



A Special Issue in Honor of Professor David M.G. Newbery

It is a great pleasure for us to have the privilege of editing this special issue of *The Energy Journal* in honor of the 65th birthday of David Newbery (which took place on 1st June 2008).

We have both worked closely with David for many years, including over the early years of our research careers. We have learned much from his commitment to scholarship, his humanity and his willingness to be available for his colleagues. He remains, in spite of all his success, a modest and thoroughly nice man who is a genuine pleasure to be around.

It is particularly fitting that this issue should appear as part of *The Energy Journal*. David is a recipient of the award for outstanding contributions to the Energy Economics Profession from this journal's sponsoring organization, the International Association for Energy Economics (IAEE). That award continues to have been well deserved, for David is currently (June 2008) listed on IDEAS as the world's top Energy Economist as measured on a basket of 31 rankings of his published work in the area.

However, David has been active in many other fields. He has had a distinguished career at the University of Cambridge, becoming Professor of Applied Economics in 1988, and was Director of the Department of Applied Economics there for 15 years. He has made significant contributions to economic theory (on commodity prices) and microeconomics more generally (especially on transport and transition economies). His many collaborators over the years include three Nobel Laureates: Eric Maskin, Jim Mirrlees and Joe Stiglitz. It is a testament to his ability that even though he only really devoted himself to energy economics from around 1989, he has made such notable contributions to the field – without stopping work on his other interests. Since 1989 David has led work on electricity restructuring policy at Cambridge, becoming the founding Research Director of the ESRC Electricity Policy Research Group in 2005.

The contributors to this issue have all worked closely with David, either as co-authors or as close professional colleagues. All, except one, are members of the Electricity Policy Research Group (EPRG) which David leads, either as members of the University of Cambridge (Littlechild, Neuhoff and Pollitt) or as research associates (Gilbert, Green, Joskow, Pérez-Arriaga and Waddams). They range from (fairly) recent former PhD students to contemporaries. We are very

grateful to all the contributors to this special issue and also to the referees who reported on the draft papers.

Each of the authors of the main papers in this paper was asked to consider making a contribution on the general theme of 'The Future of Electricity'.

Following a delightful personal tribute by Rich Gilbert, the first main paper is by Paul Joskow. Paul, until he recently became President of the Alfred P. Sloan Foundation, was the leader of the EPRG's partner group, MIT's Center for Energy and Environmental Policy Research (CEEPR). Characteristically, he offers a masterly review of the learning from two decades of electricity reform.

We continue with two papers by Littlechild and Pollitt on the theme of how regulation of electricity and gas network regulation might develop. Littlechild draws on a series of papers, mostly written for the EPRG, on alternatives to regulation, such as the use of 'negotiated settlements' in the Americas. Pollitt's paper is based on his thinking for the UK energy regulator Ofgem, on how it should respond to future challenges including climate change concerns.

Next we look at wholesale and retail markets. Green reflects on the wholesale market design differences between the US and Europe, suggesting that the model used in many US markets has advantages which may become more important as the industry responds to climate change with more intermittent and distributed generation. Waddams Price demonstrates that there remain serious doubts about how well competition is working for domestic electricity and gas customers, even in the most liberalized of markets (the UK).

We conclude with two papers on the role of government intervention in the sector. Pérez-Arriaga and Linares look at the role of indicative planning in the electricity sector and whether it is likely to be effective. Neuhoff makes the case for subsidy of strategic roll-out of new electricity technologies in order to exploit economies of learning by doing.

We hope that together the papers form an interesting and informative reflection on some of the major issues facing the electricity system. We also hope that David Newbery and those who have enjoyed David's own work in the area may enjoy this volume!

Finally we acknowledge the financial support of Cambridge Economic Policy Associates (CEPA), the Institute for Energy Research and Policy at the University of Birmingham and the Electricity Policy Forum of the Electricity Policy Research Group (EPRG) at the University of Cambridge. We also wish to thank the editors of *The Energy Journal* for agreeing to host this special issue.

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