

## **IAEE Lifetime Career award – Acceptance speech**

Stephen Littlechild, Athens 23 September 2022

Thank you, Ms Yamashita, Ladies and Gentlemen,

I am surprised but very honoured to receive this award. Particularly when I see that it was previously given to several friends and colleagues whose work I greatly respect. I am delighted that I shall now be allowed to sit at their table.

What does this award mean? My children tell me it means “We’ve heard enough from you now, thank you.” But I have been asked to say a few words at this dinner.

As you know, the aim of the IAEE is “to advance the knowledge, understanding and application of economics across all aspects and forms of energy, and to foster communication among a diverse community of concerned professionals.”

I should like to illustrate how the IAEE has achieved this aim in practice, by considering the activities of six of these colleagues who previously received this award. Their work has informed and encouraged my own thinking on energy economics and on energy regulation - as, successively, academic economist, adviser to Government on privatisation and regulation, first GB electricity regulator, and consultant. I take the colleagues in roughly chronological order of meeting them.

**Bill Hogan** received the award in 2005. I met him first in the mid -1970s. We were introduced by Alan Manne, one of the pioneers of applying large-scale mathematical planning in the energy sector. Bill and I had both developed our own mathematical programming models of the energy sector, and were busy characterising optimal prices and policy from the shadow prices thrown up by our models. That was the name of the game in the 1970s. Bill took these models to ever more sophisticated levels, but he also provided wise advice on their practical implementation. Not least, he was instrumental in formulating the Operating Reserve Demand Curve in the Texas ERCOT system in the mid-2000s. And he has always contributed to policy: in Texas and elsewhere he has provided consistent support for competitive energy markets wherever possible.

**Colin Robinson** (award 1998) brought to the UK policy debate the robust experience and knowledge of a practical business economist in the oil industry. His publications in the 1970s and 1980s, especially with Eileen Marshall, made a convincing case for liberalisation and privatisation of the UK coal, gas and electricity markets, instead of state ownership. His work reassured me that this was the right direction for UK energy policy. Subsequently, as author and editor at the Institute for Economic Affairs, he sought to keep the competitive but regulated industries from drifting back to government control.

**Paul Joskow** (award 2003) reminds me of Ronald Coase in his insistence on discovering how markets and non-market institutional arrangements actually work. This is invariably different from the conventional wisdom. In 1974 he explained that US rate of return regulation did not actually work as Averch and Johnson had assumed it did. Rather, it was a much richer

process, and a dynamic political process as well as an economic process. I wish that I had read and understood this paper earlier than I did, because it now rings even more true. Later, his 1983 book with Dick Schmalensee, entitled *Markets for Power*, suggested radically restructuring the US electricity sector. This was very influential in informing and encouraging my own thinking on restructuring and privatising the GB electricity sector. Paul and I had slightly different perspectives on extending retail competition to residential electricity customers. That debate was and is by no means concluded, but it was good to be so constructively challenged. While I was GB electricity regulator during the 1990s he gave me informed and practical advice on possible changes to arrangements in the Pool.

**David Newbery** (award 2002) was a professor of applied economics, as I was too at one time. He combines a thorough understanding of microeconomic theory with a tenacious insistence on quantifying the actual costs and benefits of particular policies. Cases in point are two papers during the 1990s: one paper with Richard Green examining competition in the British electricity spot market, and another paper with Michael Pollitt asking whether the restructuring and privatisation of the supply market had been worthwhile. As electricity regulator, I felt that I could not get away with careless claims or sloppy analysis while he was around. Subsequently, he has been a much-valued colleague as Director of the Energy Policy Research Group at Cambridge University, stimulating the research of dozens, perhaps hundreds, of colleagues and students.

**Severin Borenstein** (award 2015) I have known primarily through his writings over the last two decades, rather than through personal contact. Three aspects have particularly impressed me. First, the thoroughness, consistency and firmness – one might say tough-mindedness - of his economic analysis and its presentation. Second, the breadth of his writings, often with colleagues. They cover all the many aspects of US energy policy and regulation – notably in California but also in the US as a whole – as well as other industries. Third, the way in which, under his leadership, the Energy Institute at Haas School of Business at Berkeley has reached out to a wide audience with energy blogs that are informed, sympathetic, intelligible, often hard-hitting, always readable and on the issues of the day.

The sixth and last colleague that I met, but certainly not the least, is **Jean-Michel Glachant** (award 2018). What can one say about such an irrepressible character? It is not sufficient to mention his own research focus on comparing competitive reform policies and their institutional environments across all the European electricity sectors. One must emphasise too his imagination, and his enthusiasm for new ideas and for communicating them to a wider audience. These traits are all so infectious. He makes research and policy debate not only productive, but also fun. And he has stimulated much learning and innovative thinking via his leadership of the Florence School of Regulation.

Jean Michel kindly wrote to congratulate me on what he called my courier award – a lifetime courier award. What on earth did he mean? But now I see he was right! A courier is a messenger. It is an award for being a lifetime messenger on energy economics.

That's not a bad summation of the work of myself and the six holders of the IAEE Lifetime Career award that I have been privileged to know and work with, and to learn from. They

seem to embody in full the aims of the IAEE, they are lifetime energy economics messengers, and I am proud to join their number.