Under the South Asia Regional Initiative for Energy (SARI/Energy) Program, funded by the U.S. Agency for International Development (USAID), the U.S. Energy Association sponsored six participants in the Public Utility Research Center’s (PURC) 29th International Training Program on Utility Regulation and Strategy. The two week training course was specifically tailored to the professional requirements of utility regulators and regulatory staff and designed to enhance the economic, technical, and policy skills required for implementing policies and managing sustainable regulatory systems for infrastructure sectors. The program was a collaborative effort between the World Bank and PURC that encompassed more than 50 sessions that included case studies, practical exercises and panel discussions with leading experts and international faculty.

The USAID/SARI/Energy program promotes energy security in South Asia through three activities areas: (1) cross border energy trade, (2) energy market formation, and (3) regional clean energy development. Through these activities, SARI/Energy facilitates more efficient regional energy resource utilization, works toward transparent and profitable energy practices, mitigates the environmental impacts of energy production, and increases regional access to energy. SARI/Energy countries include: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

SARIE delegation at PURC from left to right: Mahendra Shrestha, Nepal Electricity Authority; Bandula Tilakasena, Ceylon Electricity Board ; Karma Tshering, Bhutan Electricity Authority; Ted Kury, PURC staff; Jivendra Jha, Nepal Electricity Authority; Deki Choden, Bhutan Electricity Authority; Tricia Williams, USEA; and Kadinappulige Kanchana Siriwardena, Public Utilities Commission of Sri Lanka.
EXECUTIVE EXCHANGE HIGHLIGHTS

The PURC training focused on seven key areas:

- Market reform and regulation of network industries,
- Financial analysis for utility regulation,
- Principles and application of incentive regulation,
- Non-price aspects of utility regulation,
- Managing the introduction of competition in and for the market,
- Rate structure, and
- Managing the regulatory process.

After listening to the presentations, participants worked in small groups on questions like choosing the structure of electricity market reform. The groups were pre-selected to ensure a wide range of backgrounds and nationalities.

LESSONS LEARNED

The participants all agreed the training was extremely useful and applicable to utility and regulatory staff. They cited a number of key lessons from the two weeks including:

One Size Does Not Fit All

There is no single recipe for improving infrastructure performance – one size does not fit all. The enabling legislation, the judicial system, national income, and investment climate all affect opportunities facing operators. However, the same regulatory principles apply in most situations: institutions, ideas, information, incentives, and individuals (leadership) matter.

Regulatory Independence

Regulatory commissions need to be perceived as independent from all stakeholders, including consumers, service providers, and politicians. The government sets sector priorities and the agency implements these policies – ensuring some insulation from those with short time horizons. The long-term financial sustainability of operators requires that assets be maintained and operated in an efficient manner, consumers pay their bills, and performance improves over time.

Transparency and Fairness

No stakeholder group is likely to be fully satisfied by a regulatory decision. Regulation is a delicate balancing act, requiring that operators provide information and consumer preferences are articulated and respected. Government ministries develop policies and identify funding sources: political leaders, too, are accountable to other stakeholders for their actions. When implementing the law, government agencies investigate problems, issue rules, and implement decisions that impose benefits and costs on affected participants from around the world.
stakeholders. The oversight process creates conflicts whether the status quo is changed or not. A decision not to change the rules, affecting firms and other government entities, still benefits some stakeholders while denying potential benefits to others.

Conflict resolution strategies utilized by regulatory and other agencies have implications for the perceived legitimacy of the decisions and their impacts on sector performance. Legitimacy, in turn, depends on both the process by which decisions are reached and the substance of those decisions. Thus, accountability, transparency, procedural fairness, impartiality, and professionalism are features that can reduce conflict and contribute to the public acceptance of regulatory rulings.

Expect Criticism
Regulators will be criticized, so they are obligated to provide clear justifications for decisions at the time of announcement. Then, decisions can be defended on the basis of evidence and coherent business plans. Stakeholders may not like all the features of a particular decision, but at least they will understand the rationale behind the ruling. If decisions can create win-win outcomes, then it is easier to get buy-in from stakeholders for reform initiatives.

Include Stakeholders
All the groups affected by a regulatory decision need to be able to participate in the process: providing information, identifying concerns, and learning about the consequences of different scenarios. When groups have some ownership of an acceptable package, they are more likely to implement the decision.

Manage the Political Environment
Good regulation is transparent, accountable, and independent. It is tempting to use the power of the state to assist particular groups. However, the groups that often benefit are not the truly needy but the politically powerful. Sometimes, policymakers can achieve consensus regarding assistance for legitimate social programs. In such situations, these should be targeted carefully and evaluated on a regular basis to ensure that the purposes of the program are being achieved. If key issues are not appropriately identified and communicated, each party will try to gain public attention through unrealistic promises and the strategic presentation of information. Such activity creates a lot of noise in the system: “Weak regulation is like a swimming pool: all the splashing goes on in the shallow end.”

Avoid Jargon
For politicians, avoid jargon and seek clarity in objectives: Keep It Short & Sweet. For consumers, promote awareness and access: Keep It Simple Stupid. For operators, provide incentives: Keep It Simple & Smart. *

*Key lessons taken from PURC document “Key Lessons from the 28th PURC/World Bank International Training Program on Utility Regulation and Strategy” annotated by Sanford V. Berg, University of Florida.

RESULTS
The SARI/E participants found the training to be very useful, especially the delegates from Bhutan and Nepal as they are in the process of setting up a regulatory commission. Dr. Jha, Managing Director of the Nepal Electricity Authority, stated he would use what he learned during the sessions on media and public communication strategies immediately upon his return home to assist him in dealing with the public on energy shortages. Mahendra Shrestha of NEA stated “this program is not only beneficial to the regulators, but also to the utilities. Now utilities know better what the actual requirements are for the regulatory body.” Bandula Tilakasena of the Ceylon Electricity Board and Karma Tshering of the Bhutan Electricity Authority both felt the sessions on handling the political aspects of regulation without being political were particularly helpful. Deki Choden of the Bhutan Electricity Authority stated she will use the financial techniques, rate of return tools, and techniques for improving utility efficiency through tariffs in her daily work.
SARI/E EXECUTIVE PEER EXCHANGE PARTICIPANTS

BHUTAN
- Mr. Karma Tshering, Chief Executive Officer, Bhutan Electricity Authority
- Ms. Deki Choden, Acting Chief Tariff Officer, Bhutan Electricity Authority

NEPAL
- Dr. Jivendra Jha, Managing Director, Nepal Electricity Authority
- Mr. Mahendra Lal Shrestha, Deputy Managing Director, Nepal Electricity Authority

SRI LANKA
- Mr. Kadinappulige Kanchana Weerabahu Siriwardena, Senior Professional Tariff, Public Utilities Commission of Sri Lanka
- Mr. Bandula Tilakasena, Deputy General Manager Regulatory Affairs, Ceylon Electricity Board

For more information, contact Tricia Williams at twilliams@usea.org or visit www.sari-energy.org.