

Florence School of Regulation
Annual Conference
Incentive Regulation of Utilities: 25 Years Down the Line
Lessons and Future Scope
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The Practice of Incentive-based Regulation in Europe

A few questions

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Foreword

The best incentive: a stable and reasonable frame of regulation which creates confidence

Question 1

Is European energy tariff regulation really limited to networks?

Are energy prices really free all over Europe?

- retail tariffs as reference prices, default prices
- de facto treatment of energy-intensive consumers
- counterbalancing the effects of market power
- French exercise: reconcile competition and nuclear

Question 2

The main tool for setting efficiency standards is comparative analysis and benchmarking

It is reasonable to believe that network costs can be compared on a European scale

Do regulators know enough?

Question 3

two tasks:

- a. To improve national incentive systems
 - b. To force them to converge
- is there a conflict between the two?
 - which task has priority?

Question 4

The ways for building smart grids are under consideration and, given the high investment costs, government money may be requested

Will subsidies to investment be compatible with the frame of incentive – oriented regulation?