

Journal of Regulatory Economics

**Call for Papers: Special Issue on Risk Management and Regulation
In Memory of Chauncey Starr April 14, 1912 - April 17, 2007**

The *Journal of Regulatory Economics* (JRE) invites the submission of papers that concern regulatory issues, for a special issue on **Risk Management in Regulated Industries**. The issue will be co-edited by Robert Entriken, Manager - Policy Analysis, EPRI.

The Special Issue is expected to include but not be confined to the following topics:

- **Regulatory Roadmap for Using Risk Analysis** - Drawing on the long experience of regulation of the nuclear industry, this topic reviews the history of the introduction of risk analysis case studies of difficulties and successes.
- **Perception and Analysis of Risk** - Risk analysis as a discipline and application had developed across regulated industries. This topic outlines the goals of the issue, to communicate broadly and establish what is known and what is still to be learned about applying Risk Management in Regulated Industries.
- **Asset Management and Risk Analysis** - One of the successful applications of risk analysis is in the area of asset management, which involves maintenance and replacement decisions affecting reliability, control, safety, and ultimately costs. This topic examines through examples the accounting of the costs, benefits, and risks of asset management decisions and ultimately shows how increased attention to the risk component yields surprising long-term benefits.
- **Safety and Operation Benefits of Risk Informed Regulation** – This topic documents regulatory exercises that measure the risk of assuming added costs for investments and maintenance against the prospect of future rewards in safety and operations. It addresses questions like the following. How were the prospective benefits communicated? What issues were discussed regarding assumption of the extra costs? How were benefits accounted for and communicated after the fact?
- **Risk-Informed Performance-Based Regulation** - Performance metrics are an important part of regulatory oversight. Incorporating measures of risk into this oversight allows for the accrual of the benefits of reduced risk, which are otherwise difficult to observe and document.
- **Energy Commodity Risk Management** – Regulated energy firms conduct routine analyses of their commodity risk exposures, for the purposes of hedging and other forms of risk management. Commodity risk management is relatively well understood but for energy there are still outstanding issues, such as hedging in illiquid markets, dealing with transmission congestion risk or TLR risk, capacity market risk, etc. Furthermore, regulated firms have the additional complexity of overlaying the rules of regulatory

oversight onto the risk analysis. For example, hedges may need to be particularly well justified, lest they be denied as an expense for ratemaking purposes by a regulator.. A “fuel pass-through” clause may appear to eliminate fuel cost risk, but this view might turn out to be naïve during times of substantial fuel price volatility.

- **Enterprise Risk Management** – This is an umbrella term designed to cover the wide variety of potential risks that a firm may face, many of them difficult to impossible to quantify. Examples include physical events (earthquake, hurricane), various form of legal liability such as safety of personnel, public perception, competition, unanticipated changes in regulation (regulatory risk), unanticipated default rates among suppliers or customers (credit risk), etc. Various frameworks, such as COSO, are being applied at some energy firms, with varying degrees of success.
- **Environmental Risk Management** - Regulations and standards for environmental regulation have long been the purview of the EPA. Risk and economic evaluation methods applied to both individual and multimedia exposure routes require the delineation of chemical-specific and combined lifetime human health risks. Application methods using these health values for defining specific regulatory limits, acceptable risk levels, and industry regulatory action, at both the individual point source and cumulative level, continue to evolve. An important issue arises in the use of scientific consensus to drive numerical standards for setting, and enforcing, health and welfare standards. The incorporation of numerical uncertainties in designing risk standards has historically selected the most conservative thresholds or rates for setting limits. In what ways can a risk paradigm be more effectively incorporated into setting, revising, monitoring, and enforcing environmental standards?

Papers on other aspects of risk management and regulated industries are also welcomed.

Papers will be reviewed according to the JRE’s normal refereeing procedure. All submissions are under the same conditions as any other JRE submission. Details are available on the EPRI and CRRI websites:

www.crrr.rutgers.edu
www.epri.com/TBD

Please submit papers to the Editor using the web-based Editorial Manager <http://www.editorialmanager.com/rege/>. Indicate that you wish the paper to be considered for the Special Issue on Risk Management in Regulated Industries.

Address any questions to Karen Walters, crrr@business.rutgers.edu or 973-353-5761

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