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## Article

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## A Public Affairs Platform for the Analysis of the Liberalization Process in the Italian Electricity Market

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### ABSTRACT

The liberalization of electricity markets represents one of the most difficult challenges for the European governments, because of the conflicting interests of the stakeholders involved. In this paper, we shed light on this problem thanks to the analysis of the legislative process of the Italian law n. 124/2017, which aims at wholly reforming the electricity market. The adoption of an innovative digital platform for public affair allows us to monitor this legislative process, and to understand how the stakeholders' interests were transposed in the proposals of different political parties and in the final version of the law. Hence, the better understanding of the electricity market reform process, which we are able to provide with this paper, is also due to the use of a specific digital platform as an innovative tool for the analysis of similar public affairs issues.

**Keywords:** Electricity Market, Liberalization, Legislative Monitoring, Public Affairs, Knowledge Management, Stakeholder Analysis

**JEL Classifications:** K23, L94, L98

### 1. INTRODUCTION

The liberalization process of electricity markets in Europe has resulted in a long and complex process, which is still ongoing (Capece et al., 2017; Gokirmak, 2017; Nechvátal et al., 2012). This process is disassembling the monopolies existing in most of member states and is fostering the realization of competitive markets (Dudin et al., 2017; Križanič and Oplotnik, 2013; Sioshansi, 2011).

All economic and political adjustments of markets make evident the political controversy that is implied in almost any policy options and the problematic consideration of diverging stakeholder opinions (Berardi, 2013; Pedersen, 2006; Serrallés, 2006). This is particularly true for the current liberalization process of the electricity market. Indeed, positions and opinions of stakeholders and the role of lobbying activities put into action by stakeholders, who are involved in this process, play an important function. In order to prove the relevance of the various positions and interests of stakeholders, the European Commission is accustomed to getting their opinions (Markussen and Svendsen, 2005; Strassheim and Kettunen, 2014; Torriti, 2010). Consultations with stakeholders

involve regulators, transmission operators, associations of electricity companies, independent producers' associations, consumers' associations, industrial electricity users' associations, traders and new entrants, and trade unions (Dunlop et al., 2012). Even though the importance of these aspects is quite widespread and agreed upon, the current state of affairs in the energy policy is featured by a lack of integrated knowledge on the transition to a more competitive electricity system. The main reason of this fact is that technologists, economists, political scientists and lawyers hardly interact with respect to their disciplinary insights of the issue (Hisschemöller et al., 2006).

In order to analyze the role of stakeholders and monitor their positions, opinions, and interests, a "stakeholders analysis" is carried out, which is a methodology proliferated in management literature since the mid-1980s (Freeman, 1984). In the context of policy reform, the World Bank (2011) defines the stakeholder analysis as "a methodology used to facilitate institutional and policy reform process by accounting for and often incorporating the needs of those who have a "stake" or an interest in the reforms under consideration." But, mainly, this kind of analysis is important to get information on stakeholders' affairs and on

their potential of affecting a policy program in order to devise well-adjusted actions able to meet their interests with an adequate policy (Martin and Rice, 2015; Song and Mu, 2013; Varvasovszky and Brugha, 2000).

Accordingly, in the case of the definition of a specific reform, it would be highly compelling to develop methods of monitoring lobbying to select those stakeholders who would compete and prevail during the reform development phase. To this end, several articles have suggested and applied various methodologies to analyse lobbying strategies capable of influencing a specific policy or a particular law. Markussen and Svendsen (2005) analysed the process of approval of a European Union (EU) directive on the reduction of the greenhouse gas by taking into consideration the hearings made by the representatives of the most important industrial sectors. Gullberg (2008) considered the strategies applied by interest groups lobbying to influence climate policy in the EU by using interviews with lobbyists and decision-makers. Patlitzianas and Psarras (2007) presented a multi-dimensional decision support methodology for the formulation of modern electricity companies' operational environment. Sühlsen and Hisschemöller (2014) identified the clusters of different lobbying activities and the styles through in depth interviews with 20 stakeholders from policy-making and business.

To date to authors' knowledge, no articles have focused on analyses that could account for both stakeholders' interests and lawmaker legal argumentations in the course of a legislative process. This paper offers some important insights into the interests of the key stakeholders and examines the influence of different stakeholders on a regulation process, by making use of a framework based on the stakeholder analysis.

Consequently, the aim of this study is to investigate the following topics:

1. The analysis of the convergences/contrasts of interests among stakeholders and among political parties;
2. The monitoring of the evolution of the most important issues in the legislative process;
3. The ability of stakeholders to support their own interests, thanks to their influence on political parties.

Thus, we attempt to answer these questions by evaluating, in a retrospective approach, the evolution of the legislative process related to the abolition of the customer protection regime in the electricity Italian market. In particular, we intend to show which stakeholders have mostly participated in the debate about this reform, which issues have been subjected to dispute among the stakeholders, which interests have been held up by the different parties, and, eventually, which stakeholders' positions have got the best of the final approval of this reform.

The remainder of the paper is organized as follows. Section 2 provides a historical overview of the "customer protection regime" law in the electricity Italian market. Section 3 is the background and the legislative process of the abolition of the protection regime in Italy. Section 4 describes a knowledge management platform for public affairs, called KMIND®, for the stakeholder analysis.

Section 5 contains the results of the application of this platform for the stakeholders analysis on the abolition of protection regime in Italy. Finally, Section 6 presents the conclusion and policy recommendations.

## 2. HISTORICAL OVERVIEW OF THE "CUSTOMER PROTECTION REGIME" LAW

The energy sector is included among those fields that have been strongly influenced by the EU Directives (Jamash and Pollitt, 2005). Indeed, the EU Directives have characterized the steps of the liberalization process that, as of the beginnings of the 1990s, determined the dismantling of monopoly situations existing in most of member states and allowed the realization of competitive markets (Sioshansi, 2011). The regulation of electricity markets in Europe has resulted in a long and complex process, which is still ongoing. Therefore, the development of the regulation of the electricity markets affects the competitiveness of European economic system greatly (Moreno et al., 2012).

Several and gradual changes have been modifying the European market conditions, which have turned from state regulated to free markets, from monopolistic to regulated competition, from national to international markets (Leuthold et al., 2012). But the start of the process met resistance from most of the EU member states, reluctant to give up their monopoly. So, the initial phase of the electricity liberalization could be fulfilled only by balancing regulations in the various EU member states in accordance with the art. 95 of the EC Treaty (now art. 114 TFUE). At the end of a persevering path, an accommodation resulted in the first electricity directive of 1996 (EC/92/96) concerning "common rules for the generation, transmission and distribution of electricity." This "first regulatory energy package" left all member states wide margins for the implementation of national rules (Meeus et al., 2005).

In Italy, the AEEG ("Autorità per l'energia elettrica e il gas"), a formally independent Authority, established in 1995 by means of the Law n. 481, was appointed as the regulator of the liberalized Italian market, following the above-mentioned Directive EC/92/96. This law established that the authority has the function of ensuring "that competition and efficiency shall be promoted in the sphere of public utility services by guaranteeing their uniform availability and distribution throughout the country, by establishing an unequivocal system of tariffs based on set criteria, and by promoting the interests of users and consumers."

The liberalization of the electricity markets took place in Italy as a result of the legislative decree n. 79 in 1999 (called "Decreto Bersani I" by the name of the signer of the decree) that acknowledged the directive EC/92/96. By this decree, activities of production, import, export, purchase, and sale of electricity were fully-liberalized, while activities of electricity transmission and dispatch were assigned to an independent transmission system operator (GRTN). By means of the same decree, a State-owned company, Acquirente Unico, has been instituted with the task of guaranteeing the supply of electricity to small consumers (families and small firms) at the most favourable costs. As is known, before

1999, the price of electricity was fixed by a government committee, while from this point on it was fixed by the AEEG.

In 2003, the EC adopted the directive EC/54/03, (second regulatory energy package), concerning common rules for the internal market in electricity, which repealed directive EC/92/96. General rules for the organization of the sector, such as achieving competitive, secure and environmentally sustainable market in electricity were supplied. In particular, member states should ensure all the users, comprised the householders, full freedom of choosing their suppliers and all suppliers freedom to deliver electricity to their customers (Creti et al., 2010). Moreover, the directive indicated common rules for the generation, transmission, distribution, and supply of electricity. It defined also the organization and functioning rules of the electricity sector, access to the market, the criteria and the procedures applicable to calls for tenders and the granting of authorizations and the operation of systems. Other measures were related to unbundling distribution and transmission system operators.

In Italy, the directive EC/54/03 was acknowledged by means of the Law n. 239 in 2004 “reorganization of the energy sector, and delegation to the Government for the reorganization of the current energy measures.” The law confirmed the electricity liberalization process, following the prescriptions inherent to meet public service obligation, as deriving from the new European Community legislation. In the text of the above-mentioned law, the Government was invited to adopt a decree where the various final customers were to be safeguarded in terms of cost-effectiveness and quality of service (Kanellakis et al., 2013; Green, 2006).

A more radical market change resulted from the approval of Law no. 125 in 2007 (called “Decreto Bersani II” by the name of its signer), with introduced the customer protection regime, whose operations were set by a decree issued by the “Ministero dello Sviluppo Economico” (MISE) on November 23<sup>rd</sup>, 2007. The customer protection regime was established as a provisional regime before the full liberalization of the electricity market. It is targeted to some segments of customers, such as householders and small enterprises, namely enterprises with fewer than 50 occupied persons and an annual turnover or balance sheet not exceeding EUR 10 million. Customers not interested in the protection regime were given the possibility to access free market. The main features of the customer protection regime can be synthesized as follows: (a) Minimization of the competitive distortions; (b) congruence of wholesale prices; (c) reduction of the volatility of retail revenues; (d) administrative and managerial simplification of the service; (e) certainty of economic terms; (f) covering of supply costs. De facto, the electricity price in the customer protection regime is formally fixed by AEEG, but on the base of the negotiations made by Acquirente Unico in the wholesale electricity market.

In 2009 the directive EC/72/09 of the European parliament and of the council was issued. This directive established the creation of a fully operational internal electricity markets, providing common rules for the generation, transmission, distribution, and supply of electricity, together with the customer protection provisions, with a view to improving and integrating competitive electricity

markets in the EU. By the same Directive, the previous directive EC/54/03 was repealed. The directive EC/72/09 supported the “third regulatory energy package” aimed at the completion of competitive electricity markets organization and concerning common rules on price transparency for the final user of gas and electricity. As a result of the long procedure, the “third package” took away the capability of deciding on the energy organization and transmission working principles from national institutions, and assigned several tasks to national regulatory authorities and to the European Commission (Bartl, 2010; De Hauteclocque and Rious, 2011; European Commission, 2010).

In accordance with the directive EC/72/09, national regulatory authorities were entrusted with the implementation of directive prescriptions in each member state. The national Authorities, as specified in all EC Directives, should be independent not only of the regulated undertakings, but also of the political power. In Italy, the AEEGSI (ex AEEG, see above), the regulatory authority for electricity gas and water, is the independent body that regulates, controls and monitors the electricity and gas markets. It operates in full autonomy and at its incontestable discretion. In order to protect consumers and guarantee really competitive markets, its competences concern all activities of the relative supply chain. The AEEGSI fulfils its role by executing the following main tasks: To fix periodically top prices for the supply in customer protection regime; to promote interventions of efficiency in the energy sector; to dictate minimum rules for guaranteeing users a high-quality service; to make sure that competition rules are not violated.

The legislative decree n. 93 in 2011 was issued to implement the directive EC/72/09. A section of this legislative decree, inherent to public service obligations and customer protection, reiterated the customer protection regime established in 2007 and was finally approved, with modifications, in August 2007 (Commission of European communities, 2007; Evans, 2007).

Figure 1 summarizes the European and Italian evolution of the liberalization process, started in 1999, which is still ongoing.

After this legislative evolution, in Italy, the energy sector was characterized by several stakeholders, which have different interests and roles motivated by each specific stake. Table 1 describes stakeholders’ definition and role in the electricity market.

A graphic representation of the stakeholders involved in the electricity market is provided in Figure 2. In the upper layer, the figure shows all the stakeholders involved in the regulation of the electricity market, while in the following layers this shows the electricity producers, suppliers, and customers, respectively.

### 3. THE ABOLITION OF THE PROTECTION REGIME: BACKGROUND AND LEGISLATIVE PROCESS

The approval of “Decreto Bersani II” in 2007 allowed all the customers, included householders and small enterprises, to choose an electricity supplier in the free market. During the last years, the



**Figure 1:** The European and Italian evolution of the liberalization process

<b>EU</b>	<b>1996</b> <i>Directive EC/92/96</i> <i>First regulatory energy package</i>  Common rules for the generation, transmission and distribution of electricity	<b>2003</b> <i>Directive EC/54/03</i> <i>Second regulatory energy package</i>  Common rules for the internal market in electricity	<b>2009</b> <i>Directive EC/72/09</i> <i>Third regulatory energy package</i>  Ownership unbundling, and the establishment of a National regulatory authority for each Member State
	<b>1995</b> <i>Law n. 481</i> AEEG as the regulator of the liberalized Italian market  <b>1999</b> <i>Legislative decree n. 79 (Decreto Bersani I)</i> Liberalization of production, import, export, purchase and sale of electric energy. GRTN as independent transmission system operator. Acquirente Unico as institution guaranteeing the quality of service.	<b>2004</b> <i>Law n. 239</i> <i>(Reorganization of the energy sector)</i> The liberalization process was confirmed  <b>2007</b> <i>Law n. 125</i> <i>(Decreto Bersani II)</i> Establishment of the “customer protection regime”. Every consumer, household customers and small enterprises included, is allowed to choose the energy supplier.	<b>2009</b> AEEGSI (ex AEEG) as the Regulatory Authority that regulates, controls and monitors the electricity and gas markets.  <b>2011</b> <i>Legislative decree n. 93</i> The “consumer protection regime” was reiterated. The Decree made it mandatory for the Authority to monitor the development of the retail markets systematically at least each two years.
	<b>ITALY</b>		

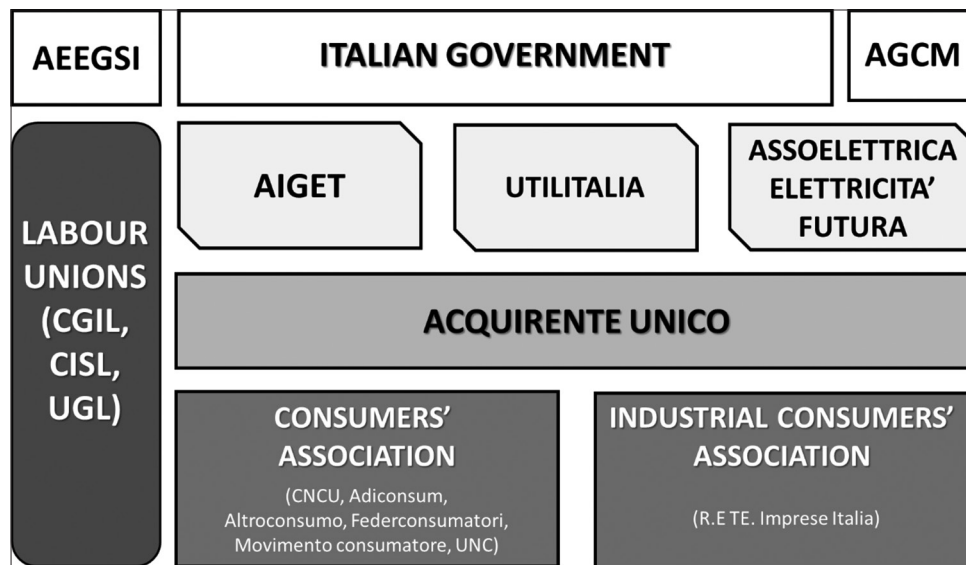
**Table 1: Main stakeholders' definition and role in the electricity market**

Stakeholder	Definition and role of the stakeholders in the electricity market
AGCM (the antitrust authority)	The responsible for the measures against anti-competitive behaviors in all the markets
AEEGSI (the regulatory authority for electricity gas and water)	The main responsible for the regulation and the monitoring of the electricity market
Assoelettrica/elettricità futura	The association of the largest electricity producers and suppliers, such as the former state companies Enel and Eni
Utilitalia	The federation of the local companies operating in the public services of the water, the environment, electricity and gas under the control of their municipalities. Even if its role is limited at national level, it often has a high market share in the local market
AIGET (the Italian association of energy wholesalers and traders)	The association which mainly gathers electricity producers, traders and suppliers that are recent entrants in the Italian electricity market
Acquirente Unico	The state-owned company in charge of the negotiation of the purchasing process for the consumers under the protection regime. Besides, it supports AEEGSI in the management of customers' complaints and in the development of the integrated information system, which collects all the consumption data in the electricity market
RE.TE. Imprese Italia	The most representative association of micro, small and medium enterprises. Most of its associates are under the customer protection regime, so they are directly interested in its reform
Adiconsum, Altroconsumo, Federconsumatori, Movimento consumatore, and Unione nazionale consumatori	Consumers' associations
CGIL, CISL and UGL	Labor unions that represent both the interests of householders <sup>2</sup> and of the employees of the electricity companies, Acquirente Unico included

free market of electricity has been attracting a growing number of customers and is characterized by a limited market concentration, given that the combined share of the three main operators (Enel, Edison and Eni) is equal to 32.7% (AEEGSI, 2017a). Nevertheless, as highlighted by the AEEGSI report of the Italian retail market (AEEGSI, 2017a), in 2016 more than 65% of householders and 50% of small enterprises still remained in the protection regime. As discussed in the previous section, this regime is based on the purchasing price negotiated by Acquirente Unico and it was designed as a provisional regime that should have gradually introduced small customers to the free market. The low share of customers that opted for the free market has inspired the discussion about a further reform of electricity market that could improve the

speed of migration towards the free market. This reform should consider that the market concentration in the customer protection regime is very high, given that the largest supplier, Enel Servizio Elettrico, reached more than 85% of market share (AEEGSI, 2017a). Without effective measures, the abolition of the customer protection regime could increase the market concentration even in the free market, given that almost 60% of the householders migrated in the free market in 2014-2015 maintained the same supplier (or a supplier that is part of the same group) (AEEGSI, 2017b).

On April 3<sup>rd</sup> 2015, MISE presented to the Parliament a wide competition law proposal, which aims at reforming many sectors,

**Figure 2:** The stakeholders of the Italian electricity market

from insurance and pension funds, to communications, postal, bank and professional services, and pharmacies. In this law proposal, only two paragraphs (a total of 159 words) were focussed on the reform of the electricity market. In particular, the former prescribed the abolition of the customer protection regime from January 1<sup>st</sup> 2018, while the latter required that some critical subjects, such as the electricity price monitoring, the level of information to customers, the actions to address arrears, brand unbundling, the billing and switching procedures, are going to be regulated by a future MISE decree.

In accordance with the Italian constitution, this reform has to be evaluated by both the Houses of the Parliament. Firstly, Camera dei Deputati approved it on 7<sup>th</sup> October 2015 and transmitted it to the Senato della Repubblica, which approved it on 3<sup>rd</sup> May 2017. Because the Senato made some changes to the proposal approved by Camera, this latter approved the law on 29<sup>th</sup> June 2017, with further modifications. So, the law has been finally approved by the Senato della Repubblica 2<sup>nd</sup> August 2017, more than 2 years after the presentation of MISE initial proposal to the parliament. In each houses of the parliament, the main modifications to the law proposal have been realized during the discussion in the parliament commissions (“Commissione referente”) which were in charge of its preliminary analysis. In particular, in both the houses of the parliament, these commissions analysed the law proposal, heard the main stakeholders, and evaluated and voted the amendments proposed by their members. The law proposal approved by these commissions has been eventually approved, with further limited amendments, by the assembly of each house.

Focussing only on the paragraphs related to the reform of the electricity market, the legislative process in both the houses of the parliament could be summarized by the data presented in Table 2. First of all, the commissione referente, in both the houses of parliament, heard the main stakeholders of electricity market so to understand their positions about the reform proposal. In particular, the stakeholders heard are the following ones:

- AEEGSI;
- AGCM;

- Acquirente Unico;
- Assoelettrica/Elettricità Futura;
- Utilitalia;
- AIGET;
- RE.TE. Imprese Italia;
- Some consumers' associations, such as Adiconsum, Altroconsumo, Federconsumatori, Movimento Consumatore, and Unione Nazionale Consumatori (while in Camera dei deputati they were heard all together, in the Senato they were individually heard. Even as consumers' representatives, some of these associations are directly involved in the electricity market as proposers of purchasing groups);
- The labor unions, such as CGIL, CISL and UGL.

As we will show in Section 5, the positions of these stakeholders sometimes are aligned with the amendments presented by the parliament members during the discussion of the reform proposal. Indeed, in the past, there was a clear and well-defined relationship between some of these stakeholders and the political parties. Nevertheless, the current situation of the Italian Parliament has weakened most of these relationships, thus complicating their analysis. In fact, after 20 years characterized by a bipolar political system - even if characterized by a strong heterogeneity in both the right-wing and left-wing coalitions - the current Italian parliament is the result of a tri-polar political system. Other than the traditional right-wing and left-wing coalitions, the last elections, in 2013, highlighted the success of a new party, “Movement 5 Stars” (M5S), which declares itself as a civic movement (Corbetta and Vignati, 2013). After the last elections, Italian Government has been supported by a coalition made up of the main left-wing party, Democratic Party, and some small right-wing parties. This unusual Government coalition is characterized by heterogeneous positions on many subjects, including the reform of electricity market. Different positions on this subject are due not only to the presence of several parties in the Government coalition, but even to the different orientations in the Democratic Party. Indeed, this party is characterized by two main orientations on the electricity market. The first, led by the Secretary (and Prime Minister, from

**Table 2: Main data on the legislative process of the reform of electricity market**

Commissione referente	Camera dei Deputati	Senato della Repubblica	Camera dei Deputati	Senato della Repubblica
	Finance - manufacturing, commerce and tourism	Manufacturing, commerce and tourism	Finance - manufacturing, commerce and tourism	Manufacturing, commerce and tourism
# hearings	12	18	6	0
# amendments presented in Commissione referente	124	222	62	4
% amendments approved in Commissione referente	14.5	10.0	6.5	0
# amendments presented in assembly	27	93	16	1
% amendments approved in assembly	3.7	1	0	0
# motions and recommendations	11	14	6	7
# members involved in amendments presentation	97	87	62	13
# paragraphs in final proposal	8	34	34	34
# words in final proposal	1654	3673	3665	3665
Subjects reformed in final proposal	Abolition of customer protection regime Comparison site and standard format for offers Guidelines for purchasing groups Deadline of customer protection regime conditioned to market evolution Switching procedures Billing procedures Integrated information system Brand unbundling Information to customers Support scheme for disadvantaged people Official list of suppliers	Abolition of customer protection regime Comparison site and standard format for offers Guidelines for purchasing groups Deadline of customer protection regime conditioned to market evolution Switching procedures Billing procedures, especially in case of balance adjustment Integrated information system Brand unbundling Information to customers Support scheme for disadvantaged people Official list of suppliers Close-out netting Simplification of laws on renewable plants, closed distribution system operators, and small distribution operators	Abolition of customer protection regime Comparison site and standard format for offers Guidelines for purchasing groups Deadline of customer protection regime conditioned to market evolution Switching procedures Billing procedures, especially in case of balance adjustment Integrated information system Brand unbundling Information to customers Support scheme for disadvantaged people Official list of suppliers Close-out netting Simplification of laws on renewable plants, closed distribution system operators, and small distribution operators	Abolition of customer protection regime Comparison site and standard format for offers Guidelines for purchasing groups Deadline of customer protection regime conditioned to market evolution Switching procedures Billing procedures, especially in case of balance adjustment Integrated information system Brand unbundling Information to customers Support scheme for disadvantaged people Official list of suppliers Close-out netting Simplification of laws on renewable plants, closed distribution system operators, and small distribution operators

2014 to 2016), is more open to a free market solution, while the second, led by Pierluigi Bersani, who, as described in the previous section, wrote the previous reforms of electricity market, is more inclined to defend the status quo.

This lack of a clear and well-defined orientation of the parliament on the reform of electricity market increases the uncertainty regarding its evolution and approval. No wonder, as shown in Table 2, the law proposal lasted more than 2 years in the parliament and evolved from two simple paragraphs to twelve overburdened

ones, with the average number of words per paragraph that jumped to <80 to more than 300. This evolution is partially due to the addition of subjects not covered by the starting law proposal, such as the development of a comparison site for the offers, the obligation of a standard format for the offers, the definition of guidelines for purchasing groups, the setting of the deadline of customer protection regime conditioned to market evolution, the improvements of the integrated information system, the reform of the support scheme for disadvantaged people, and the definition of the official list of electricity suppliers. Differently, other subjects,

such as the electricity price monitoring and the actions to address arrears, have been excluded from the final text of the law.

This evolution of the reform of electricity market resulted from a high number of amendments (533 in total), half of which proposed by members of the parties in the Government coalition. Even if only a small share of these amendments has been finally approved, they highlight how the reform of electricity market has been characterized by a high level of disagreement among the parliamentarians and, similarly, among the stakeholders heard. In order to evaluate the impact of these stakeholders on the reform of electricity market, and to understand which of these could be considered as winners or losers in this process, we have adopted some specific tools that are part of a systematic platform described in the following section.

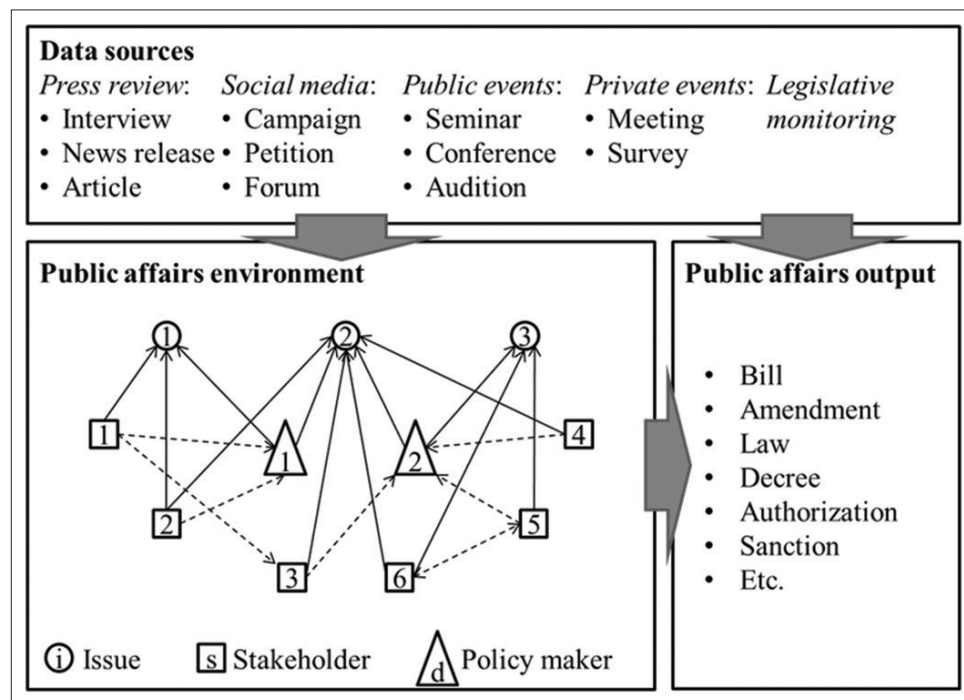
#### 4. A KNOWLEDGE MANAGEMENT PLATFORM FOR THE ANALYSIS OF THE ABOLITION OF THE PROTECTION REGIME

The analysis of the process of policy development is one of the specific activities usually related to stakeholder analysis (Varvasovszky and Brugha, 2000) and issue management (Heath and Palenchar, 2008). For this reason, in this paper, we adopt some methods and tools, e.g., the stakeholder matrix, typically used in these fields. Besides, we develop some original tools specifically designed for the analysis of the legislative process, which allow us to highlight the relationships between the stakeholders' positions and the amendments presented by the parliamentarians. All these methods and tools are integrated into a platform, called "KMIND®," whose structure is presented in Figure 3.

KMIND® - Knowledge Management for Public Affairs - is a web-based software with a unique and integrated platform which supports Organizations in the management of their relationship with decision makers in a transparent and measurable way by using complete smart dashboard. The software connects and analyses data and information coming from both inside and outside the company, through a business intelligence system that allows the storage and the usage of data for strategic goals. This platform is made up of three main components:

1. A system for the data collection and extraction from several sources typically adopted in public affairs, such as press reviews, social media, public and private events, and the monitoring of the legislative processes. This system is based on several tools, some of these are fully automated, such as social media, other of these are partially automated, such as press reviews, while still other of these are fully manual, such as legislative monitoring. These tools provide to the platform all the data necessary for the analysis of the public affairs environment and its output.
2. A system for the analysis of the public affairs environment that allows, first of all, the detection of the main stakeholders and issues in the context under analysis. Besides, it highlights the relationships between the stakeholders and the issues, so to evaluate the position and the interest of each stakeholder on all the issues that affect it. Finally, this system measures also the influence chain among the stakeholders, due to their congruence/contrast of interests in the issues under analysis. This congruence/contrast of interests could even result from the actions carried out by a stakeholder so to influence the position of another stakeholder. These actions are mainly directed to a specific typology of stakeholders, the policy makers, who have the last word in the definition of a policy.
3. A system for the analysis of the public affairs output, which evaluates the evolution of the typical policy output, such as

Figure 3: The structure of KMIND® platform





bills, amendments, and authorizations, and the role played by each stakeholder in their development.

As other tools for stakeholder analysis, this platform could be used either for retrospective or prospective analyses (Varvasovszky and Brugha, 2000). In this latter case, it could be adopted in order to monitor the most important issues and influence their evolution through public affair activities. These activities could be designed either to directly persuade the decision makers or to establish an alliance with other stakeholders with congruent interests.

This paper aims at evaluating, in a retrospective approach, the evolution of the legislative process related to the abolition of the protection regime in the electricity market. In particular, we intend to show which stakeholders have mostly participated in the debate about this reform, which issues have been subject to dispute among the stakeholders, which positions have been supported by the different parties, and, eventually, which stakeholders have won or lost with the final approval of this reform. At these aims, we adopt only some tools of the “KMIND®” platform, starting from the systems for the analysis of some secondary sources, such as the hearings and the legislative monitoring.

The analysis of the hearings, made by the Italian parliament during the passage of the abolition of the protection regime law, gives us the possibility to identify the main stakeholders and to highlight their positions on the electricity market. A content analysis of the documents presented during the hearings allows us to detect all the issues dealt with by each stakeholder and to build a matrix (4a) that summarizes all the stakeholders' positions. In particular, in line with the traditional analysis of the positions proposed by the stakeholder analysis (Schmeer, 1999), we evaluate whether each stakeholder is a supporter (+) or an opponent (–) to each issue. In other cases, e.g., when a stakeholder does not explicitly discuss an issue during the hearings, we consider it as a neutral stakeholder (N). Matrix (4a) contains the main information of the “public affair environment” graph presented in Figure 3. In fact, Matrix (4a) shows the relationship between the stakeholders and the issues, but also the congruence/contrast of interests among the stakeholders, which could be evaluated through the level of association between each pair of columns. Besides, the analysis of each column highlights which issues have been explicitly subject of dispute among the stakeholders. In the results discussed in the next Section, we focus our attention only on these latter issues.

Thanks to the legislative monitoring, we analyze all the amendments presented by the parliamentarians during the passage of the abolition of the protection regime law. A content analysis of these amendments allows us to detect all the issues discussed in each amendment, evaluating whether it is supportive (+) or opponent (–) to each issue. So, we build the matrix (4b), which allows the evaluation of the level of complexity of the single amendment, and the level of similarity between each pair of them. This matrix presents, in the last row, even the outcome of each amendment (approved or rejected).

Starting from this matrix, we are able to build even the matrix (4c), thanks to the membership of each parliamentarian to her/his party.

Each cell in this matrix shows the number of supportive on total amendments presented by the members of each party and related to a given issue. Thanks to the analysis of the cells of this matrix, it is possible to evaluate the position and the level of coherence of each party. In presence of a party with high levels of incoherence on several issues, we can carry out further analyses so to understand whether it is due to the simultaneous presence of different positions in the party, or to an unstable evolution of the shared position of the party. Even this matrix presents, in the last row, the outcome (approved amendments on total) of the amendments proposed by the members of the party.

Thanks to the evaluation of the amendments and the stakeholders' positions, we can merge the matrices 4(a) and 4(b), obtaining the matrices 4(d). These matrices show whether the amendments are supportive (+) or opponent (–) to the stakeholders' positions on each issue. Even these matrices present, in the last column, the outcome of the stakeholders' positions, by evaluating the share of approved amendments on total supported by the stakeholder. This column summarizes which stakeholders could be considered as the winners or the losers in the abolition of the protection regime. So, these matrices could provide a measure of the power of each stakeholder, especially if it is evaluated together with the Matrices 4(e).

Each cell of these last matrices measures the share of amendments presented by each party, which support the positions of each stakeholder on each issue.

## 5. APPLICATION OF “KMIND®” ON THE ANALYSIS OF THE ABOLITION OF PROTECTION REGIME

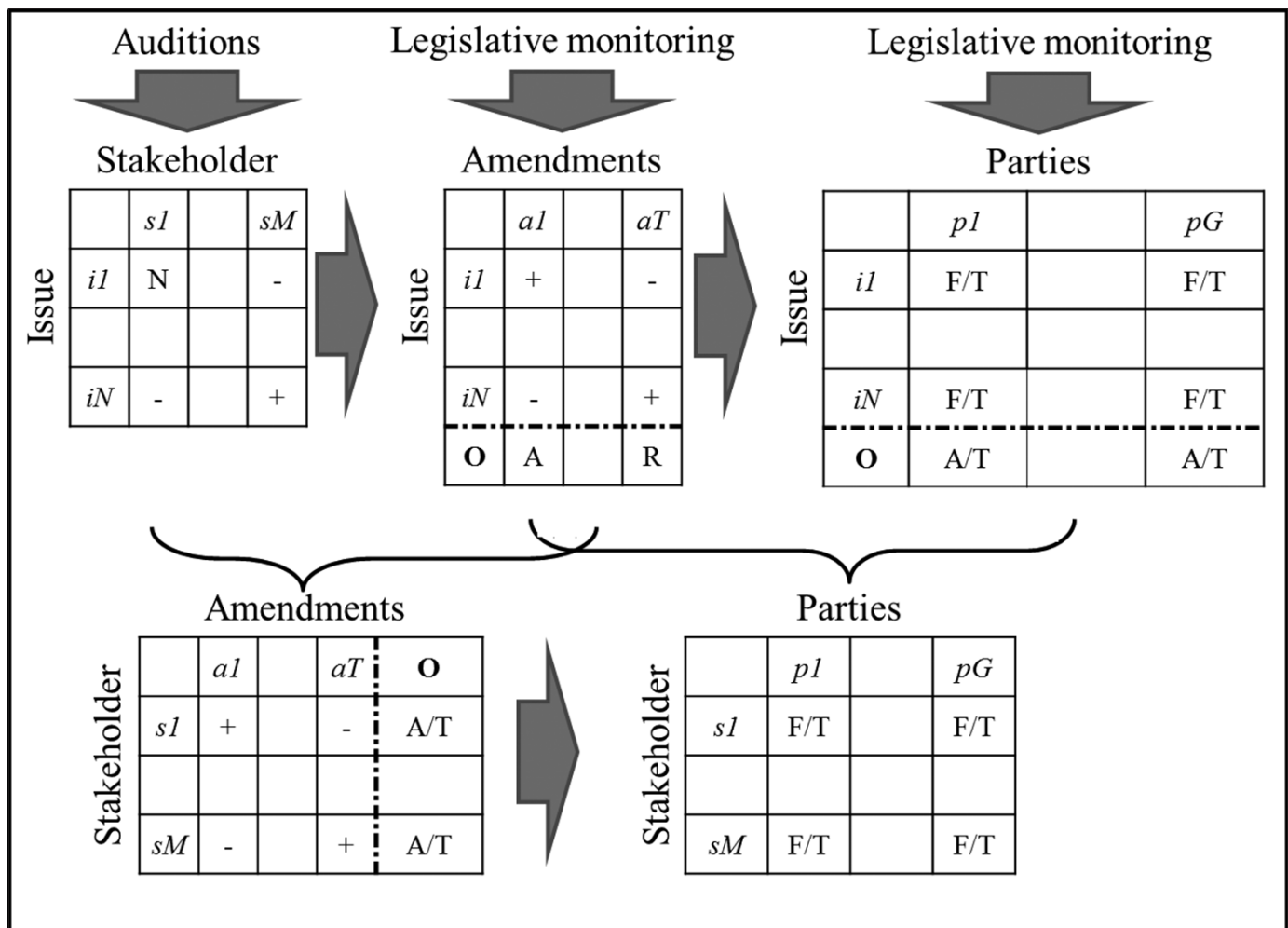
Starting from the analysis of the hearings made by the parliament during the passage of the abolition of the protection regime law, we can evaluate the positions of the main stakeholders in the Italian electricity market, presented in Section 3. For the sake of brevity, we do not present a whole picture of the positions expressed by the stakeholders in the hearings, but we focus only on the analysis of the issues on which the stakeholders show conflicting positions. In particular, we detect the following six challenged issues, on which there is a strong disagreement among the stakeholders:

1. The abolition of the customer protection regime;
2. The setting of a certain deadline for the customer protection regime;
3. The role of Acquirente Unico in the management of the integrated information system, in the Customers' Office and in the Conciliation service;
4. The setting of standard presentation format for the electricity offers;
5. Competitive auction for the assignment of the customers that will not have chosen an electricity supplier at the end of the customer protection regime;
6. Brand unbundling and other measures directed to the reduction of vertical integration.

In particular, we intend to show the evolution of each issue by accounting the positions of the stakeholders that have mostly

**Table 3: Stakeholders' positions on challenged issues in the reform of electricity market**

The challenged issues	AEEGSI	AGCM	Acquirente unico	Assoelettrica	Utilitalia	AIGET	RE.TE. Imprese Italia	Consumers' associations	Labor unions
1. Abolition of customer protection regime	N	+	-	+	+	+	- → +	±	-
2. Deadline for the customer protection regime	-	N	N	+	N	+	-	±	N
3. Role of Acquirente unico	N	N	+	N	N	+	N	-	±
4. Standard presentation format for electricity offers	+	+	N	-	-	N	N	+	+
5. Competitive auction for customers without supplier	N	N	N	N	-	N	N	±	-
6. Reduction of vertical integration	N	+	N	N	-	+	+	+	N

**Figure 4:** Matrices for the analysis of the abolition of protection regime

participated in the debate about them. Here below, by analyzing the different amendments, we will show that the debate among the stakeholders features the political stances of each party. Consequently, for each issue, we will be able to identify winners and losers of the final approval of this reform.

### 5.1. Stakeholders' Positions on Challenged Issues

Table 3 synthesizes the stakeholders' positions on these six issues, according to the approach described in the matrix (a) in the Figure 4. In particular, the stakeholders have different interests and various positions that are motivated by each specific stake.

For each issue, the specific position of the stakeholders is described in the following.

The “abolition of the customer protection regime” is the most important issue of the electric market reform that has caused the strongest contrast among the stakeholders. As previously discussed in Section 2, such regime was introduced in 2007 as a provisional regime in view of the full liberalization of the electric market; but it was further lengthened pending a final market reform. The “abolition of the customer protection regime” considers, as a result, that all consumers move to free market. The debate among stakeholders about this issue has been developed into a juxtaposition of two fronts. A group, including some stakeholders such as Italian antitrust and some consumers’ associations (Adiconsum, Movimento consumatori) have wished that the customer protection regime is discontinued by supporting all consumers in leaving this tariff system gradually and providing them with clear rules which should protect more vulnerable people. Indeed, in the long term, the full liberalization should facilitate competitive dynamics, leading to a price reduction. This is due to the fact that the price established in the customer protection regime would represent a price signalling (Kestenbaum, 1980). These stakeholders affirm that each further delay in the full liberalization process would give incumbents an undue advantage. On the contrary, other stakeholders, such as trade unions and consumers’ associations (Unione Nazionale Consumatori, Federconsumatori) believe that the customer protection regime should be still maintained, in consequence of the fact that consumers are still not able to take an informed decision. As a matter of fact, although the current regulation gives consumers the possibility to take advantage of the free market, very few people have adopted this choice. Stakeholders against the “abolition of the customer protection regime” put into evidence that, in the case of a full liberalization, electricity producers would prefer to raise prices – at least in the short term – rather than increase competition. This is proved by the fact that the three electric associations have shown to be in favour of the “abolition of the customer protection regime.” Also “Acquirente Unico S.p.A.,” which is currently responsible for defining prices for the consumers in the customer protection regime, considers that the abolition of the price protection mechanisms for domestic customers and small businesses is not necessary to achieve actual competition conditions in the electricity sector. About this issue a more structured approach was taken by “R.E.TE Imprese Italia” that, during its first hearing at the Camera has expressed its opposition to the customer protection regime, while at the Senato it has declared itself to be in favor of it, provided that the abolition would be adopted upon the satisfaction of some specified market conditions.

This position leads to the second point of the analysis, which is strongly linked to the first one and concerns the problem of fixing the “Deadline for the customer protection regime.” In addition to “R.E.TE. Imprese Italia,” also some consumers’ associations (Unione Nazionale Consumatori, Federconsumatori) and the AEEGSI itself are against the individuation of a deadline, considering that the “abolition of the customer protection regime” requests the preliminary evaluation of some market conditions and the identification of a gradual approach to reform it, in order to

select the appropriate regulations and their timing implementation. In this way, it will be possible to evaluate how each action can “empower” consumers’ knowledge capabilities, particularly small consumers so that a mass retail market could mature gradually. This situation, therefore, suggests the opportunity to maintain in activity the protection regime for the period during which an electricity mass market could fully develop and, at the same time, to devise a transitory stage that could allow overcoming the existing market difficulties. On the contrary, those stakeholders who are in favour of a “deadline for the customer protection regime,” both associations of electric firms and some consumers’ associations, suggest that this solution is preferable to the first one as it guarantees a greater legal certainty and helps market players to be prepared on time.

The third issue is strongly linked to the first as well, and it concerns the “role of acquirente unico” in managing the integrated computer system, the consumer help desk, and the conciliation service. At present these services are entrusted to AEEGSI that is supported by Acquirente Unico for their improvement. In view of the “abolition of the customer protection regime,” Acquirente Unico would lose its core business, which is the negotiation of the price for the protection regime. Thus, some stakeholders, among which Acquirente Unico itself, are in favour of the reinforcement of AEEGSI’s responsibilities as for the above-mentioned activities. Instead, other stakeholders, such as the CGIL labor union and its related associations, are against this hypothesis because they are determined to maintain the purchase of electricity as a sole function of “Acquirente Unico,” crossing out any other task assignment as proposed in the issue.

The fourth issue is related to the arrangements for submitting tenders in the free market once the customer protection regime will be revoked. In this case, it is taken for granted that stakeholders will hinder each other. On the one hand, the supervisory authorities, the consumers’ associations, and the labor unions are in favour of the definition of standard arrangements for submitting tenders which would allow their full comparison by electronic means. On the other hand, electricity companies think that these arrangements would restrict the companies’ freedom and do not allow to assess some tenders thoroughly in case they provide, in addition to energy supply, ancillary services such as television, telephone, or maintenance services.

The alliance between the associations of electricity companies falls as for the last two issues. The fifth issue - “Competitive auction for customers without supplier” - refers to the transition phase of customers who, at the moment of the abolition of the customer protection regime, will not have made a choice about their supplier in the free market yet. Some consumers’ associations think that those customers should be assigned to electricity companies by means of a competitive auction that would guarantee the minimization of the electricity price. This hypothesis is strongly opposed by Utilitalia, which represents the ex-undertakings of local authorities, because it fears a loss of market share to the detriment of the associated undertakings, and in favor of national players or new entrants, favoured by lighter structures and therefore lighter fixed costs. Also, labor unions of

**Table 4: Parties' positions on challenged issues in the reform of electricity market**

The challenged issues	Democratic party	Centre-right government parties	Movement 5 stars	Left opposition parties	Centre-right opposition parties
1. Abolition of customer protection regime	+	+	–	–	–
	2/10	0/0	0/7	0/2	0/3
2. Deadline for the customer protection regime	+	+	–	–	–
	4/11	7/11	0/21	0/19	5/13
3. Role of Acquirente unico	+	+	–	–	–
	8/8	2/3	1/1	0/0	0/0
4. Standard presentation format for electricity offers	+	+	+	+	–
	14/15	4/5	16/16	3/3	6/6
5. Competitive auction for customers without supplier	+→–	+	+→–	–	–
	5/7	5/5	3/3	0/1	0/2
6. Reduction of vertical integration	+	+	–	–	–
	6/7	1/2	11/12	0/2	3/3

electricity workers are against this hypothesis because they fear that auctions can cause too much drastic and fast modifications in the sector, leading to harmful effects for workers in the short term.

As for the sixth issue, Utilitalia is also against a “reduction of vertical integration,” particularly by means of the brand unbundling of the distribution and sale of electricity. Indeed, such hypothesis would decrease the advantage of its associated companies as a consequence of the reputation of their brand, mostly in the local markets. Conversely, antitrust, which represents consumers' and associations of industrial customers, as well the non-incumbent electricity companies put into evidence that the brand unbundling allows removing one of the strongest entry barriers still existing in the electricity market.

## 5.2. Parties' Positions on Challenged Issues

Table 4 synthesizes the parties' positions on these six issues, according to the approach described in the matrix (c) of the Figure 4.

The favourable or unfavourable positions of each party on the six issues have been extracted from the debates and votes of the assembly on the amendments related to these issues. Therefore, for each party, the ratio F/T has been calculated, where F represents the share of the favourable amendments to each issue expressed by at least a parliamentarian of the party respect to the total number T of the amendments submitted by the party. From Table 4 it is possible to derive that the final stance of some party on each issue is not consistent with the amendments previously presented by its members. This can be due to the development of the stances of the parties along the stages of the legislative process, but also to the heterogeneous positions within the same party, which result in amendments opposite to the official line of the party. In other cases, the amendments favourable to a given issue, expressed by opposition parties, can result in a final dissenting position in consequence of the dissatisfaction towards a low performing law or of “strategic” reasons, aimed to denote their resolute disagreement with the government law. The emergence of these problems, as well as the positions of parties on each issue, are summarized as follows.

As for the first issue, all opposition parties have shown to be unfavourable towards the “abolition of the customer protection

regime,” both by means of the amendments and by expressing their vote in assembly. The Democratic Party, which is the main party in the Government and ended up voting in favour of the abolition, has submitted amendments mainly against the “abolition of the customer protection regime.” Most of these amendments have been forwarded during the discussion of the law at Camera dei Deputati, when the text was in an early stage of development, but a relevant number of them have been presented also at a later time. All this is due to the fact that several tendencies against the “abolition of the customer protection regime” coexist within the Democratic Party, both because some people are associated to trade unions that, as seen in the previous section, are against this issue - and because some others are tied to Bersani, who - as discussed in Section 2 - has been the minister who drafted the customer protection regime.

A similar situation has occurred also for the second issue, which is the definition of the “deadline for the customer protection regime.” In this case, the heterogeneity of the amendments presented by the parties of the government is due mainly to the fact that the text approved after the first passage at Camera dei Deputati envisaged some precise conditions for the end of customer protection regime. Indeed, in that text it was required that the “abolition of the customer protection regime” would be put into effects only after that some critical market conditions had been verified: Brand unbundling, consumer switching time and billing, a satisfactory level of functioning of the integrated information system to manage consumer consumption data, and a comparison site for offers proposed by the electricity companies. In the version approved by the Senato later, these requirements have been made less binding as the “abolition of the customer protection regime” has been tied only to an adaptation of the existing legislation to those conditions. In this way, the risk of postponing the “abolition of the customer protection regime” has been contained and the highest certainty for the consumer about the market developments is guaranteed. This position has been completely disapproved by the opposition parties, except for some centre-right representatives who, being closer to the interest of undertakings, have presented amendments in favour of this issue, even if, on the whole, they have expressed a dissenting vote.

As for the third issue, about the “role of acquirente unico,” the positions of parties are much more homogeneous as all



amendments presented by members of parties are in favour of giving this company new assignments, once it is going to lose its core business activities of negotiating the price for the customer protection regime.

The parties have shown to agree better on the fourth issue concerning the “standard presentation format for electricity offers.” Almost all the presented amendments are in favour of this issue, as well as the assembly vote, except for the opposition parties of centre-right.

Conversely, a quite articulated dynamics developed on the fifth issue concerning the “competitive auctions for customers without supplier,” so that this point has been the only one modified during the second passage at Camera dei Deputati. This is because, while the Centre-right parties of the government have shown a steadily favourable tendency towards this issue, the Democratic Party has divided distinctly about it. Some Democratic Party members, starting from the president of the manufacturing, commerce, and tourism commission in Senato, were in favour of competitive auctions in order to facilitate the strengthening of more skilled undertakings and reduce the market share of incumbents. This orientation has prevailed in the first version of the text, but then it has been turned into its opposite, perhaps fearing too fast changes of market structure, as it has been put in evidence by incumbents and labor unions. More broadly, opposition parties have expressed their disagreement about this issue, although the M5S has presented a number of amendments in favour of this issue, principally aimed at reducing the market share of the main incumbent (Enel).

Finally, as for the sixth issue, the M5S has shown similar inconsistencies about the “Reduction of vertical integration.” Indeed, the amendments expressed in favour of the issue have been followed by a negative final vote, explained by the fact that they consider the solution adopted by the law not able to solve the problem. Such inconsistency has been shown also by the centre-right opposition parties, while other parties show a stronger agreement between the amendments and final vote in assembly.

### 5.3. Stakeholders’ Versus Parties’ Positions on Challenged Issues

Besides analysing the positions of the stakeholders and the parties on the six issues above, it would be interesting to investigate the relationships existing between stakeholders’ and parties’ intentions about the challenged issues in terms of “public affairs.”

As hinted in Section 3, contrary to what happened in Italy in the past, when there was a more clear and well-defined relationship between stakeholders and political parties, today this convergence has ceased, also in consequence of the advancing of the new party, the M5S, and of the end of the political system characterised by bipolarism.

This situation is confirmed by comparing Tables 3 and 4, from which it is evident that only in few cases there is absolute agreement or absolute disagreement between stakeholders and parties. Rather,

it takes place a sort of alternate succession of positive or negative arrangements on some issues. On the whole, the Democratic Party and the Centre-Right government parties exhibit a formal full agreement with antitrust and AIGET, while - in dependence of the considered issue - they show positions that are different from or coincident with those of other stakeholders. Specifically, these parties express opinions close to those of associations of electricity companies and dissenting from those of labor unions and of some consumers’ association on the following issues: “Abolition of the customer protection regime,” “deadline for the customer protection regime,” “role of Acquirente Unico.” On the contrary, about the “standard presentation format for electricity offers,” the same parties have very different stances from those of associations of electricity companies but close to those of labor unions and of some consumers’ associations. M5S and the Left opposition parties have been in total agreement with AEEGSI and in full disagreement with AIGET. More generally, these parties seem to be close to the positions of labor unions and of some consumers’ associations, while they tend to hinder the positions of associations of electricity companies. In the end, centre-right opposition parties have not agreed with any stakeholder, showing its deep disagreement with antitrust and AIGET. Their position on the “abolition of the customer protection regime,” on the “deadline for the customer protection regime,” and on the “role of acquirente unico” is close to that of labor unions and of that of some consumers’ associations, even if it could be due to their attempt to prove its conviction of a strenuous opposition to government. Indeed, the relative positions on the other three issue are rather close to the positions of the associations of electricity companies.

Some important parliamentarians, members of the Government and the President of Manufacturing, Commerce and Tourism Commission of the Senato had public misalignment and controversy on social media and newspapers with reference to the result of lobbying activities of the main incumbent. The final text of the law suggests that no stakeholder has succeeded in making that its own positions prevailed over others’ positions about the six considered issues. Indeed, the associations of electricity companies have obtained the “abolition of the customer protection regime,” the definition of a “deadline for the customer protection regime,” and the re-examination of the “role of acquirente unico.” However, they had to accept cogent measures on the “standard presentation format for electricity offers” and a “reduction of vertical integration.” As for the “competitive auction for customers without supplier,” the final text of the law reveals the interests of some associations of electricity companies, starting from Utilitalia and the labor unions. These latter have achieved an answer consistent with their interests also as far as the “standard presentation format for electricity offers,” while the solution concerning the “abolition of the customer protection regime” does not satisfy their expectations. The customers’ associations have obtained a result similar to labor unions’ one, even though their heterogeneity makes the result to vary in dependence on the position of each single association. Many of the proposals of the supervisory authorities (AGCM and AEEGSI) have been approved, even though the definition of a “deadline for the customer protection regime” should consider the new role of AEEGSI in terms of monitoring the future dynamics of the retail

electric market. Both authorities AGCM and AEEGSI will have a new board of commissioners and president during next year as well as a new election for Italian parliament.

## 6. CONCLUSIONS

In this paper, we provide a detailed analysis of the legislative process related to the reform of the Italian electricity market. As previously highlighted by other studies in the literature (Capece et al., 2017; Gokirmak, 2017; Nechvátal et al., 2012), the reform processes of electricity market in European countries is characterized by a high level of complexity and conflict, which sometimes impedes the approval and the implementation of a full market liberalization. After 2-and-a-half-years of parliamentary debate, on 2<sup>nd</sup> August 2017, the Italian parliament has finally approved the Annual Market and Competition Law. In the Italian reform process discussed in this paper, stakeholders and political parties struggled for this long time especially on six different issues, related to the “abolition of the customer protection regime,” to the transition of customers from the protected to the new free market, and to the operations of this latter market. The Law finally postpones to 1<sup>st</sup> July 2019 the date of entry into force of the liberalization of the markets for energy and gas utilities, previously set on the 30<sup>th</sup> of June 2017. Therefore, starting from the 1<sup>st</sup> July 2019 the customer protection regime of electricity and gas to households will be abolished. Although the peculiarities of Italian case, the analysis of this reform process could favor a better understanding of the stakeholders’ interests and support the development of some effective policies, even in other countries where the liberalization of the electricity market is still in progress.

Nevertheless, the contribution of our paper is not limited to literature related to the liberalization of electricity markets, but it provides an innovative tool for stakeholder analysis that allows not only to map the interests of each stakeholder, but also to understand how these interests could influence the evolution of a legislative process. In particular, thanks to the adoption of this tool, we are able to highlight how the solutions related to the most debated issues come from the contest among different stakeholders, different political parties, and even within each political party.

In this paper, we apply our tool for stakeholder analysis only in a retrospective approach, but the main application of the platform will be for prospective analysis, e.g., in order to forecast the approval of a policy, given the interests of the involved stakeholders and the positions of the political parties. At this aim, KMIND® already integrates the analysis by using not only data from to the legislative monitoring, but also from other sources, such as press reviews, social media, public and private events. Thanks to these data, we could measure the strength of the interests shown by each stakeholder on each issue, other than its public and private actions targeted to support these interests.

In complex systems, mostly in sectors where regulation plays a role, most of the strategic investment decisions have to take into consideration both economic indicators and political issues. An appropriate management of the public affairs activities enables organization designing the most effective strategy. The platform

brings together all relevant information in one single place: Through the analysis of legislative acts, press clippings, private and public events, social networks and web KMIND® detects new issues and weak signals and links them to the internal activities of the company. Managing public affairs activities leveraging new digital solution is a competitive differentiator that enables organizations to design the most effective strategy to reach their goals.

We will test these further developments in a future study, in order to provide a more articulated tool for the analysis of the public affair strategies implemented by the most relevant stakeholders in the electricity market.

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