The Value of Infrastructure and Market Integration: Evidence from Renewable Expansion in Chile

Luis Gonzales ¹  Koichiro Ito²  Mar Reguant³

¹Pontificia Universidad Catolica de Chile - ClapesUC (luisgc@uchicago.edu)
²University of Chicago and NBER (ito@uchicago.edu)
³Northwestern, BSE, CEPR, and NBER (mar.reguant@northwestern.edu)

We would like to thank Andrew Smith, Tianyu Luo, and Yixin Zhou for their exceptional research assistance.
Renewable expansion is key to mitigating climate change

- Electricity is a major source of GHG emissions (e.g., 25% in the US)
- Another large source is transportation, which can be electrified soon

Source: CAIT Climate Data Explorer via. Climate Watch
OurWorldInData.org/co2-and-other-greenhouse-gas-emissions • CC BY
Challenge: Existing networks were not built for renewables

- Conventional power plants can be placed near demand centers
  - Minimal transmission lines were required to connect supply and demand

- By contrast, renewables are often best generated in remote locations
  - Renewable-abundant regions are not well integrated with demand centers
Two problems arise from the lack of market integration

1. Curtailment
   - Excess renewable supply cannot be exported to demand centers
   - Renewable producers cannot sell electricity even though their MC ≈ 0

2. Depression of local prices
   - Renewables lower regional wholesale price toward 0 (b/c MC ≈ 0)
   - Without integration, profit can be low even if there is no curtailment

These two issues discourage renewable investment/entries
Many countries now recognize this as a first-order problem

• United States
  ► Investment in transmission lines and renewable energy is a key part of the Biden Administration’s infrastructure bill

  “The Bipartisan Infrastructure Deal’s more than $65 billion investment is the largest investment in clean energy transmission and the electric grid in American history. It upgrades our power infrastructure, including by building thousands of miles of new, resilient transmission lines to facilitate the expansion of renewable energy.” (White House, 2021)

• Chile
  ► Already has done such transmission expansions in 2017 and 2019
Demand center (e.g. Santiago) is distant from renewables
Atacama (1500 km from Santiago) is suitable for solar PV

An example of large-scale solar PV in Atacama
Atacama (1500 km from Santiago) is suitable for solar PV

An example of large-scale solar PV in Atacama
Atacama (1500 km from Santiago) is suitable for solar PV

An example of large-scale solar PV in Atacama
Lack of market integration created regional price dispersion

- This figure shows heat map of wholesale electricity prices before market integration
  - **Blue:** price $\approx 0$
  - **Red:** price $> 70$ USD/MWh

- This motivated Chile to build new transmission lines
  - 2017: Atacama (solar)—Antofagasta (mining)
  - 2019: Atacama (solar)—Santiago (city)
We exploit grid expansions in Chile to conduct our study.

- Until 2017, there was no interconnection between SIC and SING.
We exploit grid expansions in Chile to conduct our study.

<table>
<thead>
<tr>
<th>Region</th>
<th>Installed Capacity (MW)</th>
<th>Capacity by fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>SING</td>
<td>4,719,5 (22,4%)</td>
<td>50,7% Coal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>35,1% Natural Gas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8,7% Diesel + Fuel Oil</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,6% Solar and Wind</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0,9% Hydro + co-gen</td>
</tr>
<tr>
<td>SIC</td>
<td>16,169,5 (76,8%)</td>
<td>26% Big Hydro</td>
</tr>
<tr>
<td></td>
<td></td>
<td>21% Diesel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15% Small Hydro</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15% Coal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12% Natural Gas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5% Wind</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3% Solar</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3% Biomass</td>
</tr>
<tr>
<td>SEA</td>
<td>54,2 (0,3%)</td>
<td>53% Diesel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>43% Hydro</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4% Wind</td>
</tr>
<tr>
<td>SEM</td>
<td>101,7 (0,5%)</td>
<td>98% Natural Gas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2% Diesel</td>
</tr>
</tbody>
</table>

Before November 2017

<table>
<thead>
<tr>
<th>Region</th>
<th>Installed Capacity (MW)</th>
<th>Capacity by fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEN</td>
<td>22,364 (99,3%)</td>
<td>22% Coal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20% Natural Gas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15% Big Hydro</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14% Small hydro</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13% Diesel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8% Solar</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6% Wind</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2% Biomass</td>
</tr>
<tr>
<td>SEA</td>
<td>63 (0,3%)</td>
<td>58% Diesel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>36% Hydro</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6% Wind</td>
</tr>
<tr>
<td>SEM</td>
<td>104 (0,4%)</td>
<td>82% Natural Gas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15% Diesel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3% Wind</td>
</tr>
</tbody>
</table>

After November 2017

- In 2017, SING and SIC were integrated (via Atacama-Antofagasta line)
- In 2019, a reinforcement line was built (Atacama-Santiago line)
Road map of the talk

1. Theory
   ▶ Characterize static and dynamic impacts of market integration
   ▶ Highlight that a standard event study may not capture a full effect

2. Background and Data
   ▶ Chile’s grid expansions in 2017 and 2019
   ▶ Micro data on hourly market outcomes, marginal cost etc.

3. Static Analysis
   ▶ Use a standard event study analysis to estimate static effects

4. Dynamic Analysis
   ▶ Build a structural model of solar entries to estimate dynamic effects
   ▶ Estimate a full impact of integration and correct bias in event study
Related literature

1. Economic theory of electricity transmission

2. Efficiency gains from market-based dispatch in electricity markets
   - Mansur and White (2012) and Cicala (2022)

3. Environmental impacts of transmission expansion
   - Fell, Kaffine, and Novan (2021)
Theoretical Framework
Our theory highlights two key points

1. Market integration could induce a dynamic effect on investment
   - A classical “gains from trade” abstracts from this dynamic effect

2. Event-study (before-after) analysis may not capture a full impact
   - Tempting to look at market outcomes before and after integration
   - This approach may capture a partial effect of market integration
Consider two regions, North and South
Market integration provides classical gains from trade

However, this figure abstracts from potential effects on investment
Gains from trade with a dynamic effect on investment

- Market integration could incentivize solar investment
- This effect shifts supply curve, resulting in a dynamic equilibrium ($e^{**}$)
When could an event study identify the full effect?

- Suppose solar investment occurs simultaneously with integration
- In this case, event-study could get the full effect
This is not the case if investment occurs in anticipation of integration.

- Suppose solar investment occurs in **anticipation** of integration.
- In this case, event-study gets a partial effect (the blue triangle).
We provide some guidance on the sign of bias

• With anticipated investment (empirically-relevant case):
  ▶ **Result 1** Static event study analysis understates gross cost savings
  ▶ **Result 2** Static event study analysis understates price reductions
  ▶ **Result 3** Static event study analysis overstates price convergence

• We use both event study and structural estimation to:
  ▶ Estimate the full effect of market integration
  ▶ Quantify and correct the bias in the static event study analysis
Road map of the talk

1. Theory
   - Characterize static and dynamic impacts of market integration
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2. Background and Data
   - Chile’s grid expansions in 2017 and 2019
   - Micro data on hourly market outcomes, marginal cost etc.

3. Static Analysis
   - Use a standard event study analysis to estimate static effects

4. Dynamic Analysis
   - Build a structural model of solar entries to estimate dynamic effects
   - Estimate a full impact of integration and correct bias in event study
Background and Data
1) Grid expansions in the Chile Interconnection (Nov. 2017) Reinforcement (June 2019)
1) Grid expansions in the Chile

- February 2014: A modification to the “General Electric Services Law”
  - Government decided to built an interconnection

- August 2015: Construction of the interconnection started

- November 2017: Interconnection was opened
  - A double circuit 500kV transmission line with capacity of 1500 MW

- June 2019: Reinforcement transmission line was opened
  - Another double circuit 500kV transmission line
2) Dispatch mechanism in the Chilean electricity market

- “Cost-based” dispatch & pricing in the spot market
  - Everyday, power plants submit their cost to system regulator
  - System operator uses this information with demand and transmission constraints to solve for least-cost dispatch
  - Costs are monitored and regulated. This makes it hard for firms to exercise market power compared to bid-based dispatch (Wolak, 2013)
  - In addition, firms can have bilateral long-run forward contracts

- This mechanism was unchanged at grid expansions
  - This allows us to analyze the impact of market integration by itself
3) Data

We collected nearly all of the market data at the unit or node level:

1. Daily marginal cost at the plant-unit level:
2. Hourly demand at the node level (there are over 1000 nodes in Chile)
3. Hourly market clearing prices at the node level
4. Hourly electricity generation at the plant-unit level
5. Power plant characteristics (capacity, heat rate etc.)
6. Power plant investment data (i.e. construction cost of each plant)
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Static Analysis of Market Integration
We use event study analysis to estimate static impacts

- We evaluate the impacts of two events
  - November 2017: Interconnection between Antofagasta and Atacama
  - June 2019: Reinforcement between Atacama and Santiago
1) Price convergence in the SIC-SING border regions

- Examine price convergence at SIC-SING border (Atacama-Antofagasta)
1) Price convergence in the SIC-SING border regions

- Y = Average node prices in SING – Average node prices in SIC (USD/MWh)
- This is the result for hour 12 (other hours are in the paper)
- **Finding:** Price convergence after the interconnection
2) Price convergence in the entire system
Full price convergence occurred after the reinforcement

- $Y = \text{Average node prices in SING} - \text{Average node prices in SIC (USD/MWh)}$
- This is the result for hour 12 (other hours are in the paper)
- **Finding:** Full price convergence occurred after the reinforcement
### Static Impacts on Generation Cost

\[ c_t = \alpha_1 I_t + \alpha_2 R_t + \alpha_3 X_t + \theta_m + u_t \]

<table>
<thead>
<tr>
<th></th>
<th>Hour 12</th>
<th>All hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>1(After the interconnection)</td>
<td>-3.38</td>
<td>-1.33</td>
</tr>
<tr>
<td></td>
<td>(0.36)</td>
<td>(0.31)</td>
</tr>
<tr>
<td>1(After the reinforcement)</td>
<td>-2.86</td>
<td>-2.86</td>
</tr>
<tr>
<td></td>
<td>(0.68)</td>
<td>(0.60)</td>
</tr>
<tr>
<td>Coal price [USD/ton]</td>
<td>0.20</td>
<td>0.20</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>Natural gas price [USD/m³]</td>
<td>6.81</td>
<td>12.50</td>
</tr>
<tr>
<td></td>
<td>(8.07)</td>
<td>(7.05)</td>
</tr>
<tr>
<td>Scheduled demand (GWh)</td>
<td>2.17</td>
<td>0.06</td>
</tr>
<tr>
<td></td>
<td>(0.15)</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Mean of dep var</td>
<td>36.12</td>
<td>38.87</td>
</tr>
<tr>
<td>Month FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Sample size</td>
<td>1041</td>
<td>1041</td>
</tr>
</tbody>
</table>

- The dependent variable is generation cost (USD) per MWh
- Market integration **reduced** the generation cost (gains from trade)
Does this static event study analysis get the full impact?

- Our theory suggested:
  - Yes if solar investment occurs \textit{simultaneously} with integration
  - No if solar investment occurs in \textit{anticipation} of integration
Solar investment occurred in anticipation of integration in 2014

- Solar investment began after the announcement of integration in 2014
- These solar entries depressed the local price to near zero in 2015-2017
Solar investment occurred in anticipation of integration

• However, more and more new solar plants entered the market
  ► Investment occurred in the anticipation of the profitable environment
  → Static analysis does not capture the full impact of market integration
  → We address this challenge in the next section
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Dynamic Analysis of Market Integration
A structural model to study a dynamic effect on investment

- We divide the Chilean market to five regional markets with interconnections between regions.
- Model solves constrained optimization to find optimal dispatch that minimizes generation cost.
- Constraints:
  1. Hourly demand $= (\text{hourly supply} - \text{transmission loss})$
  2. Supply function is based on plant-level hourly cost data.
  3. Demand is based on node-level hourly demand data.
  4. Transmission capacity between regions:
     - Actual transmission capacity in each time period.
     - Counterfactual: As if Chile did not integrate markets.
The structural model solves this constrained optimization

\[
\begin{align*}
\text{Min} \quad & \quad C_t = \sum_{i \in I} c_{it} q_{it}, \\
\text{s.t.} \quad & \quad \sum_{i \in I} q_{it} - L_t = D_t, \quad q_{it} \leq k_i, \quad f_r \leq F_r.
\end{align*}
\] (1)

• Variables:
  - \(C_t\): total system-wise generation cost at time \(t \in T\)
  - \(c_{it}\): marginal cost of generation for plant \(i \in I\) at time \(t\)
  - \(q_{it}\): dispatched quantify of generation at plant \(i\)
  - \(L_t\): Transmission loss of electricity
  - \(D_t\): total demand
  - \(k_i\): the plant’s capacity of generation
  - \(f_r\): inter-regional trade flow with transmission capacity \(F_r\)
Dynamic responses are solved as a zero-profit condition

\[
E \left[ \sum_{t \in T} \left( \frac{p_{it}(k_i)q_{it}(k_i)}{(1 + r)^t} \right) \right] = \rho k_i
\]  

- NPV of profit (left hand side) = Investment cost (right hand side)
- \( \rho \): solar investment cost per generation capacity (USD/MW)
- \( k_i \): generation capacity (MW) for plant \( i \)
- \( p_{it} \): market clearing price at time \( t \)
- \( q_{it} \): dispatched quantity of generation at plant \( i \)
- \( r \): discount rate

• This allows us to solve for the profitable level of entry for each scenario
We consider three scenarios for counterfactual simulations

1. Actual scenario
   - Chile integrated markets by the interconnection and reinforcement

2. Counterfactual 1: No market integration (w/o dynamic correction)
   - Chile did not integrate markets
   - This would make some solar investment unprofitable, but we ignore it

3. Counterfactual 2: No market integration (with dynamic correction)
   - Chile did not integrate markets
   - We adjust for the dynamic effect by taking out unprofitable solar entries
Overall, the model well captures market outcomes
It is still unable to capture some extremely high or low prices
We are in the process of further improving the model
Counterfactual policy simulations: Solar generation

- Without market integration, solar generation would be lower because the excess solar supply cannot be exported (i.e., curtailment)
Counterfactual policy simulations: Solar generation

- In addition, large amount of solar investment would be unprofitable in the absence of integration (dynamic effect)
Counterfactual policy simulations: Generation cost

- Market integration lowers generation cost per MWh
- Ignoring the dynamic effect underestimates the cost savings
## Result 1: Solar generation

<table>
<thead>
<tr>
<th>Actual Market integration</th>
<th>No market integration</th>
<th>Impacts of integration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Without dynamic correction</td>
<td>With dynamic correction</td>
</tr>
<tr>
<td>Solar generation (GWh/day)</td>
<td>19.4</td>
<td>16.6</td>
</tr>
<tr>
<td>Generation cost: all hours (USD/MWh)</td>
<td>25.2</td>
<td>26.5</td>
</tr>
<tr>
<td>Generation cost: hour 12 (USD/MWh)</td>
<td>21.8</td>
<td>24.3</td>
</tr>
</tbody>
</table>

- Market integration increased solar generation by 6.1 GWh/day
- The static result (2.8 GWh/day) underestimates the full effect
## Result 2: Generation cost

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>No market integration</th>
<th>Impacts of integration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market integration</td>
<td>Without dynamic correction</td>
<td>With dynamic correction</td>
</tr>
<tr>
<td>Solar generation (GWh/day)</td>
<td>19.4</td>
<td>16.6</td>
<td>13.4</td>
</tr>
<tr>
<td></td>
<td>(+17%)</td>
<td>(+45%)</td>
<td></td>
</tr>
<tr>
<td>Generation cost: all hours (USD/MWh)</td>
<td>25.2</td>
<td>26.5</td>
<td>26.9</td>
</tr>
<tr>
<td></td>
<td>(-5%)</td>
<td>(-6%)</td>
<td></td>
</tr>
<tr>
<td>Generation cost: hour 12 (USD/MWh)</td>
<td>21.8</td>
<td>24.3</td>
<td>25.2</td>
</tr>
<tr>
<td></td>
<td>(-10%)</td>
<td>(-14%)</td>
<td></td>
</tr>
</tbody>
</table>

- Market integration **reduced** generation cost by 1.7 USD/MWh
- The static result (1.3 USD/MWh) underestimates the full effect
- This is consistent with **Result 1** in our theory section
### Result 3: Price

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>No market integration</th>
<th>Impacts of integration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market integration</td>
<td>Without dynamic correction</td>
<td>With dynamic correction</td>
</tr>
<tr>
<td>Price at noon in all regions (USD/MWh)</td>
<td>36.8</td>
<td>37.3</td>
<td>39.5</td>
</tr>
<tr>
<td>Price at noon in Atacama (USD/MWh)</td>
<td>34.5</td>
<td>2.0</td>
<td>28.1</td>
</tr>
<tr>
<td>Price at noon in Santiago (USD/MWh)</td>
<td>38.3</td>
<td>43.9</td>
<td>43.9</td>
</tr>
<tr>
<td>Price difference (Santiago - Atacama)</td>
<td>3.8</td>
<td>41.9</td>
<td>15.8</td>
</tr>
</tbody>
</table>

- Market integration **reduced** price by 2.7 USD/MWh
- The static result (0.5 USD/MWh) underestimates the full effect
- This is consistent with **Result 2** in our theory section
## Result 4: Regional price difference

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>No market integration</td>
<td>No market integration</td>
<td>Impacts of integration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Without dynamic correction</td>
<td>With dynamic correction</td>
<td>(1)-(2)</td>
<td>(1)-(3)</td>
<td></td>
</tr>
<tr>
<td>Price at noon in all regions</td>
<td>36.8</td>
<td>37.3</td>
<td>39.5</td>
<td>-0.5</td>
<td>-2.7</td>
</tr>
<tr>
<td>(USD/MWh)</td>
<td></td>
<td></td>
<td></td>
<td>(-1%)</td>
<td>(-7%)</td>
</tr>
<tr>
<td>Price at noon in Atacama</td>
<td>34.5</td>
<td>2.0</td>
<td>28.1</td>
<td>32.5</td>
<td>6.4</td>
</tr>
<tr>
<td>(USD/MWh)</td>
<td></td>
<td></td>
<td></td>
<td>(+1,666%)</td>
<td>(+23%)</td>
</tr>
<tr>
<td>Price at noon in Santiago</td>
<td>38.3</td>
<td>43.9</td>
<td>43.9</td>
<td>-5.6</td>
<td>-5.6</td>
</tr>
<tr>
<td>(USD/MWh)</td>
<td></td>
<td></td>
<td></td>
<td>(-13%)</td>
<td>(-13%)</td>
</tr>
<tr>
<td>Price difference</td>
<td>3.8</td>
<td>41.9</td>
<td>15.8</td>
<td>-38.1</td>
<td>-12.0</td>
</tr>
<tr>
<td>(Santiago - Atacama)</td>
<td>(-91%)</td>
<td>(-76%)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Market integration **reduced** regional price difference by 12 USD/MWh
- The static result (38 USD/MWh) overstates this price convergence
- This is consistent with **Result 3** in our theory section
Can we use our model to correct bias in event study?

1. Shift the timing of solar investment
   - Let solar investment occur *simultaneously* with integration
2. Solve the model to obtain market outcomes
3. Run the event study regression with these outcome variables
First, we use our model to reproduce the static event study result

<table>
<thead>
<tr>
<th></th>
<th>No dynamic correction</th>
<th>With dynamic correction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (After the interconnection)</td>
<td>-0.66 (0.28)</td>
<td>-1.01 (0.29)</td>
</tr>
<tr>
<td>1 (After the reinforcement)</td>
<td>-2.96 (0.54)</td>
<td>-3.45 (0.55)</td>
</tr>
<tr>
<td>Coal price [USD/ton]</td>
<td>0.16 (0.01)</td>
<td>0.16 (0.01)</td>
</tr>
<tr>
<td>Natural gas price [USD/m³]</td>
<td>16.38 (6.38)</td>
<td>18.29 (6.46)</td>
</tr>
<tr>
<td>Scheduled demand (GWh)</td>
<td>0.08 (0.01)</td>
<td>0.08 (0.01)</td>
</tr>
<tr>
<td>Mean of dep var</td>
<td>33.15</td>
<td>33.67</td>
</tr>
<tr>
<td>Month FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Sample size</td>
<td>1041</td>
<td>1041</td>
</tr>
</tbody>
</table>
• Second, we let solar investment occur **simultaneously** with integration
• This illustrates how static event study underestimates the effects

<table>
<thead>
<tr>
<th></th>
<th>No dynamic correction</th>
<th>With dynamic correction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1(After the interconnection)</td>
<td>-0.66 (0.28)</td>
<td>-1.01 (0.29)</td>
</tr>
<tr>
<td>1(After the reinforcement)</td>
<td>-2.96 (0.54)</td>
<td>-3.45 (0.55)</td>
</tr>
<tr>
<td>Coal price [USD/ton]</td>
<td>0.16 (0.01)</td>
<td>0.16 (0.01)</td>
</tr>
<tr>
<td>Natural gas price [USD/m³]</td>
<td>16.38 (6.38)</td>
<td>18.29 (6.46)</td>
</tr>
<tr>
<td>Scheduled demand (GWh)</td>
<td>0.08 (0.01)</td>
<td>0.08 (0.01)</td>
</tr>
<tr>
<td>Mean of dep var</td>
<td>33.15</td>
<td>33.67</td>
</tr>
<tr>
<td>Month FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Sample size</td>
<td>1041</td>
<td>1041</td>
</tr>
</tbody>
</table>
Conclusion
We study market integration & renewable expansion

1. Theory
   - Characterized static and dynamic impacts of market integration
   - Highlighted that a standard event study may not capture a full effect

2. Empirical analysis:
   - We exploited grid expansions and micro data in Chile
   - We used both event study and structural estimation

3. Empirical findings:
   - Substantial solar investment would be unprofitable without integration
   - Market integration increased solar generation by 45%
   - Market integration reduced gen. cost by 6.4% (overall) & 13% (hr 12)
   - We showed how static analysis underestimates these full effects
Appendix
## Carbon emission

<table>
<thead>
<tr>
<th></th>
<th>Renewable</th>
<th>Hydro</th>
<th>Coal</th>
<th>Natural gas</th>
<th>Other thermal</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actual scenario</strong></td>
<td>16.4%</td>
<td>27.6%</td>
<td>36.2%</td>
<td>13.4%</td>
<td>6.4%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>No market integration (static)</strong></td>
<td>14.8%</td>
<td>27.8%</td>
<td>35.1%</td>
<td>15.5%</td>
<td>6.9%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>No market integration (dynamic)</strong></td>
<td>13.4%</td>
<td>27.8%</td>
<td>36.2%</td>
<td>15.7%</td>
<td>6.9%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Generation level (GWh)</th>
</tr>
</thead>
</table>
| **Actual scenario** | 34.1  57.5  75.9  28.0 | 13.4  208.9  
| **No market integration (static)** | 30.6  57.9  73.1  32.2 | 14.3  208.2  
| **No market integration (dynamic)** | 27.8  57.9  75.4  32.7 | 14.3  208.2  

<table>
<thead>
<tr>
<th></th>
<th>Emission level (tons of CO2)</th>
</tr>
</thead>
</table>
| **Actual scenario** | 0.0   0.0   62968.7   9533.5 | 0.0   72502.2  
| **No market integration (static)** | 0.0   0.0   60686.3   10955.5 | 0.0   71641.8  
| **No market integration (dynamic)** | 0.0   0.0   62614.9   11128.1 | 0.1   73743.1  |