International Regulatory Reform Experiences and Lessons

David Moskovitz
Why a Regulatory Agency

➢ To further the goals of reform
  ❖ Lower costs
  ❖ Lower electricity prices
  ❖ Attract capital
  ❖ Improve the environment
  ❖ Promote development of western China

➢ Chinese translation goes here
What Do Regulators Do?

- Create and oversee markets
  - Oversee reforms
  - Monitor markets
  - Fix problems quickly
- Regulate monopoly services
- Create and maintain investor confidence
- Protect consumers
Overview

- **Scope**
  - Broad scope

- **Credible**
  - Independence
  - Transparency
  - Appeals

- **First Year**
  - Vested interests will be created
Step-by-Step

- Small steps for reforms, large steps for needed institutions
  - Already late
  - Needed to make other steps happen
  - International
  - Functions are interrelated
Four Important Functions

- Market Power
- Price
- Environment
- Planning
Example - Market Power

- Very serious issue
- 4-5 equal size competitors are not enough
- Zhejiang
- Regulators will need to
  - Design markets carefully
  - Minimize risk
  - Monitor and enforce
  - Fix problems
Example - Price

- Pricing is a basic function in all countries
- Price is the economic foundation of the entire power sector
- Bad experience where one price was with two agencies
Example - Environment

- Power sector has a large environmental impact
- Many regulatory decisions have environmental effect
Example - Planning

- Spot market is only a small part of the market
- New generation will need long-term contracts
- Planning process (Integrated Resource Planning) is needed to
  - Ensure reliability
  - Minimize long-term cost,
  - Protect consumers,
  - Protect the environment
Coal vs. Clean coal

- Market design
- Bidding rules
- Internalize environmental cost
- Planning process
Coal vs. Gas

- Market design
- Bidding rules
- Internalize environmental cost
- Planning process
Coal vs. Wind

- Market design
- Capacity payment rules
- Transmission pricing
- Transmission planning
- Pollution fees
- MMS policy
Coal vs. Energy Efficiency

- Price and revenue setting methods
- Pricing approach
- Line extension policies
- Planning process
- Market design
- SBC funding
Hydro vs Coal

- Market design
- Planning
- Pollution fees
- Transmission pricing and planning
Central Station vs Distributed Generation

- Retail prices
- Standby tariffs
- Interconnection rules
- Market design and rules
- Transmission pricing
- Planning
Next Steps

- Create SERC
  - Set functions
  - Define state and provincial roles
  - Define appeal rights
- Select key staff
- Identify and prioritize first year tasks
- Design and implement training
- Draft initial regulations