



MULTI-YEAR EXPERT MEETING ON TRADE, SERVICES AND DEVELOPMENT

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ENERGY SERVICES TOOLKIT

SESSION 6



UNITED NATIONS
UNCTAD

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Energy Services Toolkit

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Three Categories of Regulatory Activity

- Regulation that is an inherent and necessary part of the oversight of energy services;
- Regulation that reflects legitimate regulatory interest, but is not a necessarily inherent part of the regulatory regime;
- Issues related to, but largely outside of what is inherent in regulation.

Market Entry

- Complexity of electricity market liberalization
- In negotiating trade agreements: developing countries need to take care that they do not agree to terms that inadvertently alter the market structure (monopoly vs. liberalized markets).

Price and Ratemaking

- Monopoly
 - Rate of Return
 - Price Cap
- Market-based (e.g. auctions)
- Pricing may also take into consideration the achievement of social goals: policy space for the design of specific rules are needed

Risk and Cost Allocation

- Differentiating among energy consumers and investors is only discriminatory if it lacks any basis in cost, economic symmetry, or other rational basis.
- Cost Allocation: particularly in developing countries, policy space differentiating energy consumers is essential in order to achieve universal access goals.

Ownership

- The regulatory agency should not be concerned if the company is own by a foreigner or a national company, but if they have concerns about the company itself, capital structure, etc.
- National security vs. Security of Supply.

Affiliate transactions

- Affiliate transactions between companies, within the same corporate family within the energy market can, and have, on occasion, led to abuses that harmed consumers.
- Code of regulated behavior vs. Compelled Complete Corporate Separation

Management and capacity building

- Capacity building is one of the most important trade goals that a regulatory agency in a developing country could achieve.
- Regulation can help:
 - to better qualify the country's workforce; and
 - to engage in the global process of manufacturing a product or providing a specific service.
 - Sometimes, transfer of technology can be a result of South-South cooperation.