

Sustainability First - Fair for the Future Project
Developing a 'Sustainable Licence to Operate' for the energy and water sectors

Talk into action – Fairness: Expectations, roles and responsibilities

The topic: There is currently much discussion about what 'fairness' is in the energy and water context, and what roles and responsibilities the various parties (governments, regulators, companies, citizens, customers and consumer groups) should have in terms of securing the delivery of 'fair' outcomes and developing a shared view on what is 'fair'. Effective engagement between and among all stakeholders is key to the development of a position that will gain widespread support.

Purpose of these 'Talk into action' questions: The questions below came out of a Sustainability First Fair for the Future Project workshop on this topic on 25 June. We will hold bilateral interviews with companies during the early autumn to discuss their views and collect examples of good practice.

The three questions will seek to **build a better consensus** on the components and processes to be considered by all parties in assessing fairness.

At the workshop we explored **four key strands that can frame the debate on fairness** (additional needs/potential vulnerabilities; inequality; insecurity; and the environment/low carbon transition). In our one-to-one discussions we want to explore this framing and the associated expectations, roles and responsibilities with you. We also intend to discuss these themes with regulators and government to build their views into our final project papers.

1. Can we achieve a clearer definition of what fairness means in energy and water?

We want to understand **how** your company approaches the issue of fairness in developing its business plan and strategy and how it takes account of the different position of individual stakeholder groups to develop a consistent approach to the issue. To assist this discussion it would be useful to explore some **concrete examples of decisions your organization has taken which aligned / balanced different interests to develop a 'fair' outcome**. Could you come to the call prepared to talk about examples, from a customer/citizen perspective, of your own initiatives or experiences that you would view as demonstrating 'fair' and 'unfair' treatment and set out **how** you approached the decision? We are particularly keen to discuss examples where things aren't necessarily clear-cut and how you have approached them.

2. Are the 'fairness' principles set out at the workshop the right principles?

At the workshop we highlighted some possible principles for thinking about procedural and distributive fairness and fairness of opportunities. These are summarized in Appendix 1 to this paper. In our call we would like to get your views on the proposed principles and the questions posed on them. These are somewhat detailed and we will all get most out of the meeting if you have a chance to consider them and discuss them internally in advance.

3. **Do the roles and responsibilities of key players need greater clarity so accountabilities are better understood and agreed, can be applied consistently by all parties and evolve to meet changing needs?**
- a. From your perspective, what are the **key blockers and enablers** around achieving greater clarity in terms of roles and responsibilities around fairness? Do you recognize the challenges and opportunities around future roles and responsibilities set out in Appendix 2 and what can your organisation do to address these? Is anything missing?
 - b. The workshop considered a proposal on the future focus for companies, regulators and government in terms of **who should engage on what to maximise legitimacy and address future challenges**. This is attached as Appendix 3. In our call we would like to discuss your views on this and to explore **whether there is consensus on the future focus**. If you believe greater clarity is needed, we would also like to discuss what steps you and others should take to achieve this.
 - c. We know from our research that some organisations (e.g. Peabody who were the subject of the case study) decided not to use some legislative rights available to them, as they did not believe they facilitated fair outcomes. We would like to discuss your views on how your organisation might have approached consideration of similar topics. Are your shareholders and board interested in **developing 'fair' solutions / approaches in a less politicised environment** and what steps have they taken towards this?
 - d. Do you think it would be helpful to arrange a **workshop with other key players to discuss fairness in a less politicised format** to develop longer-term principles on fairness?

Appendix 1: Possible principles for thinking about procedural and distributive fairness and fairness of opportunities

Procedural Fairness – Key Questions on Process

1. Who is the decision maker?
 - Who frames the question?
 - Who is accountable & for what?
2. Is it clear what the decision-making process is?
 - Is 'scheme of delegation' clear, simple and understood?
 - Are there clear and explicit explanations for decisions?
 - Are assumptions transparent?
 - Are decision makers aware of 'context' of decisions?
 - Is there independent assurance of the process?
3. Are decisions being made in a consistent way?
 - Within and across sectors – electricity/gas/heat/water
 - Over time – 'legitimate' expectations
 - For 'similar' users

A possible principle

- *The greater the a) distributional impacts and b) degree of ethical or political judgement, the greater the importance in the decision-making process of accountability, transparency and consistency – and the decision maker having a democratic mandate.*

Distributional Fairness – Key Questions on Sharing Risk & Reward

1. Who pays and who cross-subsidises?
 - Consumers (I&C, domestic, consumers in vulnerable situations, sticky customers, rural and urban etc.)/investors
 - Citizens as taxpayers
 - Other stakeholders (the environment/nature etc.)
 - Communities/regions/nations ('Equitable decentralization')
2. What's the goal?
 - Equity (pay what you use/contribute)
 - Equality (all pay the same)
 - Meet needs (ability to pay and minimum standards)
3. Who pays what costs?
 - Fixed costs/variable costs
 - Access costs
 - Natural capital costs
 - Institutional/transition costs etc.

Some possible principles

- *Costs should be met by those who: benefit from the service; are best able to manage the risks; and cause pollution.*
- *A joined-up & cumulative approach to long-term fairness & affordability is needed*

Fair Opportunities – Key Questions on Navigating Boundaries

1. Are access/capability issues given due attention?
 - To broadband/enabling tech/smart kit etc.
 - After disruption – response/recovery
 - To data (for ALL stakeholders)
 - For customers in vulnerable situations – support etc.
 - Are responsibilities clear and is there adequate signposting between different actors?
2. Do approaches to fairness work in practice?
 - Solutions and approaches trialed in ‘real’ world – and take account of complexity, dynamism and realpolitik
 - Meaningful stakeholder engagement and redress – clear responsibilities for resourcing and support

Some possible principles

- *A focus on delivering long-term public interest outcomes can help identify emerging boundary issues and discover the mutual interests / co-benefits that may help overcome these*
- *Strategic current and future customer / citizen journey mapping can test assumptions & help clarify roles & responsibilities*

Appendix 2: Fairness – Future roles and responsibilities – challenges and opportunities

Key issues	Challenges	Opportunities
1. How are roles framed?	<ul style="list-style-type: none"> • ‘Rear view mirror’ • Ad hoc & piecemeal approach – primarily through price reviews, set piece decisions etc. • Short term outcomes for individual organisations 	<ul style="list-style-type: none"> • ‘Future antennae’ • Strategic and cumulative approach • Long-term public interest outcomes for sectors and systems
2. How are remits set and exercised?	<ul style="list-style-type: none"> • Silo-based • Limited governance of ‘boundary issues’ • Rigid interpretation of duties / licences etc. ‘Not my responsibility’ 	<ul style="list-style-type: none"> • Cross department / sector joined up • Clear schemes of delegation – within and between organisations • ‘Advocacy’ & ‘calling out’ / signposting if issues are not within organisation’s remit
3. How do roles align / balance interests	<ul style="list-style-type: none"> • Focus on individual / organisation’s interests • Lack of accountability / transparency in process - or this is delegated to ‘technical’ processes 	<ul style="list-style-type: none"> • Focus on mutual interests • Strategic, systematic & ‘legitimate’ stakeholder engagement shapes process
4. How do roles flex / cope with change?	<ul style="list-style-type: none"> • Top down, wait and see changes to roles etc. • Roles determined by homogeneous groups drawn from largely quantitative disciplines (engineering, accountancy, economics etc.) 	<ul style="list-style-type: none"> • Decisions around roles <i>to some extent</i> ‘pushed down’ & decentralised / distributed • Cognitive diversity and making full use of interdisciplinary skills in decision makers

Appendix 3: Who should engage on what to maximise legitimacy and address future challenges?

