

What We Heard

Province-Wide Feedback on the Alberta
Model for Regulatory Excellence

April 2016

Alberta Energy Regulator

What We Heard: Province-Wide Feedback on the Alberta Model for Regulatory Excellence

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Introduction

In November 2014, the AER launched a project to help identify the key attributes of an excellent regulator, understand how the AER can adopt these attributes, and measure our progress. To ensure it was done well, we turned to the experts at the internationally renowned Penn Program on Regulation (PPR) at the University of Pennsylvania.

In fall 2015, the final, peer-reviewed report was released, entitled *Listening, Learning, and Leading: A Framework for Regulatory Excellence*. The framework provided a general model, one that had to be adapted to reflect the unique work of different regulators. The model includes three attributes of excellence—stellar competence, utmost integrity, and empathic engagement—and provides a performance model for regulators pursuing excellence.

While the AER had begun to identify how the findings in the report will work in Alberta, we knew that we needed the help of Albertans to build a path to excellence.

Following the release of the PPR report, we engaged Albertans, stakeholders, and AER employees to test our own understanding, to make sure we got it right, and to develop a made-in-Alberta version of this framework for regulatory excellence. We discussed the model and the core attributes and asked for honest feedback on how we were performing against the existing framework and where we could improve.

This report summarizes what we heard and outlines the changes we made to the Alberta model for regulatory excellence as a result.

How We Collected Feedback

The engagement activities included an online survey, a workbook outlining the AER model, three dialogue sessions, 18 employee workshops, presentations across the province, and an interactive web page about the initiative on talk.aer.ca.

The survey, conducted by Leger Marketing, was published to talk.aer.ca and sent to an anonymous online panel of Albertans, all AER staff, and participants who attended a dialogue event. In total, we received responses from 1017 Albertans,¹ 452 staff, and 115 stakeholders.

The workbook, entitled *The AER and You: The Alberta Conversations on Regulatory Excellence* (appendix A), outlined the conclusions of the PPR report and presented an approach to regulatory excellence that might work for Alberta, outlining draft definitions of the attributes and a draft performance model tailored to the AER.

¹ The online survey included residents of Alberta aged 18 years of age or over and data was weighted by age, gender, and region to represent the population of the province

Following the release of the PPR report, we met with aboriginal peoples, stakeholders,² and AER employees to test our own understanding of the framework, to make sure we got it right, and to develop a model for regulatory excellence that works for our province. We asked for honest feedback on how we were performing and where we could improve. In all, we held

- a dialogue at the annual Synergy Alberta conference on November 2,
- a dialogue event with aboriginal peoples on November 13,
- a dialogue event with Alberta stakeholders on November 16 and 17, and
- 18 employee workshops from October 21 through November 10.

Notes were taken throughout these discussions, but in order to allow individual feedback, participants were directed to a confidential online survey.

Summary of Feedback

Overall, survey respondents and dialogue participants reported overwhelming support for the model. They also provided an assessment of our performance, outlining where we can improve and what the top priorities should be for the AER in acting on the recommendations of the PPR report. We learned that we must

- be more open and transparent;
- better explain how decisions are made and the reasons for our decisions;
- improve our relationships with Albertans, aboriginal peoples, and stakeholders;
- clarify our internal processes and priorities, including employee roles and responsibilities; and
- ensure that our employees have the skills and tools they need to carry out their responsibilities.

We learned that while we captured the spirit of the attributes for excellence (utmost integrity, stellar competence, and empathic engagement), we need to make specific changes that reflect the Alberta context and demonstrate regulatory excellence for the AER. We learned that the model, while effective, also required specific changes to better demonstrate how the AER will embody those attributes in our work each and every day. We heard loud and clear that we must measure our performance and deliver on outcomes to be successful.

² The AER considers a stakeholder to be any individual, group of individuals, or organization with an interest in the outcome of a decision by the AER (e.g., landowners, oil and gas companies, industry associations, nongovernmental organizations, environmental nongovernmental organizations, municipalities, the Government of Alberta, and the Government of Canada).

Survey Results

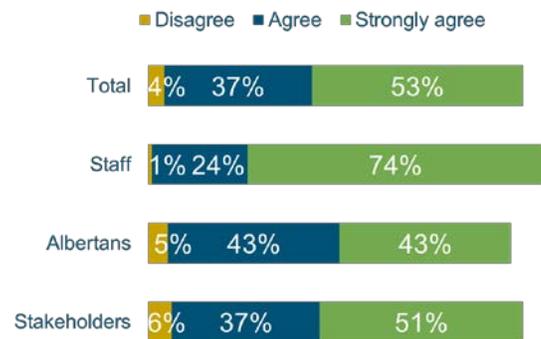
The online survey was conducted from October 21 through November 24. To aid in our reporting, respondents were classified as Albertans (1017), stakeholders (115), and AER employees (452). The online survey included Albertans aged 18 years of age or over, and data was weighted by age, gender, and region to represent the population of the province.

Respondents were encouraged to participate through the Leger online survey web panel and through links provided to AER employees as well as on the talk.aer.ca site.

Where Albertans reported awareness of the AER (54%), they were asked specific questions about the AER’s performance. All respondents, regardless of their familiarity with the AER, were questioned with respect to their opinions on the attributes (called “RegX”) as an appropriate approach for Alberta’s energy regulator.

Overall Approach to Regulatory Excellence

All three groups, Albertans (87%), stakeholders (88%), and employees (99%), agreed that the AER should follow the PPR approach to regulatory excellence. The full scope of what was tested with respondents can be found in the workbook (appendix A), but brief summaries are provided throughout this report.



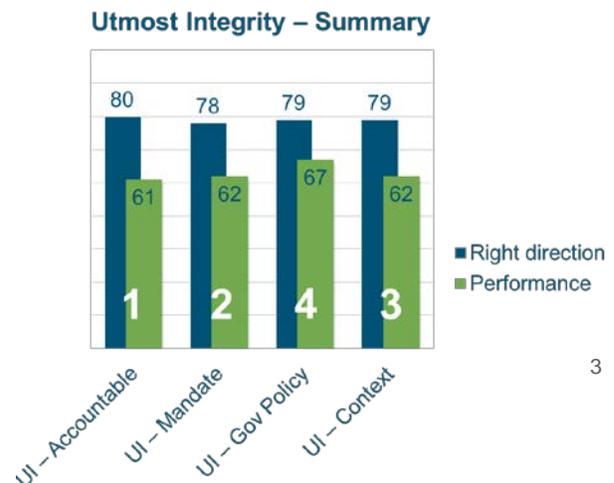
When asked if whether the AER should follow the proposed approach to achieve regulatory excellence, Albertans, stakeholders, and staff were overwhelmingly supportive.

Utmost Integrity

Respondents were asked several questions about the following definition of “utmost integrity”:

For the AER, utmost integrity means that we are accountable to our many stakeholders and to all Albertans and that we fulfil our mandate and vision by being a protective, effective, efficient, and credible energy regulator. Integrity means we adhere to Alberta government policy and work within our regulatory construct. And it means that we make decisions that are based on the scientific evidence at hand while taking into account the unique nature of the energy development, the community, and the people involved.

All respondents felt that the AER was moving in the right direction with respect to the utmost integrity attribute, with employees expressing the strongest



level of support. While headed in the right direction, there was clear indication that the AER has significant opportunity to improve its performance on each of the elements of the attribute. The highest performance ratings were in the areas of “adheres to government policy” and “decisions account for context,” receiving a rating of good from 48 per cent and 35 per cent respectively. All groups agreed that “ensuring the AER is accountable” was the most important element (32%), followed by “fulfils its mandate” (24%), “decisions account for context” (8%), and “adheres to government policy” (5%).

Empathic Engagement

Respondents were asked several questions about the following definition of “empathic engagement”:

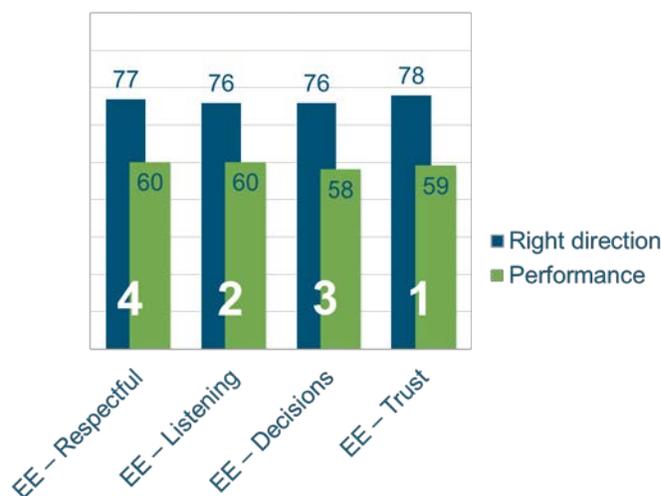
The AER is committed to respectful engagement with all Albertans—for us, empathic engagement means working together with Albertans so that we can make fully informed decisions. We are straightforward about the issues, listen carefully, respond respectfully, and ensure our decisions are understood. We know that to build and maintain trust we must be fair, inclusive, and transparent in our relationships.

The majority of respondents agreed that this approach to empathic engagement represented the right way forward for the AER. Overall, more than three-quarters of all groups agreed that the AER is heading in the right direction.

While there is agreement on the approach, respondents reported room for improvement in terms of performance delivery on each of the four empathic engagement elements, especially among stakeholder respondents, who report lower performance scores overall. Of note, in several cases, one out of three Albertans provided a “don’t know” response, indicating that the AER needs to increase awareness in order to obtain accurate performance scores in future surveys.

In order of importance, all three groups agreed that “trust” (26%) was the first priority, followed by “listening” (19%), “decisions are understood” (10%), and “respectful engagement” (10%).

Empathic Engagement Summary



Stellar Competence

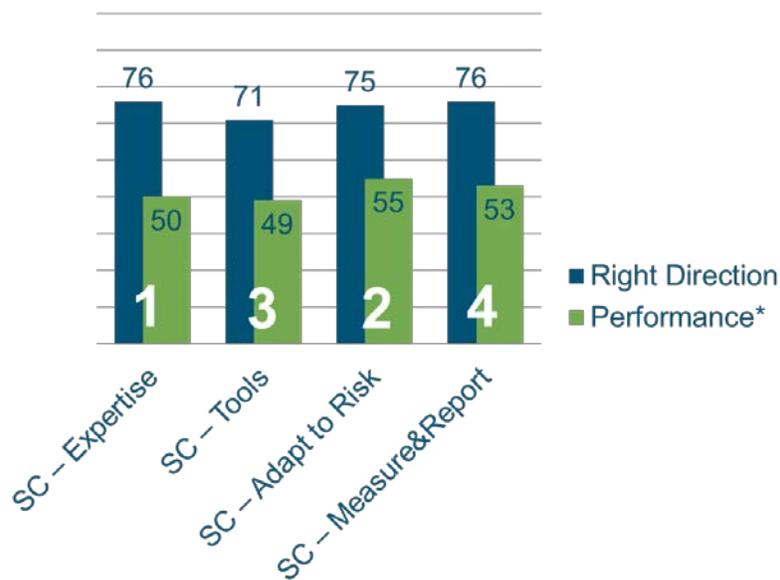
Respondents were asked several questions about the following definition of “stellar competence”:

Stellar competence means our people have the required expertise and necessary tools to do their jobs well, which underpins the AER’s ability to achieve its outcomes while adapting to new risks

and opportunities. In this way we are able to perform well, measure and report on our performance, and inspire confidence in the AER.

Close to 75 per cent of respondents believed that the AER is moving in the right direction with its approach to stellar competence. For the most part, employees are the most enthusiastic, with almost 90 per cent support for three of the four elements. However, the question on “access to tools” received the lowest score from employees (73%).

Performance scores for the four elements were relatively low, with stakeholders reporting a lower ranking than employees or the general public (who reported higher “don’t know” responses). There was agreement, however, in priority, with “having the required expertise” (32%) as the most important, followed by “adapting to new risks and opportunities” (14%), “access to tools” (10%), and “measure and report” (8%).



Performance Model

Respondents were asked several questions with respect to the PPR performance model and how it could apply to the AER:

We recognize that regulatory excellence is about more than organizational structure or governance. We know that we must do more than embrace the attributes of utmost integrity, stellar competence, and empathic engagement by taking the necessary **actions** to set priorities, plan our work, deliver results, and measure our progress. Four key elements of our action plan are as follows:

Planning – plans identify potential risks, consider the values and interests of Albertans and stakeholders, use comprehensive analysis of data and information to establish priorities, set goals and align with outcomes, and establish how we will work over the long-term to improve performance.

Regulatory design – means that we have the right tools to effectively regulate, address risks, and ensure we use our resources wisely. Creating the regulatory tools with stakeholders, based on evidence and risk, and ensuring our approaches are effective and fit for purpose.

Regulatory delivery – is where planning and design are turned into concrete actions to drive industry performance. Here, the AER will align its actions to directly improve operational performance and use enforcement when requirements are not met.

Performance management – the AER measures and reports on its progress in a way that clearly demonstrates how outcomes are related to specific actions of the regulator and that evaluation and measurement become crucial tools in continuous improvement.

Foundational to these actions is **decision-making** that weighs the trade-offs between competing values, priorities, and interests and **engagement** that is codesigned with stakeholders, appropriate for the circumstance, and goes beyond legal obligations to include targeted and broad public engagement.

Similar to the results for the attributes, there is widespread agreement that the performance model can move the AER in the right direction. For all four elements—planning (79%), regulatory design (76%), regulatory delivery (76%), and performance management (76%)—respondents agreed that the AER is moving in the right direction, with more than 80 per cent of employees supporting the model.

AER is Headed in the Right Direction



Performance scores were lower, most notably in terms of “good” rankings in “governance and people” (32%), “actions” (28%), and “outcomes of performance management” (25%).

Governance and People

■ Poor ■ Moderate ■ Good



Actions (Planning, Regulatory Design / Delivery, Performance Management)

■ Poor ■ Moderate ■ Good



Conclusion

The online survey results clearly demonstrate that while the AER has specific areas for improvement, there is overwhelming support for the model and the regulator is headed in the right direction. There are significant opportunities to improve awareness of the AER and its role in the safe, environmentally responsible development of Alberta's energy resources. While employees are generally more positive in ranking the AER's performance than stakeholders or Albertans, there is agreement among all groups on areas for improvement.

Dialogue Sessions

While the survey results were an important part of evaluating the model and the AER's performance, we knew that this data alone would not be enough to truly understand how to best move forward with an Alberta approach to regulatory excellence.

Our meetings with Albertans, aboriginal peoples, stakeholders, and AER employees helped us explain the findings of the PPR report and determine whether the AER's initial analysis of the concepts within the report reflected the Alberta context. While the survey collected data, we wanted to meet with people to have a deeper conversation about regulatory excellence, ask questions and understand the thinking behind specific answers, and better prepare participants who had not yet filled out the online survey.

Using the workbook (appendix A) as a guide, a small team of AER staff walked participants through the three attributes of regulatory excellence and the performance model. Each table discussed each concept together, and then each table shared their thoughts with the whole group. The facilitators asked participants whether they agreed with the attributes and which they considered to be the most important.

As key themes emerged, the AER captured the ideas on flipcharts, took notes, and encouraged participants to officially record their feedback through the survey.

Synergy Conference Dialogue

The Synergy Conference took place on November 2, 2015, in Calgary. The AER hosted a half-day workshop to walk participants through the model and discuss the attributes and action plan for excellence.

Synergy Alberta, established in 2006, supports approximately 30 active community-based groups that bring together landowners, industry, stewardship groups, and municipal and provincial government representatives to cooperatively address local issues related to energy development. This year's conference theme was *The Power of Working Together* and drew approximately 100 participants from across the province.

Conference participants are among those most familiar and engaged with the AER. Their dialogue was both constructive and encouraging. Synergy participants acknowledged the courage of the regulator to

aspire to excellence and to seek input from its stakeholders as to where to put its efforts. They focused primarily on stellar competence and empathic engagement, not seeing integrity as a problem for the AER.

Participants want the AER to be clear with the energy industry about what is required. They wanted the AER to monitor compliance and to enforce our requirements where necessary. We were encouraged to keep up with changes in technology and to remove requirements that become irrelevant as things change over time. Technical training for AER staff was repeatedly raised as critical to the achievement of stellar competence.

Overall, the participants were complimentary about the level of empathy demonstrated by AER staff, especially engagement staff in the field. They were pointed in their belief that a local presence of AER staff is required to build relationships in these communities. They would like to see regular AER participation in local synergy groups.

Finally, participants identified that synergy groups are currently an untapped resource for the AER and can assist in bringing together local people to develop better regulatory approaches and to raise awareness of the AER in their communities.

Aboriginal Dialogue

The aboriginal dialogue took place on November 13, 2015, at the Marriott River Cree Resort in Edmonton. Two dozen participants representing Treaties 6, 7, and 8, as well as the Métis Nation of Alberta, Métis Settlement General Council, Indian Resource Council, and Indian Oil and Gas Canada were in attendance.

After an opening prayer and a brief presentation, an initial observation started off the dialogue and highlighted a key gap: none of the research conducted by PPR addressed specific issues on aboriginal engagement or consultation. PPR delivered a final report, six core research papers, and more than 15 expert papers on a variety of topics pertaining to regulation, but none of this work included research on aboriginal peoples.

Participants also expressed that AER staff need more knowledge of aboriginal cultures, issues, and treaty rights. Likewise, the corporate culture at the AER could improve to make empathic engagement a core skillset, one that seeks to build relationships and demonstrates patience, active listening, and humility in all interactions.

When the definition for “utmost integrity” was shared, participants expressed that the term “scientific knowledge” is exclusive and implies only western science. It was suggested to include all information and “traditional knowledge” as evidence that the AER considers in its decision-making.

Furthermore, participants felt that the AER could take a leadership role in improving relationships between industry, the community, government, and the Alberta Integrated Resource Management System

(IRMS) partners. A discussion emerged about government policy and treaty rights and the AER's responsibility to identify policy gaps where they may exist.

Participants felt that engagement activities between aboriginal groups and industry need to be monitored by the AER, or, at the very least, the AER could create a clear standard or "rules of engagement" for industry.

When it comes to empathic engagement, participants expressed that the timelines for engagement (e.g., 30 days for filing statements of concern) are often too short and need to be extended.

Finally, the AER's communications could be more straightforward, transparent, and in plain language and could be used as educational materials in the community to bridge gaps in technical and regulatory knowledge.

Alberta Stakeholder Dialogue

The Alberta stakeholder dialogue was held on November 17, 2015, at the Acclaim Hotel in Calgary. Nearly 75 participants were in attendance, representing diverse stakeholder groups, including the energy industry, human health, government departments and agencies, environmental organizations, academia, First Nations, Métis, and landowner groups.

Participants were initially asked about the definition of "utmost integrity" and a discussion emerged on the AER's "decisions accounting for context." Participants stressed the need for the AER to define how it considers risks as well as the local, cultural, and regional context in all of its decisions. The group highlighted the need for a transparent decision-making process and criteria.

As well, many small-group discussions centred on metrics, measurement, and how the AER needs better reporting and explanations for fair, unbiased decisions.

The discussion on empathic engagement revealed that the regulator needs to engage *before* issues arise, and we need to "close the loop" and report back after engagement activities.

Participants also indicated that an external advisory group for the implementation of regulatory excellence would be necessary for success, but more central for success would be defining the AER's outcomes based on public interest.

Improving compliance assurance and AER interventions (e.g., operator performance scorecard) was put forward as a part of the discussion on the performance model.

Finally, participants expressed that the AER is one agency and cannot do everything alone. We heard that the regulator needs to engage outside expertise when necessary. Similarly, echoing what we heard at the aboriginal dialogue, participants felt that the AER should be identifying policy gaps—for example, when

considering human and animal health (e.g., there is currently no laboratory for testing hydrocarbon impact on human or animal tissue in Alberta).

AER Employee Sessions

From October 21 through November 10, the AER held 18 sessions with employees. The sessions were approximately three hours in length and included a very similar layout to the other dialogue sessions. In total, 575 staff members attended a session, representing 48 per cent of AER employees.

Employees were highly engaged in the sessions and are proud of the work the AER does to protect public safety and the environment. In the online survey, AER employees were asked separate questions about people excellence and cultural excellence. Overall, staff agreed with descriptions related to people excellence (89%) and culture excellence (90%).

While AER staff were positive about the model, a number of areas for improvement were identified to ensure that employees are well equipped to deliver on the attributes and model for regulatory excellence.

Employees expressed that a great deal of change has occurred at the AER since 2013 and that there needs to be careful management of priorities and clear roles, responsibilities, and outcomes for performance.

Employees felt that accountability for delivering outcomes is a crucial element to regulatory excellence and that the outcomes must be clear, measurable, and transparent and that all employees have shared responsibility to deliver results.

Staff also indicated that more could be done to tell the AER's story to increase awareness, a factor reinforced by the high level of "don't know" responses among Albertans in the survey.

Overall, employees expressed their support for the organizational changes the AER model would require and felt the AER is moving in the right direction.

What We Learned

While the AER heard that there was general support for this approach to regulatory excellence, and there is agreement about the areas for improvement, feedback we received pointed to specific changes in the description of the model and the approach to truly reach a model that was tailored for the Alberta context.

The AER learned that in many cases, descriptions and definitions matter a great deal to all respondents; we must be open, deliberate, and clear in the language we choose. We learned that to uphold utmost integrity, we must clearly identify our role, be fair and unbiased, and consider traditional knowledge and the environment in our decision making. We learned that an excellent regulator must take a leadership role in identifying policy gaps.

As a regulator striving toward empathic engagement, we must build strong relationships through open, transparent communications and respectful engagement in all our work. And, to achieve stellar competence, we must be willing to seek expertise and information outside of our organization to improve our work.

Albertans, aboriginal peoples, stakeholders, and employees expressed that the performance model, while a positive step, required additional tailoring to meet the unique needs of our province. It was expressed that outcomes should not be separated into “substantive” and “perceptual” categories, that there must be some indication that the AER will regularly evaluate its work, and that the diagram suggested an end point rather than a continuous effort to achieving excellence.

Finally, it was expressed that there needed to be a clear connection between the attributes—utmost integrity, empathic engagement, and stellar competence—and the performance or delivery model for achieving excellence.

Appendices

Appendix A – Engagement Workbook



**The AER and You:
The Alberta Conversation on
Regulatory Excellence
Engagement Workbook**

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About the Regulatory Excellence Initiative

In 2014, the Alberta Energy Regulator (AER) launched a project with the University of Pennsylvania Penn Program on Regulation (PPR) to identify the key attributes of a “best-in-class” regulator, understand how the AER can adopt these attributes, and measure our progress.

For the AER, this is about more than receiving a title of “excellent” or “best-in-class;” it’s about transforming ourselves into a regulator that continually improves our work, builds strong relationships with Albertans, and leads the next era in energy regulation. Excellence is the means that creates what Albertans expect and deserve: a strong, fair, transparent, and inclusive regulator that delivers measureable results.

Considerable work has gone into the initiative in 2015—PPR delivered six core research papers, 15 expert papers, and an interim report that generated international discussions on this notion of regulatory excellence.

While these discussions were insightful and illuminating, perhaps the most impactful, from the AER’s perspective, were the First Nations, Métis, and Alberta stakeholder dialogues held in Alberta in spring 2015. Through collaboration and open discussion, Albertans came together to deliberate what regulatory excellence means in our province, how the AER can improve its performance, and how we can measure and report on our progress.

Now that PPR has completed its final report, *Listening, Learning, and Leading: A Framework for Regulatory Excellence*, we are assessing the key elements identified as necessary for regulatory excellence and determining how they can be applied here in Alberta—this is where we need Albertans to weigh in.

Through this workbook, the final PPR reports and an online survey on www.talk.aer.ca, Albertans can provide feedback, share ideas, and become an integral part of our journey towards regulatory excellence.

How to Use This Workbook

The AER has taken some initial steps to review the findings in the final report and determine how the AER—together with Albertans—will build a model that works for our province. During the fall of 2015, we will engage Albertans, stakeholders, and AER employees to test our own understanding, to make sure we get it right, and to develop a made-in-Alberta version of this framework for regulatory excellence.

We're hoping you'll share your thoughts with us at www.talk.aer.ca. This interactive website has a 15 minute survey to gather your feedback, links to the final report, the executive summary, and all other reports and research conducted by PPR.

This workbook is designed to help you complete the survey. It highlights some of the concepts within PPR's final report, summarizes how AER intends to move forward, and provides space to consider key questions. When you're ready, you can visit www.talk.aer.ca and have your say. Managed by Leger Marketing, the online survey is strictly confidential and the AER will not have access to your individual responses.

Thank you for taking the time to share your thoughts and feedback on what regulatory excellence means for Alberta and the AER. Together, we'll build a model that works for our province, develop a plan of action that will guide our work, measure our progress, and create an energy regulator that achieves excellence by delivering results.

PPR’s Attributes of an Excellent Regulator: The “RegX model”

The following information is from PPR’s Framework for Regulatory Excellence, page 23

In its final report, PPR identifies regulatory excellence as having the attributes of utmost integrity, empathic engagement, and stellar competence.

Utmost Integrity: This is about much more than just a lack of corruption; it is also about the regulator’s commitment to serving the public interest, to respecting the law, and working with duly elected representatives.

Empathic Engagement: This is about transparency and public engagement, but also about how respectfully the regulator and its personnel treat regulated entities, affected landowners, and other concerned citizens.

Stellar Competence: This is about the actual delivery of outcomes that maximize public value and the capacities built and actions taken to achieve a high level of performance.

The adjectives “utmost,” “empathic,” and “stellar” indicate that although even good regulators need integrity, engagement, and competence, the excellent regulator needs these to the highest degree.



AER’s RegX – Our Desired State of Excellence

The AER has taken the academic expertise from PPR, the conversations we’ve held with Albertans, and a decade of public opinion research to understand how to apply the RegX in Alberta and what the key attributes mean for our province.

For the AER, **utmost integrity** means that we are accountable to our many stakeholders and to all Albertans and that we fulfill our mandate and vision by being a protective, effective, efficient, and credible energy regulator. Integrity means we adhere to Alberta government policy and work within our regulatory construct. And it means we make decisions that are based on the scientific evidence at hand while taking into account the unique nature of the energy development, the community, and the people involved.



Stellar competence means our people have the required expertise and necessary tools to do their jobs well, which underpins the AER’s ability to achieve its outcomes while adapting to new risks and opportunities. In this way we are able to perform well, measure and report on our performance, and inspire confidence in the AER.

The AER is committed to respectful engagement with all Albertans—for us, **empathic engagement** means working together with Albertans so that we can make fully informed decisions. We are straight forward about the issues, listen carefully, respond respectfully, and ensure our decisions are understood. We know that to build and maintain trust we must be fair, inclusive, and transparent in our relationships.

The AER must demonstrate integrity, competence, and engagement in all of our work—this is the true test of the RegX model.

Share Your Thoughts – Questions to Consider

For the AER, the regulatory model identified by the PPR study means that the AER will focus on:

- The AER is accountable to its many stakeholders and to all Albertans and fulfills its mandate and vision by being a protective, effective, efficient, and credible energy regulator.
- The AER adheres to Alberta government policy and works within its regulatory framework.
- The AER makes decisions that are based on the scientific evidence at hand while taking into account the unique nature of the energy development, the community, and the people involved.

To what extent do you agree or disagree that the AER should follow the RegX approach to achieve regulatory excellence?

Remember to record your answers at talk.aer.ca

Do you think the AER is headed in the right direction with these goals?

Remember to record your answers at talk.aer.ca

How would you rank these goals in terms of importance to you?

Remember to record your answers at talk.aer.ca

PPR's Utmost Integrity

The following information is from PPR's Framework for Regulatory Excellence, page 23 - 25

“Utmost Integrity” is about much more than just a lack of corruption—although it is certainly about that, too. Foundationally, it is about the character of the regulator: its commitment to serving the public interest, to respecting the law and duly elected representatives, to taking evidence and analysis seriously, to admitting and learning from mistakes, and so forth. Attributes such as “honesty,” “humility,” and “public-spirited” all fit within this category. But so too will “courage” because seeking to act in a way that advances overall public value will, by necessity for a regulator, require making decisions that will displease some segments of society, including sometimes some of the most powerful segments.

An excellent regulator consistently holds itself to the highest standards of integrity:

- Fidelity to law: An excellent regulator seeks to comply faithfully with all legitimate laws.
- Respect for democracy: An excellent regulator recognizes and seeks to fulfill its role in a democratic system by yielding to clear and proper commands by elected officials, and also by seeking as needed to initiate or contribute to productive public dialogue on issues relevant to the regulator’s mission.
- Commitment to public interest: An excellent regulator strives to serve the public interest first and foremost, not to succumb to expediency nor display bias toward select private interests.

AER's Utmost Integrity – Our Desired State of Excellence

For the AER, utmost integrity means that we are accountable to our many stakeholders and to all Albertans and that we fulfill our mandate and vision by being a protective, effective, efficient, and credible energy regulator. Integrity means we adhere to Alberta government policy and work within our regulatory construct. And it means that we make decisions that are based on the scientific evidence at hand while taking into account the unique nature of the energy development, the community, and the people involved.

We'll accomplish this by focusing on:

Accountability—we know from years of research that Albertans want a regulator that enforces the rules and protects the public and the environment. We are expected to ensure that energy development occurs in a safe and environmentally responsible, fashion and we are expected to report to Albertans on the results of our work. But accountability is not just about reporting on our successes or posting information on our website; it's about admitting when mistakes are made, checking in with Albertans and stakeholders



so we understand their concerns and expectations, and being straightforward and clear in how we communicate.

Fulfilling our mandate—our mandate is clear: to ensure the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle. This includes allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefits for all Albertans. This is why the AER exists. To be an excellent regulator means everything we do must, over and above, ensure that our mandate is carried out each day.

Adhering to Government policy—as the single provincial energy regulator in Alberta, the AER has the authority to review and make decisions on proposed energy developments, inspect energy activities to ensure that all appropriate requirements are met, take enforcement action when those requirements are not met, and hold hearings on proposed energy developments when needed. Our work is guided by legislation and government policy; government sets the direction by establishing outcomes such as air-quality standards, regional planning guidelines, or policy frameworks (like the *Tailings Management Framework*), and our job is to ensure those outcomes are met through our regulatory work.

Ensuring decisions account for context—while we are guided by legislation and regulatory requirements, our decisions must take into account all factors associated with energy development. This includes specific regional, geological, and environmental conditions, operator performance, stakeholder values and concerns, and policy direction from the government. These factors are considered along with a full examination of the scientific information, the specific types of development activity and technology being used in order to provide a full picture of the project, and the potential risks, and opportunities and how those risks will be managed. It’s about ensuring we have all the information at hand so our decisions are made using the best evidence available and considering all potential impacts.

Share Your Thoughts – Questions to Consider

For the AER, “utmost integrity,” identified in the PPR study, means that the AER will set various goals:

- The AER is **accountable**, enforces the rules, protects the public and the environment, reports to Albertans on the results of its work, admits mistakes, and checks in with Albertans to understand their concerns and expectations.
- The **AER fulfills its mandate** to ensure the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle, including allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefits for all Albertans.

- The AER **adheres to government policy**, having the authority to review and make decisions on proposed energy developments, inspect energy activities, and take enforcement action when requirements are not met, which is all guided by legislation and government policy.
- The AER's **decisions consider the context**, taking into account all factors associated with energy development (e.g., regional, geological, and environmental conditions, operator performance, stakeholder concerns, and policy direction from government) so the AER's decisions are made using the best evidence available and considering all impacts.

Do you think the AER is headed in the right direction with these goals?

Remember to record your answers at talk.aer.ca

How would you rank these goals in terms of importance to you?

Remember to record your answers at talk.aer.ca

PPR's Stellar Competence

The following information is from PPR's Framework for Regulatory Excellence, page 23 - 25

“Stellar Competence” is about delivering substantive outcomes—achieving high performance—and everything a regulator does to advance those substantive outcomes that yield maximum public value. The criterion of efficiency fits into this category, and so does effectiveness and the distributional equity of outcomes. Competence, though, is also about various qualities related to best regulatory practices, such as proportionality, flexible instruments, and risk-based priority-setting. Finally, included too are numerous qualities that describe regulatory personnel, their technical knowledge and skill, as well as other organizational resources needed to deliver stellar outcomes: e.g., adequate fiscal resources, state-of-the-art information technology systems, and so forth.

An excellent regulator demonstrates consistently stellar competence by using its available resources to maximize public value.

- **Analytical capability:** An excellent regulator seeks out reliable data and conducts analysis sincerely with the aim of synthesizing the best available evidence to support its decisions, seeking to reduce and manage risks smartly (even though risk may never be able to be eliminated entirely).
- **Instrumental capacity:** With a sufficiently-funded and highly-trained staff working in a supportive organizational culture, an excellent regulator uses the best tools and technologies available to solve problems and earnestly seek continuous improvement through regular performance measurement and evaluation.
- **High performance:** An excellent regulator consistently delivers significant positive public value, something which is not necessarily the same as making everyone happy (the latter which may be unattainable or undesirable).

AER's Stellar Competence – Our Desired State of Excellence

For the AER, Stellar Competence means our people have the required expertise and necessary tools to do their jobs well, which underpins the AER's ability to achieve its outcomes while adapting to new risks and opportunities. In this way we are able to perform well, measure and report on our performance, and inspire confidence in the AER.

Stellar competence can be achieved at the AER by making sure we deliver on our skills, expertise and the tools we need to do our job. We'll focus on the following:



Required expertise—AER employees must have the skills, knowledge, motivation, and training to do their jobs well. Albertans emphasized the importance of a regulator’s workforce, leadership, and governance structure as critical to maintaining a culture of excellence.

Tools—doing our jobs and doing it well requires effective tools. This can include the necessary training to keep our staff up-to-date on the latest development approaches, effective IT systems, or a safe working environment. AER employees must have the tools they need to fulfill our mandate and deliver results for Albertans.

Adapting to new risks and opportunities—any industrial development carries some risk, and our job is to ensure AER requirements reduce those risks so the development of our resources is safe and environmentally responsible. Through a risk-informed approach, we can respond to changes in technology, adapt to new challenges in energy development, respond to stakeholder concerns and values, and change our requirements where needed.

Measurement and reporting—it’s not enough to do our job and do it well; we must measure our progress and report on our results. The AER will provide regular reports on our progress in meeting our targets, and establish new targets as we meet the previous ones. We will provide evidence where we have been successful and explain where we have failed. We will use internal performance indicators throughout the organization to give us early signs of our progress or indicate that we should change course if necessary.

Share Your Thoughts – Questions to Consider

For the Alberta Energy Regulator, “stellar competence” identified by the PPR study will mean that the AER sets specific objectives to achieve.

- Required expertise: AER employees and leadership have the skills, knowledge, motivation and training to do their jobs well, and are supported by a sound governance structure.
- Tools: The AER works with clear legislative and policy direction, provides ongoing training and a safe working environment for staff, and uses effective IT systems.
- Adapting to new risks and opportunities: AER requirements reduce risks so that the development of resources is safe and environmentally responsible, and we consider the concerns of Albertans and stakeholders and adapt to new challenges in energy development
- Measure and report: The AER must establish targets, measure our progress and report on our results, using performance indicators to alert us to change course if necessary

Do you think the AER is headed in the right direction with these goals?

Remember to record your answers at talk.aer.ca

How would you rank these goals in terms of importance to you?

Remember to record your answers at talk.aer.ca

PPR's Empathic Engagement

The following information is from PPR's Framework for Regulatory Excellence, page 23 - 25

“Empathic Engagement” is about transparency and public engagement; it is about how the regulator interacts with the public. Does the regulator, for example, provide adequate public notice of its activities? Does it affirmatively solicit public input and seek to educate the public? Just as important, empathic engagement refers to the attitudes a regulator's employees exhibit when they interact with others. This encompasses how inspectors treat the managers of the facilities they are inspecting – as well as how the person picking up the phone in the regulator's home office treats the non-native language speaker who has a question. Do they treat others respectfully – even those being inspected? Do they assume at the outset that noncompliance might not always stem from ill will? Finally, when they make decisions, do they provide clear, sincere, and coherent reasons for them?

An excellent regulator engages empathically with all facets of society when making decisions and exercising authority.

- **Even-handedness:** An excellent regulator engages fairly with all affected interests, recognizing that sometimes even-handedness will require affirmative outreach to ensure that otherwise poorly represented views are adequately heard.
- **Listening:** An excellent regulator wants to hear what everyone who has values or interests at stake in its decisions has to say, seeking to understand how its decisions will affect others and trying to make decisions that benefit from the different knowledge distributed throughout society.
- **Responsiveness:** An excellent regulator responds to concerns and explains its decisions fully and sincerely, being transparent not merely by providing access to information but also by giving reasons for its actions (including decisions not to act) and addressing all important arguments for and against its chosen course of action.

AER's Empathic Engagement – Our Desired State of Excellence

The topic of ‘engagement’ was discussed at length at the Alberta and First Nations and Métis dialogues held last spring. The AER is committed to respectful engagement with all Albertans—for us, empathic engagement means working together with Albertans so that we can make fully informed decisions. We are straight forward about the issues, listen carefully, respond respectfully, and ensure our decisions are understood. We know that to build and



maintain trust we must be fair, inclusive, and transparent in our relationships.

This means our plan will focus on the following:

- **Respectful engagement**—this means that the AER will make engagement a priority for each employee so that Albertans will have meaningful opportunities to provide input on regulatory process.
- **Listening**—this means that the AER will listen to the views expressed by Albertans and other stakeholders and that we will communicate how those views are considered in decision making. The AER will take time to build relationships with Albertans and stakeholders, understand their values and concerns, and share information about our work, not just when there is a particular project or decision to consider, but on a regular basis to foster relationships.
- **Decisions are understood**—as a regulator, we recognize that not all Albertans will be happy with every decision we make. The AER will ensure that Albertans and stakeholders fully understand our decisions, and that regardless of the outcome, we can demonstrate how all opinions and concerns were considered in our decision making. This doesn't mean burdening our system with extensive decision reports on the more than 60 000 applications we receive, but it does mean that Albertans can get information on specific decisions, and that larger decisions made by the regulator whether they involve new regulatory requirements, changes to existing requirements or large-scale projects, will continue to be available to the public.
- **Trust**—strong relationships are built on transparency and trust, and the AER will be open and transparent in our communications, finding new ways to provide information to Albertans that is clear, timely, and easy to understand.

Share Your Thoughts – Questions to Consider

For the Alberta Energy Regulator, “empathetic engagement” identified in the PPR study will mean that the AER sets specific objectives to achieve.

- **Respectful engagement**—the AER will make engagement a priority for each employee so that Albertans will have meaningful opportunities to provide input on regulatory processes.
- **Listening**—the AER will listen to, and build relationships with, Albertans and other stakeholders and will provide feedback on how those views were considered in decision-making to foster respectful relationships.
- **Decisions are understood**—the AER will ensure that Albertans and stakeholders fully understand its decisions and how all opinions were considered in decision-making.

- **Trust**—the AER will be open and transparent in its communications to provide information to Albertans that is clear, timely, and easy to understand.

Do you think the AER is headed in the right direction with these goals?

Remember to record your answers at talk.aer.ca

How would you rank these goals in terms of importance to you?

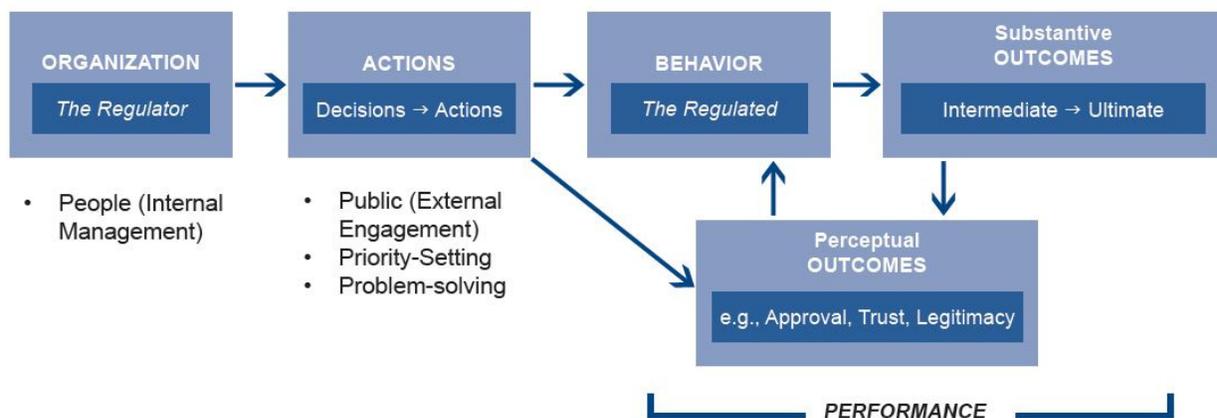
Remember to record your answers at talk.aer.ca

PPR’s Performance Model – Action Plan for Regulatory Excellence

The following information is from PPR’s Framework for Regulatory Excellence, page 30 - 31

In its final report, PPR identifies regulatory excellence as having the attributes of stellar competence, utmost integrity, and empathic engagement. PPR identifies a regulatory performance model that provides a frame of reference for regulators to think strategically about what needs to be improved, how to achieve that improvement and how to measure progress. While the general model of regulation applies across different regulators, there can be no simple formula or checklist to guide all the myriad choices that regulators must make in the course of their day-to-day operations.

MODEL OF REGULATORY ORGANIZATION, ACTION, AND PERFORMANCE



The model consists of five boxes connected with arrows to convey the logical and causal connections between each box. Regulation begins on the left side of the model, with the creation of a regulatory *organization*. That regulatory organization will take *actions* intended to influence the *behavior* of organizations it regulates to deliver *substantive outcomes*. In addition, how the regulator undertakes its work contributes to *perceptual outcomes*—such as varying degrees of public approval, confidence, trust, and legitimacy.

The model can also be divided in half along a vertical axis. The left boxes labeled “organization” and “actions” correspond to what the regulator *is* (its traits) and what the regulator *does* (its actions). The remaining three boxes—the right-most ones arranged in a triangular fashion in relationship to each other – represent the consequences of the regulator’s organization and actions (its outcomes or performance).

According to PPR, the regulatory organization’s capacities and characteristics includes structure, resources, legal and political support, and organizational culture. These all affect how well the regulator can exhibit the RegX attributes (utmost integrity, stellar competence, and empathic engagement). The organization’s characteristics and capacities are not themselves the same thing as the RegX attributes; rather, they can either enable or hamper the regulator’s ability to achieve these attributes.

Actions reflect what the regulator does. The model makes the “action” box look deceptively simple, but in reality the “action” any regulator takes will be plenteous and varied. Each day, every single employee of a regulator takes multiple actions, each one of which in its own context will be different from those of others. Each of these actions could also have ripple effects on the regulator’s performance.

Finally, PPR stresses that regulatory leaders must be strategic about measurement, focusing on measuring *for* excellence rather than measuring *of* excellence. Evaluation must answer questions about how well regulation is working and demonstrate how the actions of the regulator are directly related to achieving outcomes.

AER’s Action Plan for Regulatory Excellence

The AER has taken the academic expertise from PPR, the conversations we’ve held with Albertans, and a decade of public opinion research to understand how to put these elements into action in Alberta. How does the AER build an organization that takes the actions necessary to deliver the outcomes that Albertans expect?

Albertans expect the AER to have a future-oriented approach in planning and **decision making** and regularly analyze our actions and learn from mistakes. Albertans also recognize that competing priorities means the regulator must weigh and accommodate different values and interests in decision making. As the AER works on concrete actions to deliver outcomes, Albertans expect that **engagement** is a key part of setting those outcomes, clear expectations are established, and evaluation is a critical component of all our activities.

In delivering the regulatory model set out by PPR, the AER recognizes that it must, as an **organization**, appropriately govern our resources and people. We must draw upon the required competencies and skills and create a performance-based culture of accountability, innovation, and integrity. In this way, we can inspire confidence and pride in our staff who will then be better motivated to contribute to the organization.

We recognize that regulatory excellence is about more than organizational structure or governance. We know that we must do more than embrace the attributes of utmost integrity, stellar competence and empathic engagement by taking the necessary **actions** to set priorities, plan our work, deliver results, and measure our progress. Four key elements of our action plan will include:

- **Planning** – plans identify potential risks, consider the values and interests of Albertans and stakeholders, use comprehensive analysis of data and information to establish priorities, set goals and align with outcomes, and establish how we will work over the long-term to improve performance.
- **Regulatory design** – means that we have the right tools to effectively regulate, address risks and ensure we use our resources wisely. Creating the regulatory tools with stakeholders, based on evidence and risk and ensuring our approaches are effective and fit for purpose.
- **Regulatory delivery** – is where planning and design are turned into concrete actions to drive industry performance. Here, the AER will align its actions to directly improve operational performance and use enforcement when requirements are not met.
- **Performance management**—AER measures and reports on its progress in a way that clearly demonstrates how outcomes are related to specific actions of the regulator and that evaluation and measurement become crucial tools in continuous improvement.

Foundational to these actions is **decision-making** that weighs the trade-offs between competing values, priorities and interests and **engagement** that is co-designed with stakeholders, appropriate for the circumstance and goes beyond legal obligations to include targeted and broad public engagement.

Share Your Thoughts – Question to Consider

In order to deliver on regulatory excellence, the AER will focus on:

Planning: The AER will identify potential risks, consider the values and interests of Albertans and stakeholders, use comprehensive analysis of data and information to establish priorities, set goals and outcomes, and establish how the AER will work over the long-term to improve performance

Regulatory design: The AER, with stakeholders, will create the right tools to effectively regulate, address risks, and ensure the wise use of resources

Regulatory delivery: The AER will align its actions to directly improve operational performance and use enforcement when requirements are not met

Performance management: The AER will measure and report on its progress in a way that clearly demonstrates how outcomes are related to specific actions of the regulator and that evaluation and measurement become crucial tools in continuous improvement

For each key element of the action plan (planning, regulatory design, regulatory delivery, performance management), indicate the extent to which you feel that the AER is going in the right or wrong direction to achieve regulatory excellence.

Remember to record your answers at talk.aer.ca

What's Next?

Thank you for taking the time to read through this workbook and consider what regulatory excellence means for Alberta and the AER.

The survey on www.talk.aer.ca is managed by Leger Marketing and is strictly confidential—the AER will not have access to your individual responses.

The results will be collected, analysed and incorporated into a made-in-Alberta model and an action plan for regulatory excellence.

If you have any questions about the Regulatory Excellence Initiative, visit www.talk.aer.ca or e-mail inquiries@er.ca.

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Appendix B – Alberta Dialogue Agenda

AER/Alberta Dialogue on Regulatory Excellence



AGENDA and Worksheet

| | |
|---------------|--|
| 8:00 | Breakfast |
| 8:30 | Welcome and Opening Comments |
| 8:40 | Introductions - Who is in the room? |
| | Purpose and Flow of the Session |
| | Best in Class Project Background |
| | PPR Final Report RegX Model |
| | AER RegX Attributes |
| 9:45 | BREAK (return to plenary room after break) |
| 10:00 | Table Talk 1 |
| 11:15 | BREAK (return to plenary room) |
| 11:30 | Table Talk 1 Report Back |
| 12:00 | LUNCH |
| 1:00 | Performance Model |
| 1:20 | Table Talk 2 (same breakouts) |
| 1:50 (or 2pm) | Table Talk 2 Report Back (return to plenary) |
| 2:20 | BREAK |
| 2:35 | Survey & Next Steps |
| 2:45 | Questions |
| 3:15 | Recap of the Day |
| 3:30 | Closing Comments |

AER/Alberta Dialogue on Regulatory Excellence



Utmost Integrity

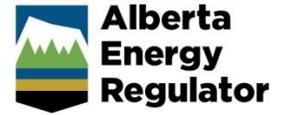
» The AER:

- is accountable
- fulfills our mandate
- adheres to government policy
- makes decisions that consider context

*From **YOUR** personal perspective and that of the group that you represent:*

- » What is missing or most important to you?
- » What actions should the AER take to fulfill its commitment to utmost integrity?

AER/Alberta Dialogue on Regulatory Excellence



Stellar Competence

- » The AER will focus on:
 - Required expertise
 - Tools
 - Adapting to new risks and opportunities
 - Measurement and reporting

*From **YOUR** personal perspective and that of the group that you represent:*

- » What is missing or most important to you?
- » What actions should the AER take to fulfill its commitment to stellar competence?

Empathic Engagement

- » The AER will focus on:
 - Respectful engagement
 - Listening
 - Ensuring our decisions are understood
 - Trust

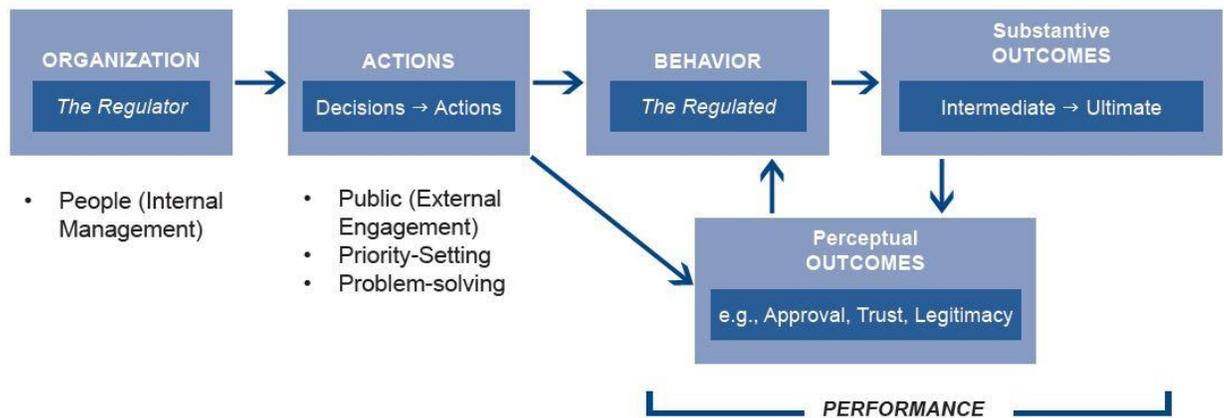
*From **YOUR** personal perspective and that of the group that you represent:*

- » What is missing or most important to you?
- » What actions should the AER take to fulfill its commitment to empathic engagement?

AER/Alberta Dialogue on Regulatory Excellence



MODEL OF REGULATORY ORGANIZATION, ACTION, AND PERFORMANCE



Performance Model (Use the AER Decisions & Engagement Tools Sheet)

From **YOUR** personal perspective and that of the group that you represent:

- 》 How can the AER best consider your interests and values in its decision-making?
- 》 In what other ways can the AER meaningfully engage stakeholders in its work?

Having Your Say

The AER invites you to add your voice to the hundreds who have already responded to our online survey on Regulatory Excellence. Please visit

<http://talk.aer.ca/projects/regulatoryexcellence> to participate.

Appendix C – Aboriginal Dialogue Agenda

AER/Aboriginal Dialogue on Regulatory Excellence

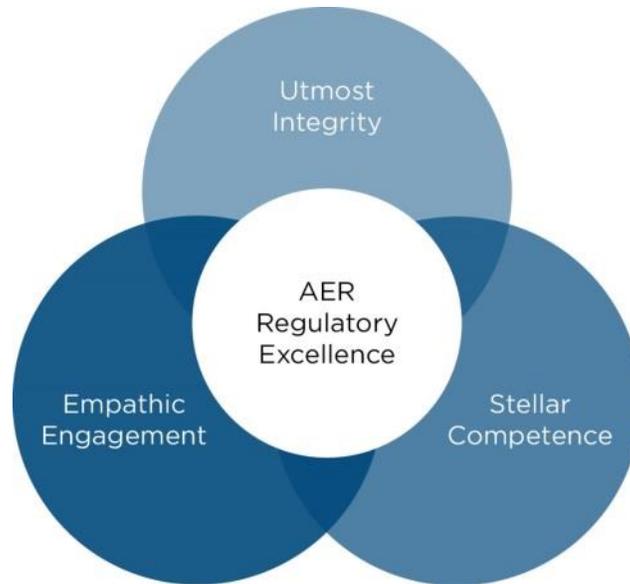


AGENDA and Worksheet

November 13, 2015

| | |
|-------|---|
| 9:30 | Welcome and Opening Comments |
| 9:40 | Purpose and Flow of the Session |
| | Best in Class Project Background |
| | PPR Final Report RegX Model |
| | AER RegX Attributes |
| 10:30 | BREAK |
| 10:45 | Table Talk 1 |
| 12:30 | LUNCH |
| 1:30 | Performance Model |
| 1:45 | Table Talk 2 |
| 2:30 | Next Steps |
| | Questions |
| 2:55 | Closing Comments |
| 3:00 | END |

AER/Aboriginal Dialogue on Regulatory Excellence



Utmost Integrity

» The AER:

- is accountable
- fulfills our mandate
- adheres to government policy
- makes decisions that consider context

*From **YOUR** personal perspective and that of the group that you represent:*

- » What is missing or most important to you?
- » What actions should the AER take to fulfill its commitment to utmost integrity?

AER/Aboriginal Dialogue on Regulatory Excellence



Stellar Competence

- » The AER will focus on:
 - Required expertise
 - Tools
 - Adapting to new risks and opportunities
 - Measurement and reporting

*From **YOUR** personal perspective and that of the group that you represent:*

- » What is missing or most important to you?
- » What actions should the AER take to fulfill its commitment to stellar competence?

Empathic Engagement

- » The AER will focus on:
 - Respectful engagement
 - Listening
 - Ensuring our decisions are understood
 - Trust

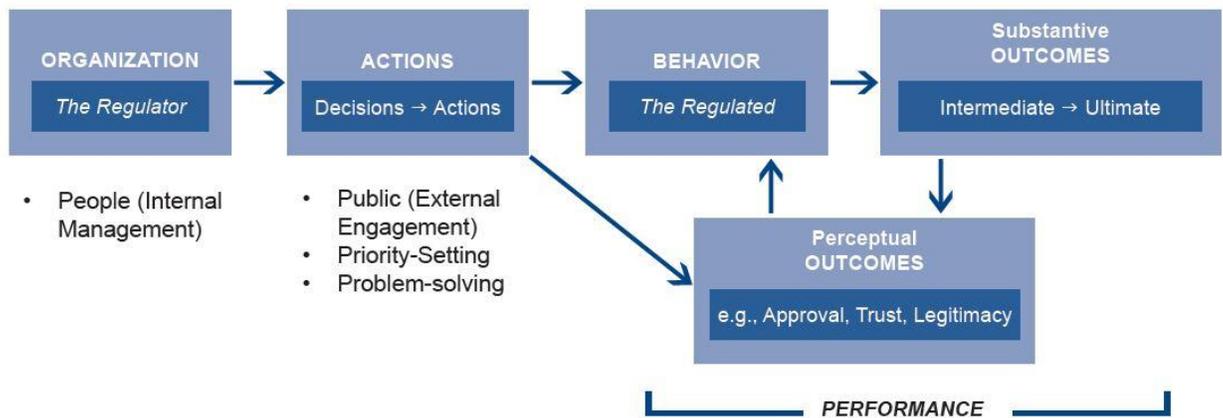
*From **YOUR** personal perspective and that of the group that you represent:*

- » What is missing or most important to you?
- » What actions should the AER take to fulfill its commitment to empathic engagement?

AER/Aboriginal Dialogue on Regulatory Excellence



MODEL OF REGULATORY ORGANIZATION, ACTION, AND PERFORMANCE



Performance Model

From **YOUR** personal perspective and that of the group that you represent:

- › How can the AER best consider your interests and values in its decision-making?
- › In what other ways can the AER meaningfully engage aboriginal people and communities in its work?

Having Your Say

The AER invites you to add your voice to the hundreds who have already responded to our online survey on Regulatory Excellence. Please visit

<http://talk.aer.ca/projects/regulatoryexcellence> to participate.