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**KEY CHARACTERISTICS OF
REGULATORY COMMISSIONS:
AUTONOMY, AUTHORITY, ACCOUNTABILITY, ABILITY**

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➤ CHARACTERISTICS OF:

- Autonomy
- Authority
- Accountability
- Ability (or Capacity)

Characteristics of Autonomy

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- Provide commissioners reasonable protection and allow economic decision-making and consideration of social issues
- Desirable to put some distance between the regulator and government, utility companies, and the public.
- Appointment of Commissioners
 - Staggered Terms - allows for gradual change of regulatory policy when a new governor takes office.
 - Quality Criteria - background and training in economics, finance, law and engineering; some restrictions on previously worked in a company which is regulated.
 - Who Makes Appointments - Governor nominates, Senate approves; or direct elections by citizens or by legislature.

Characteristics of Autonomy (continued)

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- Budget Approval
 - Budget reviewed and approved by the state's General Assembly as part of the state's budget review process. All state budget rules apply.
- Financing the Commission
 - Considered special funding and not part of State's General Funds; Special funds cannot be used for state's general purposes
 - Total commission budget is directly assessed on utilities under that commission's jurisdiction based on units of service provided
 - Rate assessed on each utility's customer bills; unused funds (theoretically) returned to customers at end of year

Characteristics of Autonomy (continued)

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- Removal from Office
 - For cause only; to provide stability, predictability and consistency
 - Removed for cause, e.g., criminal behavior, significant violation of code of ethics, or failure to participate in the majority of regulatory meetings
 - Laws on regulation spell out the circumstances under which a commissioner can be removed and who has authority to do it.
 - Reasonable to have the same person (e.g., Governor) carry out removal as did the appointment.

Characteristics of Authority

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- **Full Tariff Authority**

- The commission has full authority over tariffs
- Government interests can be addressed through setting policy, the appointment process, and through participation in commission public hearings.

- **Franchise /License Issuance**

- The commission has full authority to issue franchises and licenses for long term periods.
- Long term periods are essential for providing stability so investors can make necessary investments to upgrade operations and be reasonably assured they will have time to earn a profit on their investment.

Characteristics of Authority (continued)

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- **Electricity Industry**

- State laws broadly define scope of electric service within that state.
- Commission implements by issuing regulations that has a significant role in the strategy, design, and oversight of electricity industry reforms.
- Commission's authority includes, but not limited to, holding hearings, publication of guidance, review of proposed arrangements, and issuance of licenses.
- Commission has to be mindful of technical requirements of an interconnected grid and be cognizant of practices in adjacent jurisdictions/states within that interconnected grid.

Characteristics of Authority (continued)

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- **Information Collection, Monitoring and Enforcement**
 - The commission needs authority to monitor utility performance and enforce remedies such as penalties for non-compliance with franchise/license provisions.
 - Commission needs authority to monitor competitive electricity markets and electricity imports and exports.
 - Commission should also have the authority to establish quality of service standards to be met by the utilities.
 - A Uniform System of Accounts with wide data transparency is critical for the credibility of the regulator and the utilities.

Characteristics of Accountability

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- Public Participation and Transparency
- Annual Report and Audit
- Appeal of Commission Decisions to Appropriate Higher Courts
- Budget Review
- Code of Ethics
- Removal from Office—for Cause Only

Characteristics of Ability (or Capacity)

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- Capable/trained technical and administrative staff
 - Expertise in economics, law, finance, accounting, engineering, and management
 - On-going training, professional development, access to industry practices
 - Competitive salaries (within the state personnel structure)
- Procedures and Management
- Sound Tariff Methodologies and Prices
- Licensing Practices
- Monitoring and Enforcement