



SCIENTIFIC COMMITTEE

FIRST INTERNATIONAL MEETING

Torino | Thursday, 13th of September 2012

PROCEEDINGS

Finalized in December 2012

INDEX

MEETING PROGRAMME	3
LIST OF PARTICIPANTS	4
EXECUTIVE SUMMARY	5
FULL PROCEEDINGS	8
<i>Introduction and presentation of the Scientific Project of the Turin School of Local Regulation</i>	<i>8</i>
<i>Round table session</i>	<i>11</i>
1st ROUND – EVOLUTION PATTERNS IN LOCAL REGULATION	11
Finance and local regulation.....	11
Implementing Infrastructure Regulatory Reforms in Multi-level Governance Systems	12
The implications at local level of regulation of big network services and in particular of electricity and gas ...	13
2 nd ROUND – EXPERIENCES FROM DIFFERENT COUNTRIES.....	15
Regulation of local public services in Nigeria	15
An experience from a regulatory agency in Brazil: challenges and opportunities in human capital development	17
The process of remunicipalization of local public services in Germany	19
Water governance: a matrix survey on property rights and regulation in 14 Countries	23
3 rd ROUND – MULTIDISCIPLINARY APPROACHES TO LOCAL REGULATION	29
Behavioural economics and tariffs in local services	29
Alternative Dispute Resolution and Local Governance – Experiences from Germany.....	31
4 th ROUND – AN EXAMPLE OF POSSIBLE SYNERGIES BETWEEN DIFFERENT ACTORS	32
Presentation of two networks that are being launched within OECD on water governance and regulation and possible exchanges and synergies with the TSLR	32
<i>An overview on TSLR Governance and presentation of the Programme of activities 2012-2013.....</i>	<i>34</i>
<i>Open debate.....</i>	<i>40</i>
<i>Election of the President and the Coordinator of the Scientific Committee</i>	<i>46</i>

MEETING PROGRAMME

- 14.30 **Presentation of the Scientific Project** of the Turin School of Local Regulation, by Franco Becchis, Scientific Director of Fondazione per l'Ambiente and TSLR
- 14.50 Roundtable scheduled interventions:
- 1st ROUND – EVOLUTION PATTERNS IN LOCAL REGULATION
- Ioannis KESSIDES, The World Bank: ***Finance and local regulation***
 - Alberto ASQUER, University of Cagliari: ***Implementing Infrastructure Regulatory Reforms in Multi-level Governance Systems***
 - Rosita CARNEVALINI, Italian Regulatory Authority for Electricity and Gas: ***Implications at local level of regulation of big network services (electricity and gas)***
- 2nd ROUND – EXPERIENCES FROM DIFFERENT COUNTRIES
- Douglass OMOTOR, Delta State University: ***Regulation of local public services in Nigeria***
 - Renato MONTEIRO, Regulatory Agency of Municipal Services in Water Supply and Sewerage of Joinville: ***An experience from a regulatory agency in Brazil: challenges and opportunities in human capital development***
 - Maria Rosaria DI NUCCI*, Environmental Policy Research Centre of the Freie Universität Berlin: ***The process of remunicipalisation of local public services in Germany*** (*she could not attend the meeting but she sent some notes)
 - Elisa VANIN, Turin School of Local Regulation: ***Water governance: a matrix survey on property rights and regulation in 14 Countries***
- 3rd ROUND – MULTIDISCIPLINARY APPROACHES TO LOCAL REGULATION
- Catarina ROSETA PALMA, ISCTE Lisbon: ***Behavioural economics and tariffs in local services***
 - André NIEDOSTADEK, Hochschule Harz: ***Alternative Dispute Resolution and Local Governance – Experiences from Germany***
- 4th ROUND – AN EXAMPLE OF POSSIBLE SYNERGIES BETWEEN DIFFERENT ACTORS
- Rudiger AHREND, Organization for Economic Cooperation and Development: ***Presentation of two networks that are being launched within OECD on water governance and regulation and possible exchanges and synergies with the TSLR***
- 17.00 An overview on **TSLR Governance**; **Presentation of the Programme of activities 2012-2013**, by Elisa Vanin, Project Manager TSLR
- 17.20 **Open debate**: suggestions for further topics and activities, proposals for the enlargement of the network, exchange of ideas for future development
- 18.00 **Election of the President and the Coordinator of the Scientific Committee**
Conclusions and final remarks

LIST OF PARTICIPANTS

MEMBERS OF THE SCIENTIFIC COMMITTEE

Name	Job position / main affiliation	Country
Rudiger AHREND	Organization for Economic Cooperation and Development	France
Angela AMBROSINO	University of Torino	Italy
Andrea AMELIO	European Commission, DG Competition	Belgium
Alberto ASQUER	University of Cagliari	Italy
Cristian AVANZI	Torino Chamber of commerce	Italy
Matteo BARBERO	Piemonte Region	Italy
Franco BECCHIS	Fondazione per l'Ambiente / Turin School of Local Regulation	Italy
Rosita CARNEVALINI	Regulatory Authority for Electricity and Gas	Italy
Giulio CONTE	Ambiente Italia and IRIDRA	Italy
Olivier CRESPI REGHIZZI	AgroParisTech	France
Gian Vincenzo FRACASTORO	Politecnico di Torino	Italy
Andrea GALLICE	University of Torino	Italy
Atanas GEORGIEV	Sofia University and Publics.bg	Bulgaria
Ioannis KESSIDES	The World Bank	US
Ola MATTISSON	Lund University	Sweden
Franco MOLteni	Fondazione per l'Ambiente	Italy
Renato MONTEIRO	Regulatory Agency of Municipal Services in Water Supply and Sewerage of Joinville	Brazil
André NIEDOSTADEK	Hochschule Harz - University of Applied Sciences	Germany
Vlasis OIKONOMOU	Joint Implementation Network	the Netherlands / Greece
Douglason OMOTOR	Delta State University	Nigeria
Ugo PANIZZA	UNCTAD and the Graduate Institute	Switzerland
Catarina ROSETA PALMA	ISCTE Lisbon	Portugal
Andrea SBANDATI	Confservizi Toscana / Fondazione per l'Ambiente	Italy

INVITED

Name	Job position / main affiliation	Country
Beatrice COSTA	ActionAid	Italy
Luca FANELLI	ActionAid	Italy

The full list of members of the Scientific Committee is on-line at www.turinschool.eu/scientific-committee.
The list is constantly updated.

EXECUTIVE SUMMARY

The Turin School of Local Regulation (TSLR) is an initiative of Foundation for the Environment officially launched in 2012. TSLR builds on 15-year experience in research, capacity building and training in topics connected to regulation of local public services and intends to capitalize the network of experts and partner institutions that share with Foundation for the Environment an interest on specific local aspects of regulation and governance.

The push to launch this initiative was especially given by the impressive success of the yearly Summer School on regulation of local public services (www.turinschool.eu/iss) after its internationalization in 2009 (more than 1.000 applications from all over the world in 4 editions) that shows a strong demand for policy-oriented training and capacity building on these topics.

Indeed, the **policy-oriented approach** is the peculiarity of the TSLR, with the aim of spreading the culture and instruments of regulation and regulatory reform at local level, connecting academic research with local policy-makers, public officials, professionals, local regulatory agencies, NGOs, consumers' associations, chambers of commerce. TSLR intends to focus mainly on two broad families of challenges and opportunities:

- 1) **Local services and local public assets**, and the related decisions on investments, procurement, tariff setting, asset management and distributional aspects. Different sectors are at stake, e.g.: waste and water cycle, energy, transport, green and sport facilities, education, local welfare policies.
- 2) **Regulatory reform at local level**, to improve regulatory quality in order to foster competition, innovation, economic growth and meet important social objectives.

The TSLR is a **network school with a very lean governance**. The promoters decided not to establish a new legal person (with a consequent increase in administrative burdens) and not to invest in hardware but rather in people, circulation of ideas and network. In order to save resources, direction, staff, secretariat are provided by Foundation for the Environment, but the objective is to build a real and active multi-level partnership around the initiative (institutional partners, scientific partners, operational partners, sponsors, ...). Moreover, the scientific mission and guidelines of the TSLR are to be set by an **international Scientific Committee**, composed of experts from different Countries and different sectors.

At the beginning of 2012 a Call for the international Scientific Committee of the TSLR was launched, to be officially established with a brain storming session in Turin, on September the 13th 2012. So far, 38 members have joined the Committee, which remains an open forum and welcome new adhesions. www.turinschool.eu/scientific-committee.

The first meeting of the Scientific Committee was a unique opportunity for participants to meet and share ideas. Cross-fertilization amongst different disciplines was one of the main relevant results. The meeting was divided into 4 core parts:

- a presentation of the TSLR, its history and its mission;
- a round table with presentations by some panelists, invited to provide hints on evolution patterns in local regulation, to bring experiences from different countries, to give a taste on some multidisciplinary approaches to local regulation, to provide practical examples of possible synergies between the TSLR and other institutions;
- A presentation of the governance and the programme of activity 2012-2013 of the TSLR;
- An open debate to collect hints, proposal, critics by all the participants.

The key concepts that came out from the round table and the open debate are briefly summarized here, while in the next pages it is possible to read through the full version of speeches and interventions.

First of all, the decision of **focusing on the local dimension** of regulation and governance is particularly relevant and timely, not only because local regulation and governance show some specific issues and factors of weakness compared to the national level (e.g. the quality of human capital in terms of competences and experience and the lack of an organic training and capacity building offer specifically tailored on local specificities) but also for the **local implications that many policies have**. This last point seems to be a growing phenomenon, with more and more policies designed at international or national level and then resulting in having strong local implications in their implementation phase. During the debate the existence of multi-level governance systems was mentioned, where the policy takeoff is made at the central government level but actually it is implemented at the local level wherever local authorities do still retain quite a considerable amount of discretion in filling the gaps within the policy design which is provided by the legislator. At the same time, concrete sectorial examples rose up, e.g. climate policies and climate regulation which are moving slowly from nations to regions, calling for engagement and actions by at even the level of municipalities. To implement their traditional tasks and to respond to these new challenges, local government bodies need support and capacity building. Moreover, there is an ongoing tendency towards the grouping of such local government bodies for the implementation of certain tasks and in this context the **government of joint organizations** becomes a crucial factor for the future and calls for the rethinking of traditional forms of local governments and for new solutions.

Another aspect concerns the **definition of the scope of the TSLR in terms of sectors at stake**. Originally when talking about local regulation Foundation for the Environment, in the Summer School or in other activities, made reference essentially to economic regulation of local public services, namely water and wastewater services, urban waste, local public transport, district heating, etc. However, there is growing awareness about the fact that the instruments (in terms of economic theory) applied to e.g. the study on the way a municipality manages the water service through a water utility are to some extent the same that we can apply when regulating the provision of swimming pool services, or managing sport facilities, or even dealing with welfare policies and the provision of aid and subsidies to poor people. This is linked to the fact that the design of incentives and of mechanisms that lead to make policies more effective and to stimulate reactions is a key task in all these domains. Therefore it seems to be more fruitful and promising to keep a large scope for the TSLR in terms of sectors / topics covered while concentrating on instruments that can support regulation. Mechanism design theory, game theory implications and information theory / incentive theory have been proposed as one of the potential fruitful common area of study and discussion.

Regarding the focus on instruments, **multidisciplinarity and interdisciplinarity**, as mentioned before, were spotted as one of the most peculiar and promising characteristics in the mission of TSLR. Some participants provided very inspiring hints on possible cross-fertilization amongst different disciplines (e.g. behavioral economics, law aspects of regulation and alternative dispute resolution tools, consumer protection, competition economics, science and technology, climate change, ...). This is surely an aspect to nurture continuously.

Concerning local regulation in terms of **industrial regulation of services**, reference to **some new trends** was made by some of the panelists. A new role for final customers is arising in some sectors, there are increasing interrelations between different sectors which have been traditionally regulated on a stand alone basis, there are technological advancements that change completely the landscape in some sectors and call for a revision of the regulatory framework. The matter of whether independent regulators should play an active role in driving e.g. innovation processes or they would better play a passive role, limited to

removing barriers that might obstruct innovation development, final customer participation and new patterns of demand is an example of ongoing thinking and discussion. This suggests that the TSLR is also expected to **become a forum** where actors from different sectors and different countries can debate and exchanging ideas. In particular, the interaction between the so-called industrialized countries and emerging and developing ones can be particularly enriching, or between Countries where main infrastructure already exists and countries where it still does not.

Another important role that TSLR is encouraged to play is to lead the **collection of data** and the **provision of datasets on local public services**, e.g. on the costs of different services in different Countries, and their standardization. This could **foster transparency** and therefore have a direct impact for customers, but also enforce the perception of the TSLR as an independent think-tank. Of course participants are aware of the number of barriers to this kind of activity.

The hints on provision of data and fostering transparency inspired also some thinking about possible synergies or cross-fertilization between the TSLR and Civil Society Organisations and grassroots movements active in monitoring government budgets and accountability for governance or forms of Open Data Movements, etc.

With reference to the **regulatory reforms at local level**, the second big stream of research of the TSLR, during the meeting the potential role of such reforms in promoting and **fostering entrepreneurship at local level** was highlighted. Indeed, especially when one considers entrepreneurial activity at the grassroots level in many Countries such activities are actually impeded by regulatory and administrative barriers that are largely local in character. To the extent that this type of grassroots entrepreneurial activity is likely to prove the most powerful source of employment generation, especially in developing countries, the issues of regulatory administrative reform at the local level therefore acquire great urgency and significance.

Finally, **some concrete hints for action** were provided. One of the main issues of the debate was how to **establish a really living network** and how to actively involve its members, stimulating their participation, proposing joint activities and ensuring their implementation. Participants were all aware of the need to design a mechanism to encourage and provide incentives to participation. The first proposal at this stage is the creation of a **web-based platform** to enable interaction amongst the members and to simplify some joint activities (e.g. surveys, exchange and share of information, collection of data, etc.).

Efforts in terms of visibility and reputation-building have been suggested, through the participation in international conferences (and applying for coordinating specific panels) as well as through writing articles and papers for international publications and scientific journals.

Finally, TSLR was encouraged to **team up and build complementary partnerships with other networks** – e.g. the newly established networks within the OECD (on water governance and the network of economic regulators), the Covenant of Mayors and others to be identified.

The meeting ended with the election of the President of the Scientific Committee, Ioannis N. Kessides, and the Coordinator, Alberto Asquer, a one-year term appointment.

FULL PROCEEDINGS

Introduction and presentation of the Scientific Project of the Turin School of Local Regulation

by **Franco BECCHIS**, Scientific Director of Fondazione per l'Ambiente and TSLR

There is a **long history** that drives us here today. Actually in 1997, before the establishment of Fondazione per l'Ambiente (Foundation for the Environment), me, Alberto Cassone and other friends tried to launch at international level a Summer School on regulation. But 1997 was a time in which industrial regulation was not a common issue in policies. We launched the first edition of the School and we got students from Italy mainly, some from abroad, e.g. China and the US. We launched the Summer School with no money practically (to be honest FIAT car factory gave us a grant for two students). Then **Foundation for the Environment** was established in 1999 and obviously inherited the Summer School and then we had a long cycle of 10 years of Summer School in Italian for Italian people. Foundation for the Environment actually was born with a double scope: one was environment in strict sense - environmental policy and energy - and the other one was environmental services at local level because at the local level you are connected to the environment with water, waste, traffic, so local services seemed to me and to the group of people who led the establishment of the Foundation crucial for a body devoted to environmental policy at local level. So these two aspects, environment /energy and local services have been our reference points in our activity.

In ten years of Summer School with applications from Italy with the same old core the Summer School grew, established and decayed. This is why four years ago at the offices of Foundation for the Environment and we asked ourselves "*What are we going to with this School that, in a way, has accomplished a cycle in Italy? Let's go international!*". So, with no extra money to internationalize it we launched the International Summer School in 2009 and we got an incredible and unexpected rising curve of applications, from around 100 to more than 350 this year from every corner of the world and from people with very high profiled, like some of you who attended it in the past editions.

When you launch something and the attention at international level is so high, the answer is so impressive, you should ask yourself some questions and the decision has been to go beyond the Summer School as a spot initiative and to build up a network school as an umbrella, for the Summer School but also for other initiatives. Of course we shall consider that the School is nearly free of charge (participants are required a symbolic deposit), but you should also take into account that people is investing money for travelling and time, so we can say that if a person decides to go for two weeks in Turin and to work really hard every day, as teacher and students have experimented in the School, he/she is making an investment.

Let me say also something about the word "**regulation**" that appears in our logo. We have learnt two things and in particular the second one I'm going to tell you has been strongly discussed yesterday with friends and colleagues:

- **regulation of local services is not covered in an organic way around the world in terms of policy oriented research and education**, but just in a scattered way;
- there is another aspect of the word regulation at local level that deals with the **local implications of the regulatory reform, the red tape reform**.

So first of all **regulation in industrial sense** means regulating tariffs and investments, assets dismissal, remuneration of capital, quality of service, distributional aspects and so on. We have seen in the last twenty years a long wave of political discussion about liberalization, privatization, public-private partnership and so on. I started to study and teach this issue 20-25 years ago but after 20-25 years I can say that mostly local communities, local municipalities, local politicians, local public power maintain a strong control of the cycle of local public services from water to urban waste, to transport, to sport facilities, to green areas, to welfare. So, if after 25 years of discussion, the presence of the municipality is still so high and so strong this fact should mean something and calls directly for a big effort in education on the regulatory culture of public authorities, local agencies, public functionaries and so on. This first part of our initiative is, in my opinion, strongly grounded on the fact that we do not think that the Mayor of a city will lose a part of the control on some of the activities that we are going to study in the Summer School and so, if they are not losing control on this and if this is, as I suppose, a good thing, regulatory culture and regulatory instruments are strongly needed.

The second aspect of the word regulation in our logo is, as I was saying, related to the **local implication of regulatory reform**. You know that regulatory reform consists in simplification by cutting red tape, removing obstacles to competitiveness into growth, to foreign direct investments, to local entrepreneurship and so on. Regulatory reforms around the world in OECD and non-OECD countries have been at the top of the agenda for maybe 15 years. There is a huge amount of literature, policy debate, workshops, initiatives from the OECD, the World Bank, national governments, academics, etc. on regulatory reform, but what effect can have a regulatory reform that neglects the **local aspect of the reform** itself? What is the meaning of designing regulatory reforms at national level for Italy or for Romania or for Slovakia if you don't study the mechanisms that at local level, I mean at the municipal level, are obstacles to investments, development? What is the meaning of discussing at macro level regulatory reform with no consideration of the microeconomic implication that is local implication of regulatory reform? We are strongly convinced about the importance of analyzing and facing such local implications and we would like to thank in particular Yannis Kessides for the fruitful discussion we had yesterday about these specific aspects that we have considered in the past years but not yet well developed. Therefore, we are strongly intentioned to propose "local" and "regulation" at the international level with these two different but intertwined meanings: industrial regulation on one side, microeconomics of red tape reform on the other side.

And in this sense let me give some other hints that I am proposing you not so much orderly. The first one is about what I have already said, so the relationship between the macro level and the micro level that is pretty interesting for us and the second one is about the sector. Someone has said us "You are thinking about regulation of what? What is the concept of the sector?" and actually, two or three years ago we were timid in a way, we were mainly dealing with local regulation concerning waste, water, transport, maybe district heating, no more. But in the last two years we have made a broader discussion and I propose the core issue of this reasoning that is: if you study the way the municipality manages the water service and the water utility or the district heating network with a utility, the instruments you need in terms of economic theory mainly - but not only - are the same that you should use when you manage welfare, giving money to the poor because the mechanism of incentive, the design of incentive and the need to carefully design the mechanism that lead your policy to the effective market reactions not always but are mainly the same. More easily I can say waste and swimming pool in cities, or water and sport facilities or public asset management. I'm saying that the instruments of industrial regulation and regulatory reform at local level have a broad basket of common instruments whichever the sector at stake, and in particular to me mechanism design theory, game theory implications and information theory / incentive theory is probably the most interesting and fruitful common area between people working on water or waste or welfare at local level.

This is in a few words the history that drives us here today, at the same time of the 15th edition of the Summer School that is in progress, and this is also the day in which we thank you for joining the Scientific Committee that is also an in progress network of people. First of all we are planning to accept suggestions from you, ask people to join us, not with the philosophy of raising the burden that everyone has in his everyday workload but with the philosophy of giving people an opportunity to stay in contact with other people in the world on this issue and maybe to meet once a year, if possible. We are also planning to elect a president of the Scientific Committee who is a representative figure with no workload - just to have a kind of reference - and we are also willing to accept candidatures from people willing to be a kind of reference for specific sectors/areas of research or teaching.

Let me say in conclusion that establishing a school with no hardware investment is a kind of challenge but at the time being we decided not to build up hardware because establishing a hardware school requires a lot of capital investments but also because – I've been teaching in different academic institutions - what lacks in this very moment is not structure. We need a network of people who exchange information, willing to raise questions and transform research into policy oriented teaching and experiences. This is also the reason why we chose this symbol, this very light sign for the logo that means light regulation both in industrial sense and regulatory reform sense but it has also a meaning of lightness in the structure of TSRL, that has a very lean governance, very open, very inclusive in the sense explained by Daron Acemoglu in his last book on institutional economics, *Why nations fail* - so inclusive institutions, not lobbying, not clubbing. I truly believe in the inclusiveness of networks and institutions, so I hope to have the possibility to give concrete demonstration of openness and inclusiveness of this network.

Round table session

The main reason because we decided to insert this session is to collect hints from different fields and different contexts but also to have a taste of the different issues that are at stake when we talk about local regulation and the real multidisciplinary approach that we need when we deal with this issue.

1st ROUND – EVOLUTION PATTERNS IN LOCAL REGULATION

Finance and local regulation

by Ioannis KESSIDES, The World Bank

In the recent years there has been a considerable policy and analytic focus on the basic functions that a Country's legal and regulatory framework must provide in order to promote and support productive **entrepreneurial activity**. I'm certain you are all very familiar with these basic functions:

- first, the legal system must create an environment where private investment is protected against political quasi-expropriation, while ensuring at the same time that the private sector makes use of those rights in a manner that is consistent with the public interest;
- second, the framework must encourage the efficient flow of private resources to the economy by removing the **administrative legal and regulatory barriers** that either impede the flow of such resources or alternatively misdirect them towards activities that are either with less or with no social benefits.

Especially when one considers entrepreneurial activity at the grassroots level – entrepreneurial activity related either to small- or medium-size enterprises – from a number of different countries now a big conclusion is that such activities are impeded by regulatory and administrative barriers that are largely local in character. For example I was told that in my native Country, Greece, in order to open a hair-dresser saloon there are approximately 40 administrative steps that are required – and many of these steps are actually local.

To the extent that this type of **grassroots entrepreneurial activity** is likely to prove the most powerful source of employment generation, especially in developing countries, the issues of **regulatory administrative reform at the local level** acquire great urgency and significance and this urgency is being re-emphasized when one considers the consequences and the impacts of **globalization**. There is no doubt any more that one of the key effects of globalization is to exacerbate the adverse consequences of bad policies – especially policies related to bad and ineffective regulatory governance. In addition, globalization is basically increasing competition among policy regimes both across countries and also among localities within a single Country.

Another related conclusion coming out of the analysis of the effects of globalization is that the rapidly changing possibilities for trade very clearly favor the agile and flexible firms – firms that are not burdened by the tights of burdens of administrative and regulatory barriers that have local character.

Therefore, these types of regulatory reforms to enhance the ability of national firms to respond to the challenges and opportunities of the globalization are becoming very critical and I believe that the subject of the School is becoming more and more important especially in economies of developing Countries.

Implementing Infrastructure Regulatory Reforms in Multi-level Governance Systems

by **Alberto ASQUER**, University of Cagliari

I met Franco the first time at the end of a presentation of mine which I had at the Florence School of Regulation at the European University Institute. I should thank him for having done so because probably most of my research does fall most nicely within the TSLR, than in any school of regulation in general.

That research had to do in particular with issues encountered in implementing regulatory reforms, especially multilevel governance system. I have to say I have been so often concerned with a typical scenario whenever a policy takeoff is made at the central government level but, as you said, actually it is implemented at the local level wherever local authorities do still retain quite a considerable amount of discretion in filling the gaps within the policy design which is provided by the legislator - as simply because the gaps have been let empty or there are constitutional or any kinds of legal and political prerogatives which allow sub-national governments to have their voice into providing the details of the regulations and indeed framing how regulation should be. This gives raise to quite an amount of issues related to how initial conditions, which are very much local, as well as features of the policy design, changing context conditions and so on, do come into place, so at the very end we also get such a variety of local instances of implementation of the same policy design of the national level at the very local level.

Most of my research in the past has been within water but also energy or transport industries and I welcome any collaborative efforts for scientific purposes with the people here in the Scientific Committee, but surely we can tell more later about this and further plans for collaborative efforts which could enhance the visibility also of the TSLR. I've been interested also in to have a look at other kinds of scenario, especially not only when policies in terms of regulation are made at the central level and it is a matter of the local level to implement them, but also cases wherever there is a policy initiative which takes off from the very local level and maybe can become like an exemplar case which spreads through local communities. And apart from issues of policy implementation, just to share with you my concerns, I am increasingly interested also in the performance metrics in order to be able to assess performance of different regulatory systems across local municipalities or local governments in general. So this is just a brief outline of my interest and what I think, there could be some areas of collaborative efforts within this framework that has just been provided.

The implications at local level of regulation of big network services and in particular of electricity and gas
by **Rosita CARNEVALINI**, Italian Regulatory Authority for Electricity and Gas

Owing to a number of factors, the electricity and gas sectors are currently undergoing a period of unprecedented change in Europe. Prime examples of these are:

1. There is now a new legal framework, as well as a new role for independent regulation: With the aim of stimulating competition, Europe has chosen complete liberalisation of these sectors and the independent regulation of essential facilities such as gas and electricity networks. Emphasis has been placed on system efficiency, on the complete integration of the electricity and gas markets at EU level and on market instruments.
2. The need to meet the EU targets of the Green Package 20-20-20 at 2020, i.e. 20% of renewables, a 20% reduction of greenhouse emissions and 20% of energy savings by 2020. In this case, standards and public policies are implemented as a means to achieving a transition towards more low carbon electricity consumption.
3. Technological improvements and the ready availability of new applications concerning power storage, electric cars, etc are opening up new avenues in sectors which until now have not been considered suited to technological change.
4. It is predicted that by 2020, 80% of the European population will live in large cities. This trend towards urban population concentration means that even sectors intended to operate on a European scale like electricity and gas will clearly have to take into account what happens at local level.

In this context, we can identify two main implications of evolution at local level which may be in need of further investigation:

1. The new role of final customers and all that concerns them.
2. The increasing interrelations between different sectors which have been traditionally regulated on a stand alone basis.

A new role for the final customer

Historically, distribution to the supply of customers has represented the last link of the chain. Where there was large centralised production, transport and then distribution, distribution was seen as passive.

With the powerful growth of renewables, we are now witnessing, final consumers are also electricity producers at home. Consumers are becoming “prosumers”. Distributed generation is radically changing distribution patterns, especially due to the increasing role of intermittent and less controllable and predictable energy sources.

As a consequence the system requires a large amount of investment lasting longer than a traditional regulatory period and involving several players; among these the connection of renewable generation, and adequate IT systems.

In addition, we are witnessing a growing number of energy efficiency policies with the aim of reducing final customers consumption. One of the features of a liberalised market is that final customers are more active in choosing their supplier and are willing to accept new offers and new opportunities from demand side managements. Demand is becoming increasingly volatile and uncertain and more elastic to prices.

While customarily distribution companies revenues were also linked to volumes they now have the goal of contributing to the reduction of final consumption; they are required to invest in order to accommodate renewable or new advanced forms of metering. Traditional regulatory methodologies need to be accompanied by new regulatory solutions and incentives in some cases.

In summary, the new role of final customers presents a picture of increased complexity and new opportunity, in a new and sometimes challenging balance of market forces and public policies.

The increasing interrelations between sectors

Examples of these include:

- the advent of new forms of transport, such as electric cars, have an impact not only on electricity consumption but also on the grid evolution as seen in the need for the development of recharging points
- the addition of a communication network to the electricity network widens the opportunities of grid control. New IT tools favour an active demand management; the evolution towards *smart grids* also requires the distributors to operate a communication network
- the development of district heating represents an efficient alternative to gas in terms of energy savings, and may impact not only on total gas consumption, but also on the use of existing gas grids as well as on the total costs for the system
- new building construction policies or *smart building* have affected energy consumption and mobility.

These factors represent several challenges for regulators and other market participants. A change in the roles and responsibilities of the stakeholders concerned is envisaged.

Current challenges for regulation

Regulation is asked not only to perform the customary tasks of efficiency and customer protection, but also to ensure the prerequisites for the expected evolution of the sectors concerned.

This raises the matter of whether independent regulators should play an active role in driving the process or a passive role, limited to removing barriers that might obstruct *smart grid* development, final customer participation and new patterns of demand.

Other issues include:

- whether regulation should adopt a longer term vision in the light of the necessity of long lasting and costly investments;
- if it should be extended to other sectors, for example to district heating, which is currently unregulated in Italy;
- the question of whether regulation should be limited to fixing tariffs and covering costs or also include in its evaluation, and therefore in its decision making, the interrelations between sectors and a more generalised view contributing to the creation of the system.

While some answers and attempted solutions have already been offered to resolve these issues, they have been made in the context of limited experience in sectors in a state of rapid evolution. It is the author's view that such conditions demand more analysis and initiatives like those of the Turin school are warmly welcome.

2nd ROUND – EXPERIENCES FROM DIFFERENT COUNTRIES

Regulation of local public services in Nigeria

by **Douglason OMOTOR**, Delta State University

My presentation is on the regulation of local public services in Nigeria. We are all experienced in regulatory services but in my country it is actually something that is just evolving and because it is evolving, in the process we should be able to copy the best practices that benefit the layman, at the end of the day one of the object of going into regulation. I want to really look at the basic services in Nigeria: water supply, waste, power, communication.

Of course if you want to look at these services separating those networked from those which are not a network, you will be surprised that in Nigeria there are just two cities in the very few areas where you have a **waste system** that is actually a network: Lagos which is the former national capital, the country capital, and Abuja which is the current capital. In the other parts of the country waste services are not a network and so individuals find their own alternative of disposing wastes of any form.

For the **water sector** is similar but in 2000 the federal government actually adopted a policy on water and waste issues. The full implementation is gradually evolving but the policy gives authority to the federal government to act purely on water. The state government, being a federal system of government, has the opportunity of setting up a development agency to actually regulate a provider of water services. But these very agencies set by the state government have their problems. There is a regime of appointments and there's a regulatory framework. There's a body that is put in place by the different state governments appointed by the governor and there you have a general manager always at work like any other public servant or a civil servant, so there are problems of bureaucracy, there are problems of pricing, there are problems of distribution and because it is actually left to the government to learn how to not dictate everything, there's high degree of leakage and tariffs are subjected to the State through the Council to be given an approval before they can become effective. So in the process a good number of people in Nigeria provide water for themselves. Even companies provide water for themselves. But with the changing government - we have a very long experience of military regime but now we have turned to a democracy - gradually changes are taking place in Nigeria. Nigeria is actually evolving as an economy and now is not yet looking at these public services in the best interest of the common people.

Recently **telecommunications** have been also privatized and decoupled and so you have about 6-7 service providers: the MTN has taken over the whole Africa today because of the transit in the Nigeria market, in fact we have 70% of the market in Nigeria.

For the **electricity sector**, in the case of electricity itself the government is trying to decouple the state and the power agency. In the process a lot of competitors are already coming in to really cash on the market, given that the market is a very big one. The first attempts are going for a PPP, a private public partnership, to participate in generation and distribution of power, so as to give an opportunity for people to experience what you experience in the advanced world.

For regulation actually to really thrive and for the best practices to be put in place and copied based on the experience of the advanced world where we are going to look at, basic things must be put in place. We know that in the case of NCC, the National Communication Commission, it is supposed to be a regulatory body but it is unable to perform for basic reasons. One, the cost of providing the service and hence

consumers are not totally protected: what they do, they try to set a margin but the providers are aware of also not looking at the margin or even agree to the margin which is considered an obstacle to fast development and so not much is achieved. Now for the case of power itself, there's a regulation body actually put in place but this very body and the agency itself is not like a legal entity. It can sue but you cannot sue the body itself and so as a consumer you're just at the receiving end where you can experience outage for a long time but you receive anyway the bills and you have to pay a flat rate, if you consume or not. These are just a few problems we experience in Nigeria. But now that in the country the economy is evolving, different commissions are already been put in place as regulators. I think a lot actually will be learned from the experience of other countries.

The Turin School of Local Regulation gives us the opportunity to participate. People have already gradually informed on how we can really get the best experience in the process. Thanks of my contribution to the School itself I think that the curriculum now can be designed so as to accommodate evolving economies in terms of how they can actually appreciate the best practices that already in place in other countries.

An experience from a regulatory agency in Brazil: challenges and opportunities in human capital development

by **Renato MONTEIRO**, Regulatory Agency of Municipal Services in Water Supply and Sewerage of Joinville

After listening to Franco I can say that we are like you 10 years ago because in Brazil the biggest part of the agencies regulate just sanitation services, water and wastewater, and we have so much to learn here.

At first I would like to thank Fondazione per l'Ambiente and Prof. Becchis for this wonderful opportunity of growth and the possibility to help my Country with more knowledge in this moment when we are looking for new ways to develop and that include the regulation of public services. In this moment we are changing, we don't have capacity to invest and then the government opened the services for private participation. The speech of the president this week-end said: "We need a strong regulation government because we can't do all the things that we need to continue development". Then he talked specifically about sanitation regulation in Brazil. We are 200 million people. Brazil is a federation which has three different levels of administration, federal level, state level which has 26 states, and municipalities with 5.564 municipalities. The body responsible for providing sanitation services is the municipality but the majority of our municipalities are really small and they do not have the financial or technical capacity to provide the service. Because of this during the Seventies the central government stimulated the creation of state companies, public companies, to provide the service and then today the majority of the municipalities are served by these companies. 25% of the municipalities have a local service provider, usually the biggest ones, like my city Joinville that has almost 5.000 people, and they can provide the service by themselves. In Brazil sanitation is one of the biggest challenges, official data say that in urban centers 90% of the population have potable water services and 40% have wastewater services but these data are not so reliable. If you see Rio de Janeiro for example, just 60% of the population have water services, quality water services because we have *favelas* and is it so difficult to find reliable data. In countries so large as ours, these data are not so important because they hide very different situations.

In regulation we have almost 47 agencies and this is continuing growing. Regulation by agencies in Brazil is a new system, the first agency was set up in 1995 to support the privatizing process of some public services like energy and telecommunication, maybe this is one of the first problems to consolidate the system because we did not have the regulation culture and this idea wanted just to solve the problem of privatization. In most part of Brazilian history public services were provided by the state and the state made self-regulation. At that time sanitation was not a service subject to privatization mainly because of the difficulties related to titularity. For these reasons the sanitation agencies emerged just on 2000 when Brazil began to understand the importance of regulation. In 2007 a new federal law was promulgated and began to show the direction of regulation in sanitation. This law defined clearly the titularity and municipalities' responsibility for sanitation and the responsibility by the regulation too, but they can delegate this regulation to a state regulatory agency or a regional consortium agency because the size of the municipalities and capacity, the majority of them transfer the responsibility to the state agency. The same problem that we have to provide the service you have in regulation because the majority of the cities don't have capacity to make this regulation and then they transfer these responsibilities to the state agencies. In Brazil the last estimate showed 47 regulation agencies for sanitation services, 23 state agencies, 21 local agencies and two regional consortium agencies but these are responsible only for 30% of the municipalities, many others haven't been created in this moment. Perhaps **the main contribution of Turin School is to show us what happens in Europe, if the directives of European Union contribute to the purpose of standardization.** We have one problem there, all these **agencies** think what they do is right, they **do not have guidelines to be good regulators** and this is a great problem for us. Of course problems like **independence, information asymmetries and capture** turns the regulation much more difficult but for us in this moment regulation is the only way. We are the possibilities country but we have many necessities too. The majority of the population is deprived of the basic rights, good regulation can guarantee the



implementation of the policies, provide efficient management and consequently new resources to investments and for better service. We have a long way but we need regulation or we cannot develop as we need.

The process of remunicipalization of local public services in Germany

by **Maria Rosaria DI NUCCI**, Environmental Policy Research Centre of the Freie Universität Berlin

Dr Di Nucci could not attend the meeting but she provided the TSLR with some notes to be handled out to participants:

Which option for local services?

- Private value or public value?
- Shareholder value or citizens' value?
- Free competition or dirigistic practices?
- Local before private/ private before local ?
- Insourcing, outsourcing, PPP?
- Return of privatized public services into local public ownership and managerial control (re-municipalization)?
- Range of options: from granting concessions to the setting up of a PPP-company or establishment of municipal or community works (generation, sales, services).

Economic relevance and tradition of local public services in Germany

VKU, the umbrella organization of the municipal enterprises has 1.400 members, mostly from the energy, waste, water, city sanitation and cleaning fields

In Germany there is a long tradition of municipal utilities. Today there are around 850 Stadtwerke (literally city works), some of which managed in public private partnership holding more than half of the energy market. In 2009 Germany counted 236.000 employees in municipal services. Revenues in the municipal utilities amounted to 94 billion €. The investment volume amounted to 8 billion €.

The picture of provision of infrastructure and services is very heterogeneous. Services are provided by small municipal utilities, regional utilities and - especially in the energy field - by large internationalized companies quoted on the stock exchange (RWE, E.ON, Wattenfall, EnBW).

The members of VKU have a share of the end market (last customer) of 54.2 % in electricity, 67.7% in natural gas, 76.3% of drinking water, 58.2% of the district heating supply and 12.8% in wastewater disposal. In the 90's municipal service companies (especially water, energy, waste but also hospitals) started getting privatized, especially to restore the communities' budget.

Germany: Trend for remunicipalization?

- Public opinion critical of privatization of municipal services, especially because of tariffs increase
- Growing support for return of privatized public services into local public ownership and managerial control
- Major experience in the remunicipalization of water, waste disposal and lately energy
- Drivers:
 - very complex (and often uneconomic) tendering procedures
 - strict European requirements for public-private-partnerships
 - over 5,000 private concession contracts expiring by 2016
 - opportunity to improve political and economic influence and at the same increase public revenues
 - opportunity to improve municipal eco-balance by managing own utilities

Supporter of remunicipalization:

Social Democratic Party, Green Party, Left Party, Association of Municipal Enterprises (VKU); local citizen groups organizing referenda, Trade Unions, German Association of Towns and Municipalities, Attack

Trade Unions (DGB) seek broad alliances in civil society, for example by promoting public referenda. In the past, thanks to a referendum, the privatization of the Stadtwerke Leipzig could be prevented. Referenda and remunicipalization initiatives are taking place in major cities such as like Stuttgart, Berlin (water, but also energy on the way) Hamburg, Bielefeld, Bremen, Frankfurt, etc.

Pros & cons for municipalization

Pros

- Competition does not automatically provide better quality services and is not always cost efficient
- Municipal enterprises can work efficiently or even more efficiently than private ones
- Profitability can be made compatible with general public interest
- The existence of municipal enterprises strengthens competition in the supply and disposal market
- Municipal enterprises guarantee security and reliability of the public services

Cons

- Municipalization is not only a political, but also an entrepreneurial decision
- In liberalized markets, local customers select their suppliers, mostly on competitive price grounds
- No guarantee for success.
- Need for experienced management
- Business risks, hazards
- Responsibility for failures, mismanagement and strikes
- Likely need to take unpopular decisions

Remunicipalization of water services

Following the liberalization wave, in the 1990s many municipalities privatized their water and sanitation services.

Already ten years later, continued increasing tariffs, connection fees and a failure to expand and/or upgrade the existing network and non transparent and accountable management activities have generated growing opposition against private water companies/ investors.

More communities have been terminating contracts with private operators and are returning water and wastewater services to public management through remunicipalization.

Remunicipalization in the energy sector

- By 2016 thousands existing “concession contracts” in the energy sector will expire
- In the “concession contract”, municipalities grant energy supply companies a concession for 20 years to use public ways in their catchment area. The concessionaire is required to lay and operate the local energy distribution networks.
- The German energy sector is experiencing a return to public and municipal ownership
- Since 2007, over 50 Stadtwerke have been established and more than 100 private concession contracts for energy distribution networks and service delivery have returned in public hands
- Entire regional networks have been sold by large energy companies to public regional authorities.
- Around 2/3 of all German municipalities are said to be considering buying back both electricity suppliers and distribution networks.
- It is expected that a large number of them will become 100% owned by public authorities
- The paramount example for successful remunicipalization is the case of a group of municipal utilities who acquired the utility Thüga from E.ON AG in 2009
- Remunicipalization of distribution grids
- Controversy about benefits of municipal (re)purchase of distribution networks
- The termination of a concession and the purchase of distribution networks through a municipality does not change the competitive rules in the market. Customers still select their suppliers on competitive price grounds

- The issue whether municipalities can better achieve a low carbon profile through municipalisation is questionable. In fact municipalities have opportunity to invest in renewables and decentralised energy solutions independently on the ownership of networks.

Initial steps before decision for the municipalization of grid services :

- Notification of a future change in the right of way (Wegenutzungsrecht) according to § 46 EnWG (Energy Law) at latest two years before termination of the contract in the “Federal Gazette”.
- In case of more than 100,000 customers also in the Gazette of the European Union.
- Clarification of economic goals and strategies and evaluating the opportunities and risks in the grid
- Vision for the remunicipalization, clear targets and strategies
- A road map
- An entrepreneurial position of the municipality or of a municipal utility (e.g. if they only operated water, gas, etc.)
- Calculation of costs by the city administration
- In the case the communities do not have a municipal utility with competence in energy, than they need competent partners.

Perceived benefits of remunicipalization

In a recent survey the most frequent target of remunicipalization (61 %) is “protection of municipal influence and interest”

A further view is the benefit of a community infrastructure management integrating municipal infrastructures (streets, ways, lines, water, illumination, communication, etc.) and transferring the facility management from structural engineering to civil engineering departments.

Other benefits are:

- Financial surplus stays in municipal hands and can be used for investments
- Enhancement of the local employment and spending capacity
- Creation of jobs in the region
- Enhancement of the local economy through procurements to local handicraft and SMEs

Is (re)municipalization a viable solution mostly for large cities?

Remunicipalization is not the answer in all municipalities. Sometimes there are larger benefits by negotiating better agreements

But the suitability of (re)municipalization is not dependent on size of the communities.

In Germany there are good examples from

- large cities such as Hamburg and Stuttgart
- very large cities such as Berlin where the remunicipalization of water services is in an advanced stage of preparation and there are plans for electricity and gas
- middle size cities such as Saarbrücken, Freiburg and Bielefeld where in May 2012 the City of has bought back 49,9% of the Stadtwerken. Positive experience made by remunicipalization of city cleaning and sanitation (Fürth, Nienburg)
- and there are many examples for benefits also in small communities such as Bergkamen (c 51,600 inhabitants)

Remunicipalization of local services in Bergkamen (Land of North-Rhine-Westphalia)

Wastewater management: department within the city administration (since 1997 a municipal utility)

All other services provided by private enterprises Following calls for tender:

- Electricity and Natural Gas supply (VEW AG / RWE AG)
- District heating (Fernwärme Niederrhein Ltd.)

- Water (Gelsenwasser AG)
- Waste collection (Rethmann/Remondis AG)
- Street cleaning (Rethmann/Remondis AG)

Municipalized:

- electricity, gas, district heating and water supply, (commencing in 1995)
- Street cleaning (2002) with a reduction of tariffs of c. 25%)
- Waste collection (2006)

Source: B. Schäfer (2012): EPSU Conference Riga

Positive effects of the municipalization of waste disposal in Bergkamen

“The transition from private provider to municipal enterprise ran smoothly” (B. Schäfer, Mayor of Bergkamen).

- Local handling 30 % cheaper than the previous private disposal
- Decrease of waste fees: approx. 7.8 % in 2006 and c 3,4 % in 2007 (despite an increase of 3 % of the VAT and an increase of 6 % of incineration costs)
- Since 2006 till today: lowest waste fees in the district of Unna
- Procurements to local economy in 2011 c 750.000 €
- Transfer to the city budget in 2011: 168.000 €

Improvement of service provision through :

- Standardization of the removal frequency
- Supply of express service and full service as to bulky waste disposal
- Other improvements and developments

Source: B. Schäfer (2012): EPSU Conference Riga

Berlin Wasserbetriebe

- The Land Berlin privatized its water services in 1999 for around 1,7 Milliarden €. The German energy giant RWE and the French company Veolia held respectively 24,95 %, Berlin the remaining 50,1 %.
- Privatization was criticized because the contractual agreements insured the stockholders high returns which led to high water tariffs.
- Public referendum in February 2011. Quorum of 25% (665.713 votes) reached. Disclosure of the “water contract” following the privatization
- Recently the Anti-Trust agency ruled that the prices should be reduced on an average of 16%.
- There are advanced plans for buying back stocks
- RWE declared their willingness to sell back their stocks for c 618 Million Euro to the Land Berlin. The financing should be provided through the net assets of the water utility in the next 30 years
- Similar negotiation with Veolia.

Water governance: a matrix survey on property rights and regulation in 14 Countries

by Elisa VANIN, Turin School of Local Regulation

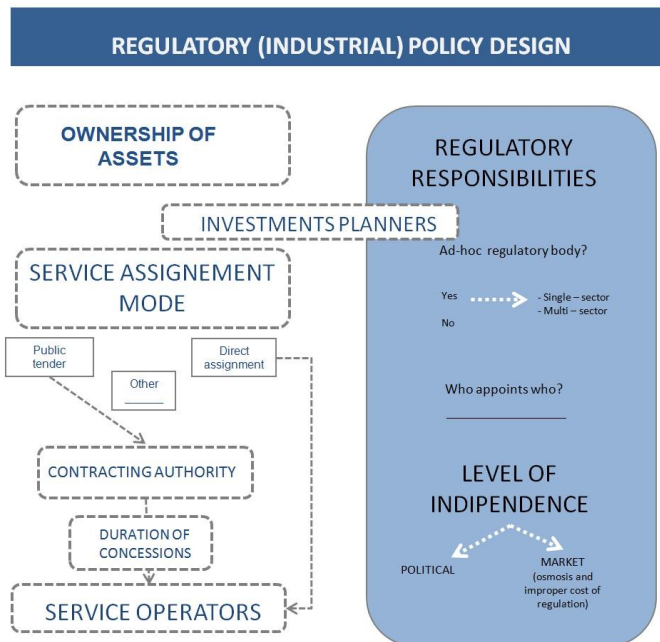
In your folders you will find a research paper (the paper is also available here: www.turinschool.eu/research) that has been presented at the 13th Mediterranean Research Meeting organized by the European University Institute last March, where we presented the results of the research in the water sector. You can find all the details in the paper but I would like to spend a few words on how the research was made and the methodology.

The research made on 6 different sectors: water, urban waste, local public transport, district heating, distribution of natural gas and distribution of electricity at the local level. We had 14 Country experts who accepted to be involved in this research – actually we involved more than 14 experts but not all of them contributed to all the sectors, they picked up the sectors where they had more expertise – and the research was divided into two main parts: the first part consisted in setting the questions. We tried to leave aside for a moment what is written on handbooks and to go to the basics and we asked ourselves “*what are the most relevant questions according to us to understand the regulatory framework of a certain sector in a given Country and to make them comparable?*”.

We identified some topics that we shared with the network, we collected a lot of contributions and finally come up with a list of around 15 questions:

- Preliminary question: Does public provision of urban water exist or is urban water provided by private providers (wells)?
- Who is responsible for regulatory (industrial) POLICY DESIGN at national and local level?
- Is there any compensation provided for local communities and municipalities that host the captation plant on their territory?
- Who has the ownership of waterworks and plants?
- How is the service assigned?
- If applicable, who is in charge of tendering the services (or waterworks/plant ownership)?
- What is the average duration of concessions? Can they be re-negotiated?
- Who manages the services involved in integrated urban water management?
- Is Public-Private Partnership (PPP) a common Practice in the Country?
- Who regulates tariffs, profits/revenues and so on?
- Who plans investments?
- If a regulatory body exists (authority / agency / department), who appoints who in its governance?
- What is the level of independence of the regulatory body from the government?
- What is the structure of revenues (e.g. customer bills, subsidies, revenues from energy production)?

Slide 1 intends to show the logic links between the questions



2/16

Slide 1

Slide 2 shows the Countries analyzed:

RESULTS

Countries analyzed



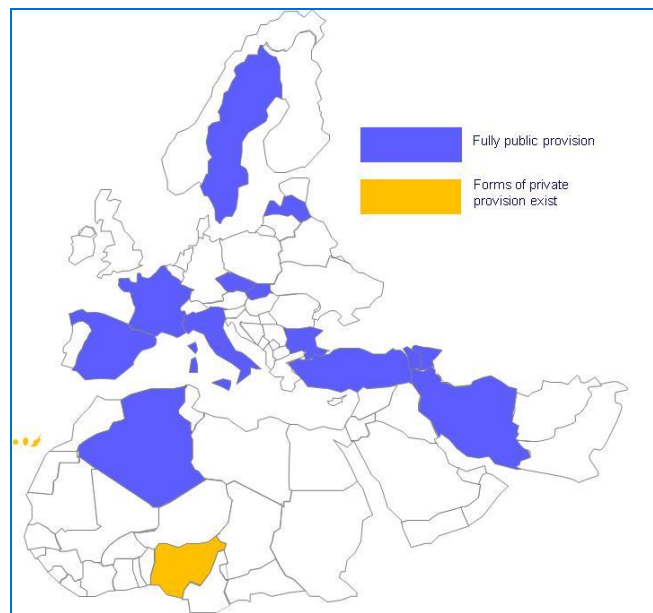
3/16

Slide 2

Most of them are concentrated in the European and Mediterranean area and we would be delighted to enlarge in the future the geographical scope of this research.

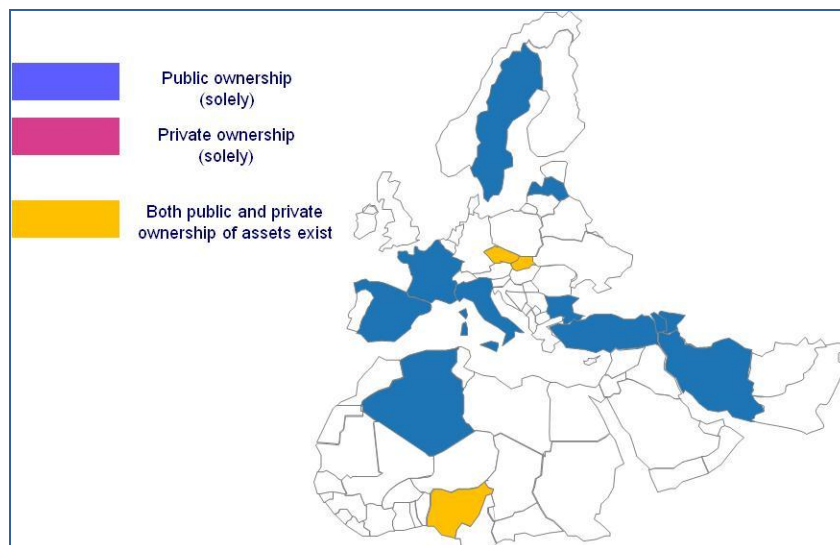
The first result of the research is that there is not a model of regulatory framework spread around the Countries but the regulatory framework is strictly linked to the institutional and law system at the local level and also cultural elements, etc.

Nevertheless we discovered that in most Countries analyzed there is a fully public provision of water and wastewater services (slide 3) in the sense that the responsibility of providing the services but then we can have private operators providing the service.



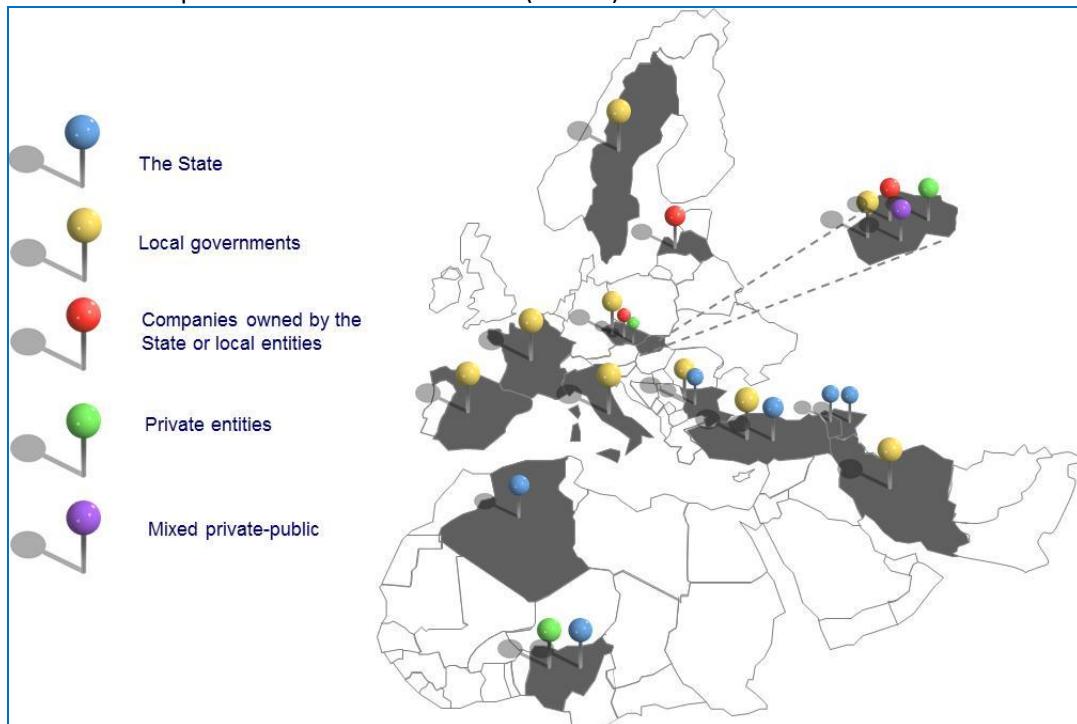
Slide 3

Then we looked at the ownership of waterworks and plants (Slide 4): we saw that in most countries the ownership is solely public and in some cases we have the co-existence of public and private forms of ownership in the same Country. We did not find any case of solely private ownership in the Countries analyzed.



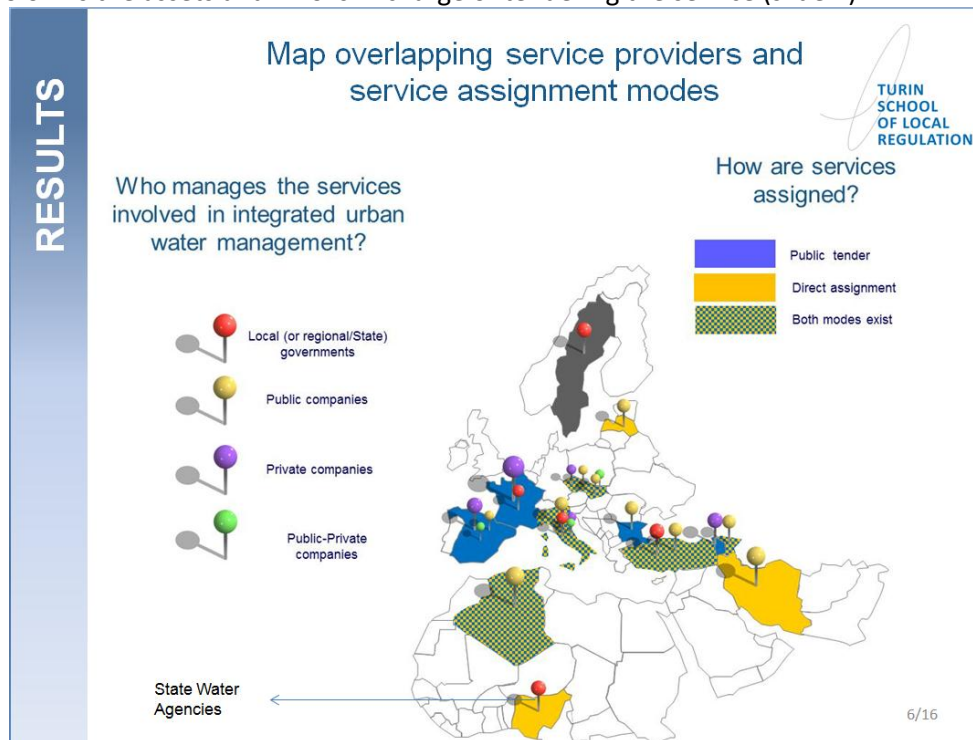
Slide 4

In most cases ownership is located at the local level (Slide 5).

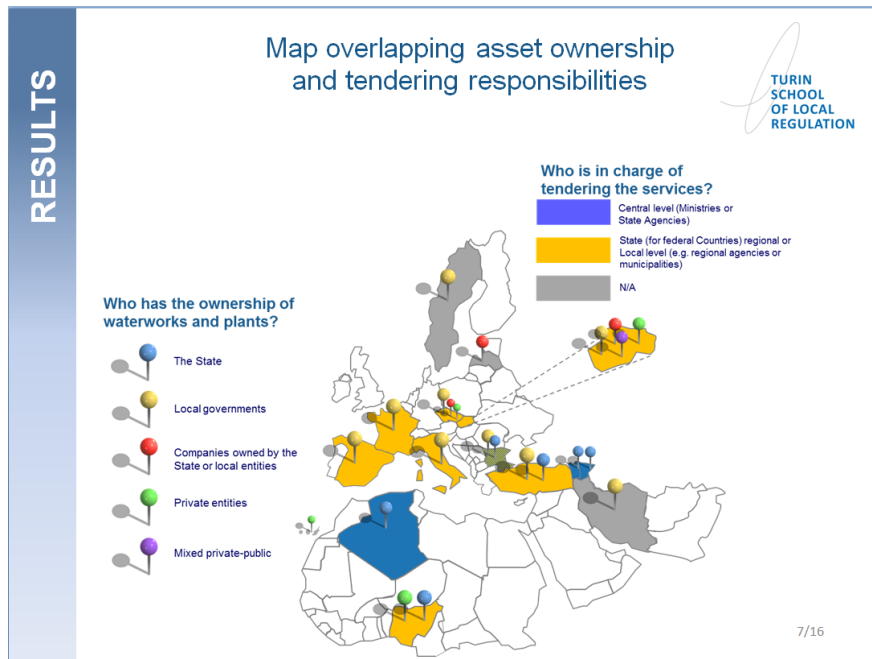


Slide 5

We then tried to overlap some questions to verify if there were some interactions between different aspects: for example, between who manages the service and how the service is assigned (slide 6) or between who owns the assets and who is in charge of tendering the service (slide 7)



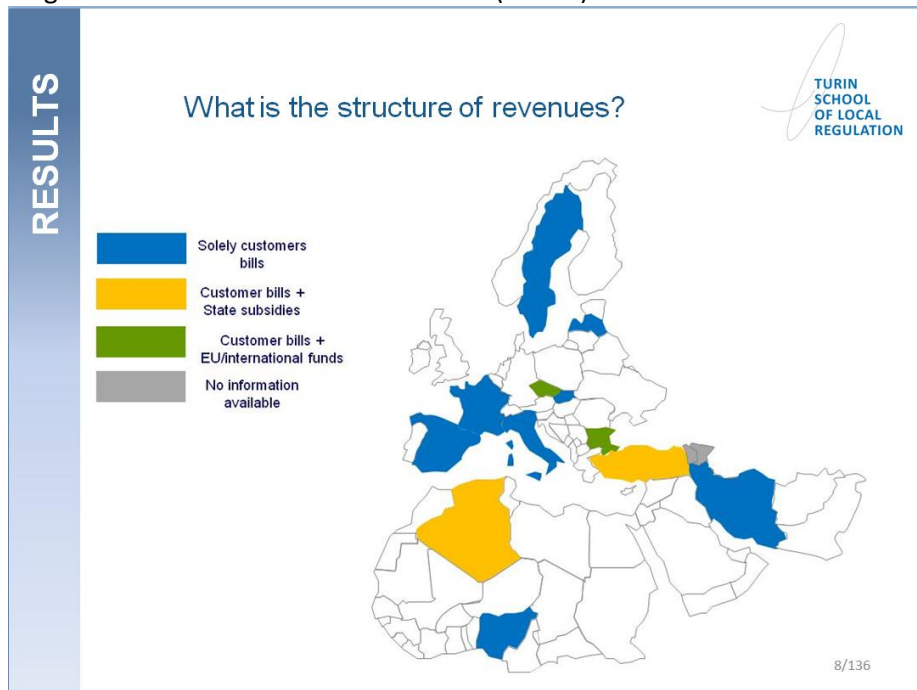
Slide 6



Slide 7

In many cases, where the local governments have the ownership of waterworks and plants they are also in charge of tendering the service and if the ownership is at State level, normally the tendering is made at central level.

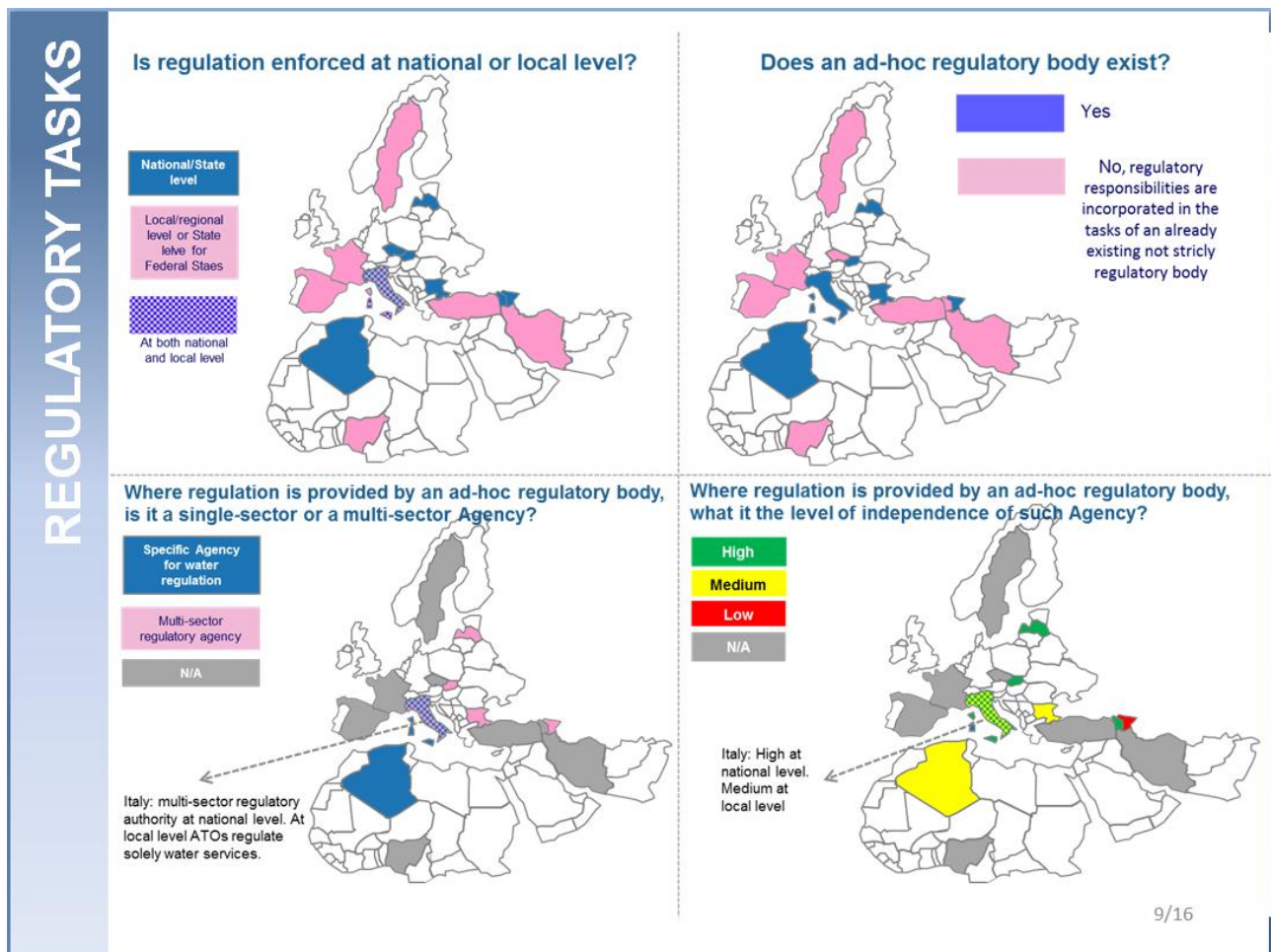
It is also interesting to look at the structure of revenues (slide 8).



Slide 8

As you know in the EU we have the European Water Framework Directive which is pushing for the full cost recovery system so we think that this is also the reason why most EU countries have a structure where all the costs of the service are covered by customers bills while in other Countries we have State subsidies covering the costs of the service, in other cases we have EU and international funds, especially in Eastern Europe.

Slide 9 summarizes some of the questions related to regulation in strict sense.



3rd ROUND – MULTIDISCIPLINARY APPROACHES TO LOCAL REGULATION

Behavioural economics and tariffs in local services

by **Catarina ROSETA PALMA**, ISCTE Lisbon

I've been asked to talk a little bit about the implications of behavioral economics for water pricing. I'm working on a project at my University on this topic and I will tell you what the original idea was and I will share with you some of the insights we have been gathering.

People react to prices: an economist does not talk about demand or supply without referring the level of the price for the service. However, most economists have used the basic model of demand which assumes that people react to prices in a very simple way: they look at the price and they decide whether or not their benefit for the good is higher than the price. If it is they will pay and they will buy the good and if it is not they will not pay and will not buy the good - like a very impartial sort of assessment of whether you want this good or not. **Behavioral economics** tells us that for most economic decisions that consumers actually make, there is a very important point which is the **reference level**: the previous reference that you had either for your price or your consumptions (or both frameworks can be used) actually influences the way people feel about the price they are paying. For example – this is very typical – you go to a store and you see the price but they also give you the previous price if the good is on sale, so that you have an idea that you are actually psychologically gaining something because you are buying the good at a discounted price. So you are going to evaluate this good not only for the price that they are asking you to pay but also for the price you think you should have paid if you paid the full price. Most people can understand that the reaction of the consumer will be different if they are given just the price or if they are given the first price and then the sale price. This is an example of how the use of reference influences consumers' decisions. What we thought – which is interesting in the water sector – was to try to use this framework to analyze the decisions of the consumers. Consumers do react to water prices, even if reactions are very small: in economic terms the **elasticity** is very small. The typical value of elasticity is - 0.5 that means 1% increase in price makes you decrease 0.5% of your consumption. How does behavioral economics change our interpretation of potential demand elasticity and how can we go about measuring these effects and getting insights from consumer behavior?

We organized our project along different lines:

- 1) *Does the fact that most domestic or household tariffs are not uniform but rather blocks influence the reaction of the consumer?* The consumer is not given a single price, but rather an increasing block tariff. The first part of our project aims to understand if consumers react differently to price increases when they have a block tariff rather than when they only have one price they can see. There is some evidence that consumers have higher price elasticity when blocks are increasing blocks. We are developing a model that tries to explain this empirical effect using the behavioral economics framework of **prospect theory**.
- 2) *We want to test if elasticity is asymmetric: do people react differently to price decreasing and increasing?* We have not implemented that with our data yet because the prices for water are fairly stable and you need a very long time series of data to get enough information about elasticity.
- 3) *The **issue of fairness**.* Kahneman and Tversky, who developed prospect theory, also attached to the reference point idea the notion that people react differently depending on what their perception of fairness for the situation is. For water we know that in our Country (Portugal) consumers have very strong reactions when they are confronted with changes in their water service. So, for example, if the service is public they do not want it to go private, if the price has to increase they have a very strong feeling about it, if the regulator changes people will have an opinion about how water should be managed. People do not

look at water as they look at clothes or even food. This might influence their water demand, in particular their reactions to price changes.

4) *The issue of social comparison.* A couple of studies have been done in the US for water and there are also a couple of studies on electricity that are similar, in Italy and South Africa, which tell us that when choosing their consumption people react to what they think other people are doing. The results are quite interesting: in the US they made a really large study for water and it turned out that the social comparison effect is actually stronger than the typical price effect. So if people get information about the average consumption of their neighbors and they are above this average consumption this may have a stronger impact on their consumption than if the price increases (of course there are arguments over whether this effect can last through time).

So in our project, after developing the new theoretical model for block tariff analysis I mentioned before, in 2012 we spent 2-3 months in implementing individual household surveys: we picked a number of utilities that agreed to cooperate with the project and we got consumers' phone numbers and consumption levels. We then called these consumers and asked them what their house is like, if they had a lot of people and young children etc. We asked if they thought that the price they pay for water is fair and if they know how much they pay for water. Generally speaking, we can say that people more or less have an idea of how much they pay for water but they do not have any idea of the price of water.

We have just finished the survey now but next I year I hope to be able to provide some results that might be useful to you.

Alternative Dispute Resolution and Local Governance – Experiences from Germany

by **André NIEDOSTADEK**, Hochschule Harz

To be honest just a few weeks ago I didn't even know that the TSLR exists and I'm very glad to be here now and to address a topic that becomes more and more popular and I think it has a lot of opportunities especially for the local area.

I want to address 5 aspects. The first one is **law and regulation**. When dealing with conflicts, with disputes, we always think about law and regulation and law and regulation has two faces, on the one hand it can help solve problems, on the other hand disputes can arise from law aspects of regulation. So in my personal opinion when dealing with this aspects, when having a dispute there always a lot of **opportunities**, it's an attitude, you have to solve conflicts, so especially at the local level to see those opportunities and not as risks - well a risk has also two meanings too, a risk is also something you can benefit from or a risk is something you cannot benefit from. When thinking about of opportunities it is useful to have a look on **conflicts**. Now I would like to give a brief overview about few conflicts that recently arose in Germany then we will have a look on how to deal with them. So for example, have you ever been to Germany to Stuttgart? Maybe you have been to Stuttgart by train... there was a huge debate about the new train station because the train agency wanted to rebuild this station and there was a huge outburst on this because it was not only too expensive, we heard a lot about economic aspects, but also the environment was touched by this project, and lot of people, lot of demonstrations, even some violence arose because of this project, that raises the question about how to deal with this conflict on a local basis. So the first one is this project in Stuttgart, which is a sort of infrastructure project. Conflicts that arise from infrastructure projects. Another topic on local level may address community conflicts or neighborhood conflicts, so there is a case where in a big flat there were some families that had special attitude to deal with waste, just to throw it outside from the window and the local authority was informed and had to deal with this. You have two possibilities to deal with this: by law but as it was a form of behavioral aspect, they found other mechanisms to deal with this conflict. Infrastructure, environment, community, neighborhood and at least whenever you try to change something within a local authority, on a local level there is some sort of change management, regulation it's people's business at least. So when they deal with people they might have the opportunity, they might think... "Challenging something it's not very good for me so I don't want to be involved in this", so change management also causes a lot of problems. This are just a few conflicts, you can find even more conflicts at the local level just to address. Well, it might imagine what's the next letter after L O C there might be an A, **alternative dispute resolution** and that is not a new approach to deal with conflicts. It's rather quite an old story, especially in Germany, to deal with this but nevertheless it became more and more popular in the last ten or twenty years. Alternative dispute resolution, in this aspect I would especially focus on mediation, as one form for alternative dispute resolution, you have a lot of other forms especially in the public sector and transport sector. Personally, from my point of view it would be interesting to do research on this, so if anybody of you is interested in doing research on this, alternative dispute resolution related to public transport, water, waste or anything like this, I will be more than welcome to learn from you. I would like to give you LOCAL, so there might be an L, the **legal framework**. About the legal framework in Germany, actually about just two months ago, the Parliament adopted a new mediation act, based on the European mediation directive, and it took quite a long time to be implemented into German legislation, but now we have a new mediation act and it covers a variety of fields where mediation is possible now not only in trade aspects, but also in cross borders aspects, but in the public sector too. So the new mediation act gives the opportunity, from my point of view, to establish some form of government mechanisms that can be at the local level. I will be more than glad to discuss this or other topics with you and well that's was what I wanted to talk about.

4th ROUND – AN EXAMPLE OF POSSIBLE SYNERGIES BETWEEN DIFFERENT ACTORS

Presentation of two networks that are being launched within OECD on water governance and regulation and possible exchanges and synergies with the TSLR

by **Rudiger AHREND**, Organization for Economic Cooperation and Development

OECD as a Policy Forum is structured around several Committees on a wide range of issues, gathering delegates from national governments (mainly member states and some observers from non-member countries, private sector, international organisations and NGOs) to discuss progress, reforms and achievements in public policies.

In addition to such bodies, a series of networks are being launched to create policy platforms involving other types of stakeholders – may they be other authorities at local or regional level, private sector, etc. – There is a high potential for synergies between such OECD networks and TSLR, in particular for two of them.

OECD Network on Water governance, to be launched in March 2013, builds on the work undertaken up to the 6th WWF, and will aim to :

- Provide a platform to frame the features of “Water Governance Guidelines or Principles” to be discussed/approved by OECD bodies in a three-year time horizon (soft-law);
- Set-up an **Observatory of good practices to improve water governance** (website) in order to map existing water governance tools, methodologies, initiatives and programmes; serve as a one-stop “shop” for water governance related information and projects; and create the interface between existing information and communities of practitioners.
- Develop a **Policy Forum across decision-makers** committed to improve water governance via policy dialogue, policy-driven analyses, scientific data, benchmarks, and exchanges of experience at basin, local, regional, national and international levels (community of practice).

The Network will have an **open membership** and a **wide geographic and institutional representation** of key water governance players (open also to non-OECD economies). A tentative list of members to be further developed includes: high level national institutions; municipalities, regions and their respective networks; basin/regional water authorities and their respective networks & organizations; national water agencies/regulators; non-governmental organizations; public, private operators and their federations/associations; international financial institutions; international organizations, associations and partners; academics, research centers and think tanks (which is the case of the TSRL).

The Network will meet at least once a year, it will be organized into several thematic and regional working groups, and it will communicate through a newsletter/web platform.

OECD Network of Economic Regulators, to be launched in November 2012, is also an innovative platform of interest to TSLR. The synergies of a network of regulators have been recognized through the development of industry specific networks within and across OECD countries, but these usually focus on a single policy area (water, rail, energy etc.) or regional area (e.g. European regulators’ group for electricity and Gas). Developing a multi-sector platform for regulators helps discuss cross-sectoral issues, identify and address common policy themes to add value to the performance of individual regulators and the wider community of regulatory practice.

This Network will provide a **policy discussion forum across economic regulators** (communications, water, energy, transportation).

Its **objectives** include:

- Frame the features of a “World Class Regulator”
- Advocate for the implementation of the characteristics that define a modern regulator; and
- Support the understanding of how regulators fit into the policy cycle, how they are designed, organised, operate and evaluate the performance of their mandate;

Governance issues to be addressed by the Network include:

- Best practice regulatory tools that can be used concretely in the field by regulators;
- Specific policies concerning the regulation of crucial economic sectors, including legal and economic aspects of regulation;
- Regulatory governance issues such as independence, accountability, horizontal and vertical cooperation/coordination, funding, institutional set-up, capacity building etc.

The Network will be established as an ad-hoc network under the Regulatory Policy Committee, with a 24-month membership of 8-14 representatives from regulators in OECD and emerging countries spread across sectors/industries. Its Secretariat would organize and facilitate meetings, conduct surveys and policy analyses to develop and publish the OECD quality standards for regulators.

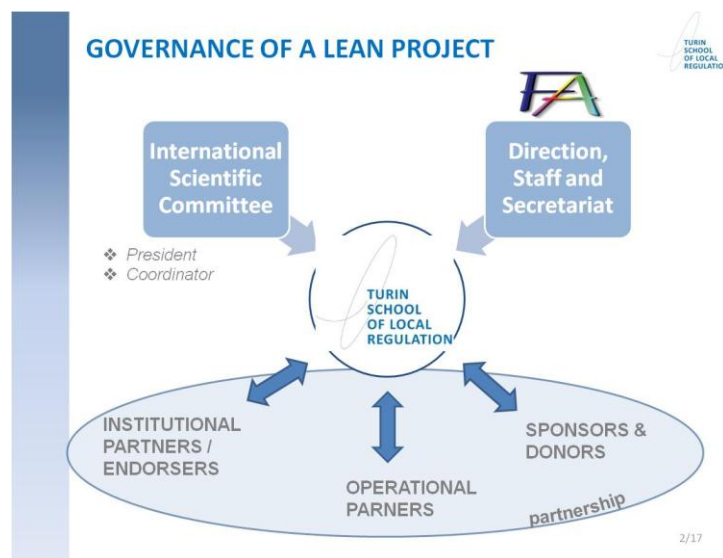
Potential synergies between TLSR and OECD Networks on water governance and economic regulators are of several types

- TLSR could be a member of the OECD network on water governance as OECD is a member of TLSR;
- TLSR experts could be invited to OECD events to present key findings and vice-versa;
- OECD can carry out country and sector reviews (with benchmarks) that may be of interest to TLSR (especially in the framework of partnerships/funding TLSR may get from EU for example or foundations);
- OECD can provide a platform for TLSR to convey key messages to national level policymakers and TLSR can provide a series of contacts/networks at local level to OECD.

An overview on TSLR Governance and presentation of the Programme of activities 2012-2013

by Elisa VANIN, Project Manager TSLR

I'll spend a few words on the governance of the Turin School of Local Regulation. As Franco said before, we're not going, at the time being, to invest in hardware but in a network of people, of experts, and that's why we decided at the time being not to have a new legal person. So the Turin School of Local Regulation is an initiative, a project. It is an initiative of Foundation for the Environment but we really want to make it in partnership with other actors (**Slide 1**). For this reason and also for saving resources, direction, staff, secretariat it's up to Foundation for the Environment, in particular the working group on local regulation within Foundation for the Environment but the other important part of the Turin School is you, the Scientific Committee, and then around the Turin School of Local Regulation we really want to build this partnership.



Slide 1

We can develop different kinds of partnerships, it can be institutions that want to support the idea giving a patronage, an endorsement, can be institutions that want to support also financially the initiative, so sponsors and donors, and can be the operational partners. We started already establishing some partnerships with some universities and university institutes, to cooperate on contents, to think about exchanges, of teaching exchanges, of students maybe, etc. . And the Scientific Committee will have a president and a coordinator.

At the time being we have the support of the Chamber of Commerce of Torino, for this startup phase, we have the endorsement and the patronage of the municipality of Torino and we have already signed partnership with the University Institute of Lisbon, with the Centre for Environmental Studies at Freie Universität Berlin and with the Berlin Centre for Caspian Region Studies that are very focused on energy and environmental issues, that is why they are interested in this initiative. A framework agreement is under preparation with Université Franche-Comté in France but we really hope that this panorama of partnerships will be enlarged in the next months (Slide2).

An initiative of



With the support of



Under the patronage of



In partnership with















* under preparation 3/14

Slide 2

A brief overview on the Scientific Committee. You are some representatives of the Committee, we have up to now 38 members, we tried to show you how the different kinds of expertise are spread (Slide 3), you will count more than 38 men and women because some of you have expertise in more than one sector: water, urban waste, local transport, district heating and district cooling, distributional gas and electricity infrastructure, but also some other very important complementary kinds of expertise that are quoted below.

Scientific Committee

38 members

Water	Urban Waste	Local transports	DH / DC	Distribution of gas and electricity	Infrastructures
            					

Other expertises: local public finance, mechanism design, conditional cash transfer instruments, auctions, game theory, history of public services and infrastructures, regulation of land use, human capital & employment issues, conflict management/mediation, debt, finance, consumer protection

4/14

Slide 3

And this is up to now the geographical distribution (Slide 4) and I think we should work a little bit on that because, as you see, many countries are missing, especially from Asia, but also the African continent is not well represented.



Slide 4

So any suggestion about both the expertise and the geographical distribution from your network will be more than welcome.

Financial resources and fund raising activities actually

We are here today thank to an **operating grant** for the startup phase for 2012 by the Chamber of Commerce of Torino and a request for 2013 is under way. Historically they are supporting us in this kind of activities on local regulation so we really hope that this will be on a permanent basis. We have under way a request to a local bank foundation also. This allowed us to organize this meeting and to launch the first activities of the School.

The aim for the next two years would be to establish a basis for stable operating grants in the middle term so that we can have some resources to enlarge the network and think about how to develop the School, etc..

Then we have also **direct support to specific project or public events**, for example the Summer School. It is at its 15th edition, and historically it has been financed by Compagnia di San Paolo which is a bank foundation here in Torino. A charity branch of Compagnia di San Paolo will support a conference in October on the topic of conditional cash transfer, here in Torino, which will be done under the umbrella of Turin School of Local Regulation.

We'd like to increase fund raising activities, both in terms of direct contacts with grant institutions but also with maybe participation to call for proposal at European or international level and really ask for your suggestions and contributions on that.

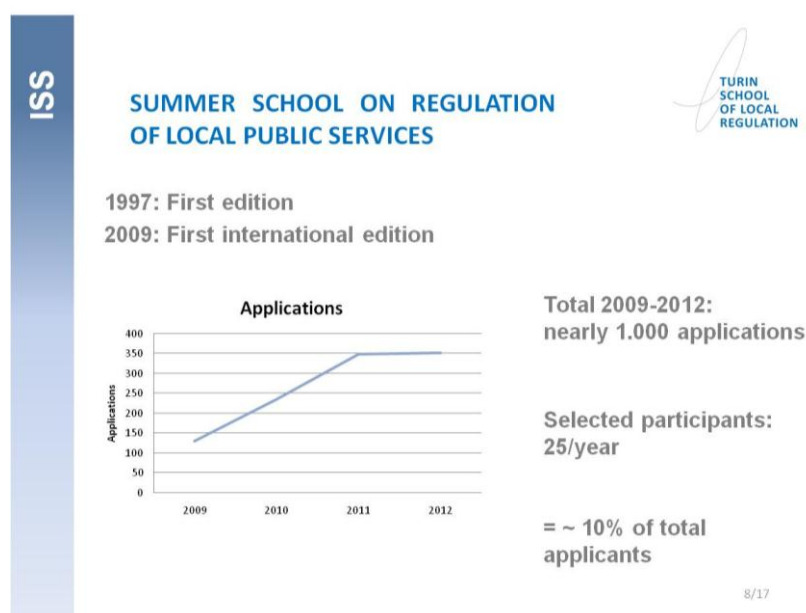
And finally another way to support the School it's the **setting up scholarships**. The Summer School has a very low fee actually but we still have people who cannot attend because of travel costs, they come from far away and they have to give up finally because they cannot afford this cost. But more important, we are

launching a series of short and very focused courses and they will be with a higher fee because we have to support the full cost of preparation, organization, etc. and in this case it could be very useful to have some institutions that grant scholarships in order to cover travel costs but also to cover the registration fee. So it is another way to support the School, not an operating grant but very useful and for the next two years we would like to use these instruments also to attract maybe the corporate and banking sector. It could be a more interesting and attractive instrument for them.

Concerning the **activities**:

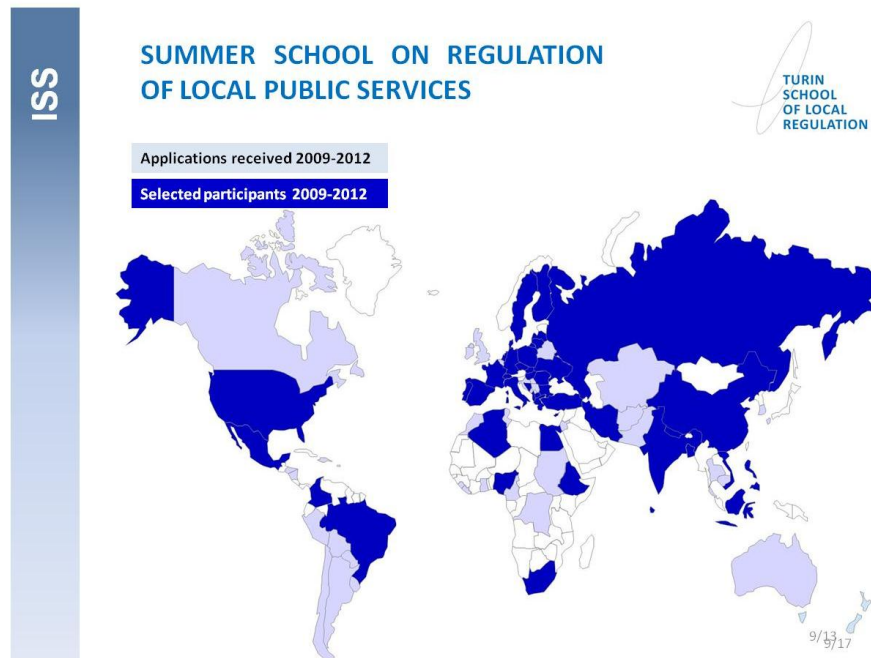
- the **Summer School** continues to be one of the main activities of the Turin School. I'll spend a few words later about some statistics and participation.
- This year we will launch a series of short courses, as I told you, that we named **Executive Education Programme** because the target is really people already working in regulatory agencies, in local/regional public authorities, professionals, etc. who want to go into deeper in some specific aspects of local regulation. So maybe two-day courses with many case studies, many peer learning, etc. .
- then **conferences, seminars, round tables**,
- in some cases could be **on-demand training and capacity building**, - we already do it, mainly at local level with local regulatory agencies
- **research projects**, papers and policy briefs. The paper we presented before could be an example of what we can do together thanks to the network
- we would also like to launch a **web based platform** in order to facilitate this kind of comparative researches, so to have an instrument where all of you and the other experts of the network can contribute answering to specific questions and making results comparable. We're thinking over it, it is not already established, but we would really like to implement it.

Concerning the Summer School, Franco already talked about the success we had since 2009. Slide 5 shows you that in four years of international editions we collected nearly one thousand applications and as with the resources we have at the moment we can organize just one session per year with around 25 participants, this means that we have selected only 10% of applicants in these years and this is really a capital of human resources, most of them are very qualified people and they cannot attend this experience so this was one of the reason we thought about launching something more ambitious.



Slide 5

Slide 6 shows geographical distribution.



Slide 6

Dark blue are the countries where we selected participants and light blue are countries from where we received applications but, at the time being, we haven't selected participants because of many reasons, maybe better CVs from other countries, etc. This year we received applications from 65 countries.

Concerning the **Executive Education Programme** we have already scheduled three courses for this autumn session:

- one is strictly linked to welfare policies and what Franco was saying about this specific topic: "Giving to the poor and needy in urban context". We will deal with the topic of conditional cash transfer instruments that applied to industrialized countries and urban areas like an instrument to help rethinking local welfare policies. Just to make you an example, we will have as a teacher Larry Aber from New York University. He was the person in charge of the first CCT project made in New York.
 - "Project finance and regulation of local services and infrastructures"
 - and then a course which is in Italian, "Protecting local public assets in the hard times".
- You have a flier for each of these courses in your folder.

We will activate these courses just if we achieve a certain number of applicants, so it is not sure that we will be able in this autumn session to implement all these courses but it is important to launch them, to see how the market reacts because, as you will see, the fee is quite high so it also an important information for us. And we would like to launch courses also on other topics, we have in mind some ideas like for example "game theory and local regulation", "social finance and social impact bonds as an instrument to deal with the crisis of local finance", "regulatory reform at local level". We are working on that, trying to think about a possible programme, etc. . If you have further ideas about possible courses, contents, etc., we will be happy to discuss with you.

Concerning **research**, we would like, if we find funds, to implement a research with the same methodology of the previous one I presented you on water governance. On a specific topic which is professional osmosis in local regulation. The question is: “How relationships between different actors at local level can influence regulation?”, so the relationship between the political level and regulatory agencies and utilities and the fact that people know each other. All this things at local level are much more relevant than at central, national level. And so we would like to develop a international survey, so to identify specific questions, collect data in different countries and then make a comparison of these data and have a final report. Also in this case we would like to identify country experts, who are willing to contribute and to activate them on this topic. Moreover, in 2011-2012 we did a research project on affordability of tariffs of local public services here in Torino. The results unfortunately are in Italian but on the website there is an executive summary also in English. We would like to enlarge the scope of this research. In particular we did interviews to very poor people in Torino, asking them for example about their perception about the cost of water and energy, the way they deal with money, pocket money, the way they manage their family budget, etc. and something interesting came up but it was very focused in the Torino area. The survey was made on around 200 people so it needs to be enlarged. And also, I just tell you for information, the Mediterranean Research Meeting, organized by the European University Institute will take place in Turkey next March. One of the seminars will be on regulatory implants and local legal regimes in the Mediterranean region and actually we are thinking about presenting an abstract, a paper proposal for the deadline of this Saturday. So if later anyone of you is interested in the topic, we would like to share it with you. Our abstract will be structured as follow: we would like to include the topics of information distribution, information asymmetries at local level in this discussion and so to provide a photography of the main players involved in the regulatory agenda in some countries in the Mediterranean ad Southern-East Europe area, identify the obstacles that this situation poses to the implementation of the regulatory agenda and identify which mechanisms could be activated in order to remove these obstacles. Again involving some local experts can help us in going side the local situation.

Another idea would be to create in some way some **exchanges with young students, graduates, maybe Ph.D. students**. For example there is a bank foundation here in Torino that supports Italian people going abroad for one year for a traineeship. They select the hosting institutions, they make a training before going abroad, etc. . And they said that maybe they could consider to have amongst the hosting institutions some regulatory agencies or other institutions that deal with local regulation and our idea was to propose a pathway where the person attends the Summer School and then leaves, for example for a foreign regulatory agency, to make a traineeship. So we are open to applications, suggestions in order to make a proposition to them. But also we would be interested in hosting at the TSLR some trainees that already have some education background on this topics and want to have some experience with us, also maybe during the Summer School or other events. So it can be also an opportunity to meet people etc..

We are proposing new roles within the TSLR, the role of the President, the role of coordinator. We would like to discuss with you about the possibility or not to have maybe some referees for specific sector topics, maybe if the Turin School develops etc. it could be an interesting idea. And also we invite people who is interested in proposing some courses in the framework of EEP to considerate the idea to collaborate with us as course managers, so people helping us to identify lecturers, to define the programmes, etc. .

These are the main governance aspects and the programme of activities in a brief way but if you have any question later we can discuss it further.

Open debate

Franco Becchis:

Now we will give the floor for open debate in which I hope that people who had not the opportunity to be in the panel can give suggestions, contributions and also critics. This is why we have provided a list of shadow questions to guide the debate:

- a) Do you have any comment or suggestion on topics and activities promoted by the TSLR? Is there any further topic or activity that might be included in the TSLR programme?*
- b) Do you think that dealing with a wide range of topics, from urban waste to local welfare, entails the risk of downgrading the quality of the TSLR activity or do you think that keeping local regulation as a fil-rouge and widening the scope of research on different sectors and topics might be a fruitful method?*
- c) Is research on local regulation well-developed in your Country? Do you know any particularly relevant initiative / organization dealing with research, capacity building and training on regulation of services managed at local level?*
- d) Do you know any relevant research project on topics connected to information, game theory and mechanism design applied to local regulation? And about professional osmosis?*
- e) Do you have any suggestion on how to enlarge the network? Which should be according to you the strategy in identifying new partners?*

--

Douglason Omotor:

The role of Foundation for the Environment is clearly stated, that is like supporting and managing the Turin School for now. My experience with things like this, especially when you're looking for assistance and funders at international level, is that most times when you go to approach them they ask for your **plan of actions** which are presented and at the same time they also expect that you match this plan of actions with the **budget**, without the budget matching the plan of actions the funders do not know how much to give and for how long. So I think it is proper to **have in detail the budget that matches the various activities**.

Giulio Conte:

One of the most interesting aspects that I see of this School is the possibility to have **exchange among countries where main infrastructure already exists and countries where it does not**. Few years ago I went to Mali and I understood that in that country there never will be any telephone network. They will just have wireless telephone, so bypassing a phase in the service that is sometimes bad for one point of view maybe good for the other point of view because they are saving a lot of money because they will never have telephone infrastructure. Something similar could happen in the water sector because now it's evident for a very strict part of scientific world that the water and sanitation system we have is not good at all for the environment. And probably there could be alternative ones. Probably our homes should be served by different kinds of water quality, not only one, and the other one is that most likely some of our waste water could be saved by using dry sanitation techniques and so this is something that, obviously, when you're thinking about a regulation system is very important because, for instance one of the problem we have with regulation of the water service is that, not always but very often, the interest of the utility, the interest of consumers and the interest of the environment are completely conflicting. So in this case if you are **using a "traditional approach" in regulation you will go in a certain direction even though there could be many other directions that could be much better from the economic and environmental point of view**. I don't absolutely know **how to translate this into regulation measures**. For instance some countries that are

represented in the Scientific Committee, Brazil for example, still need an infrastructure for the sanitation part of the water service. I know for sure that many large parts of India, Africa, even in China, even the water service could be provided in different ways. The easiest thing could be something similar to what Rosita told before about energy, to have part of the water used in our homes to be produced locally, simply by rainwater harvesting, for instance, or by grey water treatment and reuse. So this means a regulation that presently is missing, even in our countries, and we should do something to change our system, not maybe for lack of water or lack of infrastructures but due to the fact that we use so much water that treatment we can have with our system will never allow to reach the effluent quality able to have river in good quality as the Water Framework Directive requires. So even for us that is a problem and in some way a more difficult problem since we have to shift from one model to a partially different model. So this is just a kind of idea that I leave to your development.

Vlasis Oikonomou:

Now **climate policies and climate regulation are moving slowly from nations to regions**. In many countries there are obligations now to publish municipal climate plans, for instance in the Netherlands and in other countries I'm aware of. This practically means that municipalities now need to have regulations on climate mitigation and adaptation. Of course water and waste can influence climate change and probably they are already tackled with, but still since the municipality needs to present complete plans, these local governments must have a complete plan in term of what they are going to do for all these sectors that influence the climate including mitigation which is important, how to reduce CO2 emissions. Energy is not enough, is not just for sure enough, there are more things to do. For instance there are also demand driven works for the municipality that wants to take more action. The [Cartesio network](#), a network of cities of the northern part of Italy, is actually pushing on toward own actions for GHG reductions. This practically is very interesting. The same things in Holland. In the Netherlands now there is a new trend, all the municipalities need to present climate action plans. What happens now, as we (read: the Joint Implementation Network) are responsible for the Northern provinces, is that we have to make use of all the existing tools that there are from the government and from the regions bringing a lot of stakeholders and come up with new regulations, regulations for the northern part of Holland for climate mitigation. Practically the northern part of Holland can give now a new incentive scheme for carrying out climate mitigation and climate adaptation actions and inserting them in the CO2 market. It's a totally new concept but the northern part of Netherlands pressed for it as regions said to the government "Municipalities want to take the role, they want to regulate themselves". The government said okay, and now they are self regulating and that is quite an interesting experiment. I think this is an idea you for the climate issue we can take into account.

Franco Becchis:

Let me just mention another project, coordinated by Franco Molteni, about forestry management oriented to CO2 capture and CO2 valorization in possible future markets. We have a strong project on this area too.

Ola Mattisson:

I thought about your plan and your question concerning the topic or issues that should be covered. What can I see if I look at the local infrastructure sector in Scandinavia and Sweden? More and more institutions are involved in the decision-making, more and more institutions are demanding things, requiring things in this activity. Municipality, the local government are having a hard time and actually only the big ones can meet the demands from the environment. The small ones cannot cope with this demand, **they need to cooperate**. So the tendency is that **a lot of municipality are looking for government forms in order to do things together, for example taking care of water, waste, etc..** In many localities there is a big need of huge investments, hard to be done in the near future as the small municipalities cannot cope with them anymore. So at university, I receive a call a week and practitioners ask me "*What kind of institutional forms, what kind of joint organization have you seen that we can use for taking care of a waste/water plant?*" In

local governments where these things work today, it's very difficult to cooperate because people already have their own staff and it's difficult to fit it together in a good way. They need new forms to deal with the history and the future at the same time. And in other areas, where nothing exists today, it's very difficult for stakeholders to create joint solutions to go forward. **Government of joint organizations** is a crucial factor for the future, at least for the Scandinavian area. So if I should add some topics, I would say cooperation or joint institutions, doing things together and government forms to deal with that, because practitioners are asking for that.

Ugo Panizza:

Let me ask a question. Is there a **decentralized dataset that people can access to look at the cost of delivering services**? For instance, if I want to know how much garbage collection costs in each municipality in Italy, is there a place where a researcher or a citizen can go and look at the numbers? If these data exist, are they easy to get in a sort of standardized format? If they do not exist or if they are hard to get, a big contribution of the Turin School would be to make these data available for Italy and then try to promote a sort of **standardization** for many countries. It would be an enormous contribution in terms of research and in terms of **transparency** for people that want to evaluate the costs and the quality of public services provided by their own local politicians.

Franco Becchis:

Thank you Ugo. Let me just say a few things about your interesting question. Actually, just to give you an example, Turin School has been engaged in an activity of the Province of Torino, collecting, studying and analyzing microeconomic data on waste collection for each municipality. At the time being, data have been delivered to the politicians, to the Province, but we strongly hope to transform them in common pool for people like our student, a doctoral student from Bulgaria in Summer School, actually attending, that is doing his doctoral studies on microeconomic functions in waste production and services. So we are strongly focused on the question of microeconomic data of local public services.

Andrea Amelio:

On what Ugo Panizza just pointed to. I think **the need for data** is a crucial point for European Commission but also for a lot of researcher and I think this can help not only to **foster transparency** and therefore to have a direct impact for customers but also perhaps to establish the Turin School as independent think-tank. For instance in Brussels there is a famous think-tank [Bruegel](#), they operate by issuing their thinking, their views about regulation but also on broader aspects. If there is the ability to collect data, this gives a competitive edge of the Turin School relative to other similar organizations. This is really crucial to develop the Turin School perhaps as a think-tank or as a potential point of reference for consumers, for transparency. We have heard from Professor Roseta Palma this idea that transparency is important and the old issue of elasticity build on transparency, that people are elastic making their choices if quality and tariffs are transparent to them.

Another point is about topics the Turin School can focus on. The first aspect: Dr. Vanin and Professor Omotor spoke about law independence of the regulator and the difficulty of having a legal framework protecting the customer. In economics there is a quite sophisticated branch but perhaps interesting for this. There is a **branch of mechanism designed collusion proof**, so essentially there are MD that are trying to account for potential collusion and some lobbying groups, perhaps by taking into account this, are trying to design the mechanism in order to avoid the creation of collusion mechanism and I think this could be a topic that could be further investigated and also taught in the TSLR for the EEP (Executive Education Programme).

The other aspect is essentially built on my background of competition economist. I really think that **regulation and competition are two sides of the same coin** and in order to have a good regulation there is a need to understand for every regulator basic ideas and basic dynamics of competition and essentially the

question should always be: “Should we regulate later, should we leave competition, the market ?”. I think one topic interesting for the TSLR would be perhaps **to focus a little bit on competition economics linking to the regulation** because I think a good regulation can facilitate competition and the ability of take into consideration these two sides of the coin will increase the social welfare.

André Niedostadek:

I think this is a very difficult task you have to establish a network like this one, not a very difficult task because of the topics - there's a huge variety of topics to deal with, at the beginning is good to have many topics. I think **the problem will be how to get work done and how to establish a living network**, I just found that you are focusing on a sort of web-based infrastructure. Just to make an example one of my colleagues is also specialized in forest management and perhaps it would be interesting for him to contribute to this, but to do this maybe an internet infrastructure could be useful.

Alberto Asquer:

Just to share my thoughts about this research and networking part. There's a way to try and frame and design a mechanism for getting things done.

I was just wondering whether somehow in the short or medium term **this Scientific Committee could promote some kind of panels within established conferences somehow related to regulation**. It just comes to my mind venues such as, for example, the yearly conference on competition and regulation in network industries run by Matthias Finger held in Brussels in November every year and the related journal, of course, or something like the section on comparative policy analyses within the International Political Sciences Association. I think that if approaching the section chairs or the conference organizers it could be somehow feasible to attract their attentions towards the peculiarity of regulation within the very local setting and **to have a focused call for papers**, possibly in the medium long term even special issues of journals, that could provoke a kind of motivation and catalyze interest toward getting some research done, networking with others and somehow establishing the brand name of the TSLR if attached to these events.

Rudiger Ahrend:

I think a very important aspect of local regulation is connected to **restrictions**, that clearly are a local phenomena. Obviously that's a major problem for densely populated areas and a network could allow cities to see what kind of harms or possible benefits could make certain restrictions.

Vlasis Oikonomou:

How to keep this network alive since the concept of regulation is very focused on one hand and very broad in the other? One idea is to **team up with other networks** and complement them. What comes to my mind is the **Covenant of majors**, a huge network from so many cities all around the world. Practically they are doing a lot of work, they have already published most of their plans and maybe what you can do is contact them, explain them the concept of the School and you will get more candidates from all around the world and then you could start initiating a more active dialogue with the directly affected ones.

Franco Becchis:

Just a few words on the truly crucial aspect of keeping the network alive. Being an economist, and being particularly interested in mechanism design I imagine that the best way to keep a network alive is to group people around projects in which there are incentives in terms of reputation, money, travelling, networking and this is the way I know and if you know other ways we will be happy to collect but, at the time being, what we are thinking is, first of all, try to build up occasions to meet again next year, during the Summer School, for the second edition of the Scientific Committee and, in the meanwhile, try to get occasions to have some of you as professor in EEP or course manager or for meetings. We are all adults, all professionals, all strongly engaged in our private lives and our work and so the real challenge is to build up

an aligned incentive mechanism. In this way I absolutely accept the observations made by André and other colleagues.

Beatrice Costa:

I'm Beatrice and I work for Action Aid, an international NGO, and I'm based in Milan. I just want to pick again the suggestion that was made by Professor Panizza. I think that probably we can enlarge the constituency of this group trying to pick from **civic** and voluntary **experiences** at local level (think about the movements connected to the referendum on water here in Italy)- and trying to respond to the need of sound research and sound evidence. My point of view is that there is a lot of energy in those kind of groups but sometimes there is no opportunity for them to have a view on the whole story, the whole research, all the dataset.

For example there is an energy related to the **open data movement** but sometimes on that side of the story there is no resources even to conduct the proper evidence-based research and on the other side we have academics who have the means and the experience to look at the things in a quite proper way but sometimes all this data don't go where people can take them and then do something in terms of accountability. So a crucial way to establish something that can nurture is to link with these people who don't have the means but have the energy to conduct something even at the local level in terms of an improvement of local services.

Franco Becchis:

Thank you Beatrice. I think this is difficult because grassroots movements sell dreams. Always when I'm invited as an economist, I'm invited just to give another point of view from the other one who is usually a person from a grassroots movement, green movement, referendum movement. Your observation is interesting. Just to accept your very useful provocation, how can I go to a meeting of people of the referendum movement and say: "Hey guys, abolishing the return on capital is a no-sense." They will say "You're a capitalist" but notwithstanding this I think your suggestion should be considered because there is a lot of energy in these movements and so I will be delighted if we can talk together about this. Actually there is no osmosis between these two worlds in my view and so something interesting can happen if you try to connect elements of the two parts.

Douglason Omotor:

I have some further suggestions to make.

First, target a regulatory commission or regulators and service providers for executive programmes by directly extending the invitation to them for the executive programmes. This will also work especially for developing countries like Nigeria where it is just evolving and a lot of members already appointed by the government want to really go out to get knowledge of how to carry out regulation and all that.

Second, encourage the development of the interventions presented today into papers to be published in any form. Third, reduce costs of the Scientific Committee, especially for the summer school for teaching.

Andrea Sbandati:

There is an information area problem for the network that could be interesting to face. One is the problem related to **economic data** because we don't have any official structured source in Europe or in the world for local services. We have some data about nationwide services, like electricity, but we don't have any really well organized data about water, about waste. We have a lot of technical information but I think even Eurostat collects no economic data about local public services. It could be useful to use the network to try to make a database containing some simple data about the costs in most important cities.

The other suggestion, starting from the LO.RE.NET experience, is to have another set of information about main architectural scheme of regulation. Five or six questions you have made in the LO.RE.NET programme are very interesting. If we have for each country ten answers from different cities about how the service is

organized we can understand the main scheme of regulation. The **problem of double regulation** I think will be one of the most interesting in the future. For example now, Italian Authority for Energy and Gas is facing the problem of regulation of water, and regulation of water is a typical example of having a national regulation and local regulation and it is not so easy to connect the two levels. Gas distributions is a little bit less problematic, in electricity we don't have a local level for regulation but every service has different deepness of integration of this double deck level. I think many people working in regulation in Europe or in the world could be interested in understand better how connect these two parts of regulation in services like water, waste, etc. So I think it would be interesting enlarging the LO.RE.NET programme to other countries to have two levels of information basis and this could be the way in which the TSLR could attract people for the network.

Another thing, I think it could be interesting to face the problem of local governance and 20-20-20 targeting in the future in Europe. I think it could be interesting even for other countries because smart grid, smart cities, Covenant of Majors, all these areas are very interesting but at the end we have the problem that is the local regulation that could do something strong. In 20-20-20 you will reach the target if you do something in water, waste, bus, heating, electricity, parking, lighting streets these are all problems of local regulation and all these parts can be connected. A part of the 20-20-20 goes under local regulation, not under national or supranational regulation.

Franco Becchis:

I thank you all of your contributions.

The best satisfaction that I personally had since the International Summer School has started four years ago has been on Tuesday. Tuesday afternoon a doctoral student attending this edition of the Summer School approached me and started talking and I asked her " How did you heard about us?" "I received a newsletter, I spotted the word regulation and I decided to apply for Torino, because, as an economist, I am strongly interested in the topic. But before applying I asked my professor's opinion and he said that he attended the Summer School three years ago as a young researcher – now he has become a professor – and he said to go to Torino because this is the best experience in local regulation he has never had". Let me just say that this has been absolutely the best satisfaction to me and I hope that this is also a kind of blessing for the future.

Thank you all. For me this has been a really enriching round table and having people from different fields, as biology, macroeconomics, let me also say that having people with so different and sometimes exotic background to me can be an occasion of enrichment and not an obstacle. But the real game is to build up a living network, not increasing the workload of people but increasing the opportunities and good information in the future. Thank you very much to all.

Election of the President and the Coordinator of the Scientific Committee

Franco Becchis:

Let me remind that we are not building institutions, we're just trying to know each other in this phase. Therefore, electing a president for us mean to have a person of reference in term of reputation and having a coordinator means for us to have a person that can help us to build up the network and help us to strengthen the relationship and in this sense, after some informal consultations among colleagues and friends, I'm very happy to inform you that Ioannis Kessides has accepted to be, for the next year, the President of the Scientific Committee and Alberto Asquer has accepted to be with us coordinator in terms of building up relationship and exchanging information among us in the next month.

Do all of you agree with confirming these two candidatures or do you have other proposals?

All the participants agree with the election of:

- Ioannis Kessides as President of the Scientific Committee and
- Alberto Asquer as Coordinator of the Scientific Committee.

■