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Customers' Choice Among Retail Energy Suppliers: The Willingness-to-Pay for Service Attributes

by Andrew A. Goett (AAG Associates, Moraga, CA, USA), Kathleen Hudson (AAG Associates, Vashon, WA, USA) and Kenneth E. Train (Department of Economics, University of California, Berkeley, CA, USA)

Abstract

We examine small/medium commercial and industrial customers' choices among energy suppliers in conjoint-type experiments. The distribution of customers' willingness to pay is estimated for more than 40 attributes of suppliers, including sign-up bonuses, amount and type of renewables, billing options, bundling with other services, reductions in voltage fluctuations, and charitable contributions. These estimates provide guidance for suppliers in designing service options and to economists in anticipating the services that will be offered in competitive retail energy markets.

Pages 29-59

Supplementarity: An Invitation to Monopsony?

by A. Denny Ellerman (Joint Program on the Science and Policy of Global Change, and Sloan School of Management, MIT, Cambridge, MA) and Ian Sue Wing (Joint Program on the Science and Policy of Global Change, MIT, Cambridge, MA, USA)

Abstract

Article 17 of the Kyoto Protocol allows Annex B parties to meet their greenhouse gas emissions commitments by emissions trading so long as such trading is "supplemental" to domestic abatement actions. Whether and how "supplemental" should be defined is one of the most contentious issues in the post-Kyoto climate negotiations. We demonstrate that implementing supplementarity by imposing concrete ceilings on permit imports in a market for tradable emissions rights gives rise to monopsonistic effects similar to those that characterize a buyers' cartel. We assess the EU proposal on supplementarity in this context. Our results show that, under the most favorable assumptions, the proposal avoids the redistributive effects of an import limit, albeit at added cost. Under less favorable assumptions, namely, that the required demonstrations of verifiable abatement cannot be made, the EU proposal severely limits emissions trading and the associated reductions in the costs of achieving the Kyoto commitments.

Pages 61-92

Regulation of an Electric Power Transmission Company

by Thomas-Olivier Léautier (McKinsey & Company, Inc., Washington, D.C., USA)

Abstract

Designing regulatory contracts for the operators of power transmission networks has become a critical policy issue in the United States. In this paper, a regulatory contract is proposed that induces network operators to optimally expand the grid, which is crucial for the emergence of efficient wholesale power markets, while also satisfying the other traditional regulatory objectives. The proposed mechanism is readily implementable, since it builds on a contract currently in place in England and Wales.

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Developing Countries' Greenhouse Emissions: Uncertainty and Implications for Participation in the Kyoto Protocol

by Randall Lutter (American Enterprise Institute - Brookings Joint Center for Regulatory Studies, Washington, D.C., USA)

Abstract

Developing countries can participate in the Kyoto Protocol to limit greenhouse gas emissions by adopting national emissions limits. Such limits could offer economic gains to developing countries, cost savings to industrialized countries, and environmental benefits. They could also address concerns of the U.S. Senate. On the other hand, uncertainty about greenhouse gas emissions in developing countries is so great that emissions limits may impose substantial costs if they turn out to be unexpectedly stringent. To manage risks arising from emissions limits, developing countries should index any emissions limits to variables that predict emissions in the absence of limits. This paper presents such an index—similar to one recently adopted by Argentina—and develops estimates showing that it could lower the risk of economic losses to developing countries from about 40 percent to about 35 percent.

Pages 121-122

BOOK REVIEW

Power Loss: The Origins of Deregulation and Restructuring in the American Electric Utility System by Richard F. Hirsh, MIT Press, 1999. (Book review by Andrew N. Kleit)