Resolution Supporting the Working Paper on the Benefits of Participation in International Regulatory Exchange Activities

WHEREAS, The National Association of Regulatory Utility Commissioners (NARUC) entered into a cooperative agreement with the U.S. Agency for International Development (USAID) in 1998 to coordinate an information exchange with new energy regulators in Central/Eastern Europe and Eurasia; and

WHEREAS, NARUC entered into a further cooperative agreement with USAID in 2002 to create and promote a Global Regulatory Network; and

WHEREAS, NARUC entered into a cooperative agreement with the U.S. Department of Energy in 2001 to provide technical assistance and training to energy regulators and other officials in Africa, Asia, and Latin America; and

WHEREAS, Pursuant to those agreements and similar initiatives, many state regulatory agencies are involved in international exchange activities, and additional exchange opportunities are constantly emerging; now therefore be it

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened in its July 2003 Summer Meetings in Denver, Colorado, supports the concepts embodied in the attached Working Paper on the Benefits of Regulatory Exchange Participation; and be it further

RESOLVED, That the NARUC urges, where necessary, the legislative and executive branches of state governments to
support participation by NARUC member agencies in international exchange programs for the reasons advanced in the Working Paper.

Sponsored by the Committee on International Relations
Adopted by the NARUC Board of Directors July 30, 2003
The Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC) recognizes the importance of international regulatory cooperation, information exchanges, and assistance as mechanisms to share professional expertise and enhance the efficiency and integrity of global energy, water, gas, and telecommunications regulatory principles and practices. Participation in international activities is beneficial because it advances the United States’ global interests and security as well as sharpens the skills of US regulators. There are many opportunities for United States regulatory agencies to become involved in international activities. In fact, many Public Utility Commissions or individual commissioners and staff already have a long history of active participation in the international community. This paper outlines why continued and expanded participation in the international arena is vital.

Involvement in international activities has a tremendous economic, political, and social impact on each agency, country, and region with which US Commissions interact. Reform in the energy, water, gas, and telecommunications sectors, brings about an overall improvement for the economy and citizens of a country. US Commissions confront important issues, such as transparency and the “digital divide,” when they participate in international activities. All sectors of regulation are essential for economic growth. The work performed by US Commissions cannot be viewed only from an industry perspective, but the social impact of their work must also be taken into account.

Commissioners and staff may deal with sector specific issues, such as gas or water, or they may assist with issues, which are relevant to any Commission, such as public relations, regulatory law, and procedural and administrative issues. There are as many opportunities as there are issues. Here are just a few of the reasons why a Commission should become involved in international activities:

1. **Participation Sharpens Regulators’ Skills**

   It is not possible to name all the benefits of participating in international activities in one short paper. However, the learning process, which occurs when commissioners and staff interact with their foreign counterparts, cannot be overlooked.

   In addition to assisting a country in transition, a commissioner or staff member will walk away from an international activity having learned a good deal themselves. Interaction with fellow regulators forces American regulators to reevaluate their own methodologies, procedures, purpose, and technologies. Participants will most likely conclude an international activity with a new perspective, and they may even develop an idea or

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1 Prepared by William H. Smith Jr., Iowa Utilities Board; and Jason P. Czyz, NARUC; and endorsed by the Staff Sub-Committee on International Relation, July 27, 2003.
solution that would have otherwise remained undiscovered. Explaining US regulation to an exchange partner and responding to their questions can reveal many new insights.

Regulators throughout the world are now confronting issues concerning restructuring, the environment, and investment. Through international activities, it is possible to learn from the successes and failures of regulatory agencies around the world and thereby limit the chance of repeating mistakes or re-inventing the wheel.

International activities bring about a whole new definition to “thinking outside the box.” In fact, many countries and several regions around the world are further along in creating regional transmission operators than any region in the United States. Many countries have made greater progress in restructuring than the US. The opportunities for US commissioners and their staff to learn new innovative techniques developed by their international counterparts are endless. All international activities are truly a two or more sided exchange.

2. **Globalization**

The sharing of information and experiences on sound and effective telecommunications, water, gas, and energy regulatory principles and practices on a global basis brings value to state and national interests by increasing our capabilities to understand and participate in the global marketplace. Many US utilities already operate in the international arena and are gaining knowledge and experience abroad. Utilities are active investors throughout the world. The same is true for many average American citizens who actively invest in utilities, which have holdings around the world. Knowledge of utilities’ range of activities and investments better equips US regulators to understand and form policies with respect to the US domestic activities of these utilities.

The participation of US regulators in international activities also results in greater opportunities for trade between the states and the country participating in the activity. International activities serve to remove barriers and facilitate the trade of various technologies, such as telecommunication equipment and clean energy technologies.

In addition, US regulators should participate in international activities in order to remain current with the globalization of the utility industry. Undoubtedly, the United States will see growing foreign participation in its own energy and telecommunications industries as well as even greater participation by US firms in foreign markets. Experience gained abroad may lead to economic benefits for the United States in general and regulators own states in particular.

3. **Participation Advances US National Policy/Security**

There is an increasing realization that a common understanding of transparent regulatory principles and practices is an integral part of global energy, water, gas, and
communications infrastructure development and stability. By participating in international activities, especially those supported by the US Agency for International Development, Public Utility Commissions contribute to national efforts to help countries in transition. Reform in the energy, telecommunications, and water sectors all directly serve to bolster democratization efforts in the developing world. Transition countries need reliable and secure water and energy regulation and infrastructure, in order to achieve stability. Once water and energy service is established, telecommunications will help many countries achieve a swifter transition from totalitarian or isolationist forms of government to more open, transparent, and robust economies.

United States Public Utility Commissions have more than 100 years of regulatory experience. They are in a unique position to capitalize on this experience and aid nations in the process of establishing independent regulatory agencies. Furthermore, the United States has more than 50 regulatory models, thereby allowing for multiple points of view.

By participating in exchanges with other nations, each US state regulatory agency can contribute to the national effort to help other nations develop institutions that support international development and investment.

US foreign policy encourages the privatization of government held-utilities in many countries. The World Bank, the International Monetary Fund, the European Bank for Reconstruction and Development, and other international organizations recognize that the development of effective and knowledgeable regulatory agencies directly contributes to the success of a nation’s economy.

International activities and the Commissions who participate in them have a direct impact on the quality of life for the citizens of that country, region, and even the world. The short term and long term value of this for the United States cannot be underestimated.

These are just a few of the reasons why state Public Utility Commissions should become involved in NARUC’s international activities. International work entails many rewards and opportunities on the personal, state, national, and global levels. Most of NARUC’s international activities are completely funded by NARUC and the agencies and organizations, which sponsor NARUC’s work abroad. Without the support and hard work of its members, NARUC would not be able to undertake international work. The commissioners and staff play an invaluable role by contributing their time, expertise, and energy to educate and inform regulators from developing countries through a variety of forums, including: the hosting of visiting foreign delegations, engagement in exchange visits, involvement in regulatory partnerships, and participation in technical conferences both in the United States and abroad. NARUC encourages and supports opportunities for its membership to establish and participate in international information and exchange activities, experience sharing, and requests for technical assistance from international regulatory entities.