

From Talking Shop to Major Player

by Walt Patterson

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When I first encountered the World Power Conference, at the beginning of the 1970s, it seemed to me a repository of hidebound tradition, a congregation of the Great and the Good of electricity whose worldview struck me as antiquated. After the oil shock of 1973 the World Power Conference became the World Energy Conference, and began trying to get to grips with the startling changes under way. I still found its efforts unpersuasive, lagging well behind the new reality emerging.

In the 1990s, nevertheless, as the World Energy Council, it has surged to the forefront of global energy issues. It now declares that 'The objective of the World Energy Council is to promote the sustainable supply and use of energy for the benefit of all'. The words are chosen with care - note 'promote', 'sustainable', 'supply and use'. WEC Member Committees from 94 countries have signed up to them. The one-time talking shop has become a major player. But it has not lost sight of its antecedents. Although it now considers energy supply and use in all its forms, electricity is still central to its thinking. Anyone involved with electricity had better pay attention.

WEC's latest major report is entitled *The Benefits and Deficiencies of Energy Sector Liberalization*. As the Foreword notes, the report reflects the consensus view of those participating, not of WEC as a whole. That said, however, it is a remarkable effort. It surveys the process known as 'liberalization', in all its various manifestations, which is now overturning long-accepted ground rules in countries all over the world. It identifies the motives that prompt governments to liberalize their energy sectors - to privatize assets, restructure organizations, abolish monopoly where feasible, establish regulation at arm's length from government, require transparency and unbundled accounting, and so on. The report tracks how the process is developing in different national contexts, discusses the implications and draws some sharp-edged conclusions. It includes an overview volume, three volumes of country case-studies, and a looseleaf binder for which updates will be prepared. It is available from the World Energy Council, 34 St James's Street, London SW1A 1HD, UK.

Although the report also considers oil, coal and natural gas, it returns continually to electricity. Electricity has long been under close government control in much of the world; it has therefore become an especially dramatic focus for liberalization. Liberalization, in turn, raises issues especially acute for electricity. Several themes recur repeatedly - among them security of supply, universal provision, subsidies, social effects, labour effects and environment in liberal contexts. Consider for instance environment. 'At the same time as energy sector liberalization is gaining momentum, global environmental concerns are also becoming increasingly acute. Growing environmental consciousness and energy sector liberalization are, however, two separate trends though often concomitant . . . the widely shared presumption that market discipline will lead to improved environmental performance, that the "invisible hand" will also be a "green" hand, is questionable . . . it is not clear that market forces will always reward the environmentally preferable choice. Absent appropriate regulatory or price incentives (such as including externalities), market forces may reward investments that maximise short-run profits, rather than those that optimise life-cycle costs and benefits. Investments in energy efficiency, renewable energy, hydropower and nuclear power all stand to suffer when short-run marginal costs determine investment decisions.'

On environment, as on other controversial themes and issues arising from liberalization, the report is concise, informative and punchy. Its position on the liberalization process itself is pragmatic, not doctrinaire. It accepts and endorses the necessary diversity of the process from country to country and region to region, while stressing the importance of 'clear strategic thinking' from the outset. 'The general principles, the experience of others and an understanding of local circumstances should all be taken into account to present a "vision" of the future industry to which all involved can work, efficiently and in the belief that change is achievable. The process is complex and the challenges threatening change are often considerable. Strong political will and a firmly demonstrated determination to succeed is almost always required to counter inertia and the vested interest of some groups and to maintain momentum for reform over what can be a lengthy process.'

Again, 'Liberalization will probably extend and liberalized sectors will develop a life of their own that will not necessarily comply with the initial motives for liberalization, fundamentally changing the nature of the energy sector. This will be particularly true in the electricity sector,

which has, globally, been least exposed to liberalizing pressures to date and for which the process is most complex and far reaching.'

Think about it: ' . . . fundamentally changing the nature of the energy sector . . . particularly . . . the electricity sector.' The World Power Conference has come a long way. More power to its elbow.