Lessons from the 11th PURC/World Bank International Training Program on Utility Regulation and Strategy – January 2002

Teachers learn from their students and students learn from each other. Participants in each training course identify some of the key lessons learned over the intensive two-week period. The 82 "students" in the January 2002 course shared their reactions to formal presentations and informal networking during the concluding session of the course at the University of Florida. The lessons are presented in the order they were suggested rather than according to the topical outline of the course: (1) Market Structure Reform and Regulation of Network Industries, (2) Financial Analysis for Utility Regulation, (3) Principles and Application of Incentive Regulation, (4) Non-Price Aspects of Utility Regulation, (5) Managing the Introduction of Competition in and for the Market, (6) Rate Structure, and (7) Managing the Regulatory Process.

We hope that the (slightly annotated) list promotes further discussion among all those involved in these important sectors: regulators, utility managers, government ministries, and consumers. PURC's staff appreciates the dedication and energy exhibited by participants in the 11th Training Program. Attendees shared their expertise and experience with one another. In addition, they asked good questions and followed up with examples from their countries. The participant observations are linked to qualities of the regulatory process that promote sustainable systems.

1. Consultation: Consider all stakeholders and their key concerns when making decisions.

2. Creativity: Regulators should avoid excessive attention to process and pay attention to the content of rules. Policy makers need to identify a wide range of policy options that promote the achievement of objectives.

3. Expertise: Economic concepts can be complicated and subject to different interpretations, so organizations must continually be in a learning mode.

4. Credibility: Investors seek transparency and consistency in the regulatory process since cash flows will be driven by future decisions.

5. Coordination: Given the common issues facing network industries, sector regulators should consult with counterparts in other commissions and with environmental regulators.

6. Predictability: Although there are no easy solutions to regulatory problems, the application of core principles and methodologies promotes consistency in decision-making.

7. Accessibility: Regulators, in their role as educators, must be visible to the general public as they communicate their work through meetings and the media.

8. International Collaboration: Regulatory problems are similar across a wide range of national situations so participation in joint activities can promote the sharing of experience and knowledge.

9. Performance Benchmarking: Just as indicators can be developed to compare the performance of firms in a country (or across countries), international investors are developing score-cards for regulators-evaluating their performance.

10. Continuous Learning: Regulators need to devise mechanisms for the sharing experience and information-through regular in-house workshops, conferences, and training programs.

11. Neutrality:	Regulators balance the interests of government ministries, utilities, and consumers; so they must develop positive working relationships with each group.
12. Independence:	While total autonomy is impractical, regulators need to be insulated from daily politics-so decisions can promote the long run financial sustainability of the sector.
13. Accountability:	Just as reports to appropriate government agencies help policy-makers understand sector developments, information provided to the press is a crucial activity if the public is to be aware of progress towards meeting sector objectives.
14. Humility:	Regulators should acknowledge that they are not all-knowing: they have much to learn from consultants, universities, utilities, and colleagues in other countries.