

Smart Mediterraneo

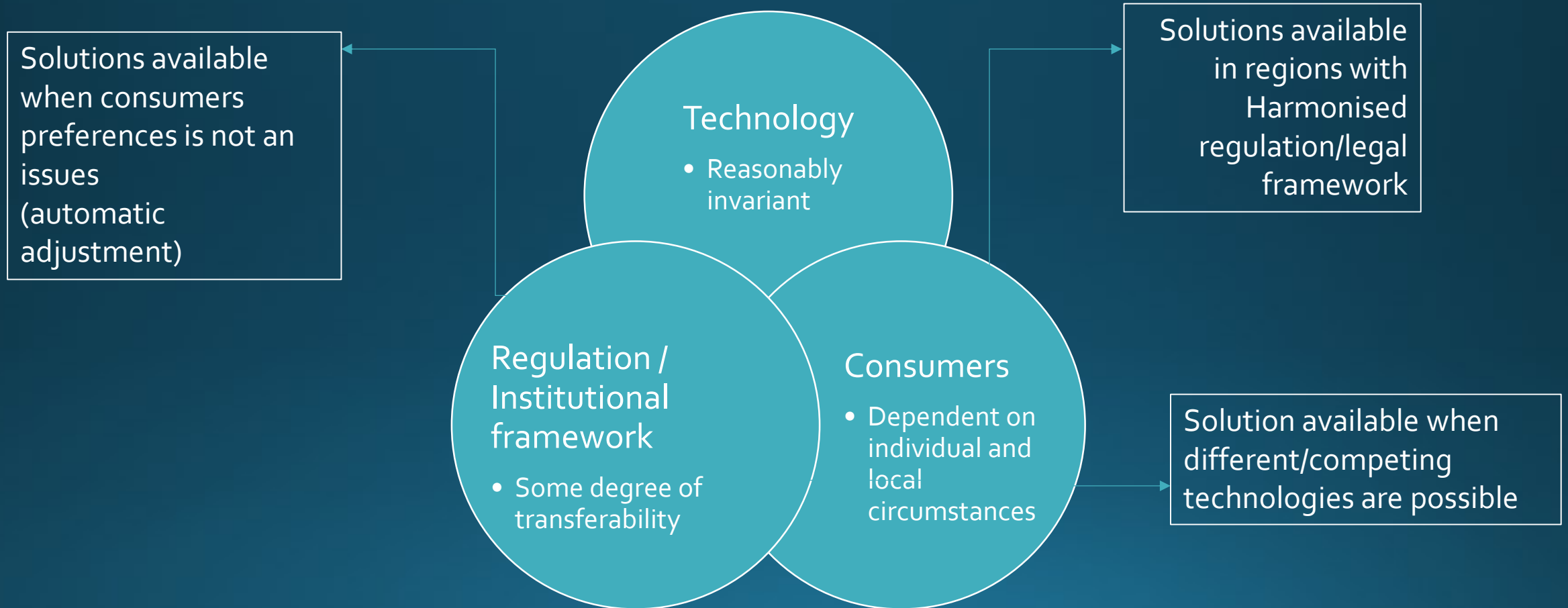
*Best practices, innovation and pilot projects
in smart grid development in the Mediterranean region*

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Technology, Regulation and Consumers behaviors

Smart Communities main ingredients



Market and Regulatory factors influencing smart grid investments

- Results from 459 SG projects in Europe
 - Negative impact on investments
 - Market concentration . Solution: horizontal unbundling (not political palatable)
 - Positive impact on Investments
 - Regulation – Incentive based spur new investments in SG
 - Innovation stimulus mechanisms (eg WACC+ or adjustment revenues)

Based on Cambini et al. (2016)

Role of demand side

From market to consumers

- Competition and regulation in network industries

We typically distinguish

- Supply side
- Consumer protection and Consumer empowerment

Increasing complexity in defining consumers, consumers' needs, remedies

Information and protection

Traditional approach

- 'the inframarginal consumer' and the perfect competitive benchmark
- protection against market power through market competition
- protection against contractual power through regulation
- Challenge: efficiency under perfect discrimination
 - Informed choice vs Informed profiling?
 - Exogenous conditions (preferences, needs...even information)

Efficiency vs Protection

- Discrimination versus general conditions
 - Under the traditional approach more information generates higher efficiency through greater competition

But more information can generate higher efficiency through greater discrimination (and competitive arbitrage, splintering, reselling must be banned)

- Two issues:
 - Supply side Competition **ON** information (profiling, retention, winback)
 - Endogeneity between informed choice and profiling

The challenge of endogeneity

- The role of information devices on reciprocal learning
 - The problem of access to information
 - Profiling vs sharing info
 - Do information devices (supply side/demand side) change the dynamics of consumers' choice (And welfare?)
 - Is willingness to pay independent of outside options?
- The new problems we face
- Competitive access to information vs discrimination
 - Targeting versus imitation (as opposed to remedies banning discrimination)
 - The automatic consumer, 'smart device'
 - Switching, multi-party contract, contractual unbundling
- Not only information but also 'automatic' choice
 - Will you protect the consumer' or the 'system' ?
 - Standard distinction between Sophisticated and Naïve consumers would not hold anymore

Towards Consumer Protection 2.0

- 'Solving' the discrimination-protection dilemma through learning devices (supply and demand side)
- Allowing 'automatic adaptation to needs' revealed by consumers
- Sharing information on both sides
- However: does 'maximal' protection-empowerment leave room for Schumpeterian innovation?

Thanks for your attention

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