1. Security standards for the "wires business," and the mandatory (much higher) fines that could apply in the event of failure, would be set by the political process, after public consultation and discussion.
2. Companies would be obliged to insure against the risk of failure. Once the standards had been set, the market decisions would be made in the insurance market.

In the ensuing discussion, the points made included the following:

- It should not be assumed too readily that the insurance market could deal satisfactorily with this issue.
- At present, there was only one product - electricity in continuous supply. But value of lost load (VOLL) varied greatly between customers. Demand-side management and interruptible tariffs needed to be considered. A single value for VOLL for the whole system might be quite inappropriate .
- The "disaggregation" of the supply security issue could raise difficult political issues, particularly if seen as a means of reducing security in the domestic market.
- If there were a range of VOLL's, should there not also be a range of penalties for failure of supply? How could the numbers be determined and how would the system be policed?
- Fully competitive supply markets will make it very difficult to impose social obligations on individual suppliers. Similar considerations apply to security of supply failures (other than those arising from defects in the infrastructure).

M.J. Parker

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Press for the IISS, 1996), p. 66.

[3] *New York Times*, 13 September 1993, pp. Dl -D2.

[4] *Financial Times*, 27 June 1995, p. 3.

[5] *New York Times*, 20 November 1994, "Iran: An Economy in Disarray;" also Chris Kutschera, "Iran's Peeling Veneer," *The Middle East*, Sept. 1994, p.20.

[6] Ahmed Hashim, "The Crisis of the Iranian State," pp. 13-14.

[7] Comments by Iran's Oil Minister, Gholamreza Aghazadeh, 5 July 1995.

[8] Fawaz A. Gerges, "Washington's Misguided Iran Policy," *Survival*, Volume 38, No. 4, Winter 1996-97, p. 6.

[9] *Energy Compass*, Weekend Review, pp. 21-23.

[10] Mamdouh G. Salameh, "The Price of Oil & the Future of the Saudi Monarchy," *IAEE Newsletter*, Spring 1996, p. 11.

[11] Rosemary Hollis, "Dual Containment & The Oil Market," Briefing Paper No. 24 (The Royal Institute of International Affairs, August, 1995), p. 1.

[12] *International Herald Tribune*, 30 September 1993, pp. 1 & 17.

[13] Shahran Chubin & Charles Tripp, "Iran-Saudi Arabia Relations," p. 69.

[14] *Tehran Times*, 23 February 1994.

[15] Saudi Oil Ministry Statement, 18 March 1994.

[16] Shahran Chubin & Charles Tripp, "Iran-Saudi Arabia Relations," p. 71.

Swiss Association Holds Conference on Opening the Electricity Market

In May of 1996, the Swiss Association for Energy Economics held a conference to consider the differing views on the opening of the Swiss electricity market.

The meeting was based on the report of the *Cattin Committee* which consisted largely of the representatives of the electricity industry and large industrial users.

Jean Cattin, president of the committee and Head of Section in the Federal Department of Energy Economics summarized the committee's recommendations:

- Introduction of Third Party Access.
- Unbundling and privatization of power plants, of which about 75 percent are owned by the state.

Cattin emphasized that liberalization was not a goal in itself but that it served both the purpose of increasing efficiency in the electricity market and the revitalization of the economy through low electricity prices.

Max Breu, Managing Director of the Swiss Association of Power Plants, agreed, putting additional stress on the necessity of reducing taxes and obstructive regulations.

Adalbert Huber, of steel company, Von Roll Stahl, AG, noted that progressive deindustrialization was responsible for the increase in unemployment. A considerable number of jobs, he said, are threatened by Swiss electricity rates which are higher than abroad.

Whether liberalization leads to more efficiency without a loss of supply reliability is ultimately an empirical question which Professor Peter Zweifel of the University of Zurich answered positively on the basis of the experience of Great Britain and Norway. He considered the grid the only natural monopoly that must be regulated by the state. As far as production and trade are concerned, he suggested the introduction of competition. Together with unbundling, third party access leads to more transparent electricity prices that increasingly take into account the cost limits of the firms.

Zweifel does not consider privatization of the British kind as absolutely necessary. The latter statement must have pleased Daniel Brelaz of Industrial Services of the City of Lausanne, who expressed great skepticism regarding the privatization of power plants and distribution systems as well as its effects on consumers. Brelaz even opined that the privatization would lead to a squandering of state property.

What the opening up of the Swiss electricity market will look like, once it has been realized, remains an open question in the face of the conflicting interests at the time. The fruits of a liberalization could, however, be harvested, at least partly, if there was a unilateral opening of Switzerland. At this point, however, Mr. Breu and Mr. Cattin's readiness for reform obviously stops: Mr. Breu didn't want a Swiss solo run and Mr. Cattin referred to reciprocity. Plainly and simply, the discussion could be summarized as follows: We will do something when the EC has done something.

Jurg E. Bartlome

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