

REVIEW

**of the Ingūna Jurgelāne Doctoral Thesis for the Scientific Degree Dr. Oec.
“ELLABORATION OF THE CONCEPT PROJECT OF PUBLIC UTILITIES
REGULATION SYSTEM FOR THE PLANNING REGIONS OF LATVIA”**

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The author of this dissertation have chosen one of the most significant topics of social sciences for her latest research, connected with the solving of very actual problems of inhabitants life quality. Public utility regulation system is directly associated with sustainable development of regions, including hinterlands. This system has impact on structure of inhabitants, also for adaptation of youth and even emigration. Today I have a pleasant duty to evaluate thesis, presented of very qualified and experienced specialist, who is recognized as senior expert for regional planning and utilities regulator as well as participant of international research and experience exchange projects in Sweden, Poland, Denmark, etc. Doctoral thesis of Ingūna Jurgelāne is based not only on her comprehensive survey of local and international scientific literature sources and rich data of her own researches, but also on very diligent analysis of the dynamics of practical situation in Latvia's regions and lasting experience of many other countries.

Everybody desire to have good service for as far as possible low prices, but there are a huge amount of obstacles to reach this goal. Author of the thesis have made a scrupulous analysis of juristic and other normative documents, as well as statistic data from many countries and different periods of planning. She performed a tremendous amount of researches trying to find optimal decisions and proposals for utility companies to provide high quality service and to prevent them from misuse their monopoly status. Her research shows the price of utility services depends on general economic and political situation of state, juridical basis and its realization on the state and municipality level, as well as on manners and even mentality of customers. She stated that centralisation of public utility regulators, that excludes local governments from regulation of public utilities (water supply and waste water discharge, heat supply and household waste management, etc.) is the “most essential problem in unified regulatory system”. It shows about necessity of “a flexible regulatory system <...> relevant to the new administrative territorial division”.

One of the most important, but very complicated issues in the modern economics science is the discussion about so-called “welfare state”, i.e. about realization of high living standards for all stratus of inhabitants. Liberalization of services and opening of markets became as one of the main proposals of European Commission. But concept of free market didn't become as exclusive recourse for achieving goals of welfare state. There is a huge and savage competition between big and small business. Monopoly companies dictate their prices, making cartel agreements with providers of energy sources and other services. Small enterprises are replaced from market through ascendancy over such sector, influential groups (“men of weight”) or temporary dumping of prices. Big companies often are not concerned about using regenerative sources of energy for reduction of public utility prices. For example, there are a lot of clashes between municipalities and inhabitants from one side, and service providers from another side. We often saw battles for predominance in the market in Lithuania's public utility sector, when companies seek after profits without adequate investments. Every attempt to create a regulation laws become as an object for a long and sharp discussions. That is why today presented thesis about creating of public utility regulation system is very important not only for further development of social science, but also for everyday practical needs of the contemporary society. The entire content of the doctoral thesis of Ingūna Jurgelāne allows us to make a strong presumption about very positive future effect of the implementation of her recommendations for such countries as Baltic States and other relatively new EU members.

In order to achieve the aim of the Ph.D. Thesis the author set the following objectives:

1. Studying theoretical aspects of public utilities regulation.
2. Evaluating operation of public utility regulators in the marker with incomplete competition.
3. Analysing public utilities regulatory law and other normative documents, as well as systems of lo-

cal government regulators.

4. Choosing the most appropriate regulatory model for planning regions.
5. Developing new concept project of public utilities regulation system in the planning regions of Latvia.

All of these objectives are well chosen and exhaustive reasoned recommendations are presented in the Ph.D. thesis. Structure of the thesis is strictly coherent and serving to the purpose of this research. In the 1st chapter author stated “that regulatory tasks have been most efficiently performed by a professional regulatory institution <...> independent in the fulfilment of their functions”. There is very important to safeguard inhabitants from attempts to use problems of public utilities for some local political purposes or corruption. We have to agree with the author that accessibility of public utilities is connected with equality of the population, “solidarity of the society and social cohesion”. She stated that regions can provide such services “more efficiently and with lower costs” and pointed out about a choice between institutionally separated regulators for each type of services and a multi-sector regulator of public utility branches. Her research shows about necessity of “regulators neutrality observation principle”, which is connected with increasing of service quality and protection of consumers rights”.

The author also noted why many people hold an opinion, that a unified regulatory model is the most appropriate for such countries as Latvia, but she expressed her negative evaluation of these attitudes. She wrote “that Latvia has to make preference to decentralised regulation of public utilities” (69 p. in “Summary”). As a reviewer, I have to say that words “she thinks” doesn’t fit in this case. Of course, she explained and based her scientific position in other successive chapters. She noted about acceptable price for customers and quality of services in remote regions where density of population is low and areas with high density of local population.

There is a comprehensive analysis of public utility tariffs methodology and their setting methods in Ph.D. thesis chapter 2 and 3. The author analysed a lot of theoretical sources and statistical data for comparing different methodologies with Latvia’s recent years practice. She described a process of public utilities licensing, setting of tariffs and analysed a set of main documents, regarding this issue with special attention to amendments under the Law “On Public Utility Regulators” (2009). Author stated that the consultative board has not been established even by the spring 2011.

Chapter 4 is devoted to evaluation of current public utilities regulation situation. Data, provided in the Ph. D. thesis are comprehensive and show about exhaustive inquiry of these problems. Author has paid

strong attention on studying of impact of regulatory prices on the inflation in 2005-2009. She stated about low profitability of commercial activities in this field, connected with low affordability of many people, and made a conclusion that fuel costs are the main threat for the continuous growth of tariffs.

Chapter 5 describes regulation of public utilities, performing by local governments. Author made a comparative analysis Latvian data in context of other EU countries. For example, she made a deep analysis about public utility providers in Germany and pointed out, that these services are mainly provided by public-private organizations, local government associations and municipal enterprises. She also applied correlation and multi-factoral regression method to study the situation in Latvia’s regions. Comprehensive data about water and heat supply, waste management and other kinds of services are presented. Author deeply analysed module types of the public utilities regulation system, such as created by state work group, alternatives, presented by World Bank experts and concession regulatory module.

Chapter 6 is devoted to description of concept project for regional public utility regulation system, presented by author of the thesis. She presented wide analysis of the current situation and also content of sometimes very sharp discussions on this issue. The mission of regional public utilities regulator, according to author, “guarantee for every consumer receipt of an uninterrupted set of public utilities, based on non-discriminating conditions on a defined quality for social acceptable cost, to promote competition in regulatory branches and development of regulatory companies” (98 p.) She presented main principles for the operation of regional public utility regulator, pointed out on necessity of improvement of corresponding legislative acts, summarised the prognosis of budget and defined the stages of implementation of the concept. Also SWOT analysis of regional public utilities regulator is disposed. This concept is favourable for introduction of electronic services in regulator sector.

But we have few remarks, which can serve for the latest publications, based on the Ph.D. thesis. It has to be indicated, what source of information was used for survey of Lithuanian population regarding the provision of public services. Also we have to ask, is the problem of the limited role of local governments in regulating public services, which was addressed by the author, might be fully solved by establishing a regional system of the Regulator of Public Utilities (without legal amendments, funding, and education and in-service training of employees and deputies of local governments and the entire population)? There are some misprints in English part of Summary.

There is no doubt that the research of Ingūna Jurgelāne meets all the requirements for Doctoral Thesis, and its author deserves Scientific Degree Dr. oec.