

# Summer Internship in Regulatory Economics (SIRE)

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March 2024



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CALGARY**

# Industrial organization

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- “Rents—how to spot them, grab them, hang onto them. That's what strategy should be.”
- Industrial organization is concerned with the functioning of imperfectly competitive markets and the behaviour of firms in these markets.
- Organized around market power:
  - The ability to profitably distort prices or other dimensions of competition, e.g. quality or innovation, away from competitive levels
- Study of its source, exercise, creation, enhancement, maintenance, and effects.



# Regulatory economics and antitrust

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- Regulatory economics
  - Control of market power
  - Economic regulation
    - Pricing, service offerings, number of suppliers
- Antitrust economics
  - Conduct that creates, enhances, or maintains market power
  - Monopolization, mergers, and price fixing
  - Market power versus efficiencies



# Regulatory economics

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- Why regulate?
  - Public interest: natural monopoly and transaction costs
  - Public choice
- How regulate?
  - Rate making principles
  - Incentives for investment
  - Asymmetries of regulation and rate making process
- Introducing competition
  - Unbundling and wholesale access



# Regulatory economic questions

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- Designing Alberta's electricity sector
  - Power pool design
  - Terms and conditions of access to transmission
  - Integrating non-dispatchable generation
- Pipelines
  - Enbridge common carrier versus contract carrier
  - Rate design
    - Different destinations, different commodities
  - Stranded cost risk from changing public policies towards hydrocarbons
  - Pricing of expansion (incremental versus rolled in tolling)
- Wireless competition in Canada
  - Are prices too high?
  - Spectrum allocation to promote competition
  - Mandated access for resellers
    - Prices, services, and terms



# Antitrust economics

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- Diagnose and assess market power
- Analysis of competitive effects of different types of conduct
- Legal requirements for enjoinderment
- Economic assessment of legal requirements
  - What are, and should be, evidentiary requirements?
  - Recognize cost and probabilities of errors given uncertainty and imperfect information



# Antitrust issues

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- Shaw and Rogers horizontal merger
- Fortnite/Epic competing app store, alternative payment options, and steering within app to alternative payment options
- Microsoft and Activision vertical merger
- No surcharges by credit card networks
- Google Search self-preferencing Google Shopping
- Amazon tying Prime to its logistics and order fulfillment



# Student human capital development

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- Expertise in performing and communicating economic analysis
  - Applied analysis, real-world problem solving, directed research [Problem solving]
  - Experience in performing and writing economic analysis
  - Role of economic theory, identify facts supporting or rejecting theoretical explanations, verification and quantification, communicate results (convincing narrative and conclusion as to the effect of or why)
  - Term projects in Econ 477 and Econ 571
  - IO knowledge base
- Personal growth and development [Econ 471]
  - Perseverance
  - Intellectual dexterity
  - Adversity
  - Knowledge application
  - Economic intuition





# SIRE students present

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- Training in IO
  - Econ 471 and 477, plus 571
- Professional skills
  - Use of Excel in economic analysis [ECON 311]
  - Data analysis and programming [Econ 411]
  - Familiarity with the tools and language of business, in particular, accounting and finance [ECON 457]
  - Greater facility and familiarity with statistics and econometrics [ECON 495]
- Electricity economics
  - Econ 329 and 429



# SIRE Eligibility

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- PRIOR to an internship
  - Econ 471 and Econ 477
  - Three years of studies
  - GPA at least 3.0 over last 15 courses and in the IO sequence
    - Econ 471 B or above [grades matter]
- Apply in early to mid January
- Internship *after graduation is normal*



# SIRE mechanics and objective

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- The goal of SIRE is to match well qualified, capable, and interested economics students with appropriate firms and organizations that can provide relevant experience and where students can make meaningful contributions.
- The Department contacts potential sponsors to determine interest.
- Interested sponsors are then provided with the student applications and they determine whether there is a good match.
- The role of the Department is to make the hiring process more efficient by making the preliminary contacts with companies and organizations where students can make a contribution.



# Careers are established

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- SIRE is a launch pad to a career as a professional economist
  - Substitute for 2 to 5 years of work experience
  - Compete with graduates of MA programs
- Employment upon graduation at enforcement agencies
  - Competition Bureau and Market Surveillance Administrator
- The SIRE program effectively solves the adverse selection problem of a major in economics.
  - It provides majors with a credible means to signal that they can, and will, make significant contributions as employees.
  - Indeed, students are often hired full time at their placement, find full time employment based on the network of their industry mentors, or continue part-time while completing their degrees.



# Recent track record

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- 2024: Ten sponsors, five placements (so far).
- 2023: Nine students. Market Surveillance Administrator (Alberta), TC Energy, Alberta Utilities Commission, Power Advisory, Analysis Group, Enbridge, AltaLink.
- 2022: Seven students. Chymko Consulting, Market Surveillance Administrator (Alberta), TC Energy, Alberta Utilities Commission, Heartland Generation, Alberta Electric System Operator.
- 2021: Five students. Chymko Consulting, Market Surveillance Administrator, Pembina Pipeline Corporation, Trans Mountain Pipeline, TC Energy.
- 2020: Eight students. Six were at the Canada Energy Regulator: the other two were at Chymko Consulting and Church Economic Consulting. Unfortunately, there were a number of other placements that were cancelled because of the pandemic (e.g., TC Energy, TransAlta, ENMAX, and Heartland Generation)
- 2019: Seven students. ATCO Electricity Generation, the Market Surveillance Administrator, Chymko Consulting, Enbridge Pipelines Inc., and Capital Power.
- 2018: Five students. Alberta Electric System Operator, Analysis Group, the Alberta Utilities Commission, the Utilities Consumer Advocate, and TransCanada Pipelines.
- 2017: Eight students. Alberta Electric System Operator, Brookfield Infrastructure, Enbridge Pipelines, Market Surveillance Administrator, National Energy Board, TransCanada Pipelines, and the Utilities Consumer Advocate.



# Final thought

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- “The SIRE program's applied approach contrasts with traditional undergraduate or graduate economics programs, and offers an applied economics route that is currently absent. It has equipped me with a robust background in regulatory economics and competition policy, enabling me to compete with MA graduates in this area.”
- SIRE placement in summer 2023
- Full time with a different employer upon graduation in 2024, position that would historically have been filled by an MA

