

# Training Practitioners and Policy Makers: The Florence School of Regulation

Training Coordinator for 'Energy', FSR | **Ernesto Bonafé**

Training Director for 'Energy', FSR | **Ignacio Pérez-Arriaga**

Training courses at the Florence School of Regulation (FSR) are building on a new concept beyond university education: life-long learning. Trainees at the FSR hold degrees in economics, engineering, law, political science and communication; many hold master degrees and some have Ph.D.s, and all have been working in the field of energy for at least a few years. Yet they feel their daily work needs to be complemented with a fresh academic perspective and they wish to broaden their international scope. Practice needs to be inspired by theory and other experiences. For this reason, since 2004 hundreds of energy professionals worldwide have come to the Badia Fiesolana to receive training at the FSR.

The FSR is a partnership between the Robert Schuman Centre for Advanced Studies and the Council of the European Energy Regulators (CEER), and it works closely with the European Commission. Training activities have been core to the FSR from its very start. Through its comprehensive approach to the energy sector, the FSR now provides a forum for policy decision makers, regulators, business managers and researchers to discuss regulatory concepts, disseminate best practices, anticipate new challenges and develop a common 'regulatory language' or 'regulatory culture', as well as norms of accountability and democratic legitimacy.

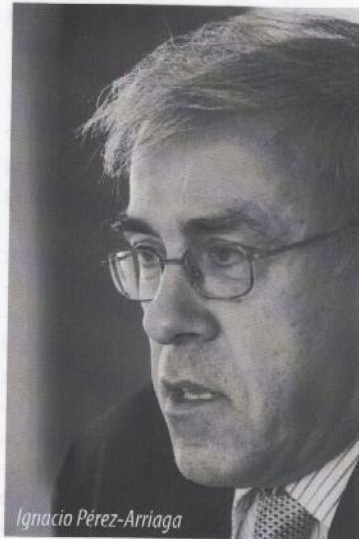
The FSR was established following the liberalisation of the electricity and gas markets in the EU. The first energy package in the 1990s opened up national monopolistic industries to competition. Member States were required to unbundle vertically integrated companies and to apply different



Ernesto Bonafé

regimes to competitive (production and retail) and monopolistic activities (transmission and distribution). The supervisory function was mostly delegated to national regulatory authorities (NRAs), new independent and technical entities in the administrative systems of many European countries. Even if the purpose of the directives was to create an internal energy market, they neglected to cover issues concerning cross-border trade. NRAs spontaneously reacted to overcome the lacunae, which led in 2000 to the establishment of the CEER, a non-profit organisation based in Brussels and governed by Belgian law. At the same time energy stakeholders, regulators and industry representatives were meeting for the Gas Forum, in Madrid, and the Electricity Forum, in Florence, to discuss the new challenges facing the energy sector. The idea to create the Florence School of Regulation emerged from the gatherings of the Florence Forum.

The second energy package of 2003 made it mandatory for Member



Ignacio Pérez-Arriaga

States to designate NRAs; it included two new regulations dealing with access conditions to cross-border networks, and it provided the bases for the Commission Decision establishing the European Regulatory Group of Electricity and Gas (ERGEG), giving a formal advisory role to the CEER. This set the stage for solid cooperation among national regulators, providing the conditions under which it could grow and flourish. The training courses of the FSR accompanied this process. The content of the training touched directly on the regulation of energy markets: principles and models of regulation; functioning of wholesale energy markets, power exchanges and bilateral contracts; network access, tariffs, investments and remuneration; service quality regulation; retail markets; competition; consumer protection; legal and institutional reforms, and so on. Today, staff of national regulatory authorities from across Europe, officials of the EU institutions, and staff of energy utilities (generous donors to the FSR) attend the training courses on the EUI premises. They are all ▶▶

▶ concerned with the same regulatory issues, apply the same principles and deal with the same rules according to their national specificities. They see Florence as the renaissance capital of energy regulation!

The flagship training activity is the annual residential and e-learning course on regulation of energy utilities. It is structured in three blocks. Block I consists of a five-day intensive course in Florence to introduce the contents of FSR annual training and to build a working team among the course participants and instructors. Block II develops on-line for seven months, during which regulatory principles are studied in-depth with a well-structured and flexible e-learning method. Block III, in Florence, is devoted to the discussion of applied case studies, the presentation of additional topics of interest, the simulation of an electricity market, and a final one-day workshop on energy and sustainability. The seven-month long e-learning segment is certainly the most innovative element of the annual training course. It contains fifteen modules, each of which is studied over a two week period, using written materials specifically adapted to e-learning training, along with a selected bibliography. Activities include self-assessment tests, short questions and assignments on major topics. All work is closely supervised, encouraged and evaluated by the instructor of each module. In each module there is a highly interactive forum, in which participants from many countries share their views on respective national experiences. The different backgrounds of participants reflect the interdisciplinary approach needed to regulate energy markets.

There is a strong demand for training, and it follows new milestones in the energy sector globally. At the top of the EU agenda is a sustainable, efficient and secure energy policy, which is underpinned *inter alia* by the third energy package of 2009, the next

infrastructure package, and the setting up of a European Agency for the Cooperation of Energy Regulators (ACER). On the other hand, the Arab Spring has given new momentum to the Association of Mediterranean Regulators of Electricity and Gas, which requires the FSR to hold training courses on the integration of energy markets. The nuclear accident in Fukushima and the decision of the German government to phase out nuclear energy have increased the importance of gas and renewable energy sources for electricity production. In this regard, the FSR aims to meet the needs of regulators and the industry by keeping its advanced training course on the regulation of gas markets and by launching a series of executive seminars. The first of these covered the regulation of electricity systems with a high penetration of generation based on renewable energy sources. Moreover, a new summer school on energy policy and EU law, begun in June 2011, now complements the traditional summer school on regulation of energy utilities. New training projects target specific countries such as Brazil, Russia and India. The global dimension of the FSR is ensured by its role in managing the International Energy Regulatory Network (<http://www.iern.net>).

Quality is the hallmark of FSR training courses. Instructors are prominent professors, energy experts and former or current regulators. Here we can only refer to a few of them: Jean-Michel Glachant (Director of the FSR and RSCAS Loyola de Palacio Chair); Pippo Ranci (Professor, Catholic University of Milan; former Director of the FSR, former President of the the Italian Regulatory Authority for Electricity and Gas, former Co-founder and Vice-president of the CEER); Ignacio Pérez-Arriaga (Energy Training Director of the FSR; Professor, Comillas University and MIT; former Commis-

sioner at the Spanish Electricity Regulatory Commission and independent member of the Single Electricity Market Committee of Ireland); Jacques de Jong (Professor, Clingendael Institute; former Director of the Dutch Office for Energy Regulation; Co-founder of the CEER); Jorge Vasconcelos (Professor, MIT-Portugal; former President of the Portuguese Energy Regulatory Commission, former President of the CEER); Alberto Pototschnig (Director of the ACER); Tomás Gómez (Professor, Comillas University and Commissioner at the Spanish Energy Regulatory Commission) and Leigh Hancher (Professor, University of Tilburg, Of Counsel at Allen & Overy). With regard to the organisation of the training courses, the outstanding support by the Conference Unit of the RSCAS must be noted.

The FSR's success with energy training has led to similar initiatives in the telecommunications and media areas of the FSR, and the results have been promising. As soon as the transport area of the FSR is settled, training activities will start there, as well. Sound and effective market regulation is compulsory in a global economy under continuous threat of collapse. Experience shows that, these days, markets tend to turn wild. While the adoption and constant refinement of regulation can diminish such instability, that in turn depends on the life-long learning opportunities for the players involved. ■

Ernesto Bonafé defended his thesis *Towards A European Energy Policy: Resources and Constraints in EU Law* in 2010, in the Law Department of the EUI.