Sustainability *First*

New Energy and Water Public Interest Network – New-Pin briefing paper

Trust and confidence: What does it mean for the different stakeholders in the energy and water sectors? What can be done to build and maintain this?

DEFINITIONS

Trust is hard won and easily lost. It is not something mechanistic that can be dictated or 'reset' at the behest of a single group or actor. Trust is a **relational** concept. In energy & water it is built on a complex web of relationships between consumers / the public, companies, investors, government and regulators. There are strong inter-dependencies here. Problems with trust in one area can have knock-on impacts on trust in the 'system'.

Trust is the belief in the **ability** (competence), **benevolence** (motives and interests) and **integrity** (honesty) of a person or organization. If the overall judgment on these things is positive, this increases our willingness to take a risk in our dealings with that entity – to trust them.

Trust and confidence are similar qualities, but do not always go hand in hand. Trust is more interpersonal and requires a belief in the other body (in their integrity) & hence a willingness to make yourself vulnerable to them. Confidence tends to more frequently be based on an assessment of ability & may be dependent on the context and require evidence of proof. **Although these differences do exist, they are not clear-cut. In this paper, we therefore use the terms interchangeably**.

WHY IS TRUST IMPORTANT?

It is important that energy and water services are **trustworthy** as they are essential for public, environmental and economic health - and have strong monopolistic elements. Unless consumers trust energy & water providers, the full potential of behavior change & demand reduction & response may not be realized.

Trust and confidence from different perspectives

Trust can mean different things to different stakeholders. To have trust in their energy and water companies, **consumers** generally want quality and resilient services & Value for Money (VFM). Customer service and satisfaction can drive customer trust; getting these right first time is important. People understand, however, that problems with services can sometimes happen. How companies and others respond to these events is key. Given the social & environmental impacts the sectors can have, the wider **public** may also expect a democratic 'citizen' voice in services to have confidence in them.

Trust is important for **companies** to secure the business's future. To be trusted by customers, companies need to be able to show that they understand and are responsive to their needs. Employee satisfaction is important here – this can help drive customer satisfaction. For **investors**, trust can help create positive and stable environments for returns. If investors want to be trusted by customers, they need to be able to demonstrate that they are responsible owners.

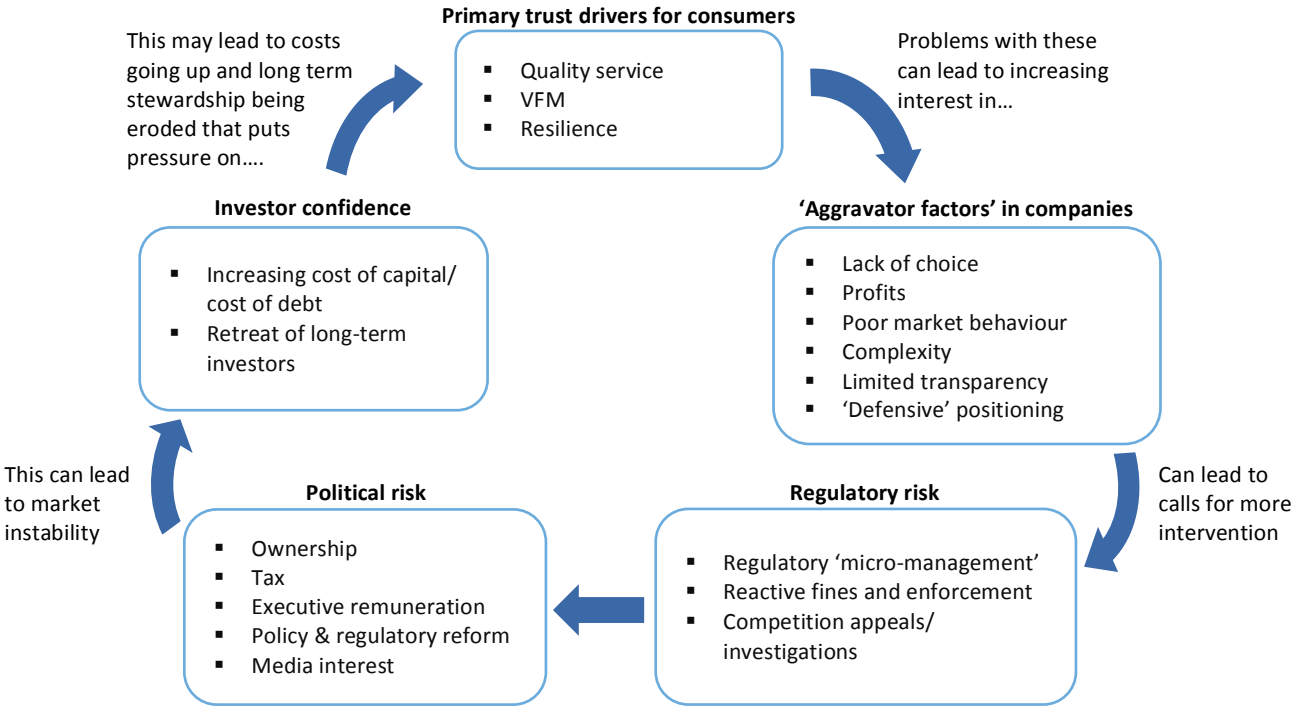
A stable, predictable policy environment, along with policy coherence between Departments, is important to build confidence in **government** policy frameworks. For **economic regulators**, trust is important if information is to be shared between stakeholders. Consumers are more likely to trust regulators if they can demonstrate that they are meeting their statutory duties, can be held to account, are independent and responsive to emerging consumer & market intelligence.

*This briefing note summarises Sustainability First's full paper on Trust and Confidence. The paper is based on an extensive literature review, interviews with 16 New-Pin Network members and others, case studies from the water and energy sectors and a workshop of New-Pin Network members on 24th February 2016. The **full paper**, containing a comprehensive list of suggestions to build trust, can be accessed here: http://www.sustainabilityfirst.org.uk/*

Key issues shaping trust and confidence in energy and water

- **Unplanned service disruptions**: The public are likely to consider managing any disruptions a core part of an energy or water company's business. Dealing with incidents effectively is an opportunity for businesses to interact with customers. It can help build trust with the affected communities rather than alienate them, eg through good crisis management, clear responsibilities and proactive and sensitive communication. Being open and honest is key.
- **Ownership, long-run stewardship and returns**: If companies do not get the basics of service delivery 'right first time', people may ask whether companies and their investors really are focused on their long-term interests. The underlying drivers associated with different investor models, and whether they enable good service delivery, may have a more significant impact on trust than whether a company is publicly, privately or community owned.
- **Competition, choice and prices in retail markets**: Competition can build trust through downward pressure on prices & increased consumer choice. However, poor market behaviour, complex & disaggregated value chains (leading to different views on costs) & a focus on market share rather than customer service can erode it. Smart energy metering provides an opportunity to help rebuild trust in retailers – which is vital for demand side services.
- **Relationships between companies, government and regulators**: Ensuring any differences between actors can be debated is important. However, unexpected or ad hoc policy interventions, slow or weak enforcement activity or ill-considered changes to regulation can increase political / regulatory risk & reduce investor & consumer confidence. Competition appeals can be important checks and balances in the system. It is important that they don't make relationships more adversarial & less trusted, leading to pressures for a more 'revolutionary' approach.
- **The media:** With a focus on negative stories, particularly at the national level, the media can help accentuate negative sentiment & downward spirals of trust (see the diagram below). Companies, especially when they have local networks, can seek to address this by working with regional media where they may have better relationships and through social media that they can use for more proactive, timely and tailored communications. However, the speedy response required by social media presents its own risks to trust: mistakes can be made and information may not always be accurate.

Potential downward spiral of trust for consumers and the public in energy and water



Practical steps that can help build and maintain trust

Building and maintaining trust in energy and water is a constant process and the relationships on which it is based are complex and dynamic. There are no silver bullets and it is difficult to point to any single metric to drive trust. Instead, it may be more valuable to identify the types of behaviours and processes that can build trust. The following practical steps may help. They are not new, but getting them right is crucial, particularly when there are differences in views between stakeholders as to what outcomes they want to see. Each of these steps can also be a double-edged sword; it is important to find a balanced way forward on each to minimise the risks and maximise the opportunities that they can bring.

Openness and clear and proactive communications

- A common language is needed, especially on costs. This is a precursor to an honest conversation with customers and the public on issues such as affordability.
- Information needs to be accessible for the intended audience. Digital communications increasingly allow 'bespoke' formats for different audiences at relatively low-cost.
- 'Rhetoric audits' – to compare what organisations claim they do and think – with what they actually do - can help.
- Personal communications and face-to-face contact are powerful for companies, especially in a crisis. Using trusted partners, such as community groups and NGOs, as messengers can be helpful.
- Companies need to treat all customer contact, regardless of the channel, with the same respect but it is important to ensure messages are 'valid' and accurate (especially via social media).

Stakeholder engagement

- Clarity on who the stakeholders are, and why engagement is taking place, is important to getting it right.
- Effective engagement needs to be timely (so stakeholders can help shape agendas), adequately resourced (in order to be inclusive, encourage diversity and avoid capture) and embedded in decision-making processes.
- There are numerous engagement mechanisms. It matters to choose the right one for the job in hand. Digital technologies and social media are opening the way for new, and potentially more democratic, ways of engaging. It is important that engagement is a 'two-way' conversation to avoid 'broadcasting'.
- Involved stakeholders need feedback. They need to know what impact their contribution is making and understand why their in-put has (or has not) been taken on board. Formal reporting routes, such as into an individual on the Board or through the Annual Report, is important to company credibility & also for long-run relationship building.

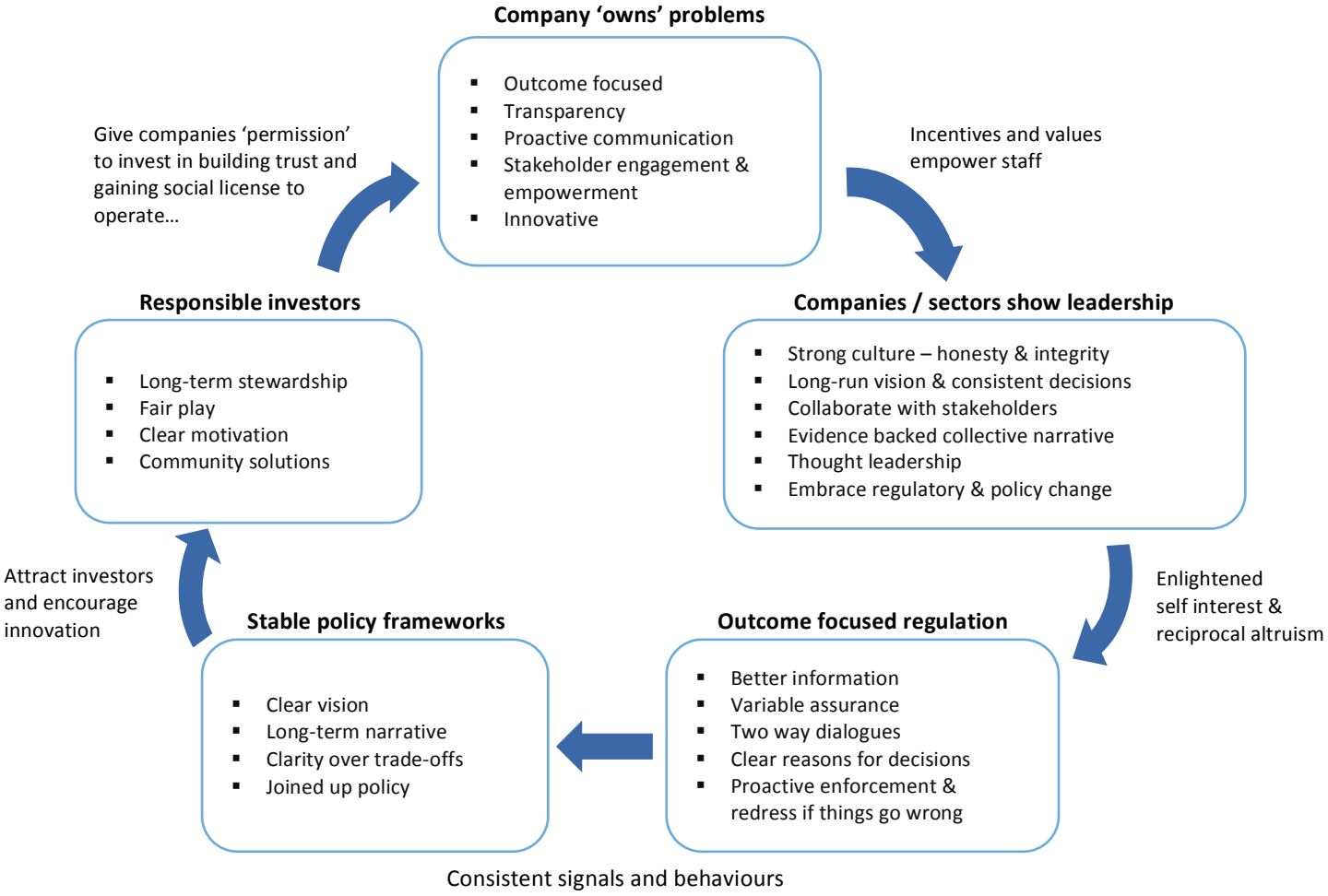
Clarity of motivation and long-term outcomes; and

- Developing a shared view of expectations around appropriate planning horizons is important.
- Be honest about uncertainty and what isn't known.
- Put into practice well-understood steps to support long-term predictability: signalling change well in advance; early consultation on major changes; sufficient analysis to support the case for change; clarity on the factors that will influence a final decision.
- Know what skills and behaviours are lacking to take the organisation forward & prepare for the future.

Leadership, culture and values.

- Have a 'golden thread' from the top of the organisation to the bottom enabling all staff to see the link between ethos & individual activities. Being realistic about what can be achieved can build trust in the leadership team.
- Move beyond blame to openly discuss the kinds of behaviours all parties expect of each other and to learn the lessons from past mistakes and near misses.
- Don't assume that leaders have a monopoly of common sense. Partnership working is important.
- Develop stronger collective narratives on what the energy & water sectors do – proactively sharing good practice.

Potential upward spiral of trust for consumers and the public in energy and water



Each of the steps on the previous page is necessary, but on its own perhaps not sufficient, to build trust. Approaching them in the round – as illustrated in the diagram above - can maintain confidence and secure a social license to operate into the future. A **holistic and coherent approach** would seem to be important if trust is to be maximised and endure beyond the changes in individuals and personnel that can often have a significant impact on confidence. It is worth noting that with the move to more principles-based regulation, there is clearly a need to link the high-level principles that could drive trust and confidence with the behaviours, processes and relationships that we have explored in this paper.

ABOUT SUSTAINABILITY FIRST AND NEW-PIN

Sustainability First is a small environmental think-tank. The charity's New-Energy and Water Public Interest Network (New-Pin) project brings together public interest advocates, companies, regulators and government departments with an interest in energy and water to: develop clearer alignment between different stakeholders as to what the long-term public interest looks like in these sectors; increase understanding of any differences in views between stakeholders; develop capacity and expertise amongst public interest advocates to ensure a more level playing field in long-term company and regulatory decisions; and improve understanding amongst company and regulatory boards of the value of public engagement in these sectors and what successful engagement looks like.