

The Objectives of Economic Regulation:

Feasibility and Public Acceptability

Monday 16 September

Julian Study Centre, Floor 3, Room 3.02, University of East Anglia, Norwich

CONFERENCE SESSIONS & SPEAKERS

OPENING REMARKS



FRANCES BOWEN, Pro-Vice Chancellor for Social Sciences & Centre for Competition Policy, UEA

Prof Frances Bowen, Pro-Vice Chancellor for Social Sciences, joined UEA on 1 September 2018. She is responsible for the overall academic and strategic leadership of the seven schools within UEA's Social Sciences faculty, and leads on several cross-university portfolios. Before joining UEA, Prof Bowen was Dean of the School of Business and Management at Queen Mary University of London, where she had also previously served as Deputy Head and Director of Research. Having earned degrees at the University of Oxford, Northeastern University (USA), and the University of Bath, she went on to progressively more senior academic appointments at the University of Sheffield and the University of Calgary in Canada, where she was Associate Dean (Research) at the Haskayne School of Business. She has also held visiting fellowships at the University of Oxford and at Nanyang Technological University in Singapore.

Prof Bowen's research focuses on corporate environmental strategy and has been supported by nearly £1m of grant funding from the ESRC, EPSRC, BEIS, Defra, SSHRC and Canadian provincial and federal governments. She is a Professor of Strategy in Society at Norwich Business School, where her research focuses on responsible business and regulatory alternatives. She has served as both the Chair of the Organizations and the Natural Environment (ONE) Division of the Academy of Management, and as President of the Group for Research on Organizations and the Natural Environment (GRONEN).

Since holding an ESRC-funded knowledge exchange fellowship at Defra in 2013, Prof Bowen often gives advice and evidence to regulators (e.g. the Environment Agency) and government departments (e.g. Defra; NAO; BEIS) on how to influence corporate environmental behaviours. She is currently on the BEIS Network of Experts, advising policy leads on regulatory alternatives.



CATHERINE WADDAMS, Emeritus Professor, Norwich Business School & Centre for Competition Policy, UEA

Catherine Waddams (formerly Price) is a faculty member of the Centre for Competition Policy and Professor in Norwich Business School, which she joined in 2000. In 2001 she founded the Centre for Competition Policy (CCP) and was the director until July 2011. From 1995 to 2000 she was the founding Director of the Centre for Management under Regulation and Professor in Warwick Business School, and prior to that senior lecturer in economics at the University of Leicester. She has held visiting positions at the University of California at Berkeley, the University of Copenhagen and the University of Cambridge. Her research interests are in the area of Industrial Organization, and she has published widely on privatization, regulation and the introduction of competition, especially in energy markets. She is particularly interested in the distributional impact of regulatory reform, and consumer choice in newly opened markets, both in the UK and elsewhere. She is a Non-Executive Director of the Water Services Regulation Authority (Ofwat), and a member of the expert advisor panels of the UK Regulators Network. From 2001 to 2009 she was also a part-time member of the UK Competition Commission.

Presentation: 'Changing Answers, Questions and Reference Points'

Fairness is a salient and contentious concept in the core utility sectors. Within the household sector, this can be viewed through the lens of attitudes to the relative prices charged to different groups of consumers. This paper discusses different notions of fairness with respect to price differentiation and discrimination among policy makers and others over the past fifty years, in particular within the energy sector.

SESSION 1: The Development of Regulatory Objectives Over 40 Years



MICHAEL HARKER, Professor of Law, UEA Law School & Centre for Competition Policy, UEA

Michael Harker is a Professor of Law in UEA Law School and a member of CCP. His research interests are primarily in regulation, competition law and media law. He is currently pursuing research projects on regulatory independence, media regulation and online advertising. His research has been funded by various bodies including the ESRC, the Department of Business, and Ofcom.

Presentation: 'Statutory duties and shaping the decision-making of an economic regulator: a case study on Ofgem'

This paper is concerned with how statutory duties structure the decisions of agencies, using Ofgem as a case study. Rather than focusing on the role of the court as the principal check on how discretionary powers are exercised, we instead explore statutory interpretation as an autonomous exercise, with external influences and internal norms and customs. This requires a distinctive methodological approach. With that in mind, we have conducted a series of semi-structured elite interviews with senior members of the energy regulatory community, past and present. Energy regulation has been selected as a case study due to the controversies in recent years over the legitimate limits of economic regulation, as successive governments have imposed broader public interest goals on the regulator, resulting in a proliferation of statutory objectives. This increased complexity has arguably obscured the appropriate contours and rationales of economic regulation, with criticisms levelled at successive governments for imposing policy objectives on the regulator which should instead be pursued by elected politicians.



DAVID DELLER, Senior Research Associate, Centre for Competition Policy, UEA

David joined CCP in 2013 after completing a PhD in Economics at the University of Essex. David's research comprises three core themes in regulated sectors: (i) consumer behaviour, (ii) affordability and (iii) regulatory institutions. David has explored these themes mainly in the context of the energy and water sectors.

David has worked closely with Catherine Waddams on a range of projects. These include analysing consumer switching behaviour during a collective switch in the energy market; reviewing the affordability of utility services across the EU; and taking a central role in the UK Energy Research Centre (UKERC) funded project 'Equity and Justice in Energy Markets'. This UKERC project involved

close collaboration with Catherine to investigate: the energy expenditure shares of households in the long-run; regional variations in energy bills together with consumer inaction; SMEs' satisfaction with the energy market; and consumers' perceptions of heat affordability.

David is integral to CCP's engagement activities being the co-author of reports for Ofgem, Anglian Water, the Centre on Regulation in Europe (CERRE) and Which?. He has also jointly written a large number of consultation responses and has engaged with senior decision makers at the Competition and Markets Authority, the Department for Business, Energy and Industrial Strategy, the former Department for Energy and Climate Change, EDF Energy, the European Commission's DG Ener, Ofwat and SSE.

Presentation: 'Economic Regulation in Context: The case of the water sector in Europe'

This presentation contextualises debates about the appropriate objectives for economic regulators by exploring the broad objectives set by society for the water sector and the role of economic regulation in meeting these objectives. This discussion is set against a backdrop where the existing ownership and governance arrangements of the water sector are being questioned in the UK and Italy. The presentation highlights the variety of water governance arrangements across EU member states and differences in water sector performance across large EU economies. While it may be difficult to identify an 'optimal' water governance structure overall, not least because different societies likely place differing weights on particular objectives, it is easier to draw conclusions about the ability of alternative governance structures to deliver individual objectives. For an industry characterised by large capital assets (the water and sewerage network), a central issue is achieving an appropriate level of capital investment over the long-run. The presentation reviews why having an regulator independent from government is likely to be a key element in achieving the appropriate investment, regardless of whether water companies are in public or private hands.

SESSION 2: International Experience with Goals of Economic Regulation



Chair: **MICHAEL POLLITT, Professor of Business Economics, Judge Business School, University of Cambridge.**

Michael Pollitt is Professor of Business Economics at the Judge Business School, University of Cambridge. He is an Assistant Director of the university's Energy Policy Research Group (EPRG) and a Fellow in Economics and Management at Sidney Sussex College, Cambridge. He is a former external economic advisor to Ofgem. He is a member of the editorial board of the Review of Industrial Organization, Competition and Regulation in Network Industries, Utilities Policy and The Energy Journal. He was a founding co-editor of Economics of Energy and Environmental Policy. He is a member of the Council of the International Association for Energy Economics (IAEE) and a joint academic director for Energy of the Centre on Regulation in Europe (CERRE). Michael is also conference convenor of the Association of Christian Economists UK. He is the author of more than 80 refereed journal articles and 11 books, including In Search of Good Energy Policy (CUP, 2019). His research interests include productivity analysis, measurement of economic reform impacts and future energy and carbon market design and regulation. Michael has a D.Phil. from the University of Oxford.



BRUNO LIEBHABERG, Director General, Centre on Regulation in Europe (CERRE)

Bruno Liebhaberg is the Director General of the Centre on Regulation in Europe (CERRE), a European think tank founded in 2010 at his initiative. CERRE brings together close to fifty university centres, regulatory authorities and operators and infrastructure managers active in the digital and network industries, such as the energy, water, internet, telecommunications, audiovisual media and mobility sectors. Implemented through high level, independent research and dissemination activities, the mission of CERRE (www.cerre.eu) is to contribute to robust, stable and professional regulation systems and practices, up-to-date with the development of technologies and markets, in those crucial sectors for the economy and for the citizens. Bruno Liebhaberg is also the chair of the EU Observatory on Online Platform Economy. Bruno Liebhaberg was a Professor at the Solvay Brussels School of Economics and Management, Université Libre de Bruxelles (ULB), from 1979 to 2018. He started his career as a European Commission trade official, involved in GATT (now WTO) negotiations, and became subsequently a member of the private office of former European Commission President Jacques Delors, whom he advised on policy aspects relating to industrial affairs and R&D policy. From 2012-2017, he was also Vice-President and President of the Scientific Council of the Foundation for European Progressive Studies (FEPS). A frequent commentator in the media, Bruno Liebhaberg has an MA in Management Sciences from the Solvay Brussels School of Economics and Management, ULB, and a Ph.D in Industrial Relations from the London School of Economics and Political Science.



SIMON ROBERTS, Economics Director, Competition and Markets Authority, and Professor, Centre for Competition, Regulation and Economic Development, University of Johannesburg

Simon Roberts is an economics director at the UK's Competition and Markets Authority and a professor of economics at the University of Johannesburg where he founded and directed the Centre for Competition, Regulation and Economic Development (CCRED). He has worked extensively and published on issues of industrial development, trade, regional value chains, competition and economic regulation in Southern and East Africa, advising governments, competition authorities and regulators. He has also testified as an expert witness in a number of major cases. Simon previously held the position of Chief Economist and Manager of the Policy & Research Division at the Competition Commission of South Africa from November 2006 to

December 2012. Prior to this he was an associate professor at the University of Witwatersrand.



RUSSELL PITTMAN, Director of Economic Research, Antitrust Division, U.S. Department of Justice

As well as the Director of Economic Research in the Antitrust Division of the U.S. Department of Justice, he is also a visiting professor at the Kyiv School of Economics and the New Economic School (Moscow). Among his most influential papers have been those on U.S. railways regulation in the 2010 Journal of Regulatory Economics and Administrative Law Review; on infrastructure reform in transition countries in the 2003 Journal of Industry, Competition, and Trade; on the IBM antitrust litigation in the 1984 International Journal of Industrial Organization; and on the measurement of productivity in the presence of negative externalities in the 1983 Economic Journal. Dr. Pittman consults regularly with antitrust enforcers and economic reformers in transition and developing economies. He is currently a member of an International Transport Forum team advising the Agencia Reguladora del Transporte Ferroviario in Mexico.

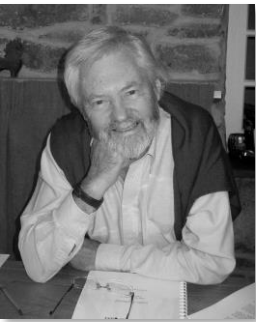
LUNCH REMARKS



BRUCE LYONS, Professor of Economics, School of Economics & Centre for Competition Policy, UEA

Bruce Lyons is Professor of Economics and a faculty member of the Centre for Competition Policy (CCP). Bruce's current research is focused on the economics of competition policy and particularly the implications of behavioural consumers. His other research interests include market structure and state aid. Since 2001, he has given invited research papers in sixteen countries, and held visiting research positions at the European University Institute and University of Melbourne. He is Academic Advisor on competition economics to KPMG. He was formerly Editor of the Journal of Industrial Economics. For many years he was a member of the EU's Economic Advisory Group on Competition Policy and a member of the UK's Competition Commission.

SESSION 3: Economic Objectives of Regulation



Chair: STEPHEN LITTLECHILD, Emeritus Professor, University of Birmingham & Fellow, Cambridge Judge Business School

Stephen Littlechild is Fellow at Judge Business School, Cambridge University, and Emeritus Professor at Birmingham University, where he was previously Professor of Commerce (1975-1989). He was a member of the Monopolies and Mergers Commission (1983-1988), Director General of Electricity Supply and head of the Office of Electricity Regulation (1989-1998), and non-executive Member of the Postal Services Commission (Postcomm) (2006-2011). Since 1999 he has been an international consultant on privatisation, regulation and competition, including in the electricity, telecommunications, water and airport sectors.



MICHAEL WATERSON, Professor of Economics, University of Warwick

Michael Waterson has been Professor of Economics at the University of Warwick since 1991 and has previously been a professor at the University of Reading and lecturer at the University of Newcastle upon Tyne. He has written widely on industrial economics topics including several books and a large number of articles, including papers in American Economic Review, Quarterly Journal of Economics, Economic Journal, Rand Journal, etc. These encompass in particular several papers on energy industries and on regulated industries more generally, including work with Catherine Waddams. He was general editor

of the Journal of Industrial Economics for five years and is a past president of EARIE. Outside academia, he was a member of the UK Competition Commission for nine years (serving on the Commission's market investigation into bus services and on a number of merger inquiries) and is since 2017 a member of the Competition Appeal Tribunal. He has written a report for the Government on secondary event ticketing. He has also undertaken various consultancy activities for organisations including the Office of Fair Trading, National Economic Research Associates, Oxera and Frontier Economics in relation to a range of aspects of the energy industry and retail competition.



MONICA GIULIETTI, Professor of Microeconomics, Loughborough University

Monica Giulletti is Professor of Microeconomics and Head of the Economics Discipline Group at the School of Business and Economics, Loughborough University. She is an associate fellow of the Energy Policy Research Group, Cambridge University and of the Centre for Competition Policy, University of East Anglia. She has also been a member of Department of Energy and Climate Change panel of technical experts for the Electricity Market Reform. Before joining Loughborough she has worked at the Universities of Warwick, Nottingham, Aston and Exeter. Her research focuses on competition and regulation in wholesale and retail energy markets, energy consumers' behaviour and business models for decentralised energy storage. She has conducted research for the Department of Energy and Climate Change, the Energy Retail Association, Platts and Western Power Distribution and has received funding from the ESRC, EPSRC, UKERC and the Levehulme Trust. Her research has been published in international peer-reviewed journals such as the Economic Journal, Journal of Business and Economic Statistics, Journal of Industrial Economics, Oxford Economic Papers, Energy Journal, Energy Economics and Energy Policy.



DAVID NEWBERY, Director, Cambridge Energy Policy Research Group, University of Cambridge

Professor David Newbery is the Director of the Cambridge Energy Policy Research Group and Emeritus Professor of Applied Economics at the University of Cambridge. He is a Fellow of the British Academy and of the Econometric Society. He was President of the European Economic Association, 1996 and President of the International Association for Energy Economics, 2013. Educated at Cambridge with degrees in Mathematics and Economics, he has managed research projects on utility privatisation and regulation, road pricing, transition from state socialism to the market economy in central Europe, electricity restructuring and market design, transmission access pricing and has active research on market integration, transmission planning and finance, climate change policies, and the design of energy policy and energy taxation. Occasional economic advisor to Ofgem, Ofwat, and ORR, former member of the Competition Commission, chairman of the Dutch Electricity Market Surveillance Committee, and member of the Panel of Technical Experts offering quality assurance to DECC on the delivery of the UK's Electricity Market, he is currently an independent member of the Single Electricity Market Committee of the island of Ireland, and a panel member of Ofgem's Network Innovation Competition. His books include Privatization, Restructuring and Regulation of Network Utilities, and with Joe Stiglitz, The Theory of Commodity Price Stabilization: A Study in the Economics of Risk.

SESSION 4: Regulatory Objectives – Past, Present & Future



MARTIN LODGE, Director, Centre for Analysis of Risk and Regulation & Professor of Political Science and Public Policy, London School of Economics

Martin has been member of the Department of Government at LSE since 2002. Prior to that appointment, he was Lecturer in Public Policy at the University of Ulster at Jordanstown and at the ESRC Centre for Analysis of Risk and Regulation (CARR). Since 2011, he has been Managing Editor of Public Administration and co-chairperson of the IPSA Research Committee on the 'Structure and Organisation of Government'.

Presentation: 'The Changing Nature of Economic Regulation'

The contribution considers whether we have witnessed a move from a 'responsible' to a 'responsive' regulatory state over the course of the past decade or so, due to disappointment with existing orthodoxies in economic regulation and the aftermath of the financial crisis.



TIM TUTTON, Associate Member, Centre for Competition Policy, UEA

Tim Tutton is an economist, specialising in the regulation of utilities. He is currently an Associate at the Centre for Competition Policy, as well as a Non-Executive Director at Bristol Water and a member of various enforcement and competition panels at the Financial Conduct Authority/Payments Systems Regulator. He has previously been Director of UK Regulation at National Grid, Director of UK Utility Regulation at PwC, a Senior Adviser at Oxera and a Panel Member at the Competition and Markets Authority.

Presentation: 'Political Control of State-owned Utilities: lessons from UK experience with nationalised and privatised utilities'

The way that political control was exercised over the main UK nationalised utilities, from the 1940s onwards, was at least a contributory factor to the eventual privatisation of the industries in question. This presentation looks at what can be learned from both the experience with the nationalised utilities and from the subsequent experience with privatised ones, as a means of informing how things might be done better in the event of future renationalisations.

Session 5: Practical Challenges of Regulators with Multiple Objectives



Chair: **GREG OLSEN, Partner and Head of London Antitrust Practice, Clifford Chance LLP**

Greg Olsen is partner and head of the London antitrust practice of Clifford Chance. He specialises in EU and UK competition law and has significant experience advising on cartels and other critical antitrust investigations. He regularly represents major corporations and institutions before the EU and UK competition authorities and has worked across a wide range of industry sectors, including financial services, media and consumer goods & retail. Greg has over 20 years' experience and was named 2018 Deal Maker of the Year by Global Competition Review. He holds law degrees from the University of Oxford (UK) and the University of Canterbury (NZ).



AMELIA FLETCHER, Professor of Competition Policy & CCP Deputy Director, Norwich Business School & Centre for Competition Policy, UEA

Professor of Competition Policy at the Centre of Competition Policy and Norwich Business School, University of East Anglia, Amelia is also Non-Executive Director at the Competition and Markets Authority, the Financial Conduct Authority and the Payment Systems Regulator, and a member of the Enforcement Decision Panel at Ofgem. She was Chief Economist at the Office of Fair Trading (2001-2013) and spent two years as the OFT's Senior Director of Mergers. Her academic research concerns implications for competition and consumer policy of behavioural economics and online markets. She has a DPhil and MPhil in economics from Nuffield College, Oxford and was awarded an OBE in 2014

for services to competition and consumer policy. She recently acted as a member of HM Treasury's Expert Panel on Digital Competition, led by Jason Furman.



MAUREEN PAUL, Head of Analytical Strategy, Ofgem

Maureen Paul has over 15 years' regulatory experience working in the public and private sector. She heads up Ofgem's Analytical Strategy team, overseeing work that builds internal and external understanding of how well the energy markets are working and providing transparency of the impact that Ofgem's decisions have for consumers and the burdens that these decisions place on business. She also heads up Ofgem's economics community. Before joining Ofgem, Maureen worked with the Competition Commission and the Office of Fair Trading on a number of market studies, Competition Act cases and mergers cases. She has a PhD in economics from the University of Warwick.



ALEX PLANT, Director of Strategy and Regulation, Anglian Water

Alex is Director of Strategy and Regulation at Anglian Water, having joined the company in 2015. Previously he has worked as Director of Regulation at Royal Mail, Executive Director for Economy, Transport & Environment at Cambridgeshire County Council, and Chief Executive of Cambridgeshire Horizons, driving forward the delivery of sustainable new communities in Cambridgeshire. Earlier in his career, Alex was Deputy Regional Director of the Government Office for the East of England, spent 4 years as Head of Economic Policy and International Aviation at the CAA, and worked in HM Treasury on competition policy, including leading the work on the

2002 Enterprise Act. In addition to his role with Anglian Water, Alex is a Board Member of the Centre for Cities and a Board Member and Policy Chair for Cambridge Ahead, the business group for the Greater Cambridge economy.



LUCY EYRE, Principal Economist, Ofgem

Lucy has been a Principal in the Economics team at Ofcom for the past two years. Prior to this, she worked at CRA and NERA. Recently, Lucy has worked on the policy for the upcoming spectrum auction and on price differentials between engaged and unengaged consumers ('the loyalty penalty').