

# DET DÄR ORDNAR MARKNADEN...

Investeringspraktik på den  
avreglerade elmarknaden

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## **AKADEMISK AVHANDLING**

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## ABSTRACT

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### THE MARKET WILL TAKE CARE OF THAT...

#### Real Investment Practices on the Deregulated Electricity Market

This dissertation deals with market actors' motives and the overall driving forces for undertaking real investments in electricity-generation facilities. Two factors induce interest in this subject. Firstly, the stationary electricity industry faces tremendous real-investment challenges. Secondly, these investments are to be undertaken within the institutional logic of the free market. Thus, the electricity company has to make decisions in a completely new setting. The market logic suggests that actors should maximize profits and respond to market price-signals. Most previous studies on real-investments in the stationary electricity industry apply this perspective. However, empirical research on real investments and organizational decisions-making, emphasizes that this is a normative perspective and it does not represent a valid description of reality when examining decision-making. Therefore, the purpose of the study is to empirically describe how the market-actors develop plausible argumentation and how they act, in practical real-investment situations, thereby enriching our understanding of motives and driving forces. Building on institutional theory, the undertaking of real-investments is considered as the result of a specific social practice, here called *real-investment-practice*. This theoretical perspective holds that three detailed elements constitute the real-investment-practice: one interpretative-oriented, one process-oriented, and one decision-oriented. Applying this perspective thus allows us to capture the contextual settings; the pattern of behavior characterizing the real-investments' course of events; and the application and the interpretation of analytical evaluation models. In line with this perspective, this PhD Thesis explores three questions: 1) How do the market actors construe the contextual settings, and how is the act of construing translated into real-investments in production capacity? 2) How do the market actors proceed in concrete real-investment situations? 3) How do the market actors justify real-investments in production capacity? Building on twenty-five in-depth interviews, and two extensive case studies, the study shows that the stationary electricity industry is characterized by a technical norm-system, which contains institutionalized logics, and norms of rationality. The act of construing and interpreting is a question of different market actors' attitudes towards the technical norm-system, and the organizational role-definition. In concrete real-investment situations, the market actors must conduct their actions in relation to conflicting norms of rationality. Hence, the market actors justification of real-investments in production capacity is a question of their attitudes towards normative institutions and their ability to predict the future. The study concludes that capacity investments in the deregulated electricity market are not caused by market actors' perceptions concerning profitability per se. Indeed, construal of market prices are important, but the undertaking of capacity investments should rather be described as a result of acts of construing and translating political signals, and the will of exercising power. In order to make possible the undertaking of capacity investments, the individual actor is engaged in activities of stabilizing its internal conditions of production as well as its political environment.

**Key words:** electricity industry, deregulation, capital budgeting, investment appraisal, investment process, decision-making, institutional theory, practice theory, strategy-as-practice, real investment-as-practice.

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