**Investors’ perspectives on factors influencing bidder participation in the Chilean energy auctions**

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**Abstract**

In the electricity generation sector, as in any other market, competition works in favor of consumers if enough generators compete fairly in the marketplace. Therefore, it is key for regulators to design the generation market in such a way that the participation of generators, both incumbents and in the form of new projects, is maximized to the extent possible.

In 2017, Chile underwent a major generation sector reform that was accompanied of a steep increase in the number of generators participating in the market and a sharp reduction in market prices. The regulator claims the low prices are the results of the changes implemented in the market (endogenous factors). However, during that same period many other variables also changed, such as the price of solar and wind generation technologies (exogenous factors), setting doubts in the regulator´s claim.

This study seeks to understand how endogenous and exogenous factors influence the participation of generation companies in energy auctions for distribution companies that serve regulated clients. This is done by identifying which factors are more relevant and which of them acts as barriers or drivers for the participation of generators.

The research uses a model based on Analytical Hierarchy Process and Goal Programming, with data from a surveys taken to energy generation company executives and industry experts. The survey inquires of the relative importance of different factors considered relevant according to changes made in design of auctions between 2012 and 2016 as well as other exogenous factors.  Through the analysis of the data, it is possible to obtain the relative importance of the factors with a quantitative scale, according to the perceived relevance of each factor and if it is a barrier or a driver of participation.

The results show that high participation and low prices in the study period were due not only to the changes in the auctions design, but also to the business enviroment. This contradicts the argument that the regulator deserves all the credit for the increase in participation in the auctions. The paper also concludes that renewable energy technologies are the most positive affected by the changes in factors both endogenous and exogenous to the auction process, explaining the very rapid expanssion of such technologies in Chile.