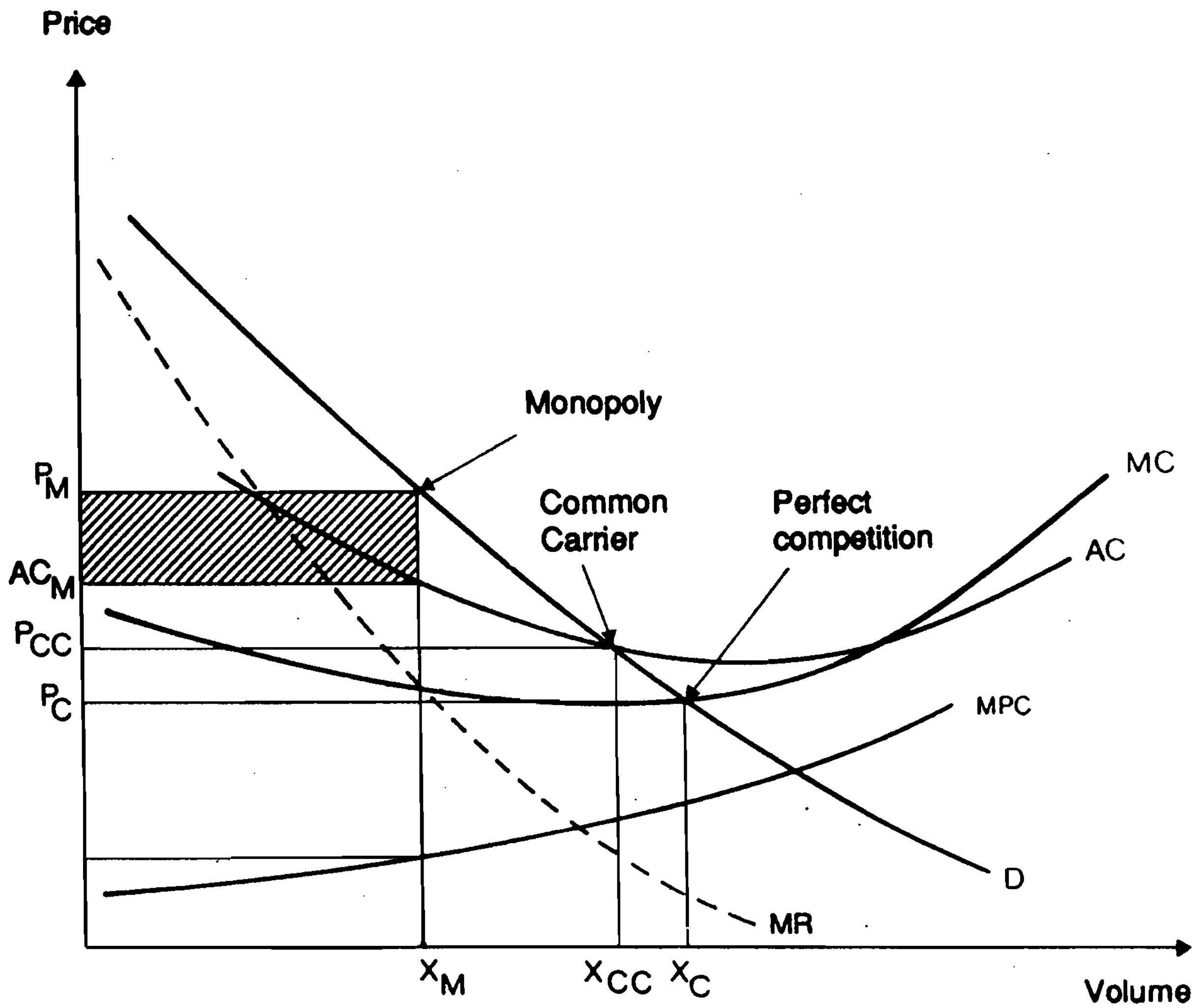
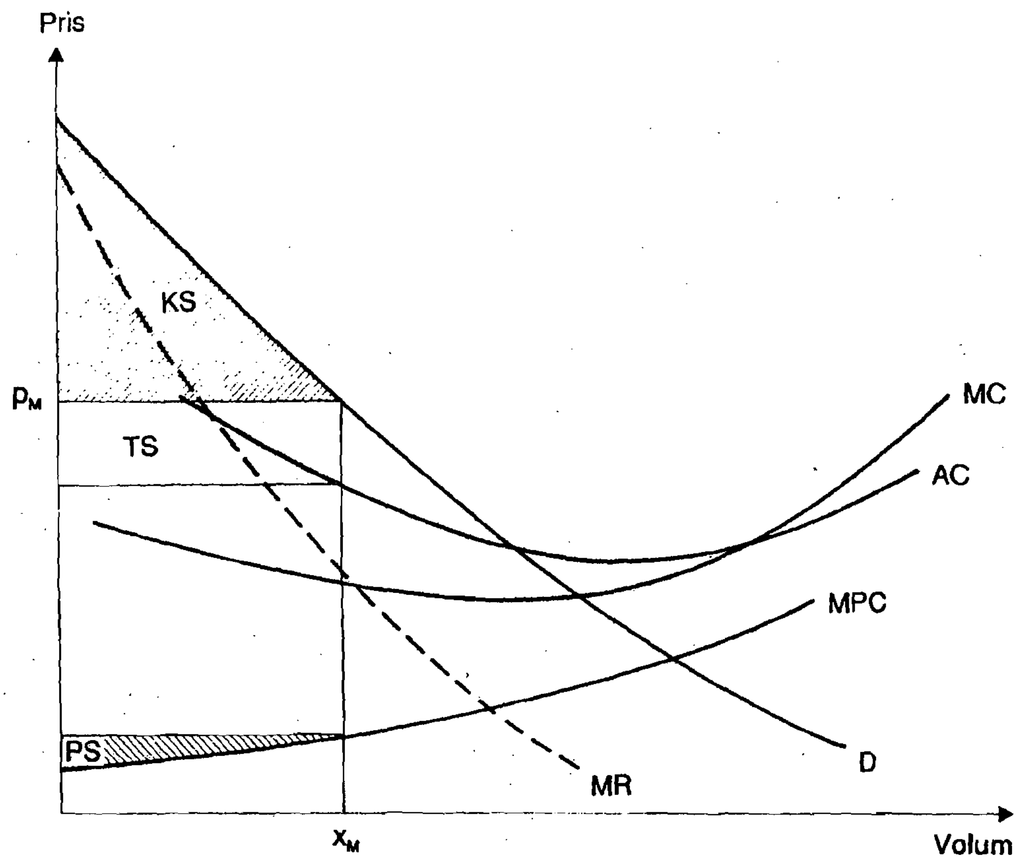


Fig. 1. Monopoly and common carrier equilibrium in the gas market.

transmission monopoly. In Fig. 1 the MC curve represents total marginal cost and the MPC curve marginal production cost. Marginal transmission cost (not drawn) is hence represented by the difference between the two curves. MPC is everywhere increasing. The curve AC is the sum of MPC and the average cost of transmission. The vertical distance between AC and MPC diminishes, which means increasing returns to scale in the transmission of gas. The demand curve is D, while the corresponding marginal revenue is given by the curve MR. The optimal sales volume from an overall efficiency point of view is at the intersection of the MC curve and the demand curve ("C"). The monopoly solution with no price discrimination (flat rates across consumers) is given by the intersection of the MC curve and the MR curve ("M").



Pris
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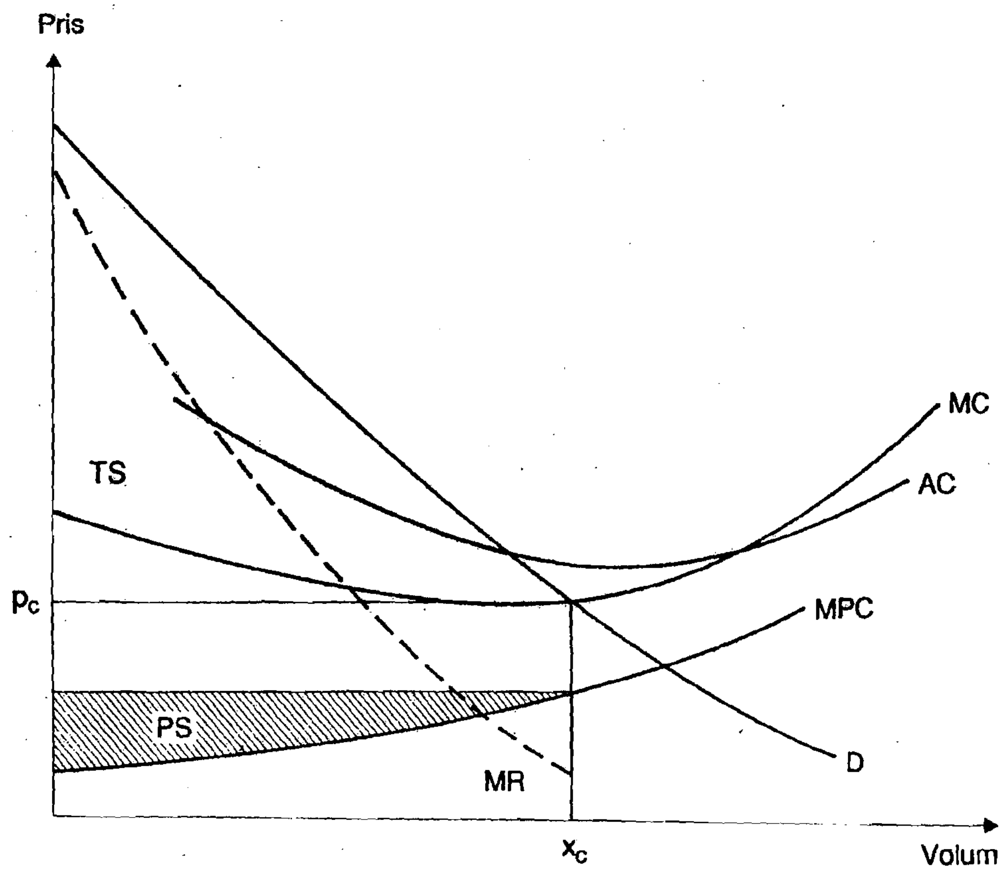
TS
MC
AC
MPC
PS
D
MR
xM
Volum



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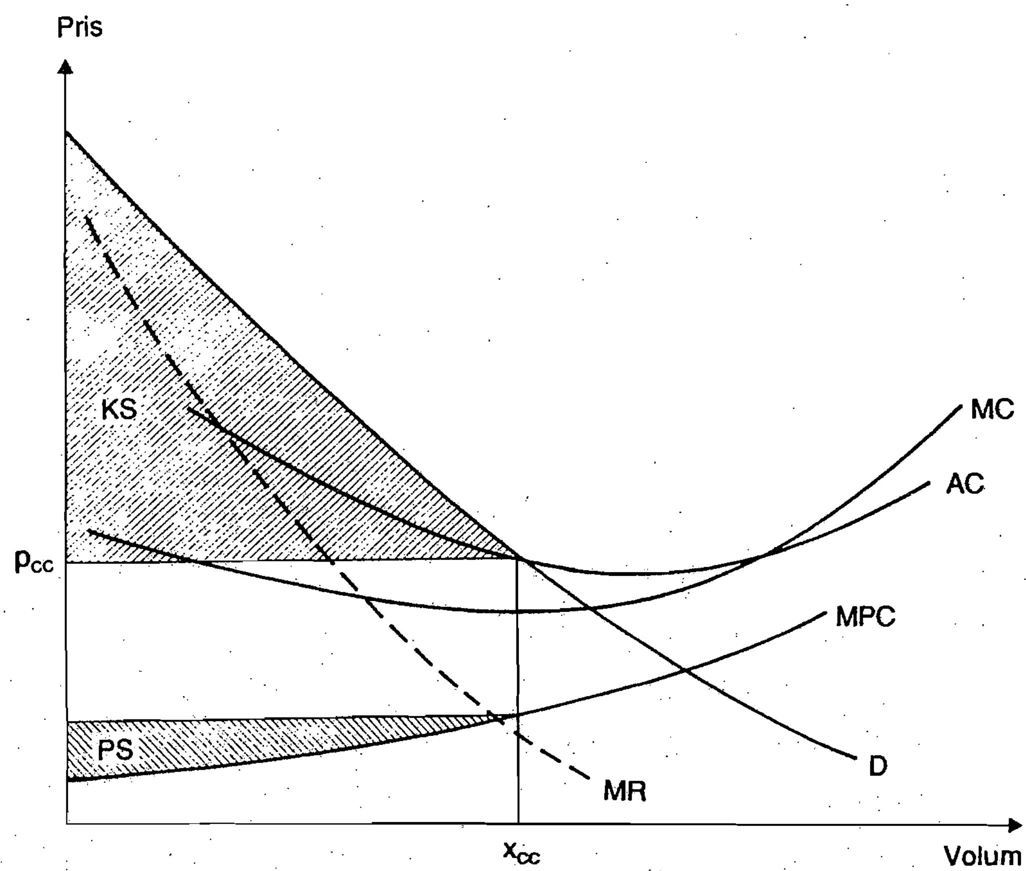

Pris
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