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The Florence School of Regulation

What is the Florence School of Regulation?

The Florence School of Regulation (FSR) is a partnership between the European University Institute (EUI) / Robert Schuman Centre for Advanced Studies (RSCAS) and the Council of the European Energy Regulators (CEER), and it works closely with the European Commission.

Its objectives are to promote informed discussion of key issues; to provide state-of-the-art training for practitioners; and to produce analytical studies in the field of regulation. It is a European forum dedicated to economic regulation.

At present, its scope is focused mainly on the regulation of energy; in particular, on the electricity and gas markets. It is a European forum where policy and business decision-makers, regulators, regulated companies and academics from different countries who are involved in the energy sector can meet. Activities include the discussion of regulatory concepts, practices and policies; the dissemination of best practices; foreseeing new challenges and requirements and the development of a common regulatory language and regulatory culture, along with norms of accountability.

The FSR aims to become a point of reference for regulatory theory and practice not only for the energy sector, but also for other industrial and financial sectors, in order to draw on the knowledge and experience accumulated in different countries and different periods of time.

The FSR is based at the European University Institute (EUI) in Fiesole, on the hills near Florence. It benefits from its remarkable location coupled with fully-equipped, up-to-date facilities, and from the EUI's very large library.

Why do we need a School of Regulation?

In Europe, the network industries, such as energy, telecommunications and transport, are the backbone of economic and social life. The physical interconnection of national networks started many years before the Treaty of Rome was signed, and anticipated the political development of the European Union (EU). These industries also present similar issues and are all subject to some economic regulation. This is a complex task involving both national regulatory authorities and institutions, as well as EU institutions, such as the European Commission (EC).

The FSR provides a permanent forum for research, communication and consensus-building in which to find the appropriate balance among institutions, to identify the best economic and legal instruments, and to ensure that regulators reach adequate levels of efficiency, independence, accountability and democratic legitimacy.

Why start with Energy?

The CEER (Council of the European Energy Regulators) and the European Commission have co-operated with the EUI (European University Institute/Robert Schuman Centre for Advanced Studies) since 1998, when the European Electricity Regulation Forum (known as the Florence Forum) was created. At the time of its creation the Florence Forum was a very innovative initiative, as it supported regulatory decision-making, and brought together representatives from all the relevant stake holders and member states along with the Commission and the CEER. The inspiration to develop the FSR came from some of the participants of the Florence Forum, with the intention of creating a point of reference for regulatory learning, debate and research.

Innovative structure, financing and management

Financing and other resources for the initiatives and management of the Florence School of Regulation are provided by the partners and by a number of regulated or non-regulated

companies with an interest in the subject matter (these are known as sponsors, divided into: major and associate) who participate in this initiative through the payment of an annual fee.

The Florence School's major sponsors for 2007-2008 are EDF, Endesa Italia, Enel, Eni, Iberdrola, National Grid, Verbund APG and Vattenfall.

Associate sponsors for 2007-2008 are: A2A, Edison, Electrabel, Elia, EnBW Energie Baden-Württemberg AG, Gestore Mercato Elettrico (GME), Gestore Servizi Elettrici (GSE), Hera SpA, OMV, Red Eléctrica de España (REE), REN, and Union Fenosa.

The FSR is characterised by a light management structure that ensures the active participation of both its partners and its sponsors.

The Executive Committee includes representatives of the partners. It defines the overall strategy of the School and approves the working programme, the budget and the annual report.

The Advisory Council includes representatives from all major sponsors and meets at regular intervals. It provides suggestions concerning the work programme and it gives opinions on any issue raised by the Executive Committee.

The School is managed by a team composed of:

- The Director, who ensures that the School maintains the highest academic standards and that its initiatives are of outstanding quality. The Director also provides management supervision. The present Director is Pippo Ranci, professor of economic policy at the Catholic University of Milan and former President of the Italian Regulatory Authority for energy.
- The Training Director who oversees the development of training activities, ensuring a fruitful combination of scientific excellence and practical experience. The present Training Director is Ignacio Pérez-Arriaga, Professor of Electrical Engineering at the Institute for Research in Technology of the Comillas University in Madrid and author of the White Paper on the Spanish electricity sector.
- The Scientific Coordinator who performs all managerial tasks. The present Scientific Coordinator is Francesca Davoli.



Pippo Ranci



Ignacio Pérez-Arriaga



Francesca Davoli

FSR Activities

Conferences – 1-2 days, to disseminate information and research results about regulatory issues.

Workshops – 1-2 days, informal policy discussions among the various regulators, academics and sponsors about specific topics.

Training courses – to provide high-level training for staff of regulatory institutions and sponsoring companies. The training materials are prepared ad hoc.

Research reports – commissioned research by invited specialists.

Fellows-in-residence – to promote original research on appropriate regulatory issues by junior scholars, and academics with a strong reputation.

Regulatory Round Table – to promote state of the art analysis by academic specialists.

Projects – to meet specific needs in the area of regulation.

Work Programme: Future Events (to July 2008)

The year 2007/08 is the fourth year of activity for the Florence School of Regulation. This Work Programme highlights the main priorities envisaged by the School with the aim not only to be at the forefront of discussions on current energy regulation but also to shape the debates on forthcoming regulatory issues.

The objectives for the year 2007/08 are both to continue work in the energy area and to explore issues concerning regulation of other sectors.

Finally, the FSR will consolidate its research output by producing and commissioning research studies strictly co-ordinated with the themes discussed in the Workshops and the Annual Conference and by issuing calls for papers which can stimulate an interest in regulatory issues by young scholars.

Large Conferences

☐ **Annual Conference (AC)** on 'Utilities regulation facing a growing industry concentration: are network unbundling and stronger European regulatory institutions the best solution?' The Annual Conference is a premier event for regulators, policy-makers, scholars and industry managers involved in regulation.

8 May 2008; 1 day

☐ **Regulatory Round Table**

The Regulatory Round Table (RRT) of scholars is an annual meeting of academics to exchange views on the state of the art in economic and legal research on utilities regulation. This year the RRT will be enriched with the presentation of selected Ph.D. dissertations and Master theses on regulation.

9 May 2008; 1 day

☐ **CESSA Conference on Enhancing Security of Supply**

In the framework of the EU-supported project *Coordinating Energy Security of Supply Activities* (CESSA), a Conference will be organised in Florence addressing: the imperfections of the internal energy market and a reasonable level of security of supply; economic

mechanisms of investments and the overall security of energy supply within Europe; the institutional and regulatory conditions, at the national level and at the European level, for coordinating a more effective security of supply policy in the European Union. 12 – 13 June 2008; 2 days

Workshops

Workshops provide the opportunity for regulators, academics and industry representatives to discuss regulatory policy issues.

Workshop on market supervision: an instrument to be developed for more competitive electricity and gas markets. This workshop will analyse the role and potential of market monitoring in the development of more competitive markets presenting the European as well as the North American experiences.

25 Jan 2008; 1 day

Workshop on network governance in energy services. The analysis of the proposals contained in the Third Energy Package of the EU Commission: is it an example of Impact Assessment Analysis as an instrument for Better Regulation?

21 Feb 2008; 1 day

Workshop on renewables (Investment promotion vs. support to energy price; feed-in tariffs vs. green markets). The different options available to promote the increase of electricity production from renewable energy sources, such as feed-in tariffs and green markets, and their principle advantages and disadvantages.

22 Feb 2008; 1 day

Workshop on Judicial Review. A first meeting in a new “legal forum” series. The variety of European methods of judicial review against regulatory decisions and the search for fairness, efficiency and certainty.

11 Apr 2008; 1 day

Workshop on regulation in the transport sector. The current re-organisation and concentration of the transport industry and its consequences on the architecture and operations of the regulatory institutions.

18 Apr 2008; 1 day

Workshop on regulation of another sector. Possible candidates are the oil sector or water services.

4 Jul 2008; 1 day



Workshop, FSR

Training

Training courses are provided for the staff of both regulators and sponsoring companies.

Basic course on the regulation of energy utilities (2007-08 ongoing). The course reviews the basic theory of energy -regulation with a special attention to the EU regulatory experience and it is open to staff of energy companies and of energy regulators.

A new session of the Basic course was started in November 2007.

The course is a sequence of 4 Blocks: Block 1 residential (5 days, 12-16 Nov 07); Block 2 e-learning (6 months, Dec 07 – Jun 08); Block 3 residential only for staff of regulatory institutions (3 days, 16-18 Jun 08); Block 4 residential (1 day, 19 Jun 08).

Advanced training course on Energy Markets: Power Exchanges, Gas Hubs, Energy Derivatives.

Aimed at those staff of regulators and of energy companies who work on market issues.

31 Mar – 4 Apr 2007; 5 days

FSR Summer School on the regulation of energy utilities. A two week residential introductory course that reviews the basic theory of energy regulation with a special attention to the EU regulatory experience. It is open to employees of energy companies, energy regulators from around the world but also to university graduates, doctoral students and other stakeholders. 23 June - 4 July 2008; 10 days (dates to be confirmed)

Research

Research is devoted to deeper analysis of regulatory issues.

Studies. These are designed specifically to enhance understanding of and explore solutions to regulatory policy issues, and are carried out for European institutions (Commission, Parliament, etc.), regulatory authorities or stakeholders (studies which serve narrow interests are excluded);

Papers. Calls for papers will be issued during the year on issues related to the ones discussed in the Workshops and Annual Conference thus contributing to step up the research activities. The calls are published on the FSR web-page <http://fsr.eui.eu> ;

Publications. The book *Service Quality Regulation in Electricity Distribution and Retail* prepared by the FSR in co-operation with the CEER has been published by Springer. The book provides a guide for regulatory authorities and postgraduate students alike, accompanying readers through the necessary steps for designing and implementing regulatory policy. It builds a bridge between the theoretical aspects of service quality regulation and country-specific applied mechanisms;

Post-doctoral fellows at the RSCAS/FSR. The fellowships are intended to support post-doctoral research by academics in the early stages of their professional career and are open to candidates who have successfully defended their Ph.D. at the time of the start of the fellowships. The aim is to promote valuable contributions to academic research in the regulatory field. At least two in-residence fellows are expected each academic year.

Annex: Florence School of Regulation Activities, by type (2004 - present)

Conferences and Regulatory Round Tables

- 11 May 07 **Annual Conference - Effective Implementation of Regulation.**
The Annual Conference examined problems in the implementation of regulation both EU and national drawing lessons also from the financial sector. The role and powers of EU national energy regulators was also presented examining best practices ensuring their effectiveness, accountability and transparency.
- 10 May 07 **Annual Regulatory Round Table - Effective Implementation of Regulation.**
Academics from across Europe, and with different backgrounds (engineering, economics, law and political sciences) met to discuss the original research by young scholars on the theme of the Conference that was selected through a call for papers. They also presented their recent work on the theme of the Annual Conference. One shorter session was devoted to brain-storm on the future developments of the FSR.
- 11-13 April 07 **Forum - Global Climate Strategies beyond 2012: The Route Ahead.**
The Forum was organised by the FSR under the auspices of the EU Commission, the CEER and the Spanish Ministry of Environment as a high-level meeting to identify the most promising global change strategies beyond 2012. The Forum succeeded in bringing together around 100 people who have a major role in shaping the future global climate strategies.
A summary of the findings of this conference is available at: http://www.eui.eu/RSCAS/e-texts/200706_FSR_MadridForumProceed.pdf
- 12 May 06 **Annual Conference - Liberalisation and Security of Supply: the Diversification of the Energy Mix in the Liberalised European Energy Market. A Challenge for Regulation**
A full day of discussion between regulators, academics and FSR Sponsors on the theme currently at the heart of the regulatory debate with the participation of Mr Andris Piebalgs the EU Energy Commissioner.
- 11 May 06 **Annual Regulatory Round Table - Liberalisation and Security of Supply: the Diversification of the Energy Mix in the Liberalised European Energy Market. A Challenge for Regulation.**
Academics from across Europe, and with different backgrounds (engineering, economics, law and political sciences) met for a half-day to present their recent work on the theme of the Annual Conference. Original research by young scholars was also selected through a call for papers and presented at the event

13 May 05 **Annual Conference – Energy Regulation at the European Level**
Over 80 participants drawn from the regulators, sponsors and academic institutions have discussed how to achieve an equilibrium between the European and the national level legislation at any given moment in the regulation of the electricity and gas sectors. They identified issues which require stronger European disciplines, and areas where the current efforts to achieve European uniformity could be considered as excessive or not efficient. Among the participants in this event, were the Energy Commissioner – Mr Andris Piebalgs and the CEER Chairman – Mr Jorge Vasconcelos.

12 May 05 **Annual Regulatory Round Table – Energy Regulation at the European Level**
16 academics from across Europe representing 12 universities, and with backgrounds in engineering, economics, law and political sciences, presented their current work on regulatory matters and discussed it together.

Workshops

15 Sep 07 **Workshop on Energy Derivatives Markets and Regulation.**
The Workshop analysed the development of financial products related to energy markets, their regulation, the possible interaction between the regulation of the energy markets and the regulation of financial markets.

15 June 07 **Retail Competition in the electricity and gas sectors**
The Workshop reviewed the most recent experience with retail competition and customer switching for residential and small- and medium-size business customers and assessed the regulatory implications with the active participation of regulators, industry and consumers representatives.

23 Mar 07 **Transport regulation: tariffs and investment cost recovery in transport**
The Workshop analysed how the increased use of private capital in the development of transport infrastructures requires a clear and stable tariff frame. Different criteria for tariff setting were also analysed.

8-9 Feb 07 **Competition and Market Power in Electricity and Gas**
The Workshop focused on the degree of competition attained in the European and electricity gas markets; the restructuring of the EU energy markets and their impact on internal competition; the difficulties which prevent a full development of competition.

24 Nov 06 **Improving and Extending Incentive-based regulation in the Energy Sector**
The Workshop was held at the end of the Advanced Training Course and analysed how incentive-based regulation can be improved by paying attention to the international experience.

- 20 Oct 06 **Beyond Kyoto. The initial experience with the EU emission Trading Scheme and the prospects for a global climate change strategy after 2012**
The Workshop assessed the ETS experience and evaluated the main issues for the period 2008-12. Policy options after 2012 and analyses of flexible mechanisms of Kyoto Protocol (CDM and JI) were also discussed.
A summary of the workshop proceedings is available at:
http://www.eui.eu/RSCAS/e-texts/200701_FSR_WorkshopProceedings-BeyondKyoto.pdf
- 12 Jul 06 **European Grids and European Regulation**
The Workshop aimed at providing an informal in depth analysis of two outstanding issues included in the Green Paper: European grids (electricity and natural gas) and European regulation.
- 7 Jul 06 **Railways Regulation: Where Do We Stand? A Comparison of European Experiences**
The Workshop had the form of a brainstorming exercise to identify the themes for a subsequent Workshop.
- 3 Mar 06 **Retail Competition in Electricity and Gas**
The Workshop reviewed the experience with retail supply competition in the electricity and gas sectors within the EU. It aimed at identifying the key factors promoting, or instead hindering, competition in the supply business. Different international experiences have been considered.
- 27 Jan 06 **Institutional Setting for the Internal Electricity Market and the Internal Gas Market: the Role and Status of Power Exchanges**
This Workshop has seen the participation of a significant representation of the European Power Exchanges discussing issues related to market design for congestion management in relation with the implementation of Regulation 1228/03.
- 25 Nov 05 **Regulation and Network Investments in the Electricity Sector**
This Workshop followed the Training Course on Network Regulation, with the participation of Prof. Littlechild. Participants had the opportunity to review and discuss alternative regulatory approaches aimed at achieving an efficient level of investment in the transmission network. These approaches have been critically examined, at both national and multinational levels.
- 30 Sep - 1 Oct 05 **Regulation of Natural Gas Markets in Europe**
This Workshop was organised and in cooperation with Clingendael and International Gas Union as part of a Special Project on Regulation for the World Gas Conference 2006, with over 30 participants.
The Report is available at:
<http://www.wgc2006.nl/files/sprb/Report%20Regulation.pdf>

- 15 Apr 05 **Quality Regulation in Electricity**
The Workshop focused on issues of continuity of service and voltage quality, and the ways in which regulators may ensure a steadily increasing level of quality. There have been 34 participants including a representation from the CEER Task Force, involved in benchmarking the quality of electricity supply in all the EU countries.
- 12-13 Nov 04 **Energy and Environment: the Market Approach**
The Workshop addressed the current EU approach to environmental policy analysing the extensive use of market instruments and their possible synergies and interactions. 24 participants took part in this workshop.
- 2-3 Jul 04 **The European Market for Electricity: Where do we stand?**
The first Workshop of the Florence School of Regulation was held with the participation of Loyola De Palacio, at the time the Vice President of the European Commission.

Training Courses

- 12-16 Nov 07 **Basic Training course on Regulation of Energy Utilities 2007-08**
The course presents the basic concepts of energy regulation and is delivered partly in-residence and partly via an e-learning platform. The first residential part of the course involved 42 participants from 17 countries representing 17 regulatory institutions and 4 companies. 11 instructors were involved. 36 students are continuing the course in e-learning mode.
- 23-27 Apr 07 **EEl Training Programme on Sustainable Energy Markets.**
The FSR has organised one week of training on Liberalisation, Regulation, Regulatory Functions in the framework of a two years course organised by the EEI. The course involved 15 participants from European energy companies and 15 instructors from regulators, academia and energy companies.
- Jan - Sept 07 **Basic Training course on Regulation of Energy Utilities 2007 for staff of energy regulators and FSR sponsoring companies.** The course is delivered partly in-residence and partly via an e-learning platform. The course involved 41 participants from 17 countries representing 17 regulatory institutions (including the EU Commission) and 5 companies and 10 instructors
- 22-23 Nov 06 **Advanced Training Course on Incentive-based regulation in the Energy Sector** for staff of energy regulators and sponsors. The course focused on the state of the art in incentive-based regulation and the way in which it is applied in a number of jurisdictions examining both the electricity and the gas sectors. The course involved 23 participants representing 13 countries, 10 regulatory institutions and 3 companies; the course involved 10 instructors.

(linked to Workshop Improving and Extending Incentive-based regulation in the Energy Sector)

- Feb to Jun 06 **Basic Training course** for staff of energy regulators and FSR sponsoring companies. The course is delivered partly residentially and partly via an e-learning platform.
- The course has had around 40 participants representing 17 regulatory bodies and 4 sponsor companies (from 14 EU countries and 3 bordering countries). The course involved over 20 instructors.
- 23-24 Nov 05 **Advanced Training Course on Network Regulation** for staff of energy regulators and sponsors: the course focused on electricity transmission network regulation addressing the different aspects of their regulation which is at the heart of the mandate of all electricity regulators. The course has involved over 20 participants representing 11 regulatory bodies and 4 sponsor companies.
- (linked to Workshop Regulation and Network Investments)
- 13-17 Jun 05 **Basic Training Course for Junior Staff from Energy Regulators** with 36 participants to the course coming from EU countries as well as candidate and bordering countries. 9 instructors came from European universities, regulators and other institutions.
- 21-25 Feb 05 **Basic Training Course for Young Staff from Energy Companies** with 20 participants representing 8 of the FSR sponsors, with 10 instructors from European universities, regulators and other institutions.
- 15-23 Oct 04 **Training Course for Young Staff from Energy Regulators** with 29 participants representing 16 European countries, with 19 instructors from 14 European universities, regulators and other institutions.

Fellows-in-Residence and Visiting Scholars

- Sep 07 - Jun 08 **Fellows-in-residence** - Dr. Jacopo Torriti and Dr. Paul Twomey have been selected as Jean Monnet Fellows during the 2007-2008 academic year.
- Sep 06 – Jun 07 **Fellows-in-residence** – As a contribution to academic research in the regulatory field the FSR hosts Dr. Paul Twomey and Dr. Annalisa Vinella as Jean Monnet Fellows during the academic year 2006-2007. The results of their research will be published in the RSCAS/FSR Working Papers or other academic publication.
- Jan – Jun 06 **Fellows-in-residence** – As a contribution to academic research in the regulatory field the FSR hosted Dr. Jens Weinmann and Dr. Bert Willems as Jean Monnet Fellows between Jan and June 2006. The results of their research will be published in the RSCAS/FSR Working Papers or other academic publication.
- Sep 05-Aug 06 **Fellows-in-residence** – EFET Practitioner Fellowship. An experimental mixed type of fellowship where part of the time has been devoted to hands-on work for EFET and part of the time has been dedicated to academic research.
- Jun-Jul 05 **Visiting Scholars** – Prof Jean-Michel Glachant, Professor in Economics and Head of the Economics Department at University Paris XI was the first visiting scholar. His paper was used as the basis for the Workshop on Retail Competition (3 March 2006).

Calls for Papers

- Feb 07 **A call for papers** on Effective Implementation of Regulation was launched in order to identify original work by junior scholars to develop the theme of the Regulatory Round Table.
- Dec 05 **A call for papers** on Liberalisation and Security of Supply: the Diversification of the Energy Mix in the Liberalised European Energy Market. A Challenge for Regulation was launched in order to identify original work by junior scholars to develop the theme of the Regulatory Round Table. The best papers were produced by Dr Henrik Bjørnebye and by Dr Fabien Roques.

Research Reports and Publications

Fumagalli, Elena, Luca Lo Schiavo and Florence Delestre. *Service Quality Regulation in Electricity Distribution and Retail*. Series: 'Power Systems', Berlin/Heidelberg/New York: Springer, 2007.

Thatcher, Mark. 'Regulatory Agencies, the State and Markets: A Franco-British Comparison', EUI Working Papers RSCAS 2007/17, Florence School of Regulation.

Pérez-Arriaga, Ignacio, Pedro Linares, Carlos Batlle and Julián Barquín. *Forum on Global Climate Strategies Beyond 2012: The Route Ahead. Looking for a consensus framework*. Report on proceedings of the Forum held in Madrid on 11-13 April 2007 Research Projects Reports 2007 (June) , Florence School of Regulation.

Weinmann, Jens. 'Agglomerative Magnets and Informal Regulatory Networks: Electricity Market Design Convergence in the USA and Continental Europe', EUI Working Papers RSCAS 2007/15, Florence School of Regulation.

Bjørnebye, Henrik. 'Electricity Generation Capacity Tenders in the Security of Supply Interest: It's All Wrong, but It's All Right'. EUI Working Papers RSCAS 2007/06, Florence School of Regulation.

Newbery, David. 'What Are the Issues in Mergers and Acquisitions Arising from Electricity Market Restructuring?' EUI Working Papers RSCAS 2007/01, Florence School of Regulation.

Beyond Kyoto. The initial experience with the EU Emission Trading Scheme and the prospects for a global change strategy after 2012. Report on proceedings of the FSR workshop held on 20 October 2006 at the RSCAS. Research Projects Reports 2007 (January), Florence School of Regulation.

Roques, Fabien, David Newbery and William Nuttall. 'Fuel Mix Diversification Incentives in Liberalised Electricity Markets: a Mean-Variance Portfolio Theory Approach'. EUI Working Papers RSCAS 2006/33, Florence School of Regulation.

Skytte, Klaus. 'Interplay between Environmental Regulation and Power Markets'. EUI Working Papers RSCAS 2006/04, Florence School of Regulation.

Cameron, Peter D. 'Creating an Internal Market in Energy: How Can the Tools be More Effective?' RSCAS Policy Papers 2005/01, Florence School of Regulation.

A Study on the Inter-TSO Compensation (October 2005)

http://www.iue.it/RSCAS/ProfessionalDevelopment/FSR/right/pdf/051031-ITCStudy-FinalReportCover_000.pdf

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