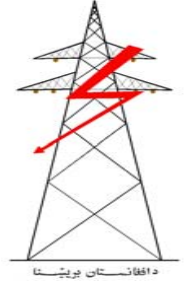


Discussion Session

Topic: Regulation: Organization and operations
(how a regulatory body works)

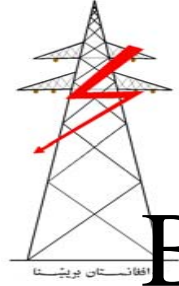
February 10, 2004

Oswaldo Juvier, Power Advisor
Hasso Bhatia, PhD
Senior Consultant
Ministry of Water and Power
Kabul, Afghanistan



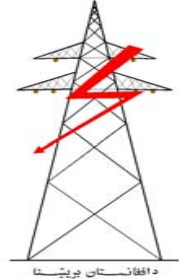
Purpose of Regulation (Why Regulate Utilities?)

- Monopoly Services (exclusive right, essential service)
- Consumer Protection from Unfair Utility Practices and market Condition
- Assure Fair and Non-discriminatory Tariff Application
- Ensure Reliable Service



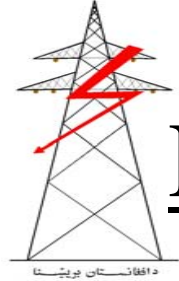
Basic Principles of Utility Regulation

- Customer Right to Reliable Service at Reasonable Rates
- Maintain Financial Integrity of the Utility
- Utility Entitled to Opportunity to Recover Costs, plus Adequate Return on Investment (profit)
- Utility Must Prove Costs are prudent and Reasonable



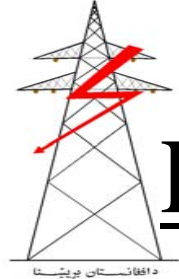
Basic Regulatory Structure

- Governing Laws and Regulations (by Parliament, by Decrees)
- Agency Organization; Independence from Utility, Government and Political Interference
- Budget and Funding (State, Utility Assessment, Other)
- Quasi-judicial Process; Evidentiary Hearings, Public/Consumer Participation, Subject to Judicial Review
- Code of Ethics
 - Avoid Conflict of Interest
 - Impartiality



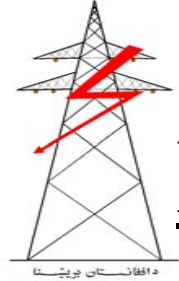
Principal Regulatory Responsibilities

- **Tariff Setting and Tariff Application**
 - Tariff Principles and Methodology
 - Cost of Service and Tariff Calculation
 - Tariff Structure and Efficient Tariff Design
 - Social Protection



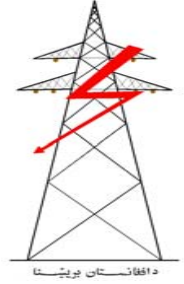
Principal Regulatory Responsibilities

- Consumer Protection
 - Billing and Service Rules
 - New Service and Line Extension Policy and Rules
 - Establish Reasonable and Realistic Performance Criteria and Standards
 - Approve and Monitor Market Rules, Technical Codes and Standards
 - Establish Consumer Complaint and Dispute Resolution Procedures
 - Establish Rules of Practice and Procedure before the Agency



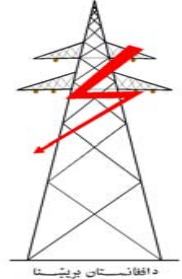
Principal Regulatory Responsibilities

- Ensure Long-term Service Reliability
 - Long-term Supply Arrangements
 - Review Investment Plans
 - Equipment Upgrade and Maintenance
 - Financing Options and Viability



Regulatory Process

- Focus on Transparent, Objective, Non-discriminatory process
- Public Notice and Opportunity for Comments
- Intervention Opportunity to Stakeholders
- Access to Information
- Administrative Procedures
- Decision-making
- Appellate Rights



Rate Case Review Process- Conducted under Published Rules of Practice and Procedure

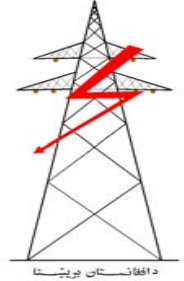


- Type of Filing: General tariff review; single issue; intervener petition; formal customer complaint; Agency own initiative, generic
- Participants: Applicant, Agency staff, large consumers, consumer advocacy groups
- Filing Format: Application, expert testimony, Exhibits, working papers, often the agency prescribes filing format and required data



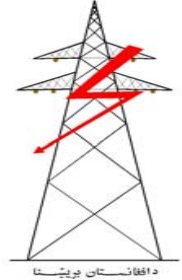
Cont.

- Docketing/tracking: Exec. Sec. assigns docket number, assigns a hearing officer, tech. staff, schedule dates, notice to interested parties etc
- Pre-hearing Process conducted under published rules of practice and procedure
- Presided by hearing officer, all interested parties are invited
- Information Discovery Phase
- Staff Review and Report
- Public hearings



Cont.

- Explore settlement opportunities
- Evidentiary hearings: initial testimony, cross-examination, rebuttal, briefing
- Summarization by the Hearing Officer
- Commission Deliberations and Decision
- *Must be based on evidence and record*
- Publication of Decision (website, media, official register)
- Appellate Rights and Process



Agency Organization

