



Highlights of [GAO-03-845](#), a report to the Ranking Minority Member, Committee on Governmental Affairs, U.S. Senate

Why GAO Did This Study

In June 2002, GAO reported that the Federal Energy Regulatory Commission (FERC) had not yet adequately revised its regulatory and oversight approach for the natural gas and electricity industries' transition from regulated monopolies to competitive markets. GAO also concluded that FERC faced significant human capital challenges to transform its workforce to meet such changes. In responding to the report, FERC said that the new Office of Market Oversight and Investigations (OMOI) it was creating and human capital improvements under way would address these concerns. GAO was asked to report on FERC's progress in (1) establishing an oversight and enforcement capability for competitive energy markets and (2) improving agency-wide human capital management.

What GAO Recommends

- GAO recommends that FERC
- more clearly define OMOI's role in overseeing competitive energy markets and develop formal processes and written procedures for the office's key activities and
 - revise the agency's human capital plan to (1) identify specific activities, resources, and time frames and (2) provide results-oriented measures to track progress in implementing its initiatives and evaluate their effectiveness.

FERC generally agreed with this report's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-845.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jim Wells at (202) 512-3841 or wellsj@gao.gov.

ENERGY MARKETS

Additional Actions Would Help Ensure That FERC's Oversight and Enforcement Capability Is Comprehensive and Systematic

What GAO Found

FERC has made strides in putting an energy market oversight and enforcement capability in place, but work remains to ensure that its efforts will be comprehensive and systematic. Since FERC declared OMOI functional in August 2002, the office has focused primarily on outlining its vision, mission, and primary functions; developing basic work processes; integrating its use of an array of tools to oversee the markets; and hiring staff with market experience. OMOI is also assessing its data needs and developing its working relationships with others, such as the industry's market monitoring units. Nonetheless, the office still has work to do in the following two key areas:

- *Clearly defining its role.* OMOI has not clearly defined its role and the activities that it will engage in to achieve its mission. For example, the office has not yet decided on the level of detail at which it will review electricity markets. This decision has substantial implications for the office's data, technology, resource, and staff skill mix needs.
- *Developing formal processes and written procedures.* OMOI's processes are largely informal and ad hoc, and it has few written procedures to ensure that its efforts are coordinated, systematic, understood by its staff, and transparent to its stakeholders.

Although OMOI has had some early accomplishments—such as a \$20 million civil penalty against a company for anticompetitive behavior—it is difficult to judge how effective the office will be until its role and major processes are clearly set out.

FERC is also making progress toward addressing its considerable human capital management challenges, but additional actions could increase its likelihood of success. FERC's success in these efforts is important because the extent to which it can carry out its mission in a changing environment depends on its ability to adjust its staff skills and abilities in a difficult context. For example, over half of its workforce will be eligible to retire by 2007. In response, FERC has, among other things, expanded its use of certain personnel flexibilities, such as recruiting and retention bonuses, and is considering use of additional flexibilities. More importantly, FERC, in February 2003, developed a human capital plan. However, the plan does not contain some elements key to successful implementation, including (1) details on specific activities and resources needed to implement its human capital initiatives and (2) results-oriented measures that can be used to track the agency's progress in implementing the initiatives and evaluate their effectiveness. FERC also has not established time frames for many of its human capital initiatives.