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# PURC Review

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Thanks to our sponsors and friends, the Public Utility Research Center is able to conduct programs that are mutually beneficial to the energy, telecommunications, regulatory, and academic communities. In an attempt to keep you informed of developments, we publish the *PURC Review* in the Fall, Winter/Spring, and Summer.

## POLICY ANALYST JOINS PURC

Lynne Holt, formerly with the Kansas Legislative Research Department (KLRD), began a joint appointment in August 2001 with PURC and the University of Florida's Askew Institute on Politics and Society. Dr. Holt has more than twenty years experience in public policy formulation and research. At the KLRD, she prepared a wide variety of utility-related and economic development studies for review by the state House of Representatives, Senate, and special legislative task forces. Prior to that, she worked as an Energy Research Analyst at the Kansas Corporation Commission, making written and oral presentations on energy conservation and utility regulation. Her knowledge extends to economic development, budget analysis, telecommunications strategy, commerce, technology, and public utility (electricity and natural gas) regulatory policy issues. Dr. Holt obtained her Master's and PhD degrees in German from Harvard University (1974, 1978) and a Master's in Public Administration from the University of Kansas (1985).



**Lynne Holt**

At PURC, she has begun to assist Sanford Berg in writing a series of articles on how the design of new independent regulatory commissions affects the performance of the water sector in a country. The first article, "Consumers Pretend to Pay and Utilities Pretend to Supply Good Service: Breaking the Poor Performance Syndrome," describes the fundamental issue underlying water sector reform among nations today: how to constrain political opportunism, and outlines how customers and utilities can benefit from sound regulatory processes. A second article, "Investments Delayed, Service Denied: Regulatory Functions and Sector Performance," focuses on the tools needed by regulators to promote good water utility performance. These articles will appear in *Water21*, the publication of the International Water Association, over the next year. Given the importance of this infrastructure sector, close examination of pricing, investment, incentives, and

# Calendar of Events for 2001-2002

## ***PURC Annual Conference - Regulation/Deregulation: It's Performance that Counts February 21-22, 2002 - UF Hotel and Conference Center, Gainesville***

Leading experts will address energy and telecommunications issues confronting Florida and the nation. Past keynote speakers have included Roger Noll, Jean Tirole and Jean-Jacques Laffont, Alfred Kahn, Irwin Stelzer, and Harry Trebing. A roundtable discussion of regulatory issues by commissioners from the Florida Public Service Commission will highlight the first day. The second day will offer concurrent sessions on energy and telecommunications topics.

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***Registration information will be mailed in January 2002; you may also visit our web site at:  
www.purc.org (click on the "Conferences, Seminars" link)***

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Mark Jamison  
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## ***Competition in Wireless: Spectrum, Service, and Technology Wars February 19-20, 2002 - UF Hotel and Conference Center, Gainesville***

Co-sponsored by PURC, UF Center for International Business Education and Research, Public Policy Research Center, and the London Business School (LBS), this conference will present the latest research on competition in telecommunications, focusing on competition brought about by new wireless technologies. Papers by leading researchers from the University of Toulouse, American Enterprise Institute, LBS, and UF will be presented. Representatives of the Federal Communications Commission, state and international regulatory agencies, and industry will participate in discussions.

## ***Eleventh PURC/World Bank International Training Program on Utility Regulation and Strategy January 14-25, 2002 - UF Hotel and Conference Center, Gainesville***

PURC will conduct a two-week program on utility regulation and strategy for countries undertaking infrastructure reforms in electricity, gas, telecommunications, and water utilities. To date, this program has successfully trained nearly 900 participants from more than 100 nations. In addition, short-term study visits to PURC are organized for international agencies whose members are unable to attend the longer program.

Contact:  
Pascale Parker  
or  
Virginia

## Projects and Research

### Energy 2020 Update

Sanford Berg is a member of Governor Bush's *Energy 2020* Study Commission. He describes the process as being fairly exhaustive and exhausting. The Final Report will be assembled in Tallahassee, and the first draft will be commented upon by stakeholders and commission members. When asked whether significant policy initiatives should be made in the absence of a crisis, Berg responded,

*This is the best time to take steps that promote energy efficiency and reliable supply while preserving Florida's fragile environment. Crises seldom yield sensible long-term policies.*

Those interested in the Final Report should monitor the Study

### Training Workshops for FPSC Staff

PURC presented two workshops in Fall 2001 for staff at the Florida Public Service Commission in Tallahassee. The first day (for new staff), "Principles of Regulation," focused on incentive issues, costing and pricing principles, and technology. The second day, "Regulatory Process under the Law," addressed market structure and corporate behavior, sector policies and their impact on industry performance. PURC has conducted similar outreach workshops in previous years, including a three-part series on energy issues, and presentations on telecommunications costing and pricing.

# Recent Publications from PURC

Visit our website at [www.purc.org](http://www.purc.org) for a complete listing of PURC publications

## ***“Infrastructure Regulation: Risk, Return, and Performance”***

Sanford V. Berg’s article targets issues raised by the creation of new regulatory commissions and outlines principles that are relevant for any agency. It provides an overview of regulatory design (governance and processes), incentives, and the determinants of sector performance. *Global Utilities*, 2001.

## ***“Business Imperatives”***

Mark Jamison’s chapter in “The New Global Telecommunications Industry and Consumers,” a report by Penn State University’s Institute for Information Policy (ed. Jorge Schement, University Park, Pennsylvania: 2001), provides a new perspective on the telecommunications industry and infrastructure development.

## ***“Rivalry Through Alliances: Competitive Strategy in the Global Telecommunications Market”***

Mark Jamison (co-authored with Sylvia Chan-Olmsted, UF Department of Telecommunication) examines the forces that have contributed to the globalization of telecommunications services, the major strategies/strategic alliances in the global telecommunications market, and the factors that have

## ***“Regulatory Evolution, Market Design, and Unit Commitment”***

Paul Sotkiewicz (with R. O’Neill, U. Helman, M. Rothkopf, and W. Stewart, Jr.) reviews the recent history of short-term electric power market development in the U.S., where the unit commitment problem has become a major component of some centralized market designs as the algorithm for ensuring reliability and determining spot market prices. The paper identifies and analyzes successes and problems, and develops principles for the next generation of unit commitment oriented electricity spot markets. In *The Next Generation of Electric Power Unit Commitment Models*, (B. Hobbs, M. Rothkopf, R. O’Neill, and H. Chao, editors).

## ***“Equilibrium Prices in Auction Markets with Non-Convexities”***

This paper by Sotkiewicz (with R. O’Neill, B. Hobbs, W. Stewart, and M. Rothkopf) provides a potentially large step forward in the design of electric power spot markets, and other markets in which discrete or lumpy decisions

must be made by players in the market. They find economic interpretation of strong duality for integer programs that allows for the existence of a set of market clearing prices. The markets that motivate the analysis are electric power markets in which non-convexities (or lumpiness) arise from the operating characteristics of generators; however the results presented are general and can be applied to other markets in which

## ***“Price Regulation and Incentives”***

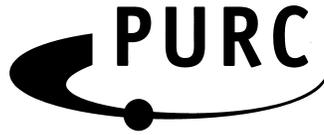
David Sappington’s paper will appear as a chapter in the *Handbook of Telecommunications Economics* (M. Cave, S. Majumdar, and I. Vogelsang, eds). The author reviews the variety of incentive regulation regimes that have become more popular in the telecommunications industry in recent years, assesses the potential advantages and disadvantages of these regulatory regimes, and examines their impact on the industry. Sappington is currently serving as Chief Economist at the Federal Communications Commission in

## Visiting Researchers

The 2001-02 academic year brought two new researchers to PURC and the Warrington College of Business. Dr. Liangchun Yu is a Fulbright Scholar from China pursuing research in utility competition and regulation. He is a Professor of Economics and Dean of the School of Economics at Shandong University, Jinan Province. His interests focus on new institutional economics and industrial organization theory. While at UF, he plans to conduct comparative research on the reform of state-owned enterprises and national utilities in China and the U.S.

Ms. Pinar Dogan (Turkey) is a fourth-year PhD candidate in economics from the Universite des Sciences Sociales de Toulouse, France. She has published “Regulation and Innovation in the Telecommunications Industry” (*Telecommunications Policy*, 2001) and has experience at France Telecom. Her research interests include industrial organization, network economics, and competition policy.

These researchers continue a PURC tradition of promoting the exchange of ideas across national boundaries.



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## Research Update

Materials developed by PURC researchers are being brought to the Warrington College classroom, and subsequently to outreach venues. Paul Sotkiewicz's experience with electricity restructuring and markets in California provided the foundation for presentations at the University of Cape Town in South Africa (September '01) and Brazil (August '01) on electricity sector reform. He is applying these materials to his Fall course on "Government Regulation of Business" at UF and to his work on the Wholesale Technical Advisory Committee of the *Energy 2020* Study Commission.

Mark Jamison developed case studies on telecommunications competition including interconnection disputes, the role of regulatory commissions, and monitoring for market performance. He presented the cases at workshops in Hong Kong, Panama, and Ireland over the summer. He draws upon these experiences for his UF classes on national and international telecommunications policy.

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