

18. Correct. The answer is false. Cross subsidization of prices in electricity markets in the past has distorted electricity prices away from costs by time and location. In restructured more competitive electricity markets with vertical disintegration or ring fencing, such price distortions are likely to fade away. Economic efficiency requires that prices reflect marginal costs with capacity charges to ensure that the appropriate capacity is built. However, marginal cost pricing by time of day to small customers may be limited by metering costs.