



# Key skills, knowledge, and tools for regulators in developed and developing countries

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World Forum on Energy Regulation IV

Athens, Greece

October 18 - 21, 2009

## Key skills, knowledge, and tools for regulators in developed and developing countries

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- a regulator's activity is based on a combination of skills
  - technical
  - legal
  - economic
- three professions are involved

## Three skills, three cultures

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- generally each person has only one background
  - it is a task of the regulatory institution to provide training
    - **through training courses**
    - **on the job**
- enabling the staff to
- **understand all three cultures**
  - **communicate across disciplinary borders**

## Example: the technical side

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- scientific and technical training is necessary in order to understand:
  - whether regulation can impose neutrality to a network manager or network management inevitably implies discretionary choices
  - why a fair transport (transmission) tariff cannot be simply set with reference to distance, and which alternatives provide a better representation of costs



## Example: the economic side

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- economic training is necessary in order to understand:
  - why a power exchange will set the energy price for all buyers at the level of the least efficient plant and yet this is the best buy for consumers
  - why auctioning capacity on a congested line does not hurt consumers

## Example: the legal side

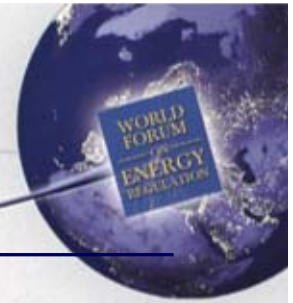
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- legal training is necessary in order to understand:
  - why it is advisable for a regulator to run consultations before setting service quality standards, and set them with a long lead time, to minimize the risk of judiciary annulment
  - when is a regulator entitled to decide against the opinion of a minister

## Speak to the public: a fourth profession

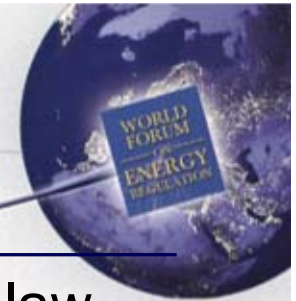
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- a regulator's decisions should:
  - be understood by the general public
  - look convincing or at least respectable to companies and consumers
  - be appreciated by journalists and opinion makers
- this requires an effort in education and persuasion, and ability to communicate
- in fact, this is a fourth professional skill involved



# Independent yet political: a fifth profession



- even if a regulator is set as an independent body by the law, Parliament can change the laws
- therefore, a regulator must maintain a dialogue with the political institutions and persuade them that a regulated market can deliver better results than a command-and-control approach ...
- ... and that in many cases it is advisable, in the general interest, that they do not intervene on regulatory matters
- but politicians are generally ready to accept this only when all goes well
- a regulator should try to forecast unfavourable events, and provide a balanced assessment on them and a wise advice on how to face them before a political decision is taken
- high reputation is very useful to a regulator