

## **SECTION 1**

### **COMMISSIONERS**

#### **FIVE TO TEN YEAR OUTLOOK**

As we approach the 21<sup>st</sup> century, we envision a California at the epicenter of remarkable advances in information technology transforming how Californians live and work. Technological advances spearheaded by California scientists, engineers, and businesses are contributing to impressive productivity gains and expanding markets. Technology and a multitude of services once considered exotic by even science fiction standards are converging to form vast interconnected networks which are becoming deeply embedded in our everyday lives.

Innovation is proliferating rapidly throughout the telecommunications and energy industries, and to varying degrees within the water and transportation sectors as well. The aggressive pace of innovation, spurred on by competitive forces, is fueling our current economic boom – the longest peacetime expansion of our economy in history – and affirms California’s commitment in recent years towards increased reliance on the disciplining effects of markets as a principal regulatory tool.

At the turn of the last century, Industrial America was built on the strength and ubiquity of the railroad and communication networks of its day. Likewise, in the coming century, the Information Age society will be built on the critical energy and communications networks that are even now delivering remarkable advances to our society’s growth, development, and quality of life.

As we leave the Industrial Age behind and enter the challenging new world of the Information Age, it’s clear that with recent technical advances and the increasing impact of globalization, the basic formula for sustained social and economic prosperity relies on expanding access to society’s essential networks of information, natural resources, and commerce.

With that formula in mind, we view the CPUC’s job over the next five to ten years as vigorously promoting expanded access for all Californians to emerging technological and service enhancements. We will fulfill this role by carefully evaluating frameworks for real, vigorous competition; by ensuring that the benefits of competition reach all consumers; and by continuing to refine and improve the processes and policies of the CPUC to make the agency more accessible to consumers.

Effective, functioning markets for utility services continue to unfold and take shape. We envision the role of the CPUC shifting from an emphasis on ratemaking to a greater focus on policymaking within competitive markets. As a consequence, the Commission will be required to anticipate industry trends and

continuously adapt its decision-making structure and processes accordingly. Regulatory lag must become a relic of the past.

Inevitably, as technologies and service offerings advance, the very definition of “essential” services regulated by the Commission will evolve over time. Given this fact, it will be crucial for the Commission to continue to re-examine the means and methods it uses to reach decisions and set policy. This is essential for the agency to play an effective role in preparing California and its citizens for the demands imposed by the new Information Age.

To this end, we foresee the Commission adopting a fundamentally proactive approach in all aspects of its decision-making processes. We expect this new role in a new world to include the following elements:

- Increasing the agency’s responsiveness to the public by working much more closely with California’s legislative and executive branches, as well as other agencies, in the formulation and execution of policy;
- Undertaking increased responsibility for providing these decision-makers and stakeholders with more detailed, in-depth analyses of policy options;
- Closely monitoring industry developments and trends, and responding in a timely and appropriate manner;
- Altering Commission processes to respond to stakeholder needs unique to a competitive market;
- Establishing more informal and flexible forums to provide stakeholders opportunities to improve mutual understanding and create valuable options. To this end, and to build on the process, electronic, and human resource innovations we have already begun internally, as well as participate in the Governor’s Innovations in Government program, we have scheduled a Stakeholder Roundtable on CPUC Innovations for October 12, 1999. It will begin at 1 p.m. in the Auditorium of the State Building at 505 Van Ness Avenue in San Francisco. The goals of the Roundtable are for stakeholders to offer new ideas for better ways for the CPUC to serve the public and stakeholders’ interests, and for us to create and act expeditiously on a plan to implement them.
- Developing collaborative processes with state and federal agencies and other organizations, such as community-based organizations, to take advantage of available skills and talents;
- Assuming an enhanced role as a strong advocate for forward-looking policy options and enforcement initiatives recognizing that California must remain at the forefront in opening competitive markets, and ensuring that these same markets respect basic consumer rights.

Just as important as what the Commission does, is what the Commission no longer does. The Commission must continually evaluate the markets we regulate and ask the difficult question of whether traditional methods of oversight

are still necessary. For example, in the transportation area, the Commission must evaluate the success of our pro-competitive policies and continually assess whether economic regulation has a place today or whether another focus has taken its place.

Moreover, five to ten years into the future, the role of the CPUC will necessarily shift to a greater emphasis on consumer protection. The Commission's traditional functions in this area – protecting the financial interests of consumers from monopolistic and anti-competitive practices, guarding against marketplace abuses and fraud, and monitoring market power and structure – will likely continue. Our consumer protection efforts will build upon this foundation as markets in previously regulated industries mature, as the number of market entrants increases, and as the scope and range of available services to consumers proliferate.

As these events inevitably unfold, the CPUC will devote an increasing share of its human and technical resources toward expanding consumer awareness of utility service providers and options, assisting consumers in navigating these options, and resolving consumer complaints. At the same time, the Commission will be prepared to identify and implement programs and investments to train staff and upgrade the skills used to regulate the constantly evolving industries. Our entire definition of “regulation” must be re-evaluated and re-defined. Finally, the CPUC must meet the challenge of serving a state undergoing significant demographic shifts. For example, our services must recognize and be tailored to respond to the needs of a growing multiethnic and multilingual populace.

The door to increased marketplace competition in previously regulated industries has been opened. But for now, the gradual and uneven spread of competition - particularly in the telecommunications and energy sectors - is an inescapable reality. Many consumers have yet to directly benefit from increased competition, and until they do, our vision of fully functioning, competitive markets is still a long way off.

As we look back to the events of one hundred years ago, we can now see how access to the networks of information and commerce was critical to success in the Industrial Age. Where the railroad went, it created cities and made fortunes; where it did not, it left isolation and despair.

In the next five to ten years, we envision that the proper and appropriate role of the CPUC will be to ensure that consumers have affordable access to critically essential services, and that all citizens benefit from the fruits of competition. We must seek out new and innovative policies to ensure that the

benefits of competition, technological innovation, choice of service offerings, and lower costs reach the greatest number of consumers.

Please also see additional comments by Commission President Richard A. Bilas and Commissioner Carl W. Wood in the following pages.