-intensive and multidisciplinary. Furthermore, there are some potential illegal patterns in the wholesale electricity market, such as unfair mergers and acquisitions (M&A), and controlling the wholesale market price through cartel activity. While in the retail electricity market market behaviors such as the forming of coa-

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litions, bundling and cheating when selling might be identified as illegal competitive patterns, in the ancillary service market, unfair dispatching behaviors might be observed while supply and demand are not in balance. In the electricity R&D market, confined competition or unfair competition might result from authorization in relation to the pattern and design of technique standards. In order to prevent these illegal competitive activities from occurring, the FTC should undertake ex ante HHI to test the power of the relevant markets, and should also implement a Reference Price-Cost Margin test to examine the relevant electricity market to check whether any market player is breaking the Fair Trade Law.

Keywords: Liberalization of the Electricity Industry, Competition Law, Independent System Operator, Authority of the Electricity Industry, Illegal Behavior Pattern.