Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index More Information

Index

5G networks, 368 ACCC (Australian Competition and Consumer Commission), 249 access holidays, 179, 406 access in regulated industries, 151-156 access pricing issue, 152-153 access terms determination, 151 multiple objectives pursued through access pricing policies, 153-154 access pricing and investment, 178-182, See also one-way access pricing, two-way access pricing access pricing approaches, 180-182 Australia, 167, 178 by-pass and the 'make-or-buy' decision, 180-181 dynamic access pricing, 182 Germany, 170 incentives for investment, 180-182 incentives to invest in new infrastructure, 181 infrastructure competition, 153, 180-181, 182 ladder of investment approach, 182 timing of infrastructure investment, 179-180 accounting separation margin squeeze, 188 vertical integration and separation, 188 ACER/CEER, 36, 302, 334, 339, 350 adjacent monopolies Germany, 170 two-way access pricing, 169-170, 172 administered pricing, price regulation, 145-146 Administrative Procedures Act 1946 (APA), 110, 246 affordability of essential services contextual change of economic regulation, 5 public utilities household expenditure, 1-2 affordability, rationale for regulation, 35-39 African Development Bank Group, 250-251 agencies, regulatory. See independent regulation/ agencies air traffic management (ATM), 67, 586-588 airline alliances and cooperation arrangements, 584-586 airline markets Association of Southeast Asian Nations (ASEAN), 573 Australia, 572, 573 China, 572 Europe, 571 France, 557

New Zealand, 573 restructuring policies, 570-573 Single African Air Transport Market, 573 USA, 570-571 airline restructuring effects, restructuring policies, aviation industry, 575-579 airport charges Australia, 66, 250, 568, 589 dual-till approach, 568-569 European Union, 566 Germany, 589 light-handed approach, 66, 566, 589 market power, 560-561, 562, 568-569, 580 New Zealand, 66, 250, 589 price regulation, 566 single-till approach, 568-569 USA. 566 airport services, 553-555 competition for the market, 574, 589 Government Accountability Office (GAO), 555, 575-577 price regulation, 562-563 two-sided markets, 553 airports restructuring policies, 573-575, 579-580 Asia-Pacific region, Europe, 574 privatisation, 573-575 ŪSA, 573 airspace navigation services Australia, 565 Canada, 550, 553, 565, 575, 581, 589 competition for the market, 561 European Union, 565, 575 France, 553 price regulation, 550-553, 561, 564, 565-566 privatisation, 575, 581 privatisation, France, 553 privatisation, UK, 553 restructuring policies, 575, 581 UK, 565 USA, 565 A-J (Averch-Johnson) effect, rate of return regulation, 117-119

algorithms regulation, digital platforms regulation, 499

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

732 Index

allocation of capacity, telecommunications networks and services, 370-372 allocative efficiency, 16 fixed costs, 18 hidden information, 91-93 marginal cost pricing, 17-18 monopoly, 17 price regulation, 17-19 Ramsey-Boiteux pricing, 19 alternative explanations for regulation, 28-34 economic theories of regulation, 29-33 interest group theories of regulation, 29-33 other potential explanations for the existence of regulation, 34 regulation as a form of administration of a long-term contract, 33-34 alternatives to regulation, 635-636 ancillary electricity services, electricity markets and exchanges, 283 ANS. See airspace navigation services antitrust law. See competition law APA (Administrative Procedures Act 1946), 110, 246 Argentina, restructuring policies, gas industry, 343, 347 ASEAN (Association of Southeast Asian Nations), airline markets, 573 Asia-Pacific region, airports restructuring policies, 574 asset 'rate base', rate case process, 111 Association of Southeast Asian Nations (ASEAN), airline markets, 573 asymmetric information, 90-95, See also full information, hidden information, imperfect information demand information asymmetries, 94 dynamic regulation, 96-98 hidden action, 93-94 hidden information, 91-93 incentive mechanism, 98-100 regulatory commitment, 97-98 transfer payments, 96-98 vardstick competition, 100 ATM (air traffic management), 67, 586-588 Australia access pricing and investment, 167, 178 airline markets, 572, 573 airport charges, 66, 250, 568, 589 airspace navigation services, 565 behavioural economics, 218, 223 competition, card payment systems, 432 digital platforms regulation, 492 division of powers and responsibilities, government levels/regulators, 258 electricity generation, 274 evolution of independent regulatory agencies, 249-250 fracking, 356 gas transmission and distribution networks, 323, 326 independent regulation/agencies, 249, 253, 258 legal cases, 643 legislation, 643 light-handed approach, 66, 250, 589 liquefied natural gas (LNG), 330 natural gas supply chain, 322 negotiated approaches, railways regulation, 523 negotiated settlements, 63

ownership structures, 53 payment systems, 420, 423, 431, 440, 441, 443 price cap regulation, 288, 334 price regulation, 61 privatisation, telecommunications industry, 395 railways industry, 511-512 restructuring policies, aviation industry, 572-573, 579, 580 restructuring policies, electricity industry, 303-304 restructuring policies, gas industry, 343, 347 restructuring policies, payment systems, 445, 447, 450 restructuring policies, telecommunications industry, 395 restructuring policies, water and wastewater industry, 614, 616 retail price controls, electricity regulation, 295 retail price regulation, 219 retailing of gas, 327 service providers, telecommunications, 369 terminology, 7 two-way access pricing, 178 unbundling policies, telecommunications regulation, 395 vertical separation, 186 water and wastewater industry, 597 water markets, 625, 628 wholesale gas spot markets, 328, 329 Australian Competition and Consumer Commission (ACCC), 249 average cost pricing, 77-79 average revenue approach, price cap regulation, 130 Averch-Johnson (A-J) effect, rate of return regulation, 117-119 aviation industry, 547-590, See also restructuring policies, aviation industry airport charges, 566 airport services, 553-555, 562-563 airspace navigation services, 550-553, 561, 564 cargo services, 549, 555-557 characteristics of the product, 548-549 China, 549 drones, 557-558 Flight Information Regions (FIRs), 550 India, 548, 557, 572 load factor, 556 national flag carriers, 557 ownership of airlines, 557 ownership of airlines, Canada, 557 passenger services, 548-549, 555-557 privatisation, 557, 571 privatisation, France, 571 privatisation, UK, 571 supply chain, 550-557 unmanned aircraft systems (UAS), 557-558 aviation regulation, 375 airline alliances and cooperation arrangements, 584-586 airline competition, 582-583 airport charges, 566 airport services, 553-555, 562-563 airspace navigation services, 550-553, 561, 564, 565-566 competition, 582-586 competitive activities, supply chain, 561 contestability theory, 583-584

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

Index 733

future, 589 international access and charging principles, 564 policy issues, 582-588 price regulation, 561-562 scope economies, 561 supply chain, 561 unmanned aircraft systems (UAS), 586-588 avoided cost pricing, telecommunications regulation, 384-385 avoided-cost resale provision, telecommunications regulation, 384-385 Baron and Myerson model, 93 regulatory commitment, 97, 238 versus Laffont and Tirole model, 93-94 baskets price cap regulation, 124, 131 tariff basket approach (weighted average price cap), behavioural biases, 197, 201, 203, 483-486 digital platforms, 225, 483-486 energy sector, 218-221 payment systems, 224-225 telecommunications industry, 221 water sector, 223 behavioural economics, 197-228 application of behavioural economics in practice, 218-226 assumptions about consumer behaviour, 198-200 Australia, 218, 223 behavioural industrial organisation and regulation, 204-218 consumer behaviour, 198-204 contextual change of economic regulation, 5 core insights, 198-204 digital platforms, 225 energy sector, 218-221 Netherlands, 221 payment systems, 224-225 telecommunications industry, 221-222 transport industry, 223 water sector, 223 behavioural industrial organisation and regulation, 204-218 competition, 205-211 consumer mistakes or biases, 214 distributional issues, 216 framing and the incentives to educate or obfuscate, 208 - 210implications for firms, 212-213 implications for regulation, 214-218 implications for the rationale for regulation, 214 - 216integrating non-standard consumers, 205-206 loss- and risk-averse consumers, 211 non-standard consumers, 205-208, 214, 215, 216-218 price structures, 215 pricing decisions with non-standard consumers, 207-208 regulatory initiatives to address non-standard behaviour, 216-218 risk-averse consumers, 211 behavioural obligations, horizontal integration and separation, 190

benchmarking price regulation, 144-145 retail benchmarking, two-way access pricing, 177 biases behavioural biases, 197, 201, 203, 483–486 behavioural biases, digital platforms, 225 behavioural biases, energy sector, 218-221 behavioural biases, payment systems, 224-225 behavioural biases, telecommunications industry, 221-222 behavioural biases, water sector, 223 consumer biases, 39, 197, 199, 200, 210-213, 226-228 bilateral transactions, trading arrangement for wholesale electricity, 281 bill and keep, price control, telecommunications regulation, 386-388 blockchain, payment systems, 426-428 bottom-up long-run incremental cost (BU-LRIC), 381 building block approach ex ante revenue requirement, 126-128 financial capital maintenance (FCM), 127-128 operating expenses (OPEX), 127 regulatory asset base (RAB), 127-128 BU-LRIC (bottom-up long-run incremental cost), 381 bundling limits. See unbundling policies China, 496 digital platforms regulation, 496 Germany, 496 business separation, vertical integration and separation, 188 by-pass efficient component pricing rule (ECPR), 158-161 make-or-buy decision, 180-181 cable modem services, 368 cable networks Europe, 375-377 telecommunications regulation, 375-377 USA, 375-377 calling party network pays (CPNP) principle, mobile networks, 377 Canada airspace navigation services, 550, 553, 565, 575, 581, 589 aviation industry, ownership structures, 557 competitive activities, supply chain, 330, 516 division of powers and responsibilities, government levels/regulators, 258 gas extraction and production, 323 legislation, 643 liquefied petroleum gas (LPG), 348 mark-ups approach, railways industry, 543 mobile networks, 377 negotiated approaches, railways regulation, 145, 523 net neutrality, 412 next-generation networks (NGNs), 407 payment systems, 443, 445 price cap regulation, 288, 335 price regulation, 518 privatisation, airspace navigation services, 575, 581 railways industry, 511-512, 518 rate of return regulation, 337 regulatory decisions, 263

More Information

734 Index

Canada (cont.) regulatory responsibility, 254, 258-259 restructuring policies, aviation industry, 572-573, 579 restructuring policies, electricity industry, 297, 309 restructuring policies, gas industry, 343, 344, 357 restructuring policies, railways industry, 531 train services, 511-512 two-way access pricing, 178 water and wastewater industry, 598 wholesale gas spot markets, 328 capacity allocation, telecommunications networks and services, 370-372 capacity markets, electricity, 283 capital asset pricing model (CAPM), cost of capital, 114 capital cost. See cost of capital capital investments core network activities, 95-96 cost of capital, rate case process, 111-115 rate case process, 111-115 capital structure, water and wastewater industry, 618-619 CAPM (capital asset pricing model), cost of capital, 114 carbon dioxide (CO₂) emissions. See decarbonisation policies, greenhouse gas emission CARD (Credit Card Accountability Responsibility and Disclosure) Act, 224 card payment systems, 424-426, 428 Chile, 445 regulation, 437-440 restructuring policies, 443-445, 446-449 CATO (Competitively Appointed Transmission Owner) regime, 285 centralised electricity supply system, 270, 273-275 Chile airport privatisation, 574 card payment systems, 445 competition, 297 liquefied natural gas (LNG), 347 market power, 306 net neutrality, 412 ownership of airlines, 557 private-public partnerships and water concessions, 622 privatisation, 296 privatisation, aviation industry, 574 privatisation, telecommunications industry, 395 restructuring policies, aviation industry, 572, 579 restructuring policies, electricity industry, 299, 303 restructuring policies, gas industry, 343 restructuring policies, telecommunications industry, 395 restructuring policies, water and wastewater industry, 614, 616 rule-based approach, 242 vertical integration, 601 water markets, 625-627, 628 wholesale electricity markets, 280, 281 yardstick competition, 608 China airline markets, 572 aviation industry, 549 bundling limits, 496 data services, 499 decarbonisation policies, 311 digital platforms, 459, 490, 493, 494, 495, 497

digital platforms regulation, 501 electricity regulation, 245 level playing field, 497 liquefied natural gas (LNG), 330 next-generation networks (NGNs), 407 non-discrimination policies, 495 payment systems, 424, 429, 445, 457 price regulation, 332 private-public partnerships and water concessions, 621 rail services, 505 railways industry, 503-504, 505-506, 510, 514 restructuring policies, aviation industry, 574, 579 restructuring policies, electricity industry, 297, 299 restructuring policies, railways industry, 528 shale gas, 318, 323 state support, 49 water and wastewater industry, 602, 614, 621 wholesale electricity markets, 297 circuit switching, telecommunications, 365 CMA (Competition and Markets Authority), 217, 530, 620 CO₂ (carbon dioxide) emissions. See decarbonisation policies, greenhouse gas emission Colombia, restructuring policies, gas industry, 343 commitment, regulatory. See regulatory commitment common costs, multi-product firms, 84-85 competition, 151-198, See also markets access in regulated industries, 151-156 access pricing and investment, 178-182 aviation regulation, 582-586 behavioural industrial organisation and regulation, 205-211 Chile, 297 deregulation policies, 56-63 destructive competition, 19, 547, 582, 583 digital platforms regulation, 474-476 effective competition, 61 electricity regulation, 305-311 electricity supply chain, 284-286 entry restrictions, removing, 57-60 established competition, 61 fixed line networks, telecommunications, 372-375 franchise competition, 43-46 horizontal competition, railways industry, 536-540 horizontal competition, railways regulation, 516-517 horizontal integration and separation, 189-191 horizontal separation versus vertical separation, railways industry, 535-536 introducing competition, 57-60 market power, 146-147 multiple competing suppliers, 194 multi-sided markets, 191-194, 461 network effects, 474-476 one-way access pricing, 154-172 on-rail competition, railways regulation, 515-516 open-access competition, railways regulation, 515-516 pre-competitive market stage, 61 pre-entry stage, 61 price regulation, 144-145, 146-147 railways industry, 503-504, 516-517, 535-540 reliance on competition, 56-63 restructuring policies, electricity industry, 305-311 retail competition, water and wastewater industry, 616

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

Index 735

retail electricity supply, 308-311 retail gas competition, 331 telecommunications regulation, 401-404 two-way access pricing, 169-178 vertical competition, railways industry, 537-540 vertical integration and separation, 183-189 vertical integration with competition in some activities, 73-75 vertical separation versus horizontal separation, railways industry, 535-536 vertical separation with competition in some activities, 72 vertically integrated railways, 516-517 wholesale electricity markets, 305-306 yardstick competition, 144-145 Competition and Markets Authority (CMA), 217, 530, 620 competition authorities/regulators, division of powers and responsibilities, 256–257 competition between real-time interbank and card payment systems, 430, 431 competition for subscribers, two-way access pricing, 171–176 competition for the market, 43-46 airport services, 574, 589 airspace navigation services, 561 contracts, 44-46 data services, 498 digital platforms regulation, 500 electricity regulation, 285 network effects, 26, 475-476 payment systems regulation, 415 price regulation, 145 railways industry, 511, 528, 544 railways regulation, 515, 528 restructuring policies, railways industry, 526, 535 water and wastewater regulation, 592, 610, 615, 617, 632 competition in the market digital platforms regulation, 481-483 network effects, 475-476 railways regulation, 515, 528 restructuring policies, electricity industry, 301 restructuring policies, railways industry, 526 restructuring policies, telecommunications industry, 378 restructuring policies, water and wastewater industry, 615.632 telecommunications networks and services, 249 vertical integration and separation, 183 water and wastewater regulation, 592 competition law European Union, 257 ex post (after the fact) competition law, 54-56 Federal Communications Commission (FCC), 257 Federal Energy Regulatory Commission (FERC), 257 limitations, 55 margin squeeze, 378 New Zealand example, 55 public utilities, 54-56 Surface Transportation Board (STB), 257 telecommunications regulation, 377-378 competitive activities aviation supply chain, 561 gas supply chain, Canada, 330

natural gas supply chain, 330-332 payment systems, 429-433 railways supply chain, 514-517 railways supply chain, Canada, 516 restructuring policies, water and wastewater industry, 615, 616, 617 water and wastewater regulation, 602-604 competitive bottlenecks, telecommunications regulation, . 377–378 Competitively Appointed Transmission Owner (CATO) regime, 285 consumer and producer interests, independent regulation/agencies, 240 consumer behaviour behavioural economics, 198-204 consumer biases, 39-41, 198-204 consumer biases, 39, 197, 199, 200, 210-213, 226-228 consumer inertia, France, 219 consumer mistakes or biases, behavioural industrial organisation and regulation, 214 consumers' characteristics, rationales for regulation, 39-41 contestability theory, 46-48 aviation regulation, 583-584 telecommunications regulation, 385-386 threat of entry, 46-48 contestable markets theory. See contestability theory context specificity independent regulation/agencies, 242 opportunistic behaviour, 242 contextual changes of economic regulation, 3-6 affordability of essential services, 5 behavioural economics research, 5 digitalisation, 4 environmental and sustainability policies, 4 contracts competition for the market, 44-46 franchise competition, 44-46 long-term contracts for wholesale gas supply, 329-330 long-term contracts: regulation as a form of administration of a long-term contract, 33-34 opportunistic behaviour, 240 price regulation, 145-146 private contracting approach, 65-66 regulation as a form of administration of a long-term contract, 33-34 regulatory commitment, 240 versus negotiated settlements, 65 cooperative determination of access prices, two-way access pricing, 173-175 core network activities capital investments, 95-96 fixed costs, 76-77 marginal cost pricing, 76 principles of regulation, 71-75 versus competitive activities, 56, 68 core network services declining demand, 147-149 price regulation, 147-149 co-regulation, industries/regulators, 259-261 industry codes, 259-261 correspondence with public utility industries, 16 cost concepts, cost-based access charges, 163-165

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

736 Index

cost efficiency efficiency rationales for regulation, 12-15 monopoly power, 22-23 natural monopoly, 16 principles, 104-105 cost of capital capital asset pricing model (CAPM), 114 dividend growth model, 115 rate case process, 111-115 regulated asset base (RAB), 112 weighted average cost of capital (WACC), 113-114, 115 cost-based access charges cost concepts, 163-165 indirect costs, measuring and estimating, 165 one-way access pricing, 162-168 cost-based allocation, multi-product firms, 84-85 costs of supply electricity supply system, 270 natural gas, 320-322 CPNP (calling party network pays) principle, mobile networks, 377 cream-skimming, 16 Credit Card Accountability Responsibility and Disclosure (CARD) Act, 224 data combination, digital platforms regulation, 498-499 data portability, digital platforms regulation, 498-499 data protection and privacy, digital platforms regulation, 486 data services China, 499 competition for the market, 498 telecommunications, 368 data sharing digital platforms regulation, 498-499 Germany, 498 data, digital platforms, 466-468 databases regulation, digital platforms regulation, 499 decarbonisation policies. See also greenhouse gas emission China, 311 electricity regulation, 311-314 France, 312, 318 Germany, 312 impact on regulation, 313-314 decarbonised gas markets, 356-357 decentralised electricity supply system, 270, 273-275 decentralised gas markets, 356-357 decentralised provision of services, 67 declining demand, price regulation, 147-149 default tariffs energy sector, 219 restructuring policies, electricity industry, 303 retail competition, electricity industry, 194, 295, 309-311 retail competition, gas industry, 194, 339 delegation risks, independent regulation/agencies, 243-245 demand information asymmetries, 94 deregulation policies, 56-63 entry restrictions, removing, 57-60 introducing competition, 57-60 price regulation, removing, 60-63 reliance on competition, 56-63 descriptions of economic regulation, 3

destructive competition, 19, 547, 582, 583 developing and transitional economies evolution of independent regulatory agencies, 250-251 privatisation, 250-251 restructuring policies, electricity industry, 299, 303-304 restructuring policies, railways industry, 527-528, 534-535 restructuring policies, telecommunications industry, 395, 400-401 Diem transactions, payment systems, 427-428 digital platforms attraction/retention strategies, users, 465-466 behavioural biases, 225, 483-486 behavioural economics, 225 characteristics, 454-469 China, 459, 490, 493, 494, 495, 497 data, 466-468 economic attributes, 500 governance arrangements, 460 horizontal and vertical integration, 460 incentivising participation, 463-465 infrastructure, 460-461 market tipping, 463 multi-sided markets, 461 network effects, 462-463 non-price terms of participation, 465 operators, 459-460 participation, incentivising, 463-465 participation, non-price terms of, 465 physical and economic characteristics, 454-478 price structures, 463-465 types of digital platforms, 455-465 users, 458 users attraction/retention strategies, 465-466 value chain, 461-466 vertical and horizontal integration, 460 winner takes all/most, 463 digital platforms regulation, 453-456 algorithms regulation, 499 approach to regulation, 488-500, 501 Australia, 492 bundling limits, 496 China, 490, 501 competition, 474-476 competition for the market, 500 data combination, 498-499 data portability, 498-499 data protection and privacy, 486 data sharing, 498-499 databases regulation, 499 discriminatory practices, 495 dynamic efficiency, 471-472 economic regulation, 490-492 efficiency rationales for regulation, 469-473 entry promotion, 471-472 European Union, 490, 492 evolution of regulations, 500 fairness, 496-497 Germany, 490, 492 interoperability, 495-496, 499-500 level playing field, 496-497 market power, 476, 478-480, 481-483, 488-490 monopoly power, 476-483

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

Index 737

natural monopoly, 500 network effects, 473-476, 500 network effects as a rationale for regulation, 473-476 news intermediaries, 487 non-discrimination policies, 495 policies that have been introduced or proposed for digital platforms, 493-500 price regulation, 472-473 privacy protections, 499-500 rationales for regulation, 468-488 scale economies, 469-472 scope economies, 470, 473 scope of economic regulation, 490-492 separation policies, 493-494 strategic market status (SMS), 490 transparency/opacity, 486 UK, 490, 492 USA, 491, 492 who should regulate digital platforms?, 492 Digital Subscriber Line (DSL) data services, 368 telecommunications, 364 digital wallets, 428-429 digitalisation, contextual change of economic regulation, 4 discriminatory practices, digital platforms regulation, 495 discriminatory pricing optimal linear pricing, 79 versus uniform pricing, 75 distributed ledger technology, payment systems, 426-428 distributed stand-alone cost (DSAC) test, price control, telecommunications regulation, 385-386 distribution. See electricity distribution, electricity transmission and distribution networks, gas distribution, gas transmission and distribution networks distributional issues, behavioural industrial organisation and regulation, 216 dividend growth model, cost of capital, 115 division of powers and responsibilities, 254-259 competition authorities/regulators, 256-257 government levels/regulators, 257-259 government ministries/regulators, 254-256 drones, 557-558 DSAC (distributed stand-alone cost) test, price control, telecommunications regulation, 385-386 DSL. See Digital Subscriber Line dynamic access pricing, access pricing and investment, 182 dynamic efficiency, digital platforms regulation, 471-472 dynamic regulation asymmetric information, 96-98 imperfect information, 98-100 transfer payments, 96-100 earnings sharing mechanisms, price regulation, 142-143 economic attributes, digital platforms, 500 economic theories of regulation, 29-33 economies of scale. See scale economies economies of scope. See scope economies ECPR. See efficient component pricing rule effective competition, 61

efficiency rationales for regulation, 12-21 cost efficiency, 12-15 digital platforms regulation, 469-473 natural monopoly, 12-14, 15-16, 19-21 efficient access prices efficient component pricing rule (ECPR), 160-161 generalised efficient component pricing rule (GECPR), 160 efficient component pricing rule (ECPR) arguments for and against, 161-162 by-pass, 158-161 efficient access prices, 160-161 margin rule, 158, 160, 162 margin squeeze, 384 margin squeeze tests, 384, 387 National Regulatory Authority (NRA), 384 one-way access pricing, 157-162 telecommunications regulation, 384-385 electricity distribution, 278-279, See also electricity transmission and distribution networks distribution network use of system charges, 294 France, 278 electricity generation, 270-275 Australia, 274 Germany, 273 electricity markets and exchanges, 282-284 ancillary electricity services, 283 capacity markets, 283 electricity-trading exchanges, 284 financial transmission rights (FTRs), 283, 291-294 France, 283 regional markets, 283, 284 electricity pool, trading arrangement for wholesale electricity, 280 electricity production gas-fired electricity production, 355 greenhouse gas emission, 269 electricity regulation, 267-320, See also restructuring policies, electricity industry adaptation of regulation, 268 attributes of electricity, 268-269 characteristics of electricity, 268-269 China, 245 competition, 305-311 competition for the market, 285 competition, retail electricity supply, 308-311 customer types, 269 decarbonisation policies, 311-314 demand for electricity, 269 electricity storage, 287 electricity supply system, 270-288 greenhouse gas emission, 269 market power, 285, 299 missing money problem, 306 policy issues, 305-315 price control, 286-288, 295 price regulation, 287-294 restructuring policies, 295-304 retail electricity supply, competition, 308-311 retail price controls, 295 supply chain, competitive activities, 284-286 system operation, 276, 287 trading arrangements for wholesale electricity, 280-284 wholesale electricity markets, 305-306

More Information

738 Index

electricity storage, 275-276 electricity regulation, 287 electricity supply chain, competition, 284-286 electricity supply system, 270-288, See also trading arrangements for wholesale electricity centralised electricity system, 270, 273-275 costs of supply, 270 decentralised electricity system, 270, 273-275 electricity distribution, 278-279 electricity storage, 275-276 electricity transmission, 276-277 electricity transmission and distribution networks, 288-294 energy inputs, 270-273 generation of electricity, 270-275 retail supply, 279 virtual power plants (VPP), 274, 275 electricity transmission and distribution networks, 276-277 efficiency, 277 France, 276 Germany, 276, 278 locational marginal pricing (LMP), 291 nodal pricing, 291 price cap regulation, 288-289 price regulation, 288-294 rate of return regulation, 289-290 rate structures regulation, 291 system operation, 276, 287 transmission network pricing, 291-294 electricity trading exchanges, 284 energy inputs, electricity supply system, 270-273 energy sector behavioural biases, 218-221 behavioural economics, 218-221 default tariffs, 219 English experiment privatisation, 618-619 water and wastewater industry, 618–619 entry promotion, digital platforms regulation, 471 - 472entry regulation, productive efficiency, 19-21 entry restrictions, removing, 57-60 entry threat, contestability theory, 46-48 environmental and sustainability policies. See also decarbonisation policies, greenhouse gas emission contextual change of economic regulation, 4 gas regulation, 356-357 hydrogen networks, 355-357 Europe airline markets, 571 airports, restructuring policies, 574 cable networks regulation, telecommunications, 375-377 mark-ups approach, railways industry, 541-543 restructuring policies, aviation industry, 577-579 restructuring policies, electricity industry, 298, 301-303 restructuring policies, gas industry, 341-343, 345-347 restructuring policies, railways industry, 525-527, 532 - 534restructuring policies, telecommunications industry, 393-394, 397-399 security of gas supply, 350-352 European Union

airport charges, 566 airspace navigation services, 565, 575 competition law, 257 digital platforms regulation, 490, 492 division of powers and responsibilities, government levels/regulators, 259 EC Regulations and Directives, 639-642 evolution of independent regulatory agencies, 248-249 legal cases, 639 legislation, 642 market power, 375, 394 National Regulatory Authority (NRA), 248, 259, 384, 403 Open Internet Regulation, 412 price cap regulation, railways regulation, 521-522 restructuring policies, water and wastewater industry, 612-613 telecommunications regulation, 375, 394 evolution of independent regulatory agencies, 251 Australia, 249-250 developing and transitional economies, 250-251 European Union, 248-249 New Zealand, 249-250 UK, 247–248 USA, 245-247 evolution of regulations, digital platforms regulation, 500 ex ante or ex post approaches to controlling digital platform market power, 488-489 ex ante revenue requirement building block approach, 126-128 price cap regulation, 126-129 ex post (after the fact) competition law, public utilities, 54-56 externalities as a rationale for regulation, 24 fairness digital platforms regulation, 496-497 interpretations, 37-38 rationale for regulation, 35-39 FCC (Federal Communications Commission), competition law, 257 FDC (fully distributed costs), multi-product firms, 84-85 Federal Communications Commission (FCC), competition law, 257 Federal Energy Regulatory Commission (FERC), 245 competition law, 257 restructuring policies, electricity industry, 297 feed-in tariffs (FITs), trading arrangement for wholesale electricity, 282 FERC. See Federal Energy Regulatory Commission fibre to the premises/cabinet (FTTP/C), data services, 368 fibre-optic cable infrastructure, telecommunications, 364 financial capital maintenance (FCM), building block approach, 127-128 financial hedging markets, trading arrangements for wholesale gas, 329 financial transmission rights (FTRs), 283, 291-294 FIRs (Flight Information Regions), aviation industry, 550 first-best pricing, 18, 75, 81, See also marginal cost

- nrst-best pricing, 18, 75, 81, *See also* marginal cost pricing
- FITs (feed-in-tariffs), trading arrangement for wholesale electricity, 282

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

Index 739

fixed costs allocative efficiency, 18 core network activities, 76-77 marginal cost pricing, 76-77 multi-product firms, 84-85 pricing principles, 76-77 fixed line networks competition, 372-375 France, 375 Germany, 375 National Regulatory Authority (NRA), 375 telecommunications regulation, 372-375 fixed revenue cap, price cap regulation, 130 fixed-to-mobile (FTM) interconnections, one-to-many access pricing, 170-171 flexibility, independent regulation/agencies, 242 Flight Information Regions (FIRs), aviation industry, 550 four-party card system, 424-426 fracking, 318, 323, 355, See also shale gas Australia, 356 France, 318 Germany, 318 greenhouse gas emission, 355 France airline markets, 557 airspace navigation services, 553 consumer inertia, 219 decarbonisation policies, 312, 318 electricity distribution, 278 electricity markets and exchanges, 283 electricity transmission and distribution networks, 276 fixed line networks, 375 fracking, 318 gas distribution, 326 gas extraction and production, 323 investment incentives, 354 liquefied natural gas (LNG), 348 mark-ups approach, railways industry, 542 price regulation, 605 private-public partnerships and water concessions, 622. 632 privatisation, aviation industry, 571 railway stations, 513 railways infrastructure, 510 railways supply chain, 516 regulatory decisions, 263 restructuring policies, aviation industry, 571, 577 restructuring policies, electricity industry, 301 restructuring policies, water and wastewater industry, 613, 614 retail price controls, 295 telecommunications networks and services, 369 train services, 512 vertical integration, 601 water and wastewater industry, 599, 602 franchise competition, 43-46 contracts, 44-46 FTM (fixed-to-mobile) interconnections, one-to-many access pricing, 170-171 FTRs (financial transmission rights), 283, 291-294 FTTP/C (fibre to the premises/cabinet), data services, 368 full information. See also asymmetric information, See also hidden information, imperfect information pricing principles under, 75-83 fully distributed costs (FDC), multi-product firms, 84-85

GAO. See Government Accountability Office gas distribution, 326, See also gas transmission and distribution networks France, 326 Germany, 326 gas extraction and production, 322-323 Canada, 323 France, 323 Germany, 323 non-conventional gas extraction, 355 gas industry. See restructuring policies, gas industry gas markets, 356-357 gas networks, 319-320 gas physical and economic characteristics, 318 characteristics of the product, 318-320 costs of supply, 320-322 fracking, 318, 323, 355 gas distribution, 326 gas extraction and production, 322-323 gas networks, 319-320 gas storage, 326 gas transmission, 323-325 natural gas supply chain, 320-333 non-conventional gas sources, 323 production and supply, 319-320 retailing of gas, 327 transportation, 318-320 gas regulation, 317-363 activities subject to regulation in the supply chain, 330-334 competitive activities in the supply chain, 330-332 decarbonised gas markets, 356-357 decentralised gas markets, 356-357 environmental and sustainability policies, 355-357 policy issues, 350-357 price regulation, 332-334 prices and investment: restructuring impact, 352-355 retail gas competition, 331 security of gas supply, 350-352 gas storage, 326 price regulation, 333-334, 338-339 gas transmission and distribution networks, 323-325, See also trading arrangements for wholesale gas Australia, 323, 326 capacity allocation, 325 pipeline pressure maintenance, 324 price regulation, 332-333, 334-338 rate of return regulation, 335-337 rate structures regulation, 337-338 gas transmission, distribution, storage and retail supply, price regulation, 332-334 gas-fired electricity production, 355 generalised efficient component pricing rule (GECPR), 160 Germany access pricing and investment, 170 adjacent monopolies, 170 airport charges, 589 bundling limits, 496 competition, retail electricity markets, 309 data sharing, 498 decarbonisation policies, 312 digital platforms regulation, 490, 492

electricity generation, 273

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

740 Index

Germany (cont.) electricity transmission and distribution networks, 276, 278 fixed line networks, 375 fracking, 318 gas distribution, 326 gas extraction and production, 323 industry-specific regulators, 254 interoperability, 496 legislation, 644 level playing field, 497 light-handed approach, 589 mark-ups approach, railways industry, 542 multi-sectoral regulators, 254 next-generation networks (NGNs), 407 non-discrimination policies, 495 payment systems, 420 price cap regulation, 332, 521-522 price regulation, 332, 605 railway stations, 513 railways infrastructure, 510 rate of return regulation, 137 restructuring policies, electricity industry, 301-302 restructuring policies, railways industry, 532-534 restructuring policies, telecommunications industry, 407 restructuring policies, water and wastewater industry, 613 retail electricity supply, 309 retail price controls, 295 scope of economic regulation, 490 service providers, telecommunications, 369 sunshine regulation, 608 supply chain, competitive activities, 515-516 telecommunications regulation, 369 total expenditure (Totex) approach, 606 trading arrangements for bulk water, 602 trading arrangements for wholesale electricity, 282 train services, 511-513 vertical integration, 601 water and wastewater industry, 598, 599 wholesale electricity markets, 282 wholesale gas spot markets, 328 yardstick competition, 145 global price caps, one-way access pricing, 166 Government Accountability Office (GAO) airport services, 555, 575-577 who regulates the regulators?, 264 government levels/regulators, division of powers and responsibilities, 257-259 government ministries/regulators, division of powers and responsibilities, 254-256 government price guarantees, trading arrangement for wholesale electricity, 282 greenhouse gas emission. See also decarbonisation policies, environmental and sustainability policies electricity production, 269 fracking, 355 hedging markets, wholesale gas, 329 hidden action, asymmetric information, 93-94 hidden information, 91-93, See also asymmetric information, full information, imperfect information allocative efficiency, 91-93 Loeb-Magat incentive arrangement, 91-93

hold-up, 22 sunk asset expropriation, 235-237 vertical integration and separation, 184-185 horizontal competition railways industry, 536-540 railways regulation, 516-517 horizontal integration and separation, 189-191 behavioural obligations, 190 competition, 189-191 forms of horizontal separation, 190-191 household expenditure, public utilities, 1-2 hybrid caps, price cap regulation, 131 hybrid fibre coaxial (HFC) infrastructure, telecommunications, 365 hydrogen networks, environmental and sustainability policies, 355-357 ICC (Interstate Commerce Commission), 245-247 imperfect information, 90-95, See also asymmetric information, full information, hidden information dynamic regulation, 98-100 transfer payments, 98-100 incentive mechanism, asymmetric information, 98-100 incentives and performance under different ownership structures, 49-51 incentives for investment, access pricing, 180-182 incentives to invest in new infrastructure, 181 incentivising investment in next-generation networks (NGNs), 405-407 incentivising participation in digital platforms, 463-465 incremental cost, price setting, 48 incremental surplus subsidy scheme, transfer payments, 96-97 independent power producers (IPPs), 282, 285 independent regulation/agencies. See also evolution of independent regulatory agencies, who regulates the regulators? Australia, 249, 253, 258 consumer and producer interests, 240 context specificity, 242 delegation risks, 243-245 design of regulatory agencies, 252-259 division of powers and responsibilities, 254-259 establishment of independent regulators, 251 flexibility, 242 important characteristic, 234 industry-specific regulators, 252-254 intertemporal pricing, 111, 237-238 legal framework, 241-242 multi-sectoral regulators, 252-254 objectives of the regulator, 240 opportunistic behaviour, 238-242 organisational structures, 252-254 oversight of regulators, 261-265 rationale for economic regulatory agencies, 233-245 reconciling factors motivating the establishment of independent regulators, 251 regulatory commitment, 97-98, 234-245 risks associated with the creation of independent regulators, 243-245 scope of their power, 252-259 specialisation, 243 state-owned utilities, 53-54

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

Index 741

sunk asset expropriation, 235-237 time-inconsistency problem, 234-237 India aviation industry, 548, 557, 572 liquefied petroleum gas (LPG), 348 net neutrality, 412 next-generation networks (NGNs), 407 payment systems, 424, 430, 445 railways industry, 505-506, 510, 514 railways regulation, 504 restructuring policies, aviation industry, 579, 602 restructuring policies, electricity industry, 297 retail electricity supply, 297 spectrum licences, telecommunications networks and services, 371 state support, 49 indirect costs cost-based access charges, 165 measuring and estimating, 165 industry codes, co-regulation, industries/regulators, 259-261 industry structures, 71-75 vertical integration with competition in some activities, 73-75 vertical separation with competition in some activities, 72 vertically integrated monopoly, 72 industry-specific regulators, 252-254 Germany, 254 information. See asymmetric information, full information, hidden information, imperfect information infrastructure based competition, next-generation networks (NGNs), 404 infrastructure competition access pricing and investment, 153, 180-181, 182 next-generation networks (NGNs), 404 payment systems regulation, 415 telecommunications regulation, 373, 398 vertical integration, 71 water and wastewater regulation, 603 inset appointments, water and wastewater regulation, 603, 615 institutions of regulation. See independent regulation/ agencies interbank payment systems, 418, 422-423, 428 regulation, 436-437 restructuring policies, 441-443, 445-446 interest group theories of regulation, 29-33 international access and charging principles, airspace navigation services, 564 interoperability, digital platforms regulation, 495-496, 499-500 Interstate Commerce Commission (ICC), 245-247 intertemporal pricing independent regulation/agencies, 111, 237-238 ratchet effect, 237-238 investment incentives. See also access pricing and investment, capital investments France, 354 new infrastructure, 181 next-generation networks (NGNs), 405-407 restructuring impact on gas industry prices and investment, 352-355 IPPs (independent power producers), 282, 285 Italy, total expenditure (Totex) approach, 606

Jakarta, private-public partnerships and water concessions, 623 Japan privatisation, railways industry, 528-529 restructuring policies, aviation industry, 579 restructuring policies, railways industry, 527, 528-529 joint costs, 83, 85 judicial review, who regulates the regulators?, 246, 247, 261 ladder of investment approach access pricing and investment, 182 next-generation networks (NGNs), 404-405 Laffont and Tirole model, 138 regulatory commitment, 98 versus Baron and Myerson model, 93-94 lag period, rate of return regulation, 120 Latin America, private-public partnerships and water concessions, 622 legacy networks, telecommunications, 363 transition from legacy copper networks to NGN, 404-407 legal and ownership separation, vertical integration and separation, 189 legal cases Australia, 643 European Union, 639 New Zealand, 644 UK, 642 USA, 642-643 legal framework independent regulation/agencies, 241-242 opportunistic behaviour, 241-242 legislation Australia, 643 Canada, 643 European Union, 642 Germany, 644 New Zealand, 644 UK, 642 USA, 643 level playing field China, 497 digital platforms regulation, 496-497 Germany, 497 light-handed approach airport charges, 66, 566, 589 Australia, 66, 250, 589 Germany, 589 New Zealand, 55, 66, 250, 589 non-standard consumers, 216 telecommunications regulation, 374 linear pricing. See also non-linear pricing optimal linear pricing, 79 versus non-linear pricing, 75 liquefied natural gas (LNG), 317, See also natural gas supply chain Australia, 330 Chile, 347 China, 330 France, 348 restructuring policies, gas industry, 347 storage, 339 wholesale trading, 330

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

742 Index

liquefied petroleum gas (LPG) Canada, 348 India, 348 supply and regulation, 348-349 LMP (locational marginal pricing), electricity transmission and distribution networks, 291 LNG. See liquefied natural gas locational marginal pricing (LMP), electricity transmission and distribution networks, 291 Loeb-Magat incentive arrangement, hidden information, 91-93 long-run incremental costs (LRIC) bottom-up long-run incremental cost (BU-LRIC), 381 revenue requirement determination, 128-129 telecommunications regulation, 381-384 total element long-run incremental cost (TELRIC), 381, 382, 383-384 total service long-run incremental cost (TSLRIC), 381, 382, 383-384 variants, 381, 382, 383-384 long-run marginal cost pricing (LRMC), 95-96 long-term contracts regulation as a form of administration of a long-term contract, 33–34 wholesale gas supply, 329-330 LPG (liquefied petroleum gas), supply and regulation, 348-349 LRIC. See long-run incremental costs LRMC (long-run marginal cost pricing), 95-96 make-or-buy decision by-pass and the make-or-buy decision, 180-181 telecommunications regulation, 372 mandatory and voluntary separation, vertical integration and separation, 189 margin rule, efficient component pricing rule (ECPR), 158, 160, 162 margin squeeze accounting separation, 188 competition law, 378 efficient component pricing rule (ECPR), 384 price cap regulation, 125, 166 restructuring policies, telecommunications industry, 390 telecommunications regulation, 378 vertical separation, 185 margin squeeze tests, efficient component pricing rule (ECPR), 384, 387 marginal cost pricing. See also first-best pricing allocative efficiency, 17-18 average cost pricing, 78 core network activities, 76 fixed costs, 76-77 long-run marginal cost pricing (LRMC), 95-96 multi-product firms, 83-90 non-linear pricing, 80, 83 productive efficiency, 19 short-run marginal cost (SRMC) pricing, 95-96 starting principle for price regulation, 75-76 market demand, 12 natural monopoly, 13 market power airport charges, 560-561, 562, 568-569, 580 Chile, 306 competition, 146-147

digital platforms regulation, 476, 478-480, 481-483, 488-490 electricity regulation, 285, 299 European Union, 375, 394 ex ante or ex post approaches to controlling digital platform market power, 488-489 market power mitigation, 481-483 multiple competing suppliers, regulation, 194 Netherlands, 562 non-standard consumers, 210 price regulation, 60-62 rationales for regulation, 481-483 removing price regulation, 60-62 restructuring policies, gas industry, 341 telecommunications regulation, 373, 375, 394 two-way access pricing, 176 USA, 299 wholesale electricity markets, 305-306 market tipping digital platforms, 463 network effects, 463 markets. See also airline markets, competition, electricity markets and exchanges, multi-sided markets, trading arrangements for wholesale electricity, trading arrangements for wholesale gas competition for the market, 44-46 contestability theory, 46-48, 385-386, 583-584 gas markets, 356-357 water markets, 602, 624-628 wholesale market-based trading arrangements, water and wastewater industry, 602 mark-ups constant mark-ups to recover fixed and common costs, multi-product firms, 84-85 equi-proportionate mark-ups (EPMU), multi-product firms, 84-85 mark-ups approach, railways industry Canada, 543 Europe, 541-543 France, 542 Germany, 542 USA, 541 merchant investments, electricity supply chain, 285 merchant service charge (MSC), 424 Mexico, restructuring policies, gas industry, 343 missing money problem, electricity industry, 306 mobile networks calling party network pays (CPNP) principle, 377 Canada, 377 telecommunications regulation, 377 mobile virtual network operators (MVNOs), telecommunications networks and services, 370 modern economic regulation, 3-6 monetary policy, time-inconsistency problem, 234-235 monitoring public utilities, 66 monopoly. See also natural monopoly adjacent monopolies, two-way access pricing, 169-170, 172 allocative efficiency, 17 termination monopoly problem, 172 two-way access pricing, 172 vertically integrated monopoly, 72 monopoly power cost efficiency, 22-23 digital platforms regulation, 476-483

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

Index 743

market power mitigation, 481-483 regulation to control digital platforms from harming the long-term interests of consumers, 480-481 regulation to control monopoly power, 21-24, 476-483 two-sided markets, 477 X-inefficiency, 22 MSC (merchant service charge), 424 multimedia and broadcasting services, 369 multi-period context, pricing in a, 95-100 multiple competing suppliers, regulation, 194 market power, 194 multiple objectives pursued through access pricing policies, 153-154 multi-product firms, 83-90 common costs, 84-85 constant mark-ups to recover fixed and common costs, 84-85 cost-based allocation, 84-85 equi-proportionate mark-ups (EPMU), 84-85 fixed costs, 84-85 fully distributed costs (FDC), 84-85 marginal cost pricing, 83-90 non-linear pricing, 89 peak-load pricing, 87-89 pricing principles, 83-90 Ramsey-Boiteux pricing, 85-87 multi-sectoral regulators, 252-254 Germany, 254 multi-sided markets competition, 191-194, 461 digital platforms, 461 platform operators, 191-194 price structures, 192 MVNOs (mobile virtual network operators), telecommunications networks and services, 370 NAO. See National Audit Office National Association of Regulatory Utility Commissioners (NARUC), 264 rate of return regulation, 290, 606 National Audit Office (NAO), 55, 247, 614-615 who regulates the regulators?, 264 National Regulatory Authority (NRA) efficient component pricing rule (ECPR), 384 European Union, 248, 259, 384, 403 fixed line networks, 375 next-generation networks (NGNs), 404, 406 price regulation, 61 restructuring policies, telecommunications industry, telecommunications regulation, 375, 378, 394 natural gas supply chain, 320-333, See also liquefied natural gas Australia, 322 competitive activities, 330-332 natural monopoly cost efficiency, 16 digital platforms regulation, 500 efficiency rationales for regulation, 12-14, 15-16, 19-21 entry regulation to achieve productive efficiency, 19-21 market demand, 13 terminology, 7

negotiated approaches, railways regulation, 523-524 Canada, 145, 523 negotiated settlements, 63-65, See also price regulation advantages, 63 Australia, 63 disadvantages, 64 negotiate-arbitrate approach, 65 North American gas industry, 335-337 rate of return regulation, 120 USA, 335-337 variants, 65 versus private contracting approach, 65 negotiation, 63-65 access prices, one-way access pricing, 167-168 price regulation, 145-146 net neutrality Canada, 412 Chile, 412 economic trade-offs, 409-411 India, 412 over-the-top (OTT) applications, 408 regulatory response, 411-412 telecommunications regulation, 407-412 two-sided markets, 408 two sides of the net neutrality debate, 408-409 USA, 411 Netherlands behavioural economics, 221 market power, 562 price regulation, 122 railway stations, 513 restructuring policies, aviation industry, 571 restructuring policies, water and wastewater industry, 613 sunshine regulation, 608 total expenditure (Totex) approach, 606 wastewater treatment, 598, 599 wholesale gas spot markets, 328 yardstick competition, 145 network decline, price regulation, 147-149 network effects competition, 474-476 competition for the market, 26, 475-476 digital platforms, 462-463 digital platforms regulation, 473-476, 500 direct network effects, 462 indirect network effects, 462 market tipping, 463 scale economies, 25-26, 27 two-sided markets, 25 winner takes all/most, 463 network effects as a rationale for regulation, 25-28 digital platforms regulation, 473-476 network effects, 25-27 network externalities, 27-28 new appointments and variations, water and wastewater regulation, 603, 615 New Zealand airline markets, 573 airport charges, 66, 250, 589 evolution of independent regulatory agencies, 249-250 legal cases, 644 legislation, 644 light-handed approach, 55, 66, 250, 589

More Information

744 Index

New Zealand (cont.) restructuring policies, electricity industry, 303-304 restructuring policies, gas industry, 343 restructuring policies, telecommunications industry, 395 news intermediaries, digital platforms regulation, 487 next-generation networks (NGNs) Canada, 407 China, 407 Germany, 407 incentivising investment in NGNs, 405-407 India, 407 infrastructure-based competition, 404 infrastructure competition, 404 ladder of investment approach, 404-405 National Regulatory Authority (NRA), 404, 406 telecommunications networks and services, 363, 404-407 unbundling policies, 363, 375, 404-405 nodal pricing, electricity transmission and distribution networks, 291 non-conventional gas extraction, 355 non-conventional gas sources, 323 non-cooperative access price determination, two-way access pricing, 173 non-discrimination policies China, 495 digital platforms regulation, 495 Germany, 495 non-linear pricing. See also linear pricing marginal cost pricing, 80, 83 multi-product firms, 89 optimal non-linear pricing, 80-83 two-part tariffs, uniform, 80-83 versus linear pricing, 75 non-price regulation Public Utility Commissions (PUCs), 389 service level agreement (SLA), 388 telecommunications regulation, 388-389 non-standard consumers behavioural industrial organisation and regulation, 205-208, 214, 215, 216-218 integrating non-standard consumers, 205-206 light-handed approach, 216 market power, 210 pricing decisions with non-standard consumers, 207-208 NRA. See National Regulatory Authority objectives of the regulator, 240 one-to-many access pricing fixed-to-mobile (FTM) interconnections, 170-171 two-way access pricing, 170-171 one-way access pricing, 154-172 competition, 154-172 cost-based access charges, 162-168 efficient component pricing rule (ECPR), 157-162 fair and reasonable access requirements, 168 generalised efficient component pricing rule (GECPR), 160 global price caps, 166 negotiation of access prices, 167-168 non-discriminatory access requirements, 167 open-access requirements, 167 Ramsey-Boiteux pricing, 156-157

static efficiency, 156 vertical integration, 156 vertical separation, 154-155 on-rail competition, railways regulation, 515-516 opacity/transparency, digital platforms regulation, 486 Open Internet Regulation, European Union, 412 open-access competition, railways regulation, 515-516 operating expenses (OPEX) building block approach, 127 rate of return regulation, 110 opportunistic behaviour. See also regulatory commitment context specificity, 242 contracts, 240 independent regulation/agencies, 238-242 legal framework, 241-242 objectives of the regulator, 240 price regulation, 239 voluntary solutions, 238–239 optimal linear pricing, discriminatory pricing versus uniform pricing, 79 optimal non-linear pricing, uniform two-part tariffs, 80-83 organisational structures, independent regulation/ agencies, 252-254 OTT. See over-the-top applications oversight of regulators. See who regulates the regulators? over-the-top (OTT) applications net neutrality, 408 telecommunications, 367, 386-388, 403 ownership structures. See also privately owned utilities, public utilities, state-owned utilities incentives and performance under different structures, 49-51 performance investigations, 51-53 principal-agent model, 49-51 packet switching, telecommunications, 366-367 payment interface providers (PIPs), 427 payment systems. See also restructuring policies, payment systems, transfer payments Australia, 420, 423, 431, 440, 441, 443 behavioural biases, 224-225 behavioural economics, 224-225 blockchain, 426-428 Canada, 443, 445 card payment systems, 424-426, 428 cash payments and non-cash payments, 417 characteristics of the product, 416-418 China, 424, 429, 445, 457 competition between real-time interbank and card payment systems, 430, 431 competitive activities, 429-433 Credit Card Accountability Responsibility and Disclosure (CARD) Act, 224 Diem transactions, 427-428 digital wallets, 428-429 distributed ledger technology, 426-428 emerging payment systems, 426-429 end-users of payment systems, 419 expansion by card and interbank payment systems, 428 four-party card system, 424-426 Germany, 420 India, 424, 430, 445

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

Index 745

interbank payment systems, 418, 422-423, 428 inter-payment system competition, 429-433 intra-payment system competition, 429-433 merchant service charge (MSC), 424 non-cash payments and cash payments, 417 participants, 418-420 payment interface providers (PIPs), 427 payment schemes, 419 payment service providers (PSPs), 419, 421-422, 429, 437 payment system infrastructure providers, 420 payment system operators, 420 processing of payments, 420-422 retail payment systems, 416-417 three-party card system, 424 two-sided markets, 379, 426, 434, 472 wholesale payment systems, 416-417 payment systems regulation, 415-451 activities subject to regulation, 433-436 card payment systems, 437-440 competition for the market, 415 form and scope of regulation, 436-440 infrastructure competition, 415 interbank payment systems, 436-437 peak-load pricing, 77 multi-product firms, 87-89 peering, price control, telecommunications regulation, 386-388 performance and incentives under different ownership structures, 49-51 performance investigations ownership structures, 51-53 privately owned utilities, 51-53 state-owned utilities, 51-53 physical hedging markets, trading arrangements for wholesale gas, 329 PIPs (payment interface providers), 427 platform operators, multi-sided markets, 191-194 policy issues aviation regulation, 582-588 electricity regulation, 305-315 gas regulation, 350-357 railways regulation, 535-543 telecommunications regulation, 401-413 water and wastewater industry, 617-631 power purchase agreement (PPA), trading arrangement for wholesale electricity, 281 pre-competitive market stage, competition, 61 pre-entry stage, competition, 61 price and revenue caps RPI-K approach, 607 RPI-X approach, 607 water and wastewater regulation, 606-607 price cap regulation, 121-141, See also price regulation advantages and disadvantages, 132-135 Australia, 288, 334 average revenue approach, 130 baskets, 124 Canada, 288, 335 determining the value of X, 125-126 developments, 136-138 duration of the price cap, 123-124 electricity transmission and distribution networks, 288-289 ex ante revenue requirement, 126-129 fixed revenue cap, 130

gas transmission and distribution networks, 334-335 general price cap approach, 122-126 Germany, 332, 521-522 hybrid caps, 131 margin squeeze, 125, 166 origins, 121-122 products scope, 124-125 railways regulation, 521-523 regulatory lag, 123 revenue requirement determination, 126-129 RPI-K approach, 607 RPI-X approach, 122-123, 125-126, 133, 607 tariff basket approach (weighted average price cap), 131 telecommunications regulation, 381 total expenditure (totex) approach, 136-138 total factor productivity (TFP) approaches, 289 versus rate of return regulation, 116, 133, 138-141 weighted average price cap (tariff basket approach), 131 price control, electricity regulation, 286-288, 295 price control, telecommunications regulation, 380-388 avoided-cost resale provision, 384-385 bill and keep, 386-388 contestability theory, 385–386 distributed stand-alone cost (DSAC) test, 385-386 efficient component pricing rule (ECPR), 384-385 long-run incremental costs (LRIC), 381-384 peering, 386-388 price cap regulation, 381 price-cost tests, 385-386 rate of return regulation, 381 retail-minus price setting, 384-385 price discrimination. See discriminatory pricing price regulation, 109-150, See also negotiated settlements, price cap regulation, pricing principles administered pricing, 145-146 airport charges, 566 airport services, 562-563 airspace navigation services, 550-553, 561, 564, 565-566 allocative efficiency, 17-19 Australia, 61 aviation regulation, 561-562 benchmarking, 144-145 Canada, 518 China, 332 competition, 144-145, 146-147 competition for the market, 145 contracts, 145-146 core network services, 147-149 declining demand, 147-149 digital platforms, 472-473 earnings sharing mechanisms, 142-143 electricity regulation, 287-294 electricity transmission and distribution networks, 288 - 294form and scope of water and wastewater regulation, 605-610 forms of price regulation, 239, 287-294 France, 605 gas regulation, 332-334 gas storage, 333-334, 338-339 gas transmission and distribution networks, 334-338 gas transmission, distribution, storage and retail supply, 332-334

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

746 Index

price regulation (cont.) Germany, 332, 605 hybrid approaches, 141-143 market power, 60-62 National Regulatory Authority (NRA), 61 negotiation, 145-146 Netherlands, 122 network decline, 147-149 opportunistic behaviour, 239 price and revenue caps, 606-607 railways regulation, 517–524 rate of return regulation, 109-120, 335-337, 606 rate structures regulation, 291, 337-338, 609-610 removing price regulation, 60-63 retail price controls, electricity regulation, 295 retailing of gas, 334, 339 revenue sharing mechanisms, 143 sunshine regulation, 608 transmission network pricing, electricity, 291-294 two-sided markets, 193 water and wastewater regulation, 605-610 yardstick and comparative competition, 608 yardstick competition, 144-145 price setting incremental cost, 48 stand-alone cost (SAC), 48 water and wastewater industry, 628-631 price structures behavioural industrial organisation and regulation, 215 digital platforms, 463-465 multi-sided markets, 192 water and wastewater industry, 629-631 price-cost tests, telecommunications regulation, 385-386 pricing decisions with non-standard consumers, 207 - 208pricing principles. See also marginal cost pricing, price regulation average cost pricing, 77-79 constant mark-ups to recover fixed and common costs, 84-85 discriminatory pricing versus uniform pricing, 75 first-best pricing, 18, 75, 81 fixed costs, 76-77 linear pricing versus non-linear pricing, 75 multi-product firms, 83-90 non-linear pricing, 75, 80-83, 89 optimal linear pricing, 79 peak-load pricing, 77, 87-89 Ramsey-Boiteux pricing, 77, 85-87 under full information, 75-83 uniform pricing versus discriminatory pricing, 75 principal-agent model, ownership structures, 49-51 privacy protections, digital platforms regulation, 499-500 private contracting approach, 65-66 versus negotiated settlements, 65 private participation, water and wastewater industry, 617-624 privately owned utilities. See also ownership structures, public utilities, state-owned utilities performance investigations, 51-53 private-public partnerships and water concessions Chile, 622 China, 621

France, 622, 632 Jakarta, 623 Latin America, 622 reverse privatisation, 624 water and wastewater industry, 621-624 privatisation airports restructuring policies, 573-575 airspace navigation services, 575, 581 aviation industry, 557, 571 aviation industry, Chile, 574 Canada, airspace navigation services, 575, 581 Chile, 296 Chile, aviation industry, 574 Chile, telecommunications industry, 395 developing and transitional economies, 250-251 effects, 51-53, 401 English experiment, 618-619 France, airspace navigation services, 553 Japan, railways industry, 528-529 restructuring policies, electricity industry, 295-296 restructuring policies, water and wastewater industry, 614-616 reverse privatisation, 5, 624 telecommunications industry, 393, 395, 401 UK, airspace navigation services, 553, 575 UK, gas industry, 341, 345 UK, railways industry, 528-529 UK, telecommunications industry, 393 USA, airspace navigation services, 581 water and wastewater industry, 611-612 producer and consumer interests, independent regulation/agencies, 240 productive efficiency, 16 entry regulation, 19-21 marginal cost pricing, 19 public utilities. See also ownership structures, privately owned utilities, state-owned utilities competition law, 54-56 ex post (after the fact) competition law, 54-56 household expenditure, 1-2 Public Utility Commissions (PUCs) gas price regulation, 333-334, 341 non-price regulation, 389 origins, 245-247 responsibilities, 258 retail price regulation, 339 Public Utility Regulatory Policies Act 1978 (PURPA), 280 PUCs. See Public Utility Commissions PURPA (Public Utility Regulatory Policies Act 1978), 280 quality principles, 102-104 quality regulation, water and wastewater regulation, 608-609 RAB. See regulatory asset base radio waves/base stations, telecommunications, 365 railways industry, 503-544, See also restructuring policies, railways industry Australia, 511-512 autonomous trains, 513 Canada, 511-512, 518 characteristics of the product, 504-506 China, 503-504, 505-506, 510, 514 competition, 503-504, 516-517, 535-540 competition for the market, 511, 528, 544

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

Index 747

freight services, 504-506 horizontal competition, 536-540 India, 505-506, 510, 514 infrastructure, 506-510 infrastructure interoperability, 508 infrastructure management, 509, 510 infrastructure ownership, 509 infrastructure, France, 510 infrastructure, railway stations, 513-514 Netherlands, 513 passenger services, 504-506 physical and economic characteristics, 504-514 privatisation, 528-529 rail services, China, 505 railway stations, 513-514 railway stations, France, 513 railway stations, Germany, 513 railway systems, 506-514 Ramsey-Boiteux pricing, 540-543 scope economies, 13, 536, 537, 539 state-owned companies, 511 supply structures, train services, 511 train operating companies, 512 train services, 510–513 train services, Canada, 511 train services, France, 512 train services, Germany, 511-513 vertical competition, 537-540 railways regulation, 514-524 Australia, negotiated approaches, 523 Canada, negotiated approaches, 523 competition for the market, 515, 528 competitive activities in the supply chain, 514-517 European Union, price cap regulation, 521-522 horizontal competition, 516-517 horizontal separation versus vertical separation, 535-536 India, 504 infrastructure price regulation, 518-519 negotiated approaches, 523-524 on-rail competition, 515-516 open-access competition, 515-516 policy issues, 535-543 price cap regulation, 521-523 price regulation, 517-524 supply chain, 514-520 train operating services, 519 UK, price cap regulation, 521 USA, negotiated approaches, 523 vertical separation versus horizontal separation, 535-536 vertically integrated railways, 516-517 railways supply chain competitive activities, 514-517 France, 516 Ramsey-Boiteux pricing allocative efficiency, 19 multi-product firms, 85-87 one-way access pricing, 156-157 pricing principles, 77, 85-87 railways industry, 540-543 rate of return regulation, 115 single-product firms, 79, 83 ratchet effect, intertemporal pricing, 237-238 rate base, 109-110 rate case process

asset 'rate base', 111 capital investments, 111-115 cost of capital, 111-115 determination of rates or prices, 115-116 rate of return regulation, 110-116 revenue requirement determination, 111-115 Takings Clause, 111 rate of return regulation, 109-120, 335-337, 606 advantages and disadvantages, 116-119 Averch-Johnson (A-J) effect, 117-119 Canada, 337 developments, 119-120 electricity transmission and distribution networks, 289-290 gas transmission and distribution networks, 335-337 Germany, 137 lag period, 120 negotiated settlements, 120 operating expenses (OPEX), 110 Ramsey-Boiteux pricing, 115 rate case process, 110-116 regulatory lag, 117, 118, 121, 290, 637 telecommunications regulation, 381 versus price cap regulation, 116, 133, 138-141 water and wastewater regulation, 606 rate structures regulation electricity transmission and distribution networks, 291 gas transmission and distribution networks, 337-338 water and wastewater regulation, 609-610 rate structures, desirable attributes, 100-107 rationales for regulation, 635-636 affordability, 35-39 alternatives to regulation, 635-636 consumers' characteristics, 39-41 cost efficiency, 12-15 digital platforms, 468-488 efficiency rationales for regulation, 12-21 externalities, 24 fairness, 35-39 implications of the different rationales, 41-42 independent regulation/agencies, 233-245 market power, 481-483 monopoly power, 481-483 natural monopoly, 12-14, 15-16, 19-21 network effects, 25-28 scope economies, 13-14, 470 reasons for regulation, 1-3, 11-12 efficiency rationales, 12-21 reciprocal agreement and 'bill and keep', two-way access pricing, 175-176, 178 regional markets, electricity, 283, 284 regulators, regulation of. See who regulates the regulators? regulatory agencies. See independent regulation/ agencies regulatory asset base (RAB) building block approach, 127–128 cost of capital, 112 regulatory commitment. See also opportunistic behaviour asymmetric information, 97-98 Baron and Myerson model, 97, 238 contracts, 240 independent regulation/agencies, 234-245 Laffont and Tirole model, 98 regulatory decisions, Canada, 263

More Information

748 Index

regulatory holidays, 179, 406 regulatory lag, 99 price cap regulation, 123 rate of return regulation, 117, 118, 121, 290, 637 regulatory responsibility, Canada, 254, 258-259 regulatory theory and practice, linking, 636-637 re-municipalisation, water and wastewater industry, 624 restructuring policies, aviation industry, 570-582 airline markets, 570-573 airports, 573-575, 579-580 airspace navigation services, 575, 581 Australia, 572–573, 579, 580 Canada, 572–573, 579 Chile, 572, 579 China, 574, 579 environment, 581 Europe, 577-579 France, 571, 577 India, 579, 602 Japan, 579 Netherlands, 571 safety, 581 scope, 570-575 USA, 575-577 restructuring policies, electricity industry, 295-304 Australia, 303-304 Canada, 297, 309 Chile, 299, 303 China, 297, 299 competition, 305-311 default tariffs, 303 developing and transitional economies, 299, 303-304 effects in the electricity industry, 299-304 Europe, 298, 301-303 France, 301 Germany, 301-302 India, 297 New Zealand, 303-304 privatisation, 295-296 standard restructuring model, 295-297 unbundling policies, 296, 298 USA, 297, 299-301 restructuring policies, gas industry, 340 Argentina, 343, 347 Australia, 343, 347 Canada, 343, 344, 357 Chile, 343 Colombia, 343 Europe, 341-343, 345-347 liquefied natural gas (LNG), 347 market power, 341 Mexico, 343 New Zealand, 343 prices and investment: restructuring impact, 352-355 security of gas supply, 350-352 UK, 341-343, 345-347 unbundling policies, 342, 357 USA, 340-341, 343-345 restructuring policies, payment systems, 440-451 Australia, 445, 447, 450 card payment systems, 443-445, 446-449 interbank payment systems, 441-443, 445-446 scope of policies, 440-445

restructuring policies, railways industry, 524-535 Canada, 531 China, 528 competition for the market, 526, 535 developing and transitional economies, 527-528, 534-535 Europe, 525-527, 532-534 Germany, 532-534 Japan, 527, 528–529 Russia, 528 scope, 524 UK, 528-529, 532-534 USA, 525, 531-532 restructuring policies, telecommunications industry, 389-401 Australia, 395 Chile, 395 developing and transitional economies, 395, 400-401 Europe, 393-394, 397-399 Germany, 407 margin squeeze, 390 National Regulatory Authority (NRA), 394 New Zealand, 395 stages of regulation, 389-391 UK, 393-394, 397-399 unbundling policies, 390, 391 USA, 392-393, 395-397 restructuring policies, water and wastewater industry, 610 - 617Australia, 614, 616 Chile, 614, 616 competitive activities, 615, 616, 617 European Union, 612-613 France, 613, 614 Germany, 613 models, 610 Netherlands, 613 privatisation, 614-616 retail competition, 616 UK, 611-612, 614-616 USA, 613 retail activities, water and wastewater industry, 598, 616 retail benchmarking, two-way access pricing, 177 retail competition electricity industry, default tariffs, 194, 295, 303, 309-311 gas industry, default tariffs, 194, 339 restructuring policies, water and wastewater industry, 616 retail electricity supply competition, 308-311 Germany, 309 India, 297 retail payment systems, 416-417 retail price controls, electricity regulation Australia, 295 France, 295 Germany, 295 retail price regulation Australia, 219 Public Utility Commissions (PUCs), 339 retail supply, electricity supply system, 279 retailing of gas, 327

Australia, 327

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

Index 749

competition, 331 price regulation, 334, 339 retail-minus price setting, telecommunications regulation, 384-385 revenue requirement determination ex ante revenue requirement, 126-129 long-run incremental costs (LRIC), 128-129 price cap regulation, 126-129 rate case process, 111-115 revenue sharing mechanisms, price regulation, 143 reverse privatisation, 5 private-public partnerships and water concessions, 624 water and wastewater industry, 624 risks associated with the creation of independent regulators, 243-245 RPI-K approach, price cap regulation, 607 RPI-X approach, price cap regulation, 122-123, 125-126, 133, 607 Russia, restructuring policies, railways industry, 528 SAC. See stand-alone cost scale economies, 12-16 digital platforms regulation, 469-472 network effects, 25-26, 27 subadditivity, 15 water and wastewater industry, 599-601 scope economies aviation regulation, 561 digital platforms regulation, 470, 473 railways industry, 13, 536, 537, 539 rationales for regulation, 13-14, 470 vertical integration, 601 vertical integration and separation, 183 water and wastewater industry, 601 scope of economic regulation digital platforms regulation, 490-492 Germany, 490 security of gas supply Europe, 350-352 gas regulation, 350-352 restructured competitive gas industry, 350-352 UK, 350-352 self-supply, trading arrangement for wholesale electricity, 280 separation policies, digital platforms regulation, 493-494 service level agreement (SLA), non-price regulation, 388 service providers, telecommunications networks and services, 369-370 Australia, 369 service quality regulation, water and wastewater regulation, 608-609 shale gas. See also fracking China, 318, 323 USA, 318 short-run marginal cost (SRMC) pricing, 95-96 significance of economic regulation, 1-2 single-product firms, Ramsey-Boiteux pricing, 79, 83 single-buyer model, trading arrangement for wholesale electricity, 281 SLA (service level agreement), non-price regulation, 388 SMS (strategic market status), digital platforms regulation, 490 specialisation, independent regulation/agencies, 243

spectrum licences, telecommunications networks and services, 370-372 India, 371 USA, 371 SRMC (short-run marginal cost) pricing, 95-96 stand-alone cost (SAC) price control, telecommunications regulation, 385-386 price setting, 48 state-owned companies, railways industry, 511 state-owned utilities, 48-54, See also ownership structures, privately owned utilities, public utilities benefits of state ownership vis-à-vis private ownership, 49 independent regulation, 53-54 performance investigations, 51-53 static efficiency, one-way access pricing, 156 STB (Surface Transportation Board), competition law, 257 stepping stone hypothesis. See ladder of investment approach storage. See also electricity storage, gas storage liquefied natural gas (LNG), 339 strategic market status (SMS), digital platforms regulation, 490 subadditivity, 14-16 scale economies, 15 sunk asset expropriation, time-inconsistency problem, 235-237 sunshine regulation Germany, 608 Netherlands, 608 water and wastewater regulation, 608 Surface Transportation Board (STB), competition law, 257 sustainability. See environmental and sustainability policies switching technologies, telecommunications, 365-367 system operation, electricity regulation, 276, 287 Takings Clause, rate case process, 111 tariff basket approach (weighted average price cap), price cap regulation, 131 telecommunications industry. See also restructuring policies, telecommunications industry behavioural biases, 221-222 behavioural economics, 221-222 telecommunications networks and services, 359-372 5G networks, 368 allocation of capacity, 370-372 cable modem services, 368 capacity allocation, 370-372 characteristics of the product, 360-361 circuit switching, 365 data services, 368 Digital Subscriber Line (DSL), 364, 368 fibre to the premises/cabinet (FTTP/C), 368 fibre-optic cable infrastructure, 364 fixed line telecommunications network architecture, 361-363 France, 369 hybrid fibre coaxial (HFC) infrastructure, 365 legacy networks, 363 mobile virtual network operators (MVNOs), 370 multimedia and broadcasting services, 369 next-generation networks (NGNs), 363, 404-407

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

750 Index

telecommunications networks and services (cont.) over-the-top (OTT) applications, 367, 386-388, 403 packet switching, 366-367 radio waves/base stations, 365 service providers, 369-370 services, 367-369 spectrum licences, 370-372 supply structure for telecommunications services, 363-370 switching technologies, 365-367 transmission infrastructure, 363-365 Voice over IP (VoIP), 367, 368 telecommunications regulation, 359-413 avoided cost pricing, 384-385 cable networks, 375-377 competition, 401-404 competition law, 377-378 competitive bottlenecks, 377-378 European Union, 375, 394 fixed line networks, 372-375 Germany, 369 infrastructure competition, 373, 398 light-handed approach, 374 make-or-buy decision, 372 margin squeeze, 378 market power, 373, 375, 394 mobile networks, 377 National Regulatory Authority (NRA), 375, 378, 394 net neutrality, 407-412 next-generation networks (NGNs), 404-407 non-price regulation, 388-389 policy issues, 401–413 price control, 380–388 retail-minus price setting, 384-385 transition from legacy copper networks to NGN, 404-407 two-sided markets, 379 unbundling policies, 372, 376, 384, 393, 395 waterbed effect, 178, 377-378 TELRIC (total element long-run incremental cost), 381, 382, 383-384 termination monopoly problem, two-way access pricing, 172 terminology, 7 Tesla Virtual Power Plant project, 274 TFP (total factor productivity) approaches, price cap regulation, 289 threat of entry, contestability theory, 46-48 three party card system, 424 time-inconsistency problem independent regulation/agencies, 234-237 monetary policy, 234-235 sunk asset expropriation, 235-237 timing of infrastructure investment, 179-180 total element long-run incremental cost (TELRIC), 381, 382, 383-384 total expenditure (Totex) approach Germany, 606 Italy, 606 Netherlands, 606 price cap regulation, 136-138 UK, 606 total factor productivity (TFP) approaches, price cap regulation, 289

total service long-run incremental cost (TSLRIC), 381, 382, 383-384 Totex. See total expenditure approach trading 'hubs', wholesale gas spot markets, 327-329 trading arrangements for bulk water, 602 Germany, 602 trading arrangements for wholesale electricity, 280-284, See also electricity supply system bilateral transactions, 281 competition, wholesale electricity markets, 305-306 electricity markets and exchanges, 282-284 electricity pool, 280 feed-in tariffs (FITs), 282 Germany, 282 government price guarantees, 282 power purchase agreement (PPA), 281 Public Utility Regulatory Policies Act 1978 (PURPA), 280 self-supply, 280 single-buyer model, 281 wholesale electricity markets, competition, 305-306 wholesale market-based trading arrangements, 602 trading arrangements for wholesale gas, 327-330 financial hedging markets, 329 liquefied natural gas (LNG) wholesale trading, 330 long term contracts for wholesale gas supply, 329-330 physical hedging markets, 329 restructuring policies, 327 trading 'hubs', 327-329 wholesale gas spot markets, 327-329 train services. See railways industry transfer payments asymmetric information, 96-98 core network activities, 77 dynamic regulation, 96-100 hidden action, 93 hidden information, 93 imperfect information, 98-100 incremental surplus subsidy scheme, 96-97 transition from legacy copper networks to NGN, telecommunications regulation, 404-407 transitional economies. See developing and transitional economies transmission, electricity/gas. See electricity transmission and distribution networks, gas transmission and distribution networks transparency/opacity, digital platforms regulation, 486 transport industry, behavioural economics, 223 TSLRIC. See total service long-run incremental cost two-part tariffs, uniform non-linear pricing, 80-83 optimal non-linear pricing, 80-83 two-sided markets airport services, 553 monopoly power, 477 net neutrality, 408 network effects, 25 payment systems, 379, 426, 434, 472 price regulation, 193 telecommunications regulation, 379 two-way access pricing, 169-178 adjacent monopolies, 169-170, 172 Australia, 178 Canada, 178 competition, 169-178

Cambridge University Press & Assessment 978-1-316-51451-1 — Modern Economic Regulation Christopher Decker Index

More Information

Index 751

competition for subscribers, 171-176 cooperative determination of access prices, 173-175 efficient two-way access prices, 176-178 implications for regulation, 178 market power, 176 non-cooperative access price determination, 173 one-to-many access pricing, 170-171 reciprocal agreement and 'bill and keep', 175-176, 178 retail benchmarking, 177 termination monopoly problem, 172 UAS. See unmanned aircraft systems UK airspace navigation services, 565 digital platforms regulation, 490, 492 evolution of independent regulatory agencies, 247-248 legal cases, 642 legislation, 642 price cap regulation, railways regulation, 521 privatisation, airspace navigation services, 575 privatisation, aviation industry, 571 privatisation, gas industry, 341, 345 privatisation, railways industry, 528-529 privatisation, telecommunications industry, 393 restructuring policies, gas industry, 341-343, 345-347 restructuring policies, railways industry, 528-529, 532 - 534restructuring policies, telecommunications industry, 393-394, 397-399 restructuring policies, water and wastewater industry, 611-612, 614-616 security of gas supply, 350-352 total expenditure (Totex) approach, 606 unbundling policies, telecommunications regulation, 393, 398-399 unbundling policies, 16 Australia, telecommunications regulation, 395 next-generation networks (NGNs), 363, 375, 404-405 restructuring policies, electricity industry, 296, 298 restructuring policies, gas industry, 342, 356 restructuring policies, telecommunications industry, 390, 391 telecommunications regulation, 372, 376, 384, 393, 395 UK, telecommunications regulation, 393, 398-399 USA, telecommunications regulation, 384, 392-393, 397 water and wastewater regulation, 632 uniform pricing, versus discriminatory pricing, 75 uniform two-part tariffs non-linear pricing, 80-83 optimal non-linear pricing, 80-83 unmanned aircraft system traffic management (UTM), 67.586-588 unmanned aircraft systems (UAS), 557-558 aviation regulation, 586-588 USA airline markets, 570-571 airport charges, 566 airports, restructuring policies, 573 airspace navigation services, 565 cable networks regulation, telecommunications, 375-377

digital platforms regulation, 491, 492 division of powers and responsibilities, government levels/regulators, 258 evolution of independent regulatory agencies, 245-247 Federal Energy Regulatory Commission (FERC), 245, 257, 297 federal legal cases, 642-643 legislation, 643 market power, 299 mark-ups approach, railways industry, 541 negotiated approaches, railways regulation, 523 negotiated settlements, gas industry, 335-337 net neutrality regulations, 411 privatisation, airspace navigation services, 581 restructuring policies, aviation industry, 575-577 restructuring policies, electricity industry, 297, 299-301 restructuring policies, gas industry, 340-341, 343-345 restructuring policies, railways industry, 525, 531-532 restructuring policies, telecommunications industry, 392-393, 395-397 restructuring policies, water and wastewater industry, 613 shale gas, 318 spectrum licences, telecommunications networks and services, 371 unbundling policies, telecommunications regulation, 384, 392-393, 397 water markets, 627 use-of-system charges, 294 UTM (unmanned aircraft system traffic management), 67, 586-588 value chain, digital platforms, 461-466 vertical competition, railways industry, 537-540 vertical integration Chile, 601 France, 601 Germany, 601 infrastructure competition, 71 scope economies, 601 water and wastewater industry, 601 vertical integration and separation, 183-189 accounting separation, 188 business separation, 188 competition, 183-189 forms of vertical separation, 187-189 hold-up, 184-185 legal and ownership separation, 189 mandatory and voluntary separation, 189 potential benefits of vertical integration, 183-185 potential benefits of vertical separation, 185-187 scope economies, 183 vertical integration with competition in some activities, industry structure, 73-75 vertical integration, one-way access pricing, 156 vertical separation with competition in some activities, industry structure, 72 vertical separation, one-way access pricing, 154-155 vertically integrated monopoly, industry structure, 72 voluntary and mandatory separation, 189 vertical separation Australia, 186 margin squeeze, 185

More Information

752 Index

virtual power plants (VPP), electricity supply system, 274, 275 Voice over IP (VoIP), telecommunications, 367, 368 voluntary and mandatory separation, vertical integration and separation, 189 VPP (virtual power plants), electricity supply system, 274, 275 WACC. See weighted average cost of capital water and wastewater industry, 591-632, See also restructuring policies, water and wastewater industry Australia, 597 behavioural biases, 223 behavioural economics, 223 Canada, 598 capital structure, 618-619 characteristics, 591-592 characteristics of the product, 592-602 China, 602, 614, 621 collection and transportation of wastewater, 598 demand for water, 593 disposal, 599 English experiment, 618-619 France, 599, 602, 622 Germany, 598, 599 Jakarta, 623 Latin America, 622 Netherlands, 598, 599 policy issues, 617-631 potable versus non-potable water, 592 price levels, 628-629 price setting, 628-631 price structures, 629-631 private participation, 617-624 private-public partnerships and water concessions, 621-624 privatisation, 611-612 re-municipalisation, 624 retail activities, 598 reverse privatisation, 624 scale economies, 599-601 scope economies, 601 sources, 594 supply chain, 594-599 trading arrangements for bulk water, 602 transportation of wastewater, 598 value of water, 624-628 vertical integration, 601 wastewater characteristics, 593 wastewater treatment, 598 water abstraction, 594-596, 602-603 water distribution, 597-598 water markets, 602, 624-628 water treatment, 596 wholesale market-based trading arrangements, 602 water and wastewater regulation, 602-610 competition for the market, 592, 610, 615, 617, 632 competitive activities, 602-604 infrastructure competition, 603 inset appointments, 603, 615 new appointments and variations, 603, 615 price and revenue caps, 606-607

price regulation, 605-610 quality regulation, 608-609 rate of return regulation, 606 rate structures regulation, 609-610 service quality regulation, 608-609 sunshine regulation, 608 supply chain, 602-605 unbundling policies, 632 water abstraction, 602-603 yardstick and comparative competition, 608 water markets, 624-628 Australia, 625, 628 Chile, 625-627, 628 USA, 627 waterbed effect, telecommunications regulation, 178, 377-378 weighted average cost of capital (WACC) cost of capital, 113-114, 115 vanilla WACC, 115 weighted average price cap (tariff basket approach), price cap regulation, 131 who regulates the regulators?, 261-265 appeals of process or substance, 261-262 general courts, 262-263 general oversight and accountability, 263-264 Government Accountability Office (GAO), 264 judicial review, 246, 247, 261 National Association of Regulatory Utility Commissioners (NARUC), 264 National Audit Office (NAO), 264 political or executive oversight, 264 review of specific regulatory decisions, 261-263 rights of appeal, 261-263 specialist tribunals, 262-263 standing to appeal decisions, 263 wholesale electricity markets Chile, 280, 281 China, 297 Germany, 282 market power, 305-306 wholesale gas spot markets Australia, 328, 329 Canada, 328 Germany, 328 Netherlands, 328 wholesale payment systems, 416-417 wholesale trading arrangements. See trading arrangements for wholesale electricity, trading arrangements for wholesale gas winner takes all/most digital platforms, 463 network effects, 463

X-inefficiency, monopoly power, 22

yardstick and comparative competition price regulation, 608 water and wastewater regulation, 608 yardstick competition asymmetric information, 100 Chile, 608 Germany, 145 Netherlands, 145 price regulation, 144–145