

Sustainability First



Customer engagement in regulation

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LSE, 7th December 2015

5 trends influencing engagement in regulated sectors

Trend	Implications for engagement
Digital communications – ‘democratisation’ of decision making	- Need more timely engagement and more collaborative, responsive & ongoing relationships
Smart technologies – DIY, self-serve & pro-sumers	- Customer base becomes fragmented – different customer segments may want different outcomes
Changing expectations – social / mobile / local	- Demand for more bespoke & tailored approaches - Increasing cost-reflectivity / unwinding cross-subsidies - Sphere of reference changing - compared to the ‘best’
Shrinking state - reducing red-tape & greater focus on individuals and markets	- Long-term issues may get less attention - Customers in vulnerable circumstances may need more help through regulation / service providers
Decline in trust & confidence - in some regulated sectors	- More focus on legitimacy of regulatory frameworks & social license to operate of regulated firms

Possible 'ladder' of engagement techniques

Method	Example	One-off / transactional	Engagement / legitimacy
Direct market influence	Switching		
Opinion polls	Survey		
Consultation	Written exercise		
Deliberative research	Citizens jury		
Digital activism	On-line petition		
Ltd involve. in governance	Reserved seat on board		
Expert challenge group	CCGs		
Negotiated settlement	Scottish price review		
Indep. Forum/ commission	Scot. Futures Forum		
Direct consumer oversight	Welsh Water		
Demo decision but deleg.	Referendum		
Public control	Community en. scheme		

Towards a 'person specification' for public interest advocates

- **Diversity** – Of experience (eg involvement of different customer segments, citizens & environment interests), life stage (current and future users) & ways of thinking (cognitive diversity)
- **Independence** - From companies / providers. Ability to provide fresh insight, constructive challenge & act as a critical friend
- **Informed judgement** – Ability to get to grips with large amounts of information & see the bigger picture. Understanding of the implications of decisions and possible trade-offs
- **Communication** – Ability to listen, speak out & build on discussions
- **Commitment** – Ability to 'stay the course'

Challenges

- **Resource** implications of proposals – mismatch of expectations?
- **'Legitimacy'** of engaged groups?

Effective engagement check list for regulators & companies

1. **Objectives** - Why do you want to engage?
2. **In the lead**- Should the regulator, company / provider, trade / professional body or a third party be in the lead?
3. **Audience** - Are you involving the right people?
4. **Nurture** – Have stakeholders got the appropriate resources to engage? What can you do to facilitate this & help build capacity?
5. **Embrace** - Have you ‘thought big,’ engaged in a timely fashion & given route in to senior decision makers / governance bodies?
6. **Mix & Match** - Have you used the ‘right’ involvement techniques?
7. **Outcomes** – Do you have a shared idea of what success looks like?
8. **You said: We did** - Have you explained the reasons for decisions?
9. **On-going impact** - Have you asked for feedback, measured impact and embedded good practice?

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New Energy and Water Public Interest Network (New-Pin)

What is it?

- Network of regulators (Ofgem, Ofwat, EA & WICS), energy & water companies & public interest advocates. 3 year programme

Purpose

- Look at similarities and differences between energy and water
- Explore long-term public interest issues (consumer, citizen, environment & investors)

Aims

- Clearer alignment between stakeholder views & better understanding of any differences – increase stability
- Develop capacity and expertise amongst public interest advocates
- Increase understanding amongst boards of the value of public engagement and what successful engagement looks like
- Publicly share papers to build more long term focus in wider debates

Workstreams

- 1) Workshops 2) **Capacity building** 3) Governance

Contact Sustainability *First*

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Annex – Sustainability First

Planned New-Pin work-stream activity

Workshops and papers

- Defining the long-term public interest (July 2015)
- Long-term affordability (October 2015)
- Trust and confidence (February 2016)
- Resilience in the face of climate & demographic change (June 2016)
- Regulation and innovation (October 2016)
- Smart consumers and demand-side approaches (2017)
- Sustainable community solutions (2017)
- Investor stewardship and corporate governance (2017)
- National infrastructure projects & strategic investment (2018)

Capacity building and governance

- Best practice in public engagement (Summer 2016)
- Master-classes (November 2016 – 2018)
- Water & energy: Governance in the public interest (2018)