

The Regulation of Public Utilities of the Future in Latin America and the Caribbean

A Project of the Latin American and Caribbean Research Network

The regulation of public utilities has been evolving across the world, and Latin America and the Caribbean (LAC) is no exception. Privatization have often transformed public enterprises to private firms with monopoly power, and many lessons have been learned in regard to regulating such entities over the years. Those privatizations, though, have also included some forms of deregulation and liberalization in different segments of the markets involved. Increased opportunities for competition have been introduced in several instances, and technology has already been an important driver of change.

Regulation necessarily requires trade-offs reflecting multiple objectives. Static allocative efficiency, universal access / distributive concerns and stimulating adequate investment have been common goals, and ones that frequently create tension in regulatory design. More recently, environmental issues and accommodation to likely disruptive technological changes have become further pressing concerns.

The public infrastructure service companies of today will likely face radical changes. Technological change may bring decentralization, greater competition, foster tighter links between sectors (e.g., electric vehicles suggest that the future of energy and transport will be closely intertwined) and will bring new challenges for public policy including regulation.

Some believe we are on the cusp of monumental changes akin to the invention of the internal combustion engine—or perhaps even more fundamental in nature. In this context, while a good diagnosis of the current challenges is useful, it is also important to think ahead. What institutions will we need for the future? How can regulation today allow for the gains such changes may bring in an orderly fashion as well as adapt to what is required going forward? What will be the right institutional, policy and instrument designs for the regulation of the infrastructure services of the future?

In this network project we seek to advance knowledge in these areas for Latin America and the Caribbean. As in other such network projects, this one will be an exercise in joint learning with several teams working across different countries and sectors and with the opportunity to share common methods and to exchange information on experiences and on ideas. The results of the project will be a series of papers that will serve as inputs to the 2020 IDB flagship publication *Development in the Americas*, which will be dedicated to infrastructure services.

Coordinating Team:

Eduardo Cavallo (Technical Coordinator)
Fernando Navajas (External Advisor)
Andrew Powell (Technical Coordinator)
Tomás Serebrisky (Technical Coordinator)
Santiago Urbiztondo (External Advisor)