Execution and Leadership: Fulfilling Conflicting Responsibilities in Utility Regulation

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Abstract

Utility regulators serve in two potentially conflicting roles: An implementer of policies established by others and someone providing leadership to effect change. The regulator’s success will depend upon his or her ability to properly perform these roles at the appropriate times, to manage the pressures that these roles bring to the regulatory system, and to limit how the roles sometimes work at cross purposes.

In the regulator’s formal role as an implanter of policies and laws, he or she establishes regulatory rules and processes, and makes regulatory decisions, under the authority of the country's lawmakers and policymakers. A successful regulator provides the higher authorities with the information they need to be confident that their policies are being implemented faithfully and efficiently. However, the regulator should keep in mind that lawmakers and policymakers are subject to political pressures and that the regulator's work can sometimes relieve these pressures or increase them. Understanding the political context of regulation, and understanding what politicians need from regulators in order for them to be successful are critical for the regulator to succeed. A regulator that fails in managing these relationships will find himself or herself micromanaged, second guessed, and without adequate support.

As if the formal work of regulation were not hard enough, the regulator also plays a leadership role due to his or her unique position within the regulatory system. This leadership role helps stakeholders and policymakers find the nexus of three spaces: (1) Knowing and implementing what is possible (the technical work of engineers, financial experts, lawyers, etc.); (2) Identifying values and priorities (the work of politics, dialogues, and negotiation); and (3) Aligning systems (the work of managing people and organizations). Too often, these three spaces do not overlap. For example, sometimes people want and think they should have things that are not achievable; in other words, they do not understand reality. The work of leadership in regulation is mobilizing people to deal with the challenges of aligning what people want with what can be done.

This leadership role can conflict with the formal role because the act of leadership affects the higher authorities and the formal structure. The regulator might find him- or herself challenging the work that lawmakers or policymakers are doing, challenging the information and expertise of the utility, and disappointing customers by providing the bad news that sometimes costs are higher, service is necessarily slower to be delivered, or both, relative to what customers believe they should have.

How can a regulator be successful in such an environment? A regulator should carefully map crucial relationships, know their natures, and build a strong regulatory agency. The regulator should also stir and steer, but always with humility, knowing that by stirring the pot the regulator is surfacing problems that others might think the regulator should leave alone, and that by steering the regulator is providing direction that policymakers and lawmakers properly see as theirs to provide, but which they cannot provide because of their limited information and knowledge.