

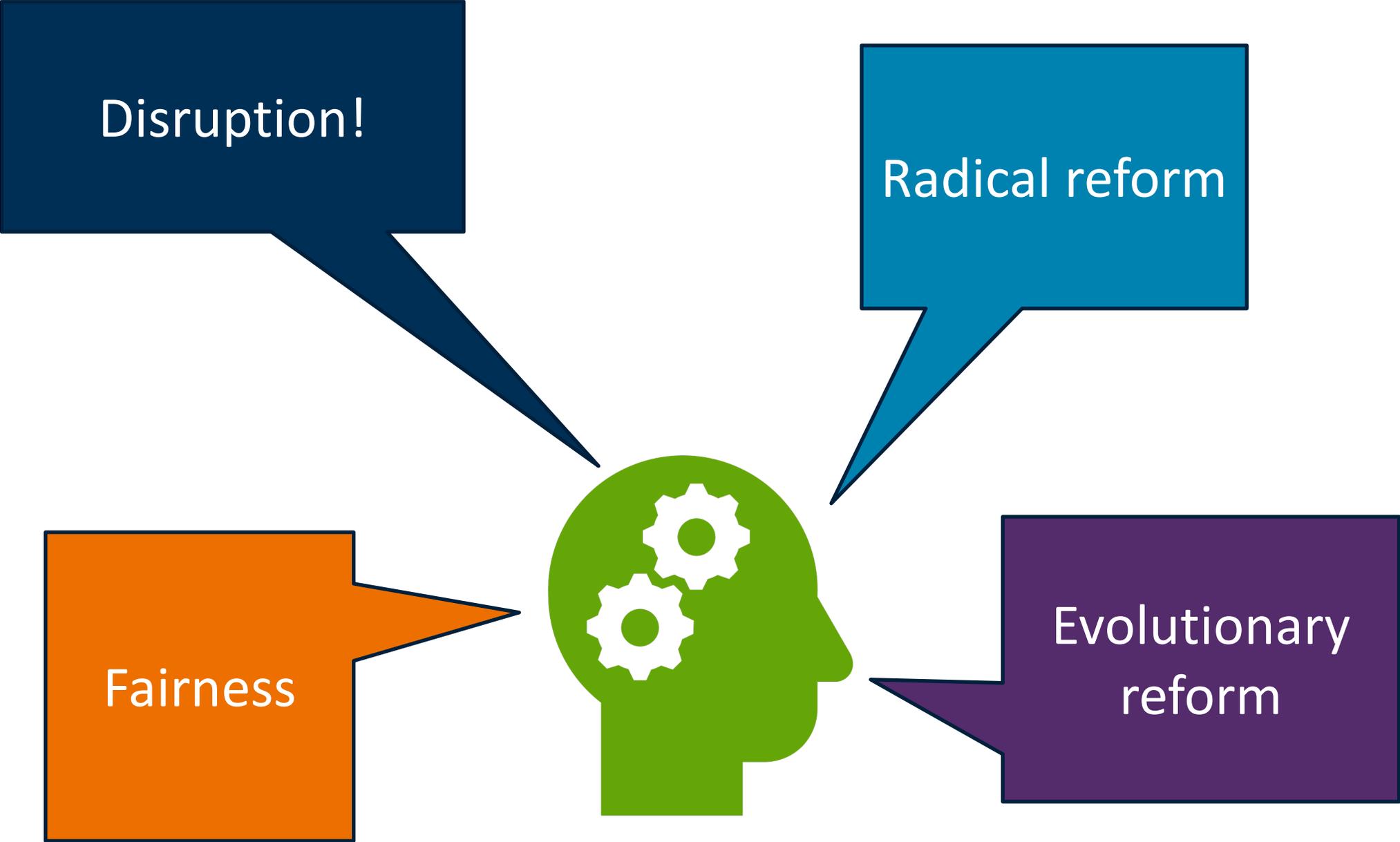
# **Sustainability** *first*

**Future Thinking on Utility Regulation and Fairness**

**Sharon Darcy, Director, Sustainability First**

**A 'Sparking Debate' Evening Conversation Hosted by Frontier Economics and  
Sustainability First**

**7<sup>th</sup> March 2019**



# The three disruptors that are re-shaping our world



Technological  
change



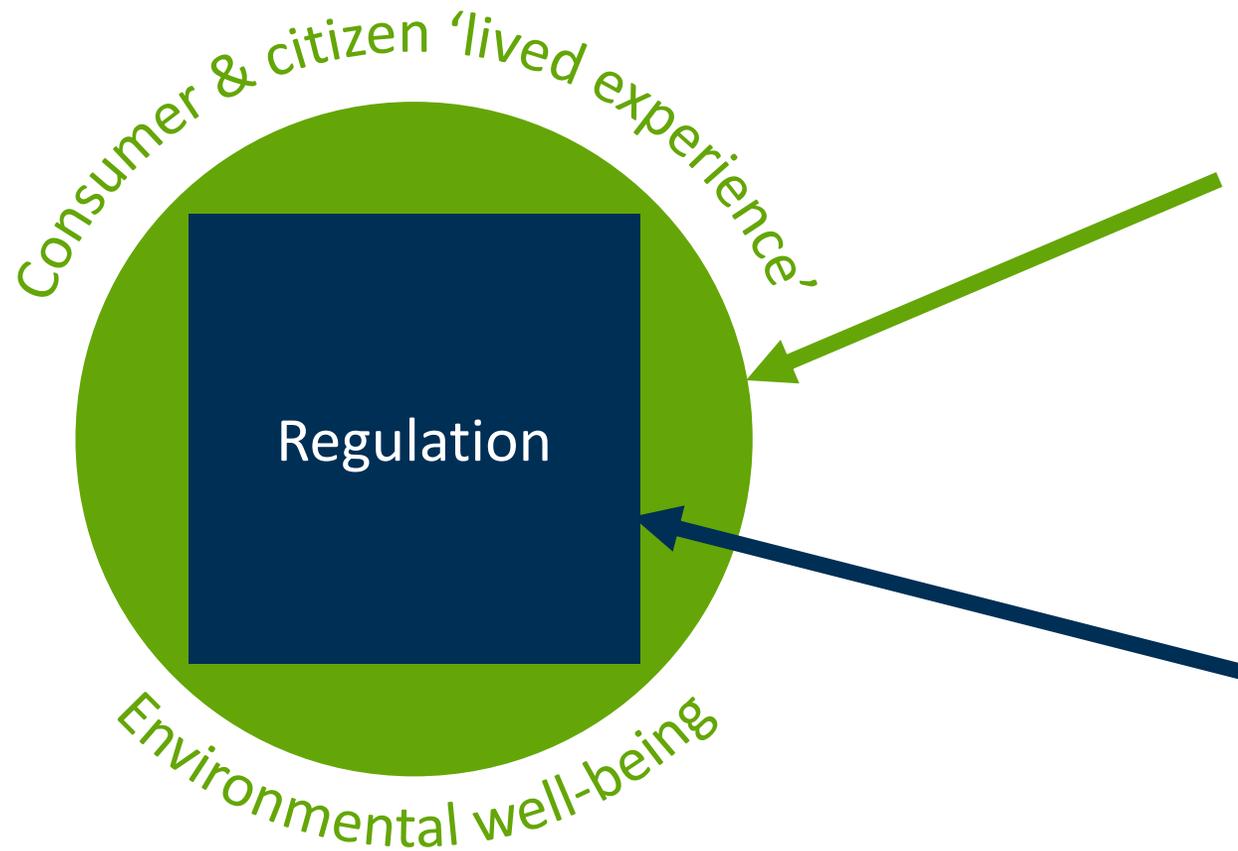
Societal change



Environmental &  
climate change

# Circling the square

## Rethinking utilities regulation in a disrupted world



Fluid, dynamic, cross-cutting, cumulative, individual and collective, need for positive framing and not only interested in price

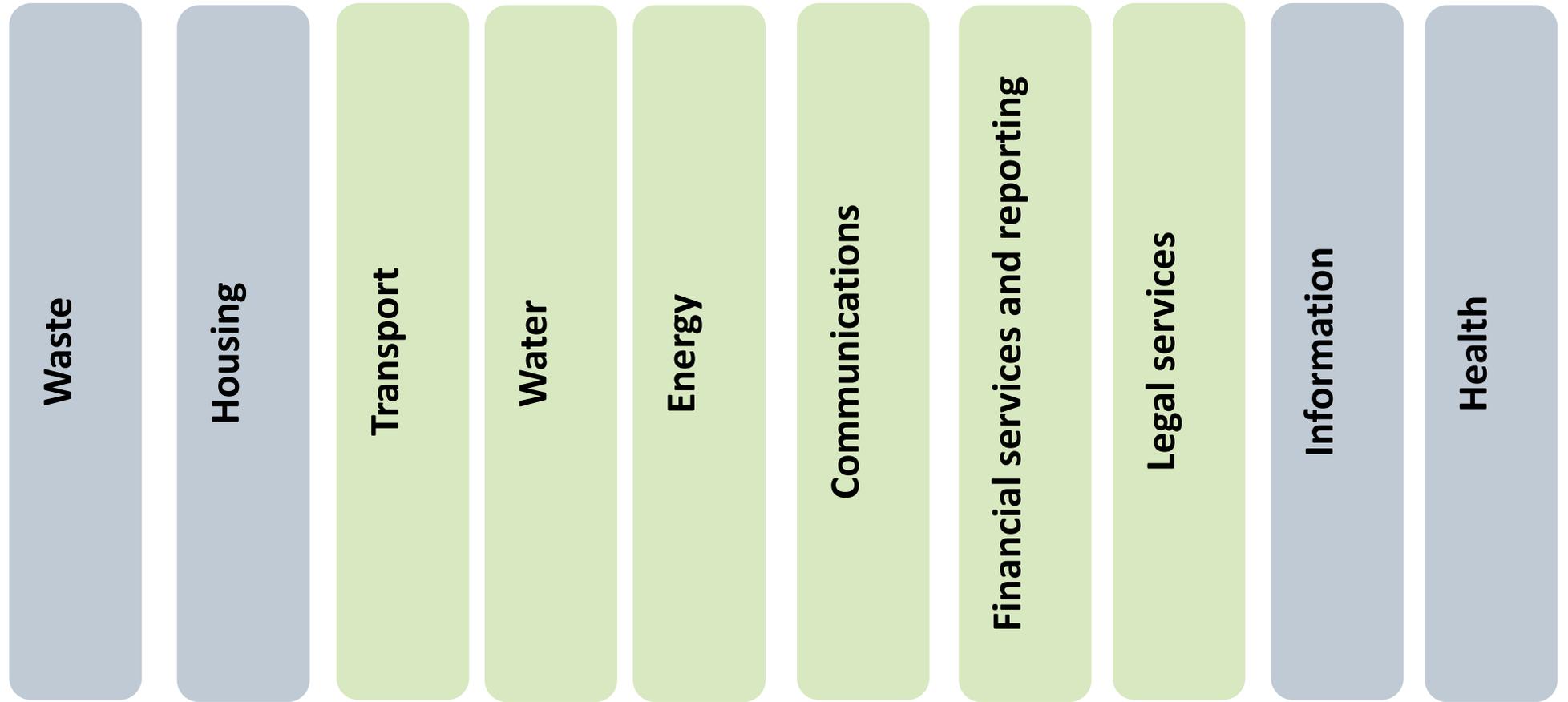
Rigid, siloed, cyclical, focused on non-existent 'average' consumer, mainly negatively framed ('failure' and individual 'detriment') and interested in price

# The broader regulatory landscape

Some of the UK's  
main regulators

A **complex** picture  
of **multiple**  
**vertical sector**  
**based** regulatory  
silos

People do not live  
their lives in silos  
– the consumer  
'lived experience'  
cuts across  
sectors



Mainly in the UKRN 'family'

# Future regulatory arrangements in utilities – 5 key dimensions

## Structure - sectors

Sector specific economic regulation

'Super' multi-utility regulator

## Structure - functions

Each regulator covers all functions

Specialist functional utility regulators

## Structure - geography

Global or nationally focused regulation

Locally focused regulation

## Independence

Independent economic regulation

Government/'public' control

## Public voice (consumer, employee, citizen)

Economic regulator as proxy consumer

Co-regulation

# In face of uncertainty & complexity, need to go back to basics and ask what was regulation originally set up to do?

**Maximise**

## **Facilitate competition (and innovation)**

Q How do you create and promote opportunities for the future across all desirable public interest outcomes?

## **Act as proxy consumer**

Q Which consumers are you protecting (given no such thing as an average consumer, local views and future consumers / nature have limited voice) and vulnerability is dynamic and cross-sectoral?

**Ethical  
judgement**

**Regulatory  
purpose?**

**Minimise**

## **Correct market failures**

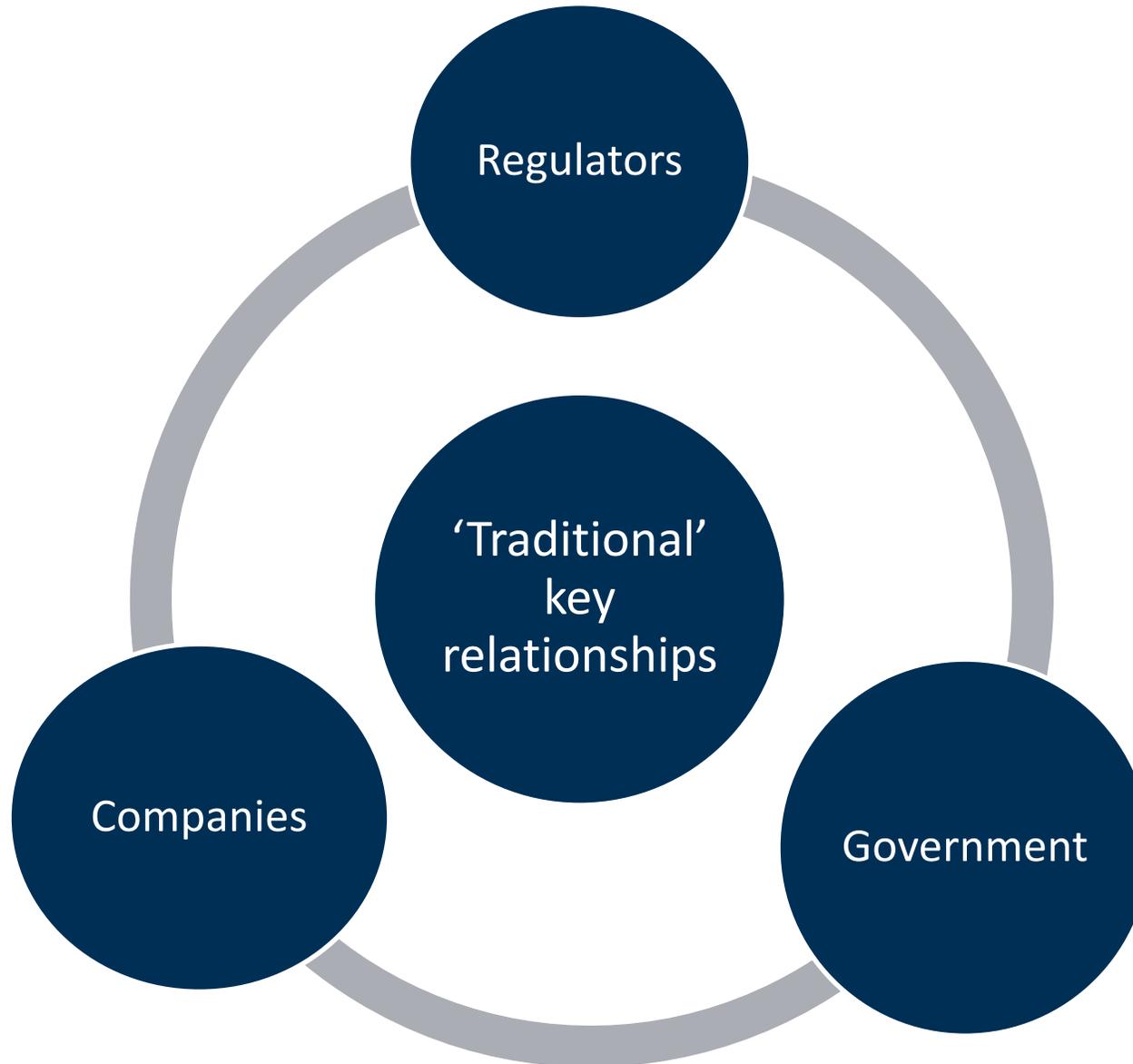
Q How do you define the market in a dynamic environment & how do you address information asymmetries – in a data rich and high-tech world?

## **Independent from government**

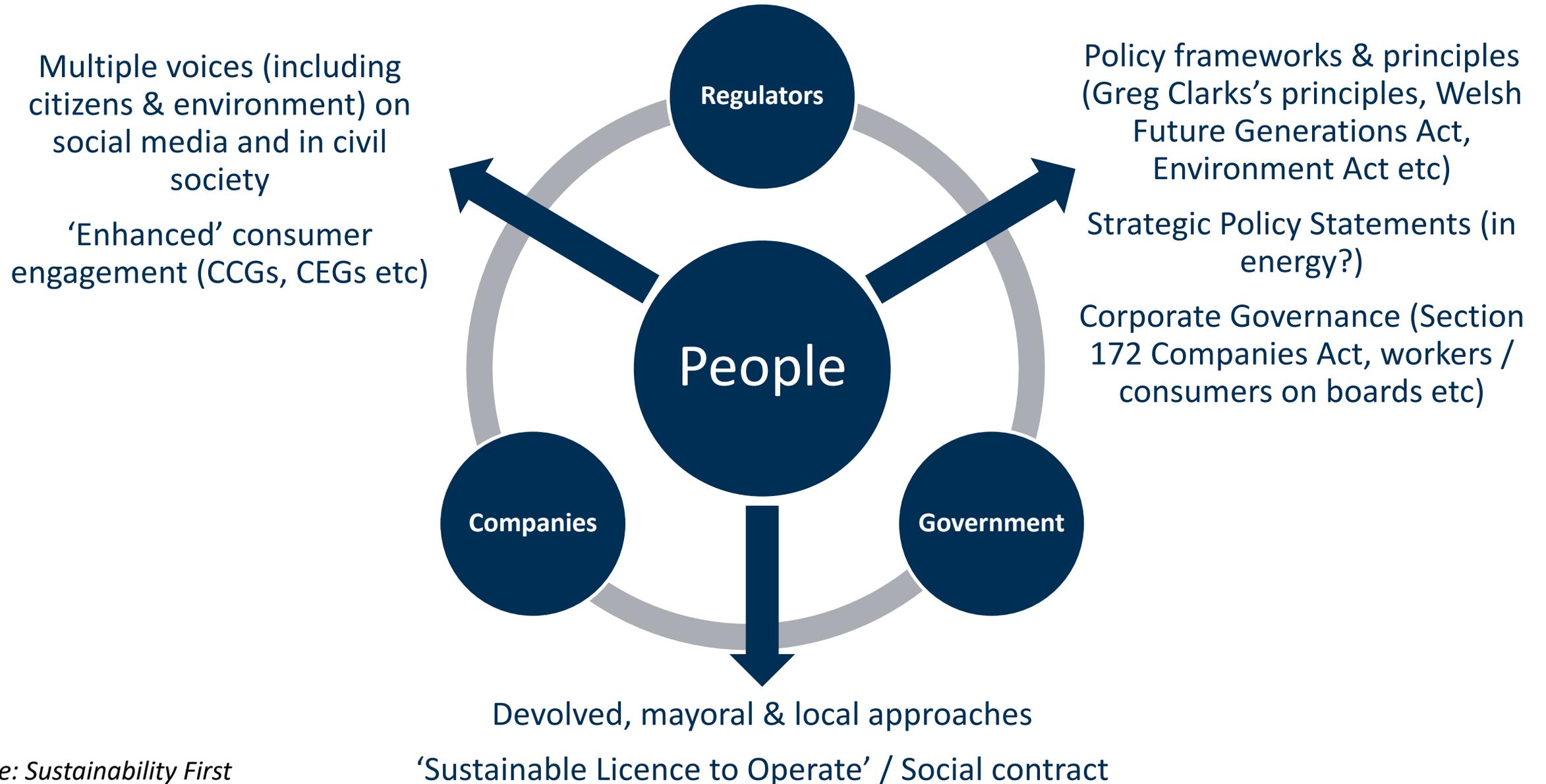
Q How do you facilitate investment for the long-term, and decide on the fair sharing of risk and reward, without a democratic mandate on distributional issues & in a fast moving world?

**Political  
judgement**

# Who should hold the ring and make which judgement calls?



# In areas of judgement there are now more actors....



# Navigating through disruptive change



## Evolutionary steps – could include

- More explicit/consistent government guidance such as Strategic Policy Statements
- Clearer/more transparent alignment of economic, social and environmental goals *within* regulatory decisions
- Greater consistency/collaboration between utility regulators via augmented, *strategic* & cross-regulator arrangements



## Vision for regulation in Twenty First Century & road-map to 2030

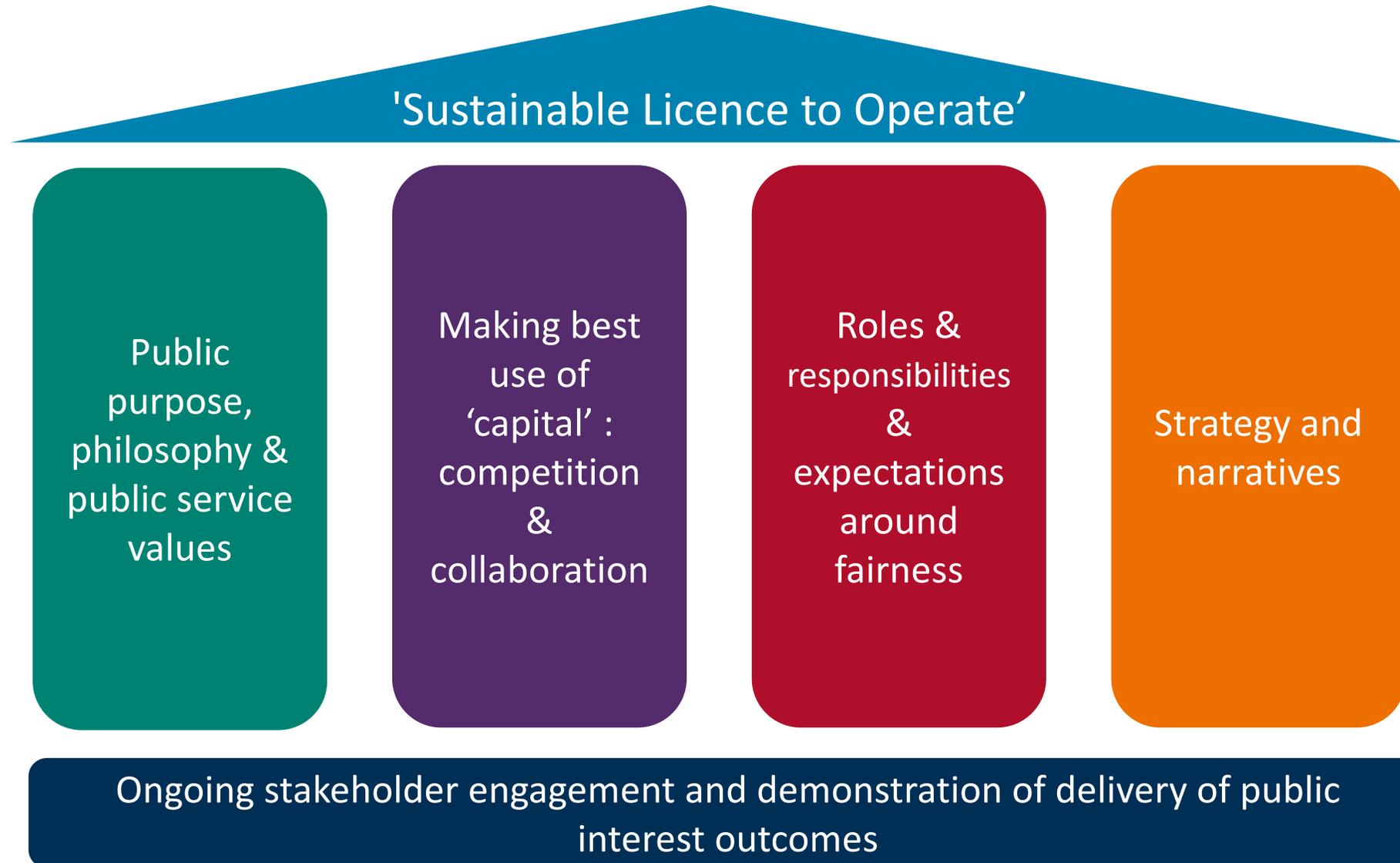
Aligned with existing policy and advice eg

- Industrial Strategy
- 25 Year Environment Plan
- UK Implementation of UN SDGs
- Committee on Climate Change advice
- National Infrastructure Commission advice

# Possible criteria for evaluating more radical approaches to regulatory reform



# Fair for the Future Project: what can be done under current regulatory frameworks?



# Summary of recommendations

