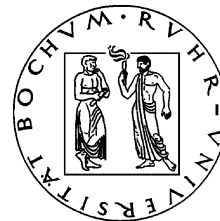




OWNERSHIP UNBUNDLING OF ENERGY COMPANIES - WILL IT BE WORTH IT?

Joint Research Project



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The project



- **Central research questions:**
 1. **Will the benefits of ownership unbundling, over and above effective legal and functional unbundling, outweigh the cost?**
 - § “Will it be worth it?”
 2. **If some form of unbundling is implemented, how should this look like and what are the effects of various forms of unbundling?**
 - § “What works and what not?”

- **Notes:**
 - **Research focus is on full ownership unbundling *and* ISOs**
 - **The more urgent question is on TSOs but ultimately the debate extends to DNOs as well.**

Why this research proposal?



- **Why this research?**
 - **Because of its topicality**
 - **Sector Inquiry of Jan. 2007**
 - **3rd Energy Directives?**
 - **Because of its overwhelming relevance**
 - **For stakeholders**
 - **For society as a whole**
 - **Because the debate is ongoing practically and academically**
 - **Convincing quantitative analyses lack to date**
 - **Relation between unbundling and investment has not been explored well**
- } **Currently, we have more questions than answers**

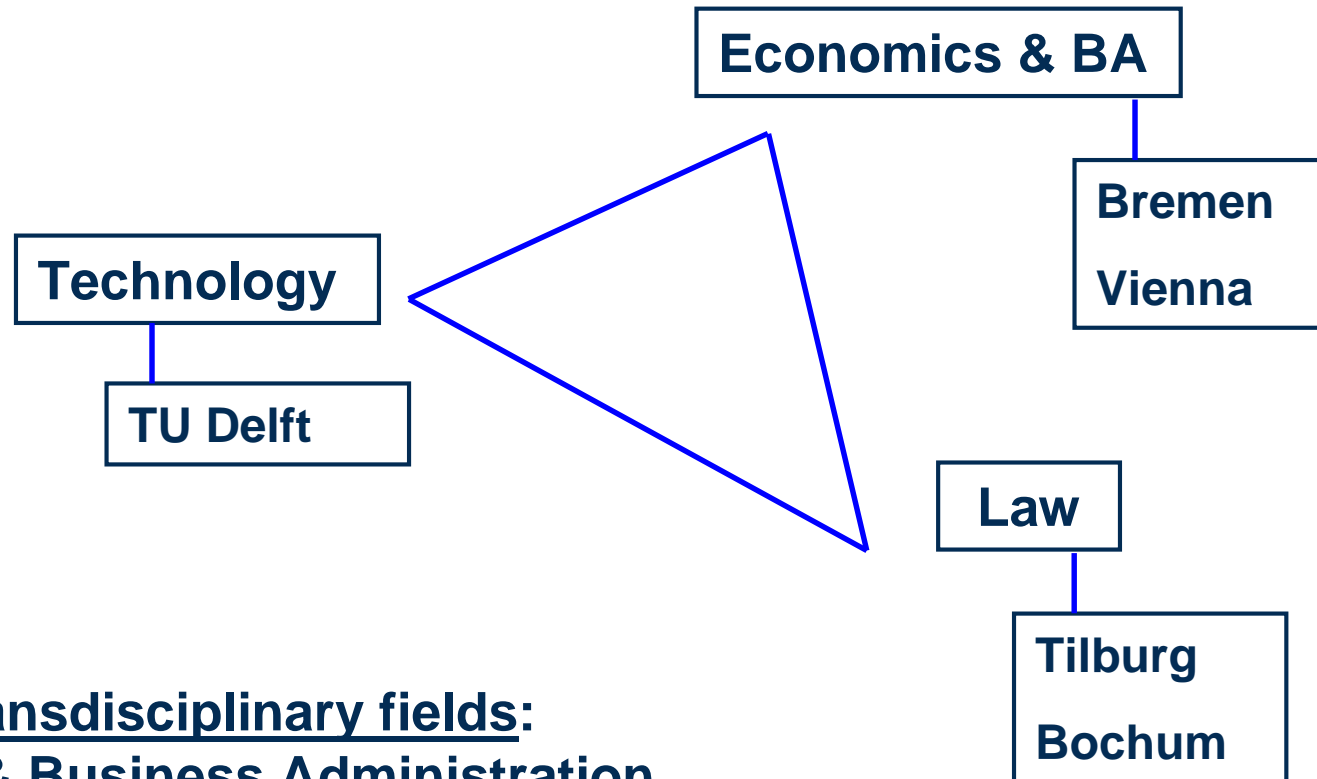
Who? A consortium ..



- **From five universities**
 - **Jacobs University Bremen**
 - **Vienna University of Economics and Business Administration**
 - **University of Tilburg**
 - **Ruhr University Bochum**
 - **Technical University Delft**

- **From three European countries**
 - **Netherlands**
 - **Germany**
 - **Austria**

The fields: Interdisciplinary



Focus on 3 transdisciplinary fields:

- Economics & Business Administration
- Law
- Institutions & Technology

Key questions: Economics



- **Social cost benefit analysis**
 - This was one of main weaknesses in the debate in NL
 - Hardly data available
 - This is changing
- **Econometric evidence**
 - Number of studies small
- **Relation unbundling and investment**
 - Network and generation assets
- **Economic efficiency and effectiveness of different forms of unbundling**
 - ISOs and network investment
 - Principal-agent problems

Key questions: Business Administration



- **Cost and benefits involved in unbundling**
 - Detailed real world analysis of two steps
 - Towards functional unbundling
 - Towards ownership unbundling
 - This is necessary input for social cost benefit analysis
- **Corporate governance under different types of unbundling**
 - Shareholders vs management
 - How to keep a grip on the network department?
- **Incentives and coordination of unbundled players**
 - Network versus generators
 - ISO versus TO (transmission assets)

Key questions: Law



- **Company or corporate law**
 - **Potential conflict of different management obligations**
- **Public or constitutional law**
 - **Under which circumstances is unbundling legally feasible?**
- **Who decides: What are the competences of different DG's?**
 - **Role of European Courts**
 - **Implementation in national law**
- **Legal issues in governance structure of ISOs**
 - **Legal form**
 - **Liability**
 - **Who decides on network investment?**

Key questions: Institutions and Technology



- **Electricity and gas systems are complex technical systems**
- **High requirement for coordination of..**
 - **Different components of the value chain**
 - **E.g. power plants and the transmission network**
 - **Efficiency**
 - **Reliability**
 - **Sustainability**
- **Institution is a set of rules to govern (complex) systems**
 - **If coordination is not firm internal (in case of vertical unbundling) ...**
 - **.. then, which institutions are required as a replacement?**

The partners: Jacobs University Bremen



- **Jacobs University Bremen**
 - **Bremer Energie Institut**
 - **Prof. Gert Brunekreeft**
 - **Project leader**
- **Experience and expertise:**
 - **Energy markets in Germany, Netherlands and UK**
 - **Economic policy of energy markets**
 - **Competition policy**
 - **Economic regulation**
- **IUB will focus predominantly on the questions in economics**

The partners: RIRE Vienna



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- **Vienna University of Economics and Business Administration**
 - **Research Institute for Regulatory Economics**
 - **Prof. Heinrich Otruba**
 - **Experience and expertise**
 - **RIRE specialises on network industries**
 - **Energy markets**
 - **Industrial organisation**
 - **Benchmarking**
 - **RIRE will focus primarily on economics and BA & Management**

The partners: TILEC Tilburg



- **University of Tilburg**
 - **Tilburg Law and Economics Center**
 - **Prof. Pierre Larouche**
- **Experience and expertise**
 - **Law and economics of network industries**
 - **Energy and Telecommunications**
 - **TILEC was involved in the ‘Dutch DNO debate’**
- **TILEC will focus on legal questions, but economists are available on request**

The partners: Ruhr University Bochum



- **Ruhr Universität Bochum**
 - **Institut für Berg- und Energierecht**
 - **Prof. Johann-Christian Pielow**
- **Experience and expertise**
 - **Strong team of legal scholars**
 - **Competition law, regulation**
 - **Constitutional law**
 - **Much work with the energy industry**
- **Bochum will focus on legal questions**
 - **Jointly with TILEC**

The partners: TU Delft



- **Delft University of Technology**
 - **Faculty of Technology, Policy and Management**
 - **Economics of Infrastructures section**
 - **Prof. Rolf W. Künneke**
- **Expertise and experience**
 - **Strong institute on technology and economics of infrastructures**
 - **Widely published on infrastructures in energy markets**
 - **Worked for variety of stakeholders**
- **TU Delft will focus on institutions and technology**