

Building the capacity of electricity regulators in developing countries

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Context

market liberalisation is not deregulation

- Power sectors in all developing countries are experiencing profound change
- Although reform paths differ, general trend is towards corporatisation and commercialisation, unbundling and, in some cases the introduction of private players
- Role of the state is being redefined
- Distinction between policy and share-owner objectives
- Private players need transparent, fair, predictable rules of the game
- Distinction emerges between natural monopoly and potentially competitive components of sector

The challenge

- Most countries are establishing independent regulators
- New legislation (how specific?)
- No prior experience in economic regulation
- Huge challenge
 - Creating new institutions
 - Maintaining independence
 - Removal of members?
 - Short term of office?
 - Ministerial over-ruling of tariffs and licences?
 - Budget control?
 - Developing capacity
 - Developing methodological frameworks and practice

Multiple responsibilities of regulators

- Economic regulation of natural monopoly components
 - Economic regulatory tools
 - Incentives for improved efficiencies
- Market surveillance in competitive components
 - Relationship with Competition Authorities
- Facilitation of new capacity?
- Quality of supply
- Dispute resolution
- Market information
- Policy advice

Special role of regulators in supporting reform process

- Often insufficient capacity in government
- Over time, professional competence and specialist knowledge resides in regulator
- Reform process slow and uncertain, regulator is often forced to intervene and assist in policy development
- Complex relationship with government, needs to be seen to be independent, but also needs to enhance quality of government decisions
- Political skill, relationships

Special role of regulators in advancing public benefit programmes

- Primary role is economic and technical
- But can also ensure social delivery
 - Policy advice to government
 - Connection targets in licences
 - Poverty tariffs
 - Manage a degree of cross-subsidisation, transparently
 - Energy efficiency programmes
 - R & D, Renewable Energy?
 - Monitoring

Training

- Fly-in courses of limited value
- Focus on regional, local problems and challenges, but informed by international experience
- Sustain alumni and network of regulators
- Need to build sustainable training capacity in developing countries
- Examples: TERI, Cape Town, LA U