

The logo for the World Forum on Energy Regulation is located in the top right corner. It features a stylized globe with a blue square overlaid on it. The square contains the text "WORLD FORUM ON ENERGY REGULATION" in white, with "ON" in smaller letters between "FORUM" and "ENERGY".

Benchmarking Regulators' Performance in an Evolving Environment

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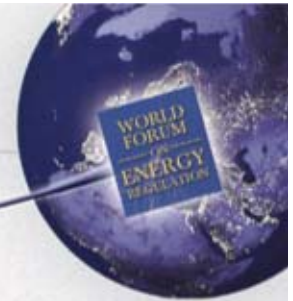
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Topics Covered



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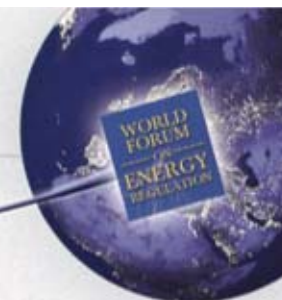
- Policy decisions to implement RPS and approve long-term PPAs to secure financing for RE pose stranded cost risks
- Utility industry concerned about reliability impact of climate change initiatives (e.g. NERC paper)
- Increased tariffs to fund smart grid and integration of RES can sour consumers on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