Process, Collaboration and Engagement

Financial Research Institute Seminar on Utility Pricing

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Snapshot of utility regulation

• **Routine work** gathering evidence, scrutinizing in discovery and examination, testing legal foundations, making decisions

• **Routine goals**: reliable and safe service, fair rates terms and conditions, fair return on needed capital, of needed expenses

• **Emergent goals** adding complexity
Snapshot of utility regulation

- **Innovation** difficult, sometimes discouraged
- **Community building?** *Is that my job?*
- **Problem solving:** We resolve disputes among routine stakeholders (promote market stability)

*Influence of grid tech, end use tech and DERs invites *(demands?)* new thinking on PUC process*
Challenges of the regulatory process

- Fragmentation of issues into multiple, specific proceedings
- Stakeholder information asymmetry (who has the experts/the models)
- Litigation requirements:
  - Scoping the case
  - Establishing a position
  - Time, time, time
  - Using old concepts to address new questions: prudency and used/useful
- Difficulty in entering the regulatory process:
  - Who/What/When/How
The process challenges

- Stakeholder and PUC Resources:
  - Staff
  - Technical expertise
  - Time
- Creating an Equal Playing Field
  - Education before engagement
- Facilitation
  - Trusted party
- Consistency of Engagement
  - Number of working groups
  - Individuals versus organizations
Collaboration and alternative processes for engagement

- Process is a strategic decision
  - Process is often not seen this way
- State examples
- Innovation innovation innovation
Strategy of process

PUC can identify important decisions/choices

- When **innovation, new thinking** is called for
- No need to have pre-determined ideas about outcomes to consider questions inescapable
- For these important moments, special consideration for process is appropriate
EXHIBIT 1
Reform Processes Typically Consist of Four Stages

INITIATE REFORM PROCESS

COMMUNICATE VISION FOR REFORM

CONDUCT THE REFORM PROCESS

DELIVER REFORM OUTCOMES

Source: Process for Purpose, RMI, 2019
Strategy of process

- Each state is unique
  - History
  - Priorities and statutes
- Situations characterized by innovation are unique
  - Timing very important
  - Subject matter *matters* to process selection
Likely subjects for process innovation

- **Energy efficiency** – markets and customers
- **Electrification** – new markets, customers, utility role, innovation
- **Performance regulation** – innovation, changing role of utility
- Influences of **technology** – innovation, topology of grid, changing expectations
- **Safety net**, inclusion – account for under-represented perspectives, connect to innovation-driven opportunity
- Use of **data** for good – innovation, new programs, markets
- Initiating **demonstration** projects
- **Big policy** shifts
EXHIBIT 2
Evolution of Regulatory Process Design

Back-and-forth filings between commission, utilities, and other parties in quasi-judicial proceedings with limited opportunities for informal collaboration

Focus on dynamic and interrelated topic areas with little or no precedent

Scope of processes can inhibit more transformational proposals or discussion

Robust stakeholder process with opportunities for foundation setting and consensus building

Concern over statutory authority, political risk, and resource capacity can weaken results

Maximize use of data, promote information sharing, and leverage outside expertise

Potential lack of transparency in decision-making

Use pilots and performance metrics to design, evaluate, and scale regulatory reforms

Source: Process for Purpose, RMI, 2019
Common characteristics for process innovation

- **Innovation** in the public interest
- **New Businesses** engaged
- **Customers** activating, relying on
- **Leadership** from convener
Advantages to process innovation

- Stakeholders are heard and hear each other
- New ideas are invited
- Synthesis of ideas
- Problems can come with solutions
Outcomes from process innovation

• Smarter stakeholders
• Smarter staff (and commissioners if they participate)
  • New ideas and perspectives, empathy
• Solutions that decision-makers can ratify
  • Responding to real trends
• Built on the foundations of regulation
Meaningful stakeholder participation leads to better, more durable outcomes.

- Education and collaboration: Process is designed to generate new insights.
- Broad participation: Expansive and inclusive stakeholder engagement.
- PUC staff commitment: Process has strong leadership.

Source: Leading Utility Regulatory Reform, RAP, RMI, 2019
Conditions for better outcomes

- **Engagement** (as distinct from lectures)
  - Move toward empathetic problem solving
- Reveal **priorities**, invite convergence
- **Experience** from away
- Neutral convener (higher ed?)
- Essential for value: Get participants off their talking points
  - Maximizing value: Participants trying to solve others’ problems
Connect to decision-making dockets

• Keep everyone motivated that this work matters
  • Clarity, consistency
• Reinforce interest of decision-makers in progress
  • Outcomes
• Remind that constructive participation gives the group power
  • Who knows what the commission will do????!!
Reasons not to deploy process innovation

- Authority – not a limit in most states
- Time
- Trust deficit
- Discomfort
- Lack of budget
- Lack of commitment from decision-maker
A few state examples - Current

- Oregon PST
- New York REV
- Rhode Island Power Sector Transformation
- Ohio Power Forward
- Illinois Next Grid, AMI, Energy Efficiency
- Minnesota e21 (NGO-driven)
- North Carolina (executive branch)
A few state examples - Past

• Texas Deliberative Poll on Renewable ‘96
• Retail competition initiatives late ‘90s
• Arkansas energy efficiency ‘06
Special case: NY REV

- Unprecedented ambition
- Almost no evidentiary hearings in multiple policy orders
- Strong role of initiating through a Staff Report
- PUC controls course of conversation by establishing starting place
- Various forms of process and comment lead to policy orders to be implemented in typical cases
Regional examples

- Pacific Northwest
  - Northwest Power and Conservation Council
  - Regional Technical Forum on energy efficiency
- REEOs (regional energy efficiency organizations)
- MADRI (Mid-Atlantic Distributed Resources Initiative)
  - And its predecessor, NEDRI in New England
Jumping off the continuum

• Regulation is often about finding right resolution between two competing positions
• Innovation is often about new perspectives not on continuum
  • And comes from people engaging, creating
• New technology and new customer capabilities to support grid presents new opportunity
  • Process innovation more likely secures it
Resources

- RAP – www.raponline.org
- Illinois CUB -- https://www.citizensutilityboard.org/
- Rhode Island Power Sector Transformation Initiative
- Minnesota e21 process
- Texas Renewables Story