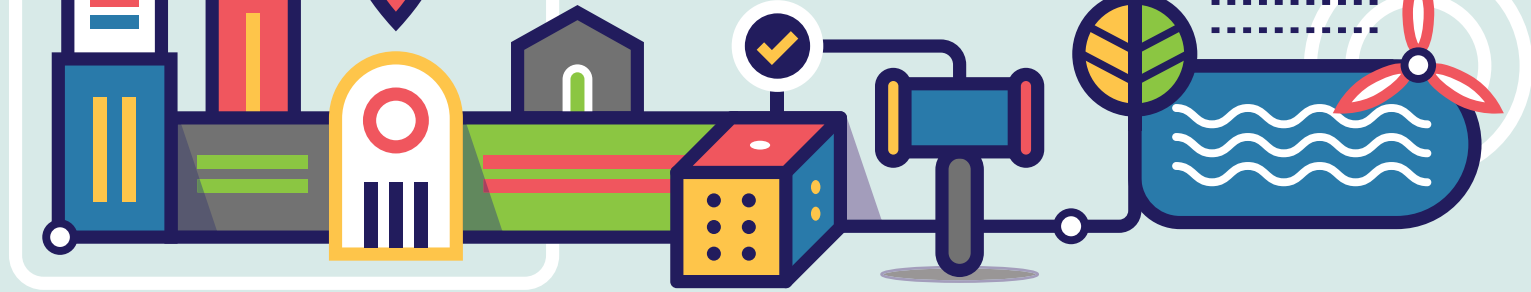




OECD Regulatory Policy Outlook 2021

# The governance of sector regulators



## Chapter 5

# The governance of sector regulators

The governance of economic regulators affects the performance of critical network sectors.

Economic regulators serve a critical role in network sectors such as energy, e-communications, transport and water, acting as rule-setters and market referees. Strong governance is a driver of performance. It ensures technically rigorous, objective and predictable decision making, with the ultimate goal of improving sector performance and consumer outcomes like quality and affordability.

- ▶ Most OECD countries have delegated economic regulation to independent bodies, in support of impartial decision making.
- ▶ Many have legal safeguards to support independent decision making, such as rules on leadership appointment and dismissal.
- ▶ Performance reporting enables scrutiny of a regulator's effectiveness and impact, but public reporting often lacks key information about how well the regulator and its processes work.

### The scope of action of economic regulators

While exact functions differ across authorities, many share similar core responsibilities to improve the functioning of markets. Most regulate prices (81%), such as network usage and connection tariffs. Other common functions are issuing licences or authorisations, enforcing regulatory compliance and taking final decisions in disputes.

Some regulate multiple sectors, such as the **Latvian Public Utilities Commission** with a role in the e-communications, energy and water sectors. They can also have a competition and consumer protection role, like the **Australian Competition and Consumer Commission**.

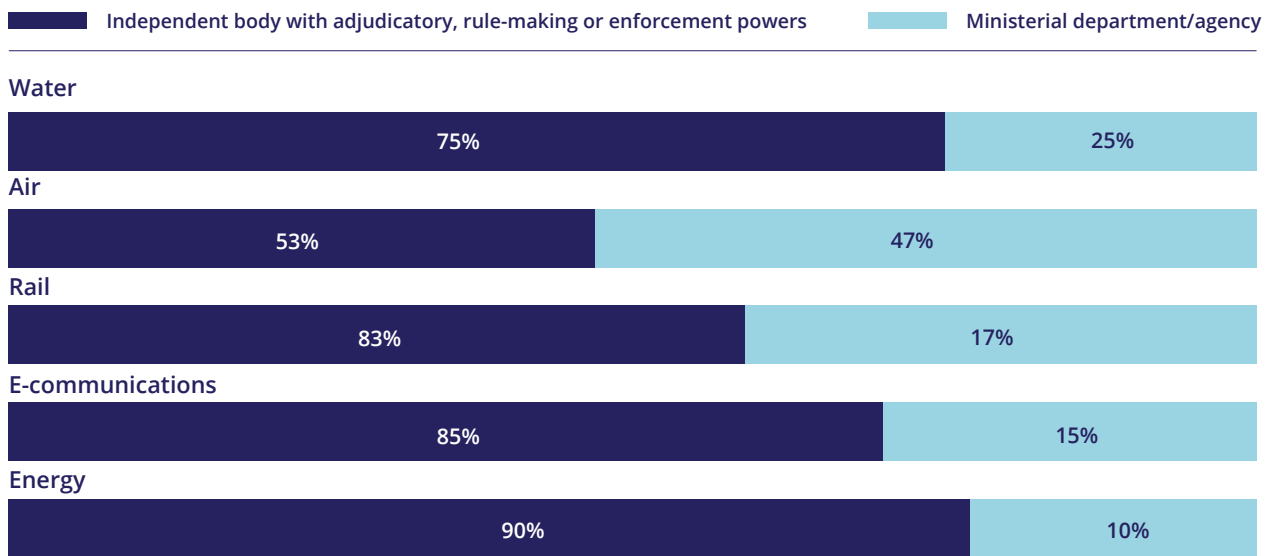
On average, energy and e-communications regulators have more functions than transport and water regulators.

Source: 2018 OECD Indicators on the Governance of Sector Regulators.

**Most economic regulators (78%) are independent bodies with a strong degree of autonomy in decision making.** Their independence supports trust in the objectivity, integrity and stability of their decision making, which improves the investment environment.

The energy sector has the highest share of regulatory bodies with an independent legal status.

### Legal status of regulators, by sector

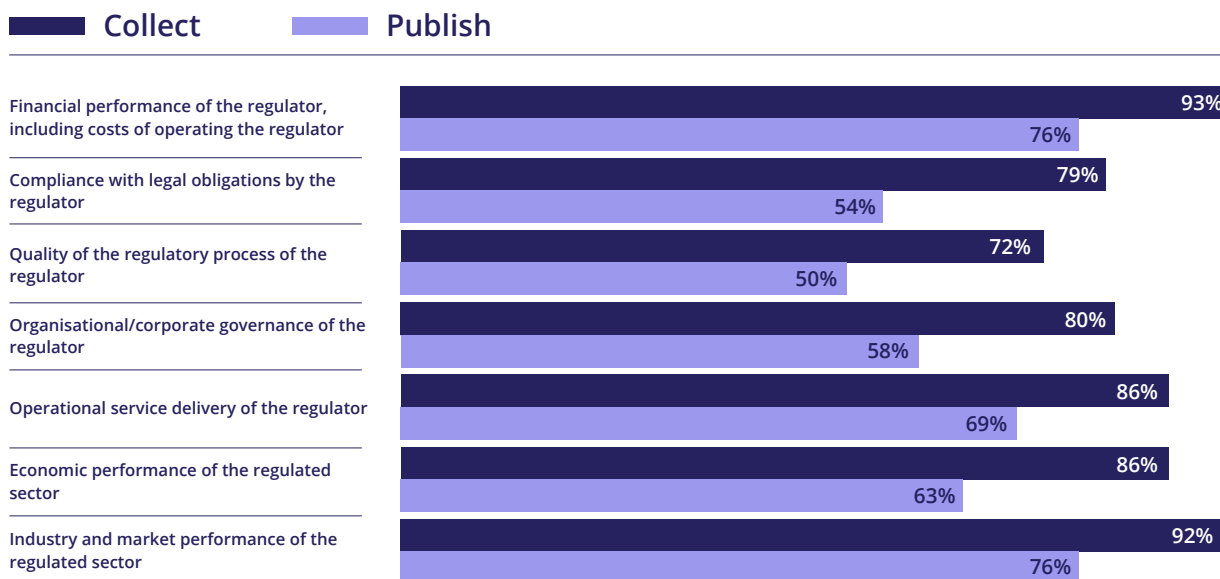


Source: 2018 OECD Indicators on the Governance of Sector Regulators.

**Regulators commonly publish draft decisions and collect feedback from stakeholders, but reporting on performance information remains an area for attention.** Independence and accountability are two sides of the same coin, and with greater independence comes greater responsibility to remain accountable. Performance assessment is a critical ingredient for maintaining accountability, fostering transparency, and driving improvements. Many regulators could expand the collection and reporting on their organisational performance, such as the quality of the regulatory process (with only 50% publishing this type of data).

Information on the effectiveness of the regulator and its processes is often not made publicly available.

### Proportion of respondents indicating that they a) collect and b) publish information under the performance information categories indicated below



Source: 2018 OECD Indicators on the Governance of Sector Regulators.



## Related links

- ▶ [OECD Regulatory Policy Outlook 2021](#)
- ▶ [The 2018 Indicators on the Governance of Sector Regulators](#)
- ▶ [OECD 2012 Recommendation on Regulatory Policy and Governance](#)
- ▶ [OECD Best Practice Principles on the Governance of Regulators](#)
- ▶ [Creating a Culture of Independence: Practical Guidance against Undue Influence](#)
- ▶ [Indicators of Regulatory Policy and Governance](#)

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