

Benchmarking Regulators' Performance in an Evolving Environment

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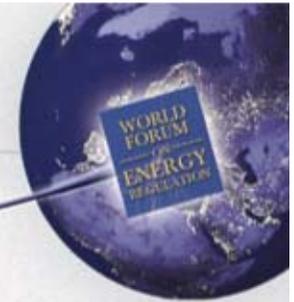
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Topics Covered



- Objectives of benchmarking regulators' performance
- Generally accepted indicators to use in measuring performance
- Does the emphasis on climate change today require additional benchmarks?
- Proposed additional indicators for benchmarking regulators in an evolving environment

Objectives of Benchmarking



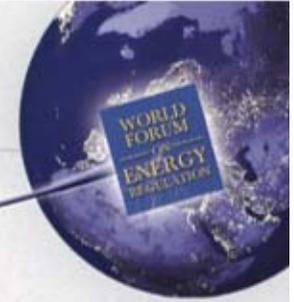
- Assess regulatory risk for investors in infrastructure—e.g. Benchmarking of Brazilian Regulators, World Bank Sept. 2007
- Evaluate legal capacity—e.g. Legal Barriers to SEE CAO Establishment, USAID/EnC July 2009
- Determine if regulators' capacities comport with statutory requirements—e.g. SEE Benchmarking Report, USAID/CEER/SEERECON 2004
- Assess willingness to address social and environmental issues—e.g. Electricity Governance Toolkit: Benchmarking Best Practices and Promoting Accountability, EGI 2004-2007

General Consensus on Indicators to Use



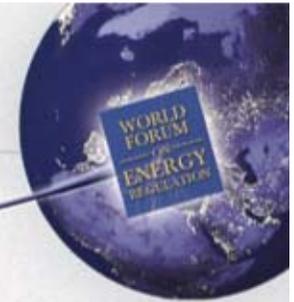
- Despite different objectives, general consensus on key indicators to use in measuring regulatory performance in emerging markets:
 - **A**uthority/sphere of competences (tariffs, licensing, monitoring competitive markets/unbundling etc)
 - **A**utonomy/Independence (financial resources, selection and removal, conflicts of interest etc)
 - **A**ccountability/Transparency (basis for decisions, public participation, procedural rules, appeals etc)
 - **A**bility/Quality of regulatory decisions (knowledge, training, use of consultants etc)
- Benchmarking in developed economies done by reports to legislators but implicitly use similar indicators

Does Climate Change Require Additional Indicators?



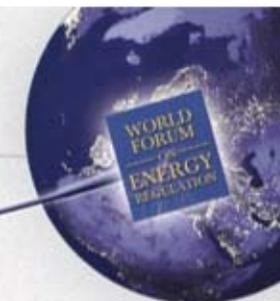
- Climate change is key regulatory policy driver
- Emphasis may be blurring lines between policy makers (Ministries and legislators) and implementers (regulators)
- Regulators globally being tasked with mobilizing EE and RE (e.g. RPS, Net Metering, interconnection costs for intermittent power)
- Creates tension between economic regulation and environmental policy
- What you measure is as important as how you measure it (e.g. Sarkozy's "joie de vivre" index)

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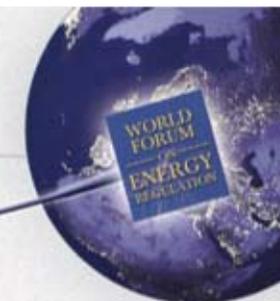
- Policy decisions to implement RPS and approve long-term PPAs to secure financing for RE pose stranded cost risks
- Utility industry concerned about reliability impact of climate change initiatives (e.g. NERC paper)
- Increased tariffs to fund smart grid and integration of RES can sour consumers on climate change efforts
- Innovative technologies require innovative—and informed—regulatory responses

Additional Indicative Performance Standards



- Does regulator make effort to explain/publicize/consult on long term benefits—and risks—of climate change initiatives?
- Is regulator using most efficient means possible of encouraging new policies with least distortion of prices?
- Is regulator coordinating with other agencies, states, neighboring countries on critical issues? (e.g. on definition of “renewable hydropower”)
- Is agency monitoring uptake of subsidized new technology to ensure shortest possible subsidy period?

Additional Indicative Performance Standards



- Is regulator streamlining regulatory process (e.g. Maine-FERC MOU on hydrokinetic energy)?
- Is response timely but not hasty/short-sighted?
- Is regulator promoting regional market development and integration to optimize benefit of RES and EE?
- Is regulator providing appropriate economic incentives for Negawatts?
- Others?