Reset for Regulation and Utilities

Leadership for a Time of Constant Change

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What do you do when best practice fails you?
Why does best practice fail?

• Operator error
• Wrong context
• Wrong objectives
• Someone else failed to do his or her part
What do you do when best practice fails you?

• Call in the experts
  ▪ FCC’s inquiry into cost studies 1970s
  ▪ Force electric utilities to lower energy demand
  ▪ Current/recent financial crisis

• Reset
  ▪ Littlechild’s development of price cap regulation
What is Reset?

In some contexts, change is important. The change might be to go where others have gone before, but it might be onto new ground. “Reset” means developing fresh perspectives and knowledge about the future, while holding in trust the wisdom of the past.

• Focus on **Next** practices, not **Best** practices.
• Focus on **Why** rather than on **What**
• Focus on **Leadership** not on **Leading**
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• Focus on **Why** rather than on **What**
• Focus on **Leadership** not on **Leading**
Next practices, not Best practices

• Best practice is imitation (following in someone else’s footsteps)
• Next practice is needed when we are going into areas where no one has gone before.

## Technical vs. Adaptive Challenges

### What’s the work?

<table>
<thead>
<tr>
<th>Technical</th>
<th>Apply current know-how</th>
<th>Authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adaptive</td>
<td>Learn new ways</td>
<td>The people with the problem</td>
</tr>
</tbody>
</table>

### Core of regulation:
- Rate setting
- Legal procedures
- Quality oversight
- Market monitoring

From Heifetz and Linsky, 2002
Why rather than What

- Next steps need foundation, basic principles, and values
- Ask “Why have certain practices or experiments been successful or unsuccessful?”
  - Analyze underlying priorities and context
  - Learn, keep what is important, and discard what holds us back (“sacred cows”)  
- Stirring and Steering

Collins, 2009. How the Mighty Fall and Why Some Companies Never Give in
Technical vs. Adaptive Challenges

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**Who does the work?**

- Authorities

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**Core of regulation:**
- Rate setting
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**Core of “what’s next”:**
- Challenging convention
- Experimenting
- Dialoguing
- Finding essential DNA

From Heifetz and Linsky, 2002
Leadership vs. Leading

• Leader provides direction (when the right direction is already known)

• Leadership mobilizes people to tackle difficult and often ambiguous problems and circumstances

• A node in a complex system, influencing the system
Framework

What is important?
What is possible?
How can we do it?

• Politics
• Negotiation
• Facilitation

• Leading
• Management
• Administration

“Sweet Spot”
• Does one exist?
• Can we find it?

• Engineering
• Economics
• Finance
• Law

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Orchestrating the Work

From Heifetz and Linsky, 2002
Online Resource

- Narratives summarize key topics
- Additional Resources: Glossary in Spanish and four other languages
- Frequently Asked Questions, including
  - Social pricing to promote access
  - Management and regulation of State-owned Enterprises
- 500 PDFs as References
- Self-paced Quizzes (for capacity building and classrooms)

www.regulationbodyofknowledge.org
Opportunity

- Partnership to strengthen for the Caribbean
  - Resources particular to the region
  - Glossary enhancements
  - FAQs
  - Cases for the region
  - Applications

www.regulationbodyofknowledge.org
Conclusion

“The good leader is he who the people revere. The great leader is he who the people say, ‘We did it ourselves.’”

Lao-Tzu
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