



# ***Execution and Leadership: Fulfilling Conflicting Responsibilities in Utility Regulation***

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# Regulatory Conflict

- **Think of a conflict you have experienced in regulation**
  - Okay if hard to narrow to one
  - Also okay if hard to narrow to less than 100
- **Think about what in the past led to this conflict**



# For many...

- **For many of you, the conflict came from a tension between two roles**
  - Regulator as implementer
    - Following laws and policies created by government authorities
  - Regulator providing leadership
    - Perturbing system to surface flaws in laws, policies, and practices

Celebrating 40 years!

Since its founding, PURC has grown from a small group hosting one meeting to an internationally recognized research center with expanded training and interdisciplinary development programs.

About PURC

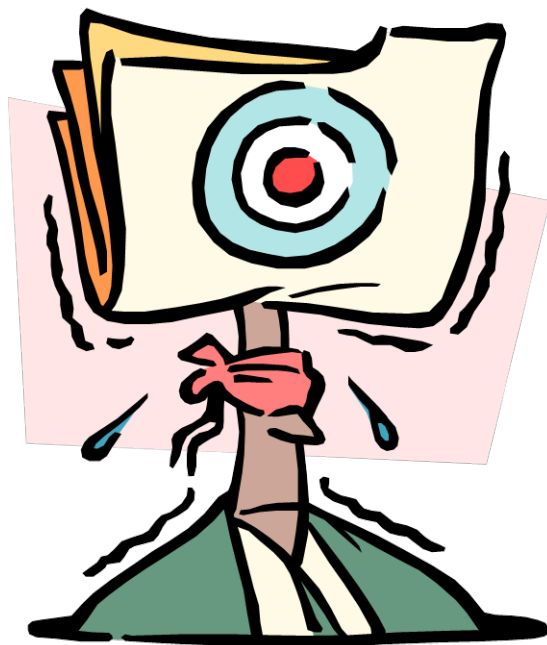
1972



2012



# Regulation is Dangerous Work



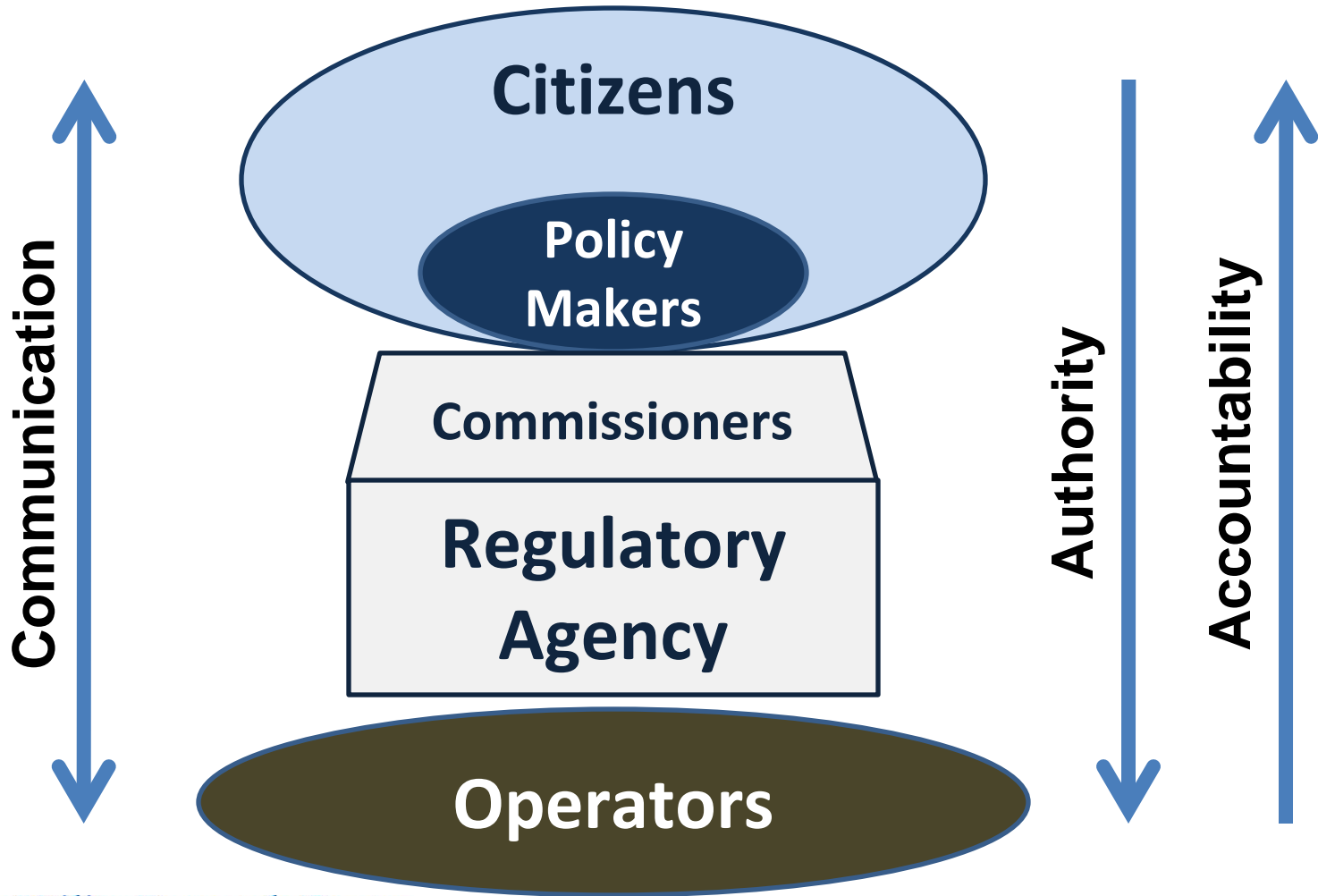
- *Independence limits some political power*
- *Perturbing system exceeds regulator's formal authority*
- *Regulator may be scapegoat*



# Securing the formal role

- **Clarifying roles and relationships**
  - What is the government's understanding of the regulator's role and authority?
  - What processes and reports from the regulator inform government of the quality of the regulator's work?
  - What are appropriate remedies if the regulator's work is poor?

# Regulatory Governance Model





# Authority Scope of Government

- *Reflect on outcomes*
- *Decide what system supposed to produce*
- *Consider why it does or why does not*
- *Respect citizen expectations*
- *Balance long and short run*
- *Select agency head(s)*
- *Define and refine the vision*
- *Adapt policies*



# Authority Scope of Regulator

- *Establish prices, service standards, incentives and rules*
- *Adjust rules, procedures, and decisions as needed*
- *Enforce decisions*
- *Reflect on utility outcomes*





# Authority Scope of Operator

- ***Determine means to meet***
  - *Financial goals*
  - *Means for complying with regulatory decisions*



# Accountability for Operators

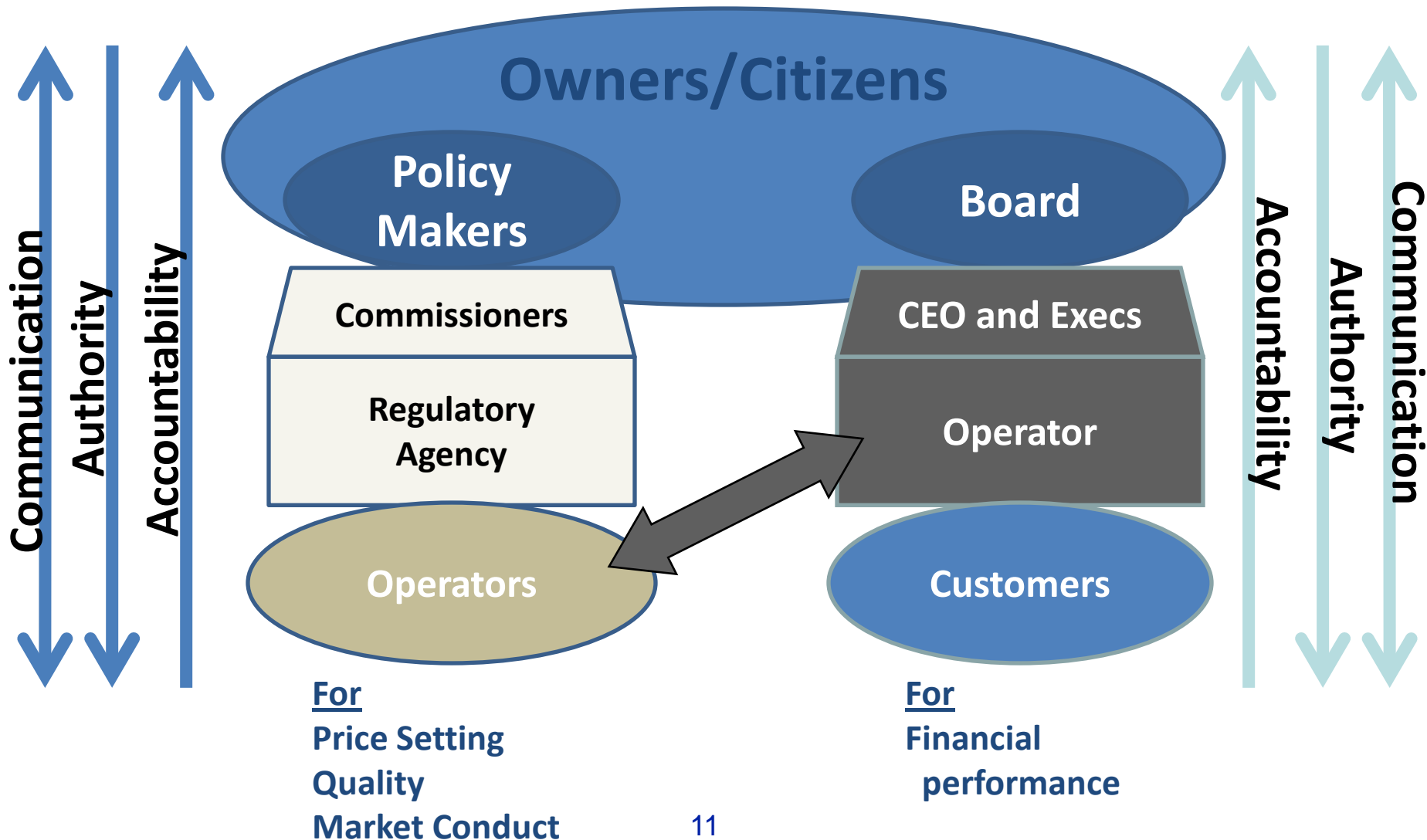
- **Rewarded or punished by regulator based on**
  - Costs and price performance
  - Investment and service availability
  - Service quality
  - Externalities



# Accountability for Regulators

- **Pressures and tenure impacted by**
  - Affordability of prices
  - Effectiveness of service quality and availability
  - Management and transparency of regulatory process
  - Legitimacy with public
  - Credibility with operators, investors, and politicians
  - Alignment with laws and policies

# Clarifying Roles



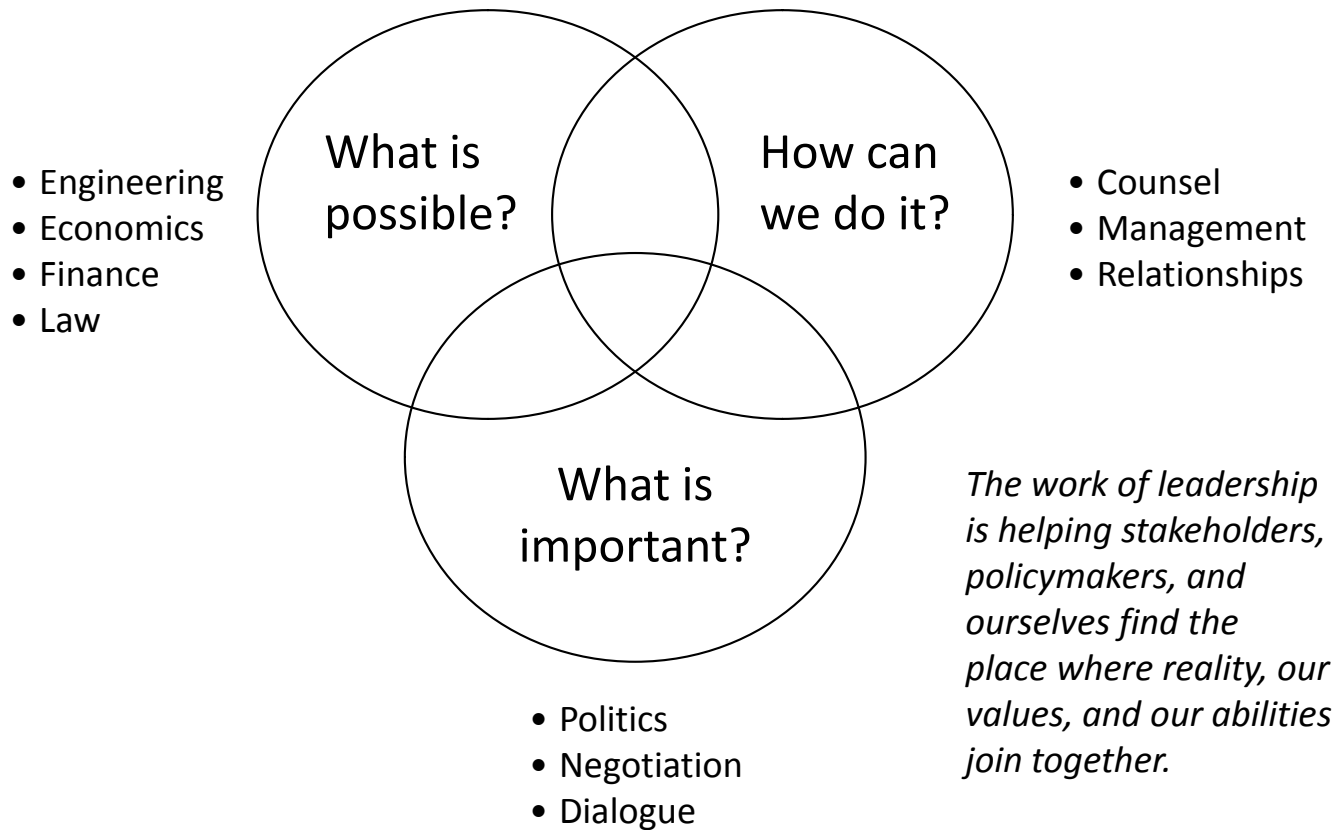


# Leadership Role

- **Stirring and Steering**
  - Stirring – Surfacing problems that others might think the regulator should leave alone
  - Steering – Helping government and stakeholders see the direction they want
- **Finding the nexus of what is possible, what is important, and how things work**



# The Regulatory Practice





# Politician's world

- **Sent to fight bad guys**
  - But must work with bad guys
- **Ambition is expected and respected by peers**
  - But not constituents
- **Flat authority structure**
  - No one sanctions the work
- **Balances many relationships**

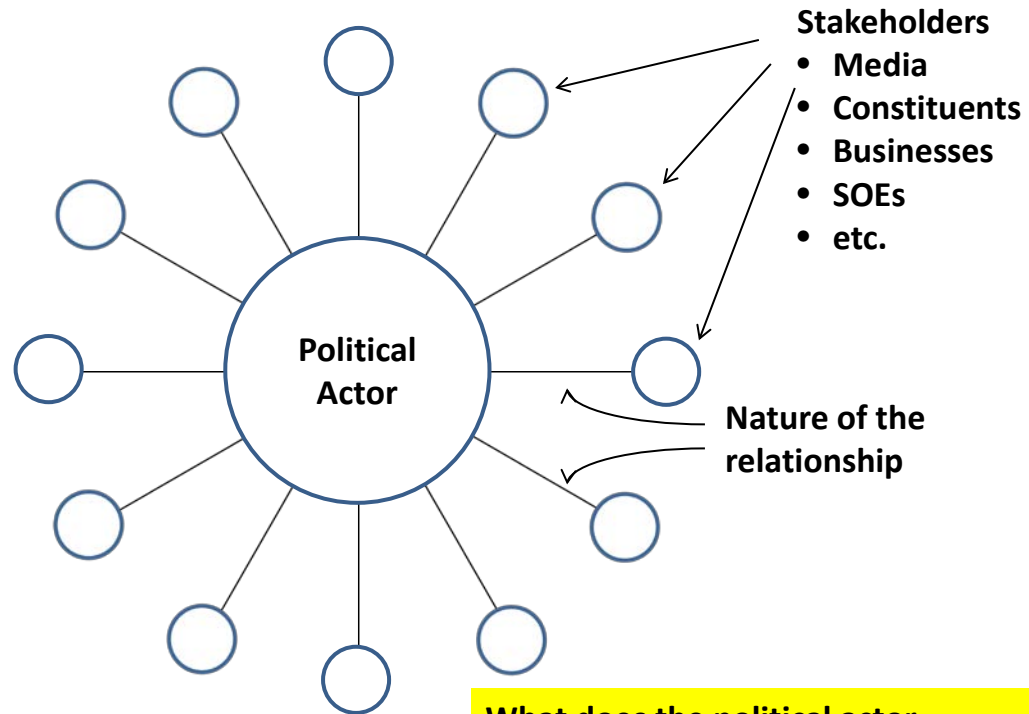
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# Political Context



What does the political actor...

- Need from you?
- Provide to you?





# Conclusion

“The good leader is he who the people revere. The great leader is he who the people say, ‘We did it ourselves.’”

Lao-Tzu



# Leadership is...

**“disappointing people at a rate they can endure”**

From Heifetz and Linsky, 2002