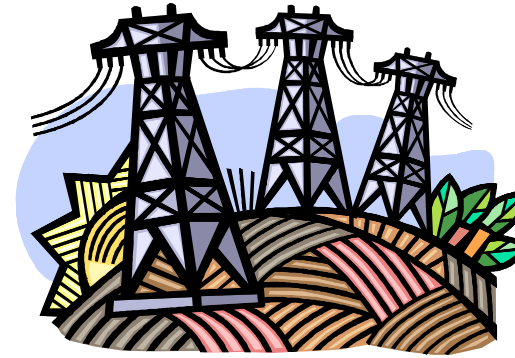
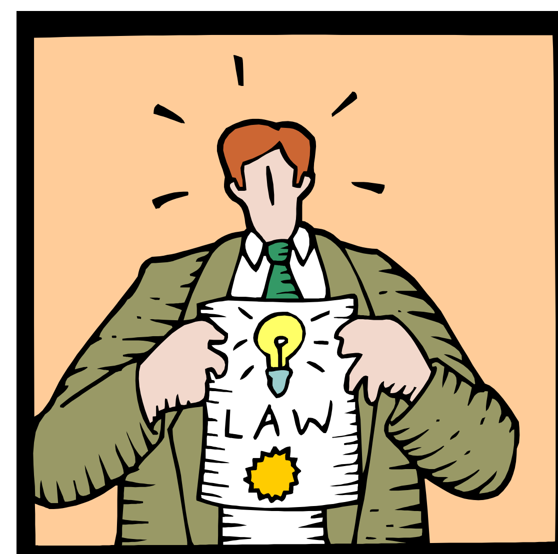
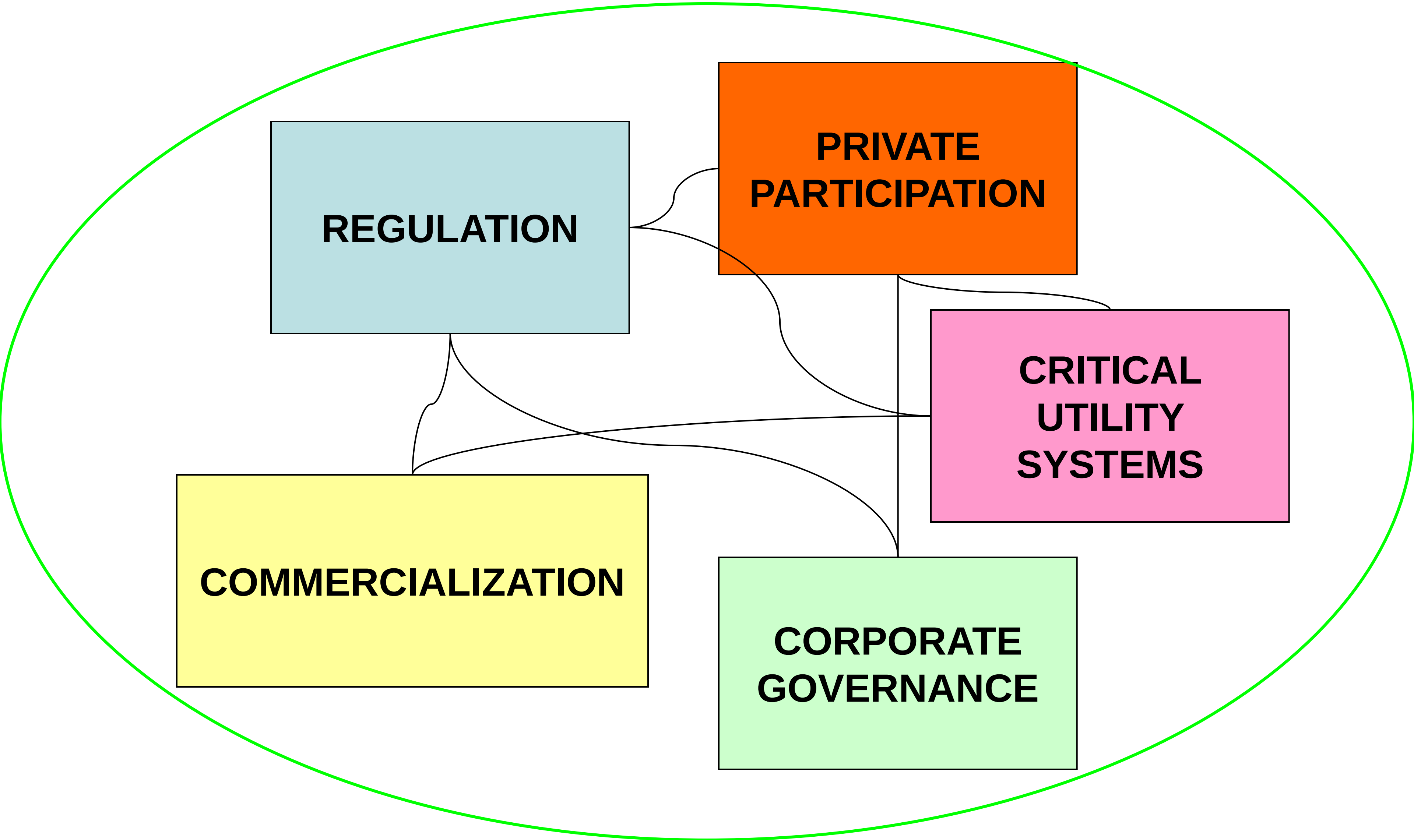


Panel on Regulation in Difficult Transitional Situations



A Web of Building Blocks for Effective Utilities



Question 1

- How does a regulator regulate a publicly-owned utility that has staff under civil service rules, profit and incentive restrictions, and shareholders who don’t care about their Return on Equity?

Question 2

- If tariffs are based on a utility's revenue requirement, and the utility has 60% losses, how are losses taken into account in calculating a tariff? You can't ask the 40% of customers who actually pay their bills to pay for the 60% losses, can you?

Question 3

- How can a regulator set progressive performance improvement targets for utilities when utilities are poorly managed, inefficient and have high losses?

Question 4

- Should regulators set rates that actually reflect the cost of service for each category of customer? If there are large cross-subsidies, won’t utilities try not to serve the more uneconomic customer segments? Should the poor pay their full cost of service?