



# NARUC

*Serving the consumer interest  
by seeking to improve the  
quality and effectiveness  
of public utility regulation  
in America.*

## ACERCA and NARUC

Matthew Gardner  
Senior Program Officer  
NARUC  
June 4, 2009



# What is NARUC?

- **The National Association of Regulatory Utility Commissioners (NARUC) is a quasi-governmental non-profit organization founded in 1889.**
- **Our Members include the state Commissions (government agencies) engaged in the regulation of American utilities and carriers in the 50+ states & territories. The Federal Energy Regulatory Commission and the Federal Communications Commission are also members. NARUC has Associate Members in over 20 other countries.**
- **NARUC member agencies regulate electricity, natural gas, telecommunications, and water utilities.**
- **We provide forums for the exchange of experience/policy, legal support, lobbying, and other forms of regulatory support.**



# What Do the State Regulatory Commissions Do?

- **Traditional Role** -- Regulate the Rates, Terms and Conditions of Service of “Fixed Utilities” – Telecommunications, Electricity, Natural Gas, and Water
- **New Role** -- Manage the Development of Competitive Markets for Telecommunications and Energy Services; Monitor Market Performance
- **Even Newer Role** -- Help Ensure Safety, Reliability and Security of Utility-based Critical Infrastructure Facilities; Factor Environmental Factors into Utility Planning and Operation
- Coordinate State Policies and Procedures with Federal Counterparts – FERC and the FCC



# NARUC International

## **USAID Cooperative Agreements – Technical Training & Regulatory Capacity Building Programs**

- Europe & Eurasia – Energy Regulators Regional Association ([www.erranet.org](http://www.erranet.org))
- Global Regulatory Network Program ([www.globalregulatorynetwork.org](http://www.globalregulatorynetwork.org))
- Regulatory Partnerships & Bilateral Capacity Building ([www.narucpartnerships.org](http://www.narucpartnerships.org))

## **Technical Training, Study Tours, Exchanges, Job Shadow Placements, Etc**

- Custom-designed activities to meet the needs of the international regulator (funded by other donors or organization itself)

# NARUC/USAID Cooperative Agreement



- Regional Program Goals:
  - Coordinate info exchange program
  - Assist in establishment of voluntary regulatory association
- Began with 15 regulators, now includes 24
- Dual language (English, Russian)
- \*\*Funding from USAID/Washington and 15 USAID Country Missions

# ERRA - Activities

- Professional Development
  - (Licensing/Competition Committee (had Monitoring/Benchmarking WG),
  - Tariff/Pricing Committee,
  - Legal Regulation WG,
  - Annual ERRA Meeting,
  - Annual Energy Regulation & Investment Conference (open to non-members, important source of operating funds from registration/sponsorship fees),
  - Newsletter, website, Technical Exchanges/Job Shadows between members

# ERRA - Activities



- Training:
  - Summer school (annual, introductory level, 1 week, classroom);
  - New Commissioner Training (2.5 days, roundtable format);
  - 5 intermediate/advanced courses (offered as classroom and online) - Monitoring Activities, Regulatory Info & Public Participation, Price Regulation & Tariffs, Electricity Markets, Gas Regulation & District Heating

# ERRA - Sustainability



- **Professional** - need to augment the best practices transfer at committee/WG meetings and technical workshops led to development of training. Comprehensive survey focused on topics. Development of comprehensive "in-house" training program (introductory -> advanced, classroom & online formats, ERRA members serve as instructors).
- **Financial** - Select ERRA activities (Investment Conference, training courses) open to non-members to provide revenue source



# ERRA - Lessons Learned



- **Institutional Development Takes Time** (10 years to create ERRA from concept to sustainability)
- **Institutions Must be Demand Drive & Responsive** - Members involved in governance docs, program activities, financial decisions
- **Members Must Make a Voluntary Commitment of Time** - Commissioners/staff wrote papers/presentations for committee/WGs, serve as instructors for training
- **Institutional Design Must Account for Specific Circumstances** - Respond to changing circumstances (privatization, competition); Constrained resources of regulators (diverse revenue sources to minimize member dues); leadership structure accommodates regulatory turnover

# ERRA - Lessons Learned



- **An Effective Secretariat is Critical** - NARUC staff trained ERRA staff, transferred best practices of association management; staff stability ensures program success; key involvement in program and training development and management (beyond logistics)
- **Face to Face Interaction** - personal interactions at meetings & trainings allows for effective sharing of best practices and info and allow for later email/online communication
- **Self-Evaluation Process** - Evaluations at every ERRA activity focus on information learned, benefit of the activity, and how info will be transferred back to other staff at home regulator; allows for improvements to training and prof devt activities to ensure meeting member needs

# ERRA – Lessons Learned



- **Contribution to Energy Sector Reform** - NARUC/ERRA programs contributed to cost-based tariff methodologies, development of regional electricity markets, and public involvement in regulation, among others
- **Diversification of Funding Sources** - modest member dues, fees from Investment Conference, Tariff Database, training courses (2nd track open to non-members)

# Bilateral Partnerships



- 2-3 year program (2-3 exchanges/year, internships, training)
- Hands on exchange of information with US counterpart
- Adapt US regulatory policies & procedures to home country situation



# Key Characteristics of Regulatory Commissions (1)

## Autonomy

### I. Appointment of Commissioners

- Staggered terms
- Quality criteria
- Who makes appointments

### II. Exemption from civil service/government salary rules

### III. Financing Commission

- License fees
- Budget approval

### IV. Removal from office – for cause only



# Key Characteristics of Regulatory Commissions (2)

## Authority

- I. Full Tariff Authority
- II. License Issuance
- III. Market (design)
- IV. Information Collection, Monitoring,  
Enforcement



# Key Characteristics of Regulatory Commissions (3)

## Accountability

- I. Public Participation & Transparency
- II. Annual Report & Audit
- III. Appeal of Decisions to Courts Only or International Arbitration
- IV. Budget Review
- V. Code of Ethics
- VI. Removal from Office – for cause only



# Key Characteristics of Regulatory Commissions (4)

## **Ability/Capacity**

- I. Capable Trained Staff
- II. Procedures & Management
- III. Sound Tariff Methodologies & Prices
- IV. Licensing Practices
- V. Monitoring & Enforcement