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## Reflections from Armenian Commissioner Sergey Aghinyan on the Value of Knowledge Sharing and Collaboration Among Energy Regulators from Around the World

February 2023 – With funding support from the United States Agency for International Development (USAID) under both the USAID/Armenia Mission and the Energy and Infrastructure Division of the Bureau for Europe and Eurasia, the National Association of Regulatory Utility Commissioners (NARUC) has worked with the Public Services Regulatory Commission (PSRC) of Armenia to support the country's efforts to build a resilient and independent energy sector that increases the competitiveness of the overall economy.

From 2010 to 2017, NARUC and the PSRC delved into a variety of issues that improved the Commission's regulatory capabilities and interaction with governmental agencies, regulated entities, and energy sector stakeholders. As a result, the PSRC was able to accomplish several energy sector reforms, such as improving quality of service standards and updating its tariff setting principles. NARUC also supported Armenia's path toward a more open and competitive energy market by providing training on auditing practices, which is critical to establishing appropriate regulatory accounting and reporting requirements. More recently, the PSRC is working to update its methodology for calculating technical losses as well as increase its ability to forecast natural gas and electricity demand with USAID and NARUC support. This will in turn help it to better monitor the market and evaluate investment plans submitted by utilities.

PSRC staff are also actively participating in regionally funded USAID and NARUC activities across Europe and Eurasia that focus on cybersecurity and protecting the electric grid, electricity market development, empowering women in the energy sector, and ensuring the reliability and resilience of the sector in the face of the ongoing energy crisis and Russian war in Ukraine. For example, in December 2022, PSRC staff attended a series of workshops alongside national regulatory authorities and transmission system operators in the region to discuss several topics, including how to address potential resource adequacy issues through implementing demand response programs.

### **Paying it Forward**

While PSRC staff are increasing their technical knowledge and skillsets through USAID and NARUC trainings and support, they have also started to share the knowledge they have gained from previous regulatory assistance by serving as expert volunteers for USAID and NARUC activities in other regions of the world. In this context, NARUC spoke with PSRC Commissioner Sergey Aghinyan to discuss his thoughts on the value of the knowledge gained through USAID and NARUC assistance as well as his recent experience helping to train energy sector stakeholders from Central Asia on key aspects of energy regulation. Over the years, Commissioner Aghinyan has traveled to Iowa and New York for USAID and NARUC

technical trainings and participated in numerous other trainings in order to strengthen the PSRC's capacity as an independent regulator.

## **Q&A**

### *Can you tell us about yourself and your role at the PSRC?*

I joined the PSRC in 2000, and have worked in several departments, including the financial, tariff, investment, and technical departments. I have held managerial positions for more than 10 years and participated in many initiatives and reforms in Armenia's regulatory sector. Currently, I am engaged in a wide range of activities, including evaluating investment projects, controlling expenses and procurements, defining and controlling service quality indicators, and developing legal acts regulating relations between licensees and consumers.

### *What are some of the regulatory actions the PSRC has taken as a result of USAID and NARUC assistance?*

Looking back on all the work we have completed since the early 2000s, I realize that the regulatory framework we currently have in place is adapted mainly from U.S. Commissions. When I first started out at the PSRC, we were not completely sure what an independent energy regulator was. We were functioning more like a governmental body and were not sure how to deal with consumers and regulated entities. Our initial reaction was to oversee the energy sector through a top-down approach. In this regard, USAID and NARUC assistance had a big impact on us; it provided us with access to the knowledge and experience of other regulators, which changed our way of thinking.


For example, at one point the PSRC was considering applying penalties to regulated entities. Instead, we chose to work together with them to discuss issues and develop regulations collaboratively, which was a recommendation made by U.S. Commissioners. Thanks to USAID funding and NARUC's facilitation, involvement, and efforts, the PSRC has since benefitted from multiple exchange programs with Commissions from different states. It has been very helpful to get newly developed documents peer reviewed before they are adopted and pose questions to U.S. Commissions to get their feedback. In particular, since these exchanges, we have improved our tariff setting principles, cost auditing, and monitoring rules.

### *Why did you choose to take part in USAID and NARUC activities designed to assist regulators from other countries?*

My Commission and I are grateful to USAID and NARUC for their continuous support to the Armenian regulatory authority. When NARUC invited me to participate in these events, I thought it was a great opportunity to express my gratitude as well as make my own contribution to its important mission. The PSRC has always had the opportunity to meet volunteer Commissioners during the meetings organized by USAID and NARUC, and we greatly benefited from those meetings. Now it is exciting to be in their shoes, sharing my experience and helping others. I am also always happy to see the friends I have made, including NARUC staff and other regulators.

### *How did the knowledge you gained from the USAID and NARUC Armenia Energy Regulatory Partnership prepare you to share your experiences with energy regulators from around the world and help them to address challenges in their energy sector(s)?*

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Sergey Aghinyan, Commissioner, PSRC

Commissioners has always added value to USAID and NARUC activities. In addition to the main discussions taking place, PSRC staff had an opportunity to communicate with experienced regulators and ask questions. From these experiences, I found that the case studies presented by the volunteers often left a lasting impression and helped me to understand the theory behind them. For this reason, I now try to present more practical knowledge in my volunteer presentations. Additionally, I try to take responsibility by asking questions and initiating discussions with participants, because sometimes it is difficult for the audience to ask the first few questions when learning about completely new regulatory topics.

*You were recently an expert volunteer for a USAID and NARUC activity in Central Asia. Can you please elaborate on your experiences?*

I gave a presentation on tariff calculation mechanisms, tariff structure, and cost auditing in Armenia, with a focus on practical examples and challenges that the PSRC faces during tariff calculation. Examples included specific cost calculations made by utilities and other regulated companies. The audience showed a lot of interest in this topic, and they asked a number of questions about it as well as others connected to energy regulation in Armenia. Next time, I plan to make my presentation even more proactive by presenting different scenarios that show them what could change if they apply different regulatory schemes.

*Are there any challenges in the Central Asian energy sector that you think Armenia has dealt with in the past?*

I think the main issue is that the regulators are not independent, and they have limited power to effectively implement their functions. The Armenian regulator is an independent authority, and as Commissioners we continuously try to enhance its powers and level of independence as we understand the importance of being able to make decisions separately from the government.

*What did you learn from your experience, and what did you find most rewarding?*

As a continuation of my career, in my view, it is great to have the opportunity to share the experiences that I have gained over the past 22 years. These activities have given me a chance to present myself as an expert, develop my skills, and become more experienced. I have learned to work with an audience and better initiate discussions, and I am certain that my upcoming presentations will be more effective as a result. The most rewarding thing about my experience volunteering so

far has been the opportunity to ‘pay it forward,’ help other regulators, meet new people, and make friends.

*How have you learned from other commissions that are less developed? Are you taking anything back to the PSRC after you have been a volunteer?*

In Kazakhstan, they already launched their electricity market, and the market structure is a very new concept in Armenia. We are just launching our market. I asked a few questions about the software and the scope of market liberalization. Even if their regulator is not fully formed, we face similar issues and systems in the energy sector; therefore, we have many interesting topics to discuss.

### **The Importance of Regional Cooperation**

The participation of PSRC staff like Commissioner Aghinyan as expert volunteers in USAID and NARUC activities highlights the importance of building regional relationships and cooperation. As he points out, many countries face similar issues in the energy sector. This serves to demonstrate that the ability of energy regulators to brainstorm together can lead to innovative ideas that help overcome challenges, such as preventing cyber-attacks, addressing supply shortages, and achieving a higher penetration of renewable energy. Platforms that connect regulators to discuss and share innovative solutions and lessons learned are key to enabling sector reform, fostering economic opportunities, and promoting energy systems that are sustainable, reliable, and affordable.

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*Photo Caption: PSRC Commissioner Sergey Aghinyan is pictured fifth from the left during a 2022 USAID and NARUC activity in Central Asia.*