Sustainability First

New Energy and Water Public Interest Network 'New-Pin'

Workshop 4

The long-term public interest: Consumer, citizen & stakeholder engagement & capacity building in the energy & water sectors

19th October 2016

This slide-set is not intended for wider circulation please beyond members of the sponsor group and the New-Pin Network

Agenda – 19th October 2016 (i)

1	**Welcome, apologies and introductions**	**10:00**
2	Feedback – Member actions from June New-Pin '*Resilience*' workshop	10:05
3	Overview of Sustainability First '*Engagement*' discussion paper	10:20
4	Engagement – purpose and expectations • A Government perspective - Sheena Brown (Scottish Government) • A public interest perspective – Dr Rose O'Neill (WWF) Sharing experiences – what currently works and what doesn't • A consumer view - Anna Bradley (Southern Water Customer Advisory Panel) • A company view - Alison Sleightholm (Western Power Distribution)	10:50
5	Do we agree on the gaps identified in section 5 of the discussion paper for representing the long-term public interest?	11:50
6	Research approaches to uncover the long-term public interest: BritainThinks and London Economics present their paper	12:20

Agenda – 19th October 2016 (ii)

	LUNCH SERVED	**12:50**
7	Discussion **over lunch** of BritainThinks and London Economics research approaches paper	13:15
8	Steps towards future good practice on stakeholder engagement (Sections 6,7 & 8 of the discussion paper). Breaks out groups to: • Discuss the Sustainability First Principles for Good Engagement • Test the Sustainability First Decision Making Framework for Stakeholder Engagement • Poll of new tools for future public interest capacity building	13:45
9	Competition policy and the public interest agenda – brief scoping discussion for 22nd February 2017 New-Pin workshop	15:00
10	Feedback and AOB	15:25

Agenda item 2 - Feedback
Network member actions on *'Resilience'*

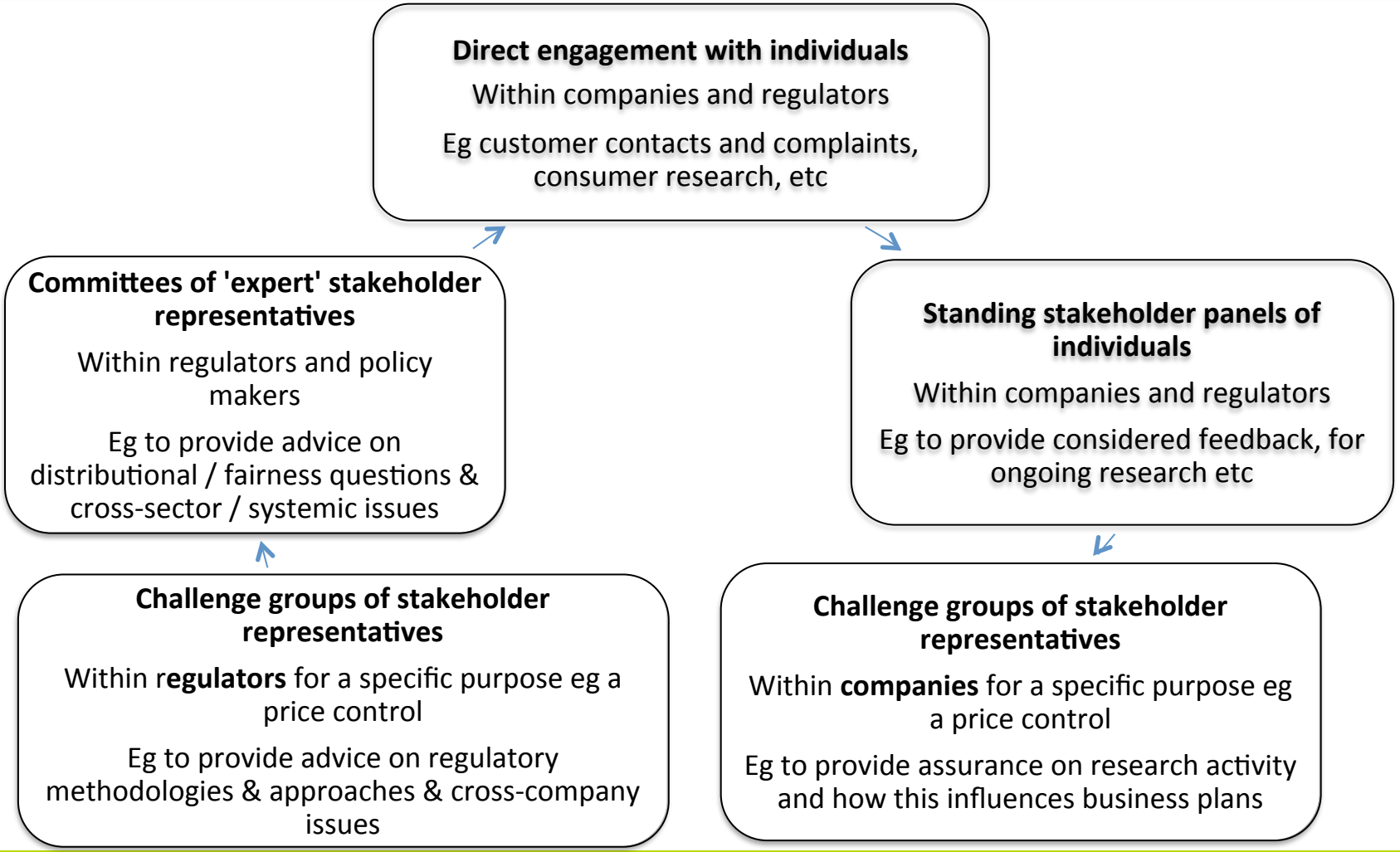
- In the spirit of keeping things concrete, can people share **examples of practical actions** they took as a result of last workshop on *Resilience*

- **Recap** – themes to help ensure resilience discussed in June
  - **Engagement:** eg use a common language, especially on costs and risks
  - **Information sharing:** eg develop a robust evidence base of resilience challenges and customer requirements
  - **Standards and decision making tools:** eg assess distributional implications of moving from a tailored to a risk based approach to standards
  - **Metrics:** eg clearly articulate resilience goals & targets and relate these to why the service is needed by citizens and consumers
  - **Leadership:** eg clear roles and responsibilities, particularly when solutions require cooperation across institutional boundaries

Agenda item 3 - Overview of '*Engagement*' discussion paper Methodology and approach

- Discussion paper is collaborative effort – thank you
- Involved brief literature review & **23 interviews** with Network members & other stakeholders – draws on your case studies & those from further afield
- Slides are high level - **DRAFT** discussion paper is far more detailed
- **Additional comments by 26th October welcomed**
- Focus of discussion paper is on:
  - Whether the **long-term** public interest is being sufficiently represented in consumer, citizen and stakeholder engagement activity
  - The engagement of consumer, citizen and stakeholder **representatives and experts**
- The companion paper from BritainThinks and London Economics discusses approaches to research methodology. It's focus is the engagement of **individuals** through consumer research etc

Agenda item 3 - Overview of '*Engagement*' discussion paper
High level typology of different types of engagement



Agenda item 3 - Overview of '*Engagement*' discussion paper
Key conclusions (i) Company-led engagement

- No single best approach to engaging consumer, citizen and stakeholder representatives in long-term decision-making
- Need to tailor engagement to own situation. We provide some tools to help do this – we will 'road-test' these this afternoon
- Company-led engagement can bring many benefits
- **Company-led engagement necessary to get more consumer focused services. But**, on its own, **not always sufficient for long-term issues**
- Given the significant **social and environmental externalities** in energy and water - and the associated **distributional and systemic impacts** - a wider approach to engagement, **including policy and regulatory led engagement**, may be needed for system-wide issues
- Greater clarity is needed on the **purpose / objective for engagement** in any given situation.

Agenda item 3 - Overview of '*Engagement*' discussion paper
Key conclusions (ii) Objectives for engagement



Risks for engagement

- Iterative engagement & perceived regulatory weakness
- Regulatory back-stops
- Consumer capture
- Stakeholder disillusionment & fatigue
- 'Present' bias
- Where boundaries are drawn
- Changes to status quo

Agenda item 3 - Overview of '*Engagement*' discussion paper
Key conclusions (iii) Gaps in engagement and balancing interests

- There are some **important gaps** in how the public can engage on long-term issues. We will explore these later this morning
- Consensus at all times is not achievable: there can be **differing interests both within and between generations**
- Need greater clarity as to who owns the decision to engage and who is responsible for balancing different interests
  - **Companies** – should be responsible for engaging own customers & pulling together evidence from engagement to shape business plans
  - **Regulators** – if there are differences between companies that can't be resolved, regulators should lead on engagement to navigate trade-offs
  - **Policy makers** – should use engagement to help balance differences when there are significant distributional impacts and system wide issues
- Engaging consumer and citizen representatives on the **ethical values** applied in arriving at judgements about **what is 'fair'** will be helpful on contentious issues

Agenda item 3 - Overview of '*Engagement*' discussion paper
Key conclusions (iv) Regulators, resources & engagement

- Policy makers and regulators each need to set out their **vision and expectation** for stakeholder engagement on long-term issues
- **Engagement will rarely negate the need for regulation**. However, it can inform the need for regulation to re-focus. Greater clarity may be helpful on:
  - If any 'red-lines' on the regulatory decisions engagement may inform?
  - What do regulators consider is proportionate engagement?
  - What more should regulators do to stimulate innovative engagement?
  - How far should regulators facilitate / support engagement?
  - How should regulators mediate in engagement if outcomes are unclear?
  - How are regulators changing their own internal & external procedures as a result of engagement activity?
- **Public interest advocates** need **resources**. Without dedicated funding, and checks and balances in governance arrangements around this, engagement on long-run issues could be set up to fail or unduly influenced by vested interests

Agenda item 4 - Sharing perspectives on stakeholder engagement on long-run public interest issues

Objectives, purpose and expectations of engagement

- A government perspective – Sheena Brown, Head of Consumer and Competition Policy, Scottish Government
- A public interest perspective – Dr Rose O'Neill, Water Policy Manager, WWF

Practice; what <u>currently</u> works and what doesn't?

- A consumer view - Anna Bradley (Southern Water Customer Advisory Panel)
- A company view - Alison Sleightholm (Western Power Distribution)

Discussion – how much commonality is there and what are the emerging themes?

Agenda item 5 (i)
Do we agree on the gaps in stakeholder engagement for the long-term public interest?

Engagement on 'big-ticket' issues

- **The cost of capital** – how far should this be left to regulators?
- **Strategic infrastructure projects** – is engagement on public interest sufficiently early?

A coherent view of the wider context

- **Different consumer segments** – how to balance the interests of vulnerable and 'average' consumers?
- **Matters across the value chain** – in the water and energy sectors, who pulls together public interests in up and downstream issues?
- **Community and local citizen engagement** – how do cities fit in?
- **Issues common to energy & water** – who to engage on cross-sector resilience & how?

Agenda item 5 (ii)
Do we agree on the gaps in stakeholder engagement for the long-term public interest?

The needs of future consumers and citizens

- **Risk & uncertainty**– how to deal with 'present' and 'optimism' bias and 'loss aversion'?
- **Changing behaviours and needs** – does engagement take account of the impact of demographic, technological and climate change on future users?
- **Digital communications** – how are these changing our expectations around engagement as citizens?

Agenda items 6 & 7
Research approaches to uncover the long-term public interest

Paper from BritainThinks and London Economics

- Points of clarification (before lunch)
- Discussion (over lunch)

Agenda item 8 – Steps towards good practice (i)
Overview – break-out groups

- Get into groups with a mix of energy and water - and company / regulator/ policy maker / public interest group - representatives
- Appoint a rapporteur to report back to the workshop
- **45 minute** discussion to cover:
  1. Principles for Good Engagement on Long-run Public Interest Issues
     - Do you agree these are the main principles? Is anything missing?
  2. **Decision Making Framework for Engagement on Long-run Public Interest Issues**
     - Do you agree these are the main areas decisions need to be made in? Is anything missing? What is the 'killer question' for each area? Can you 'road test' the Framework using examples of engagement activity (eg a price control) that you have been involved in?
  3. Tools for future public interest capacity building
     - How would you prioritise and are there any possible tools missing?

Agenda item 8 – Steps towards good practice (ii) Sustainability First Principles for Good Engagement on Long-Run Public Interest Issues

- **Clear objectives** – to help manage expectations
- **Focused and proportionate** – focused on the most significant issues
- **Embracing the big picture** –bring stakeholders into decisions early
- **Transparent and visible** – to help ensure accountability
- **Legitimate** – diverse, open and inclusive processes
- **Independent –**adequate resourcing /reporting lines to prevent 'capture'
- **Informed –**accessible information, appropriate expertise, comparative data
- **Nurturing and supporting those that need to be engaged –** addresses barriers
- **Tailored** - to suit topic / organisation / sector / stakeholder needs
- **Embedded** – within organisations decision-making processes and governance
- **Measured** – understanding of the value and impact across the organisation
- **Iterative** – not 'set & forget' - identifies opportunities for collaboration
- **Gives feedback** – you said: we did

Agenda item 8 – Steps towards good practice (iii) Sustainability First Decision Making Framework for Engagement on Long-Run Public Interest Issues

Proposed area for decision	'Killer' questions?
Objectives for engagement	Are you clear about why you want to engage? Is a specific or formal engagement initiative the best way of fulfilling this objective?
Decision Makers	Who owns the decision? Are the policy, regulatory and company 'red-lines' clear as to what you should / shouldn't engage in? Is the issue you want to engage in within your control/sphere of influence?
Who to engage?	Do you plan to engage a sufficiently diverse / representative group?
Timing of engagement	Is the timing right / early enough for long-term issues?
Legitimacy of engagement process	Are roles, responsibilities & reporting arrangements clear? How are you going to recruit and incentivise those you want to engage to ensure independence? Do outcomes feed into governance process & is there board level support?

Continued…

Agenda item 8 – Steps towards good practice (iv) Sustainability First Decision Making Framework for Engagement on Long-Run Public Interest Issues

…Continued

Proposed area for decision	'Killer' questions?
Barriers to engagement	Do those you want to engage, face any barriers to engagement and what can YOU do to help them overcome these? Do regulatory processes, frameworks or approaches act as a potential barrier to engagement?
Engagement approaches	Have you explored different methods? How will you weight / triangulate different in-puts & who will be responsible for this? Are you the most appropriate organisation to carry out the engagement?
Information and reporting for engagement	Do those you seek to engage have adequate and timely access to information? Are there sufficiently transparent and timely reporting mechanisms in place to enable those engaged to communicate to wider stakeholders about their work? Are feedback loops in place?
Impact of engagement	How will impact be assessed / how will engagement be embedded?

Agenda item 8 – Steps towards good practice (v)
Poll of new tools for future public interest capacity building

Which possible 'tool' might your organisation find it of help for Sustainability First to develop over the next year?

- **Option A** – 'How to guide' for public interest representatives in the energy and water sectors
- **Option B** – 'How to guide' for energy and water companies working with public interest representatives
- **Option C** – 'Tomorrow's world' for energy users – workshop to bring public interest representatives together to exchange ideas about likely future consumer and citizen needs and trends in the energy and water sectors
- **Option D** – 'Fairness barometer' – crowd sourced social media polls on long-term public interest issues

Agenda item 8 – Steps towards good practice (vi)
Report-back – break-out groups

1. Principles for Good Engagement on Long-run Public Interest Issues
   - Do you agree these are the main principles? Is anything missing?
2. Decision Making Framework for Engagement on Long-run Issues
   - Three key points on Framework from each break-out group
   - Possible next steps for Framework
3. Tools for future public interest capacity building
   - Are there any possible tools missing? **Poll:**
     - **Option A** – 'How to guide' for public interest representatives
     - **Option B** – 'How to guide' for energy and water companies
     - **Option C** – 'Tomorrow's world' for energy users – workshop
     - **Option D** – 'Fairness barometer' – social media surveys
   - Possible next steps for chosen tool – potential partners?

Additional comments on any of the above by 26th October welcomed

Agenda item 9 (i)
Competition policy & the long-run public interest agenda
Scoping discussion for workshop on 22nd February 2017

- Sustainability First agreed to run a workshop on competition policy and the long-term public interest at the start of this project
- The evolving context puts this workshop firmly on the policy agenda
- A backdrop for this workshop includes:
  - Debates around the CMA inquiry into energy markets
  - Proposals to extend competition to residential retail water market in Engl'd
  - Early pointers from the new government on a potentially greater role for 'intervention'
- Future goals for the long-term public interest in energy & water, recognising the contribution that the sectors make to social, environmental and economic well-being, include:
  - VFM (price, efficiency, multi-utility services)
  - Resilience (sustainability, low-carbon, flexibility, community)
  - Quality (digital, convenience, control and innovation)

Agenda item 9 (ii)
Competition policy & the long-run public interest agenda
Scoping discussion for workshop on 22nd February 2017

- It is proposed that this paper will examine thinking on what competition in the sectors can offer to support these objectives. It will explore:
  - How far can competition policy address wider government (1) social & (2) environmental goals in the sectors?
  - What are the pros and cons of competition with respect to upstream, wholesale, network and retail activities in the energy & water sectors?
  - How far can retail competition lead to downward pressure on upstream, wholesale and network prices (where most costs are)?
  - What other routes might there be for achieving the public interest goals in water & energy – for policy makers, regulators and companies?
  - On long-term public interest issues, how far might we wish to re-assess the boundaries – if at all – on what competition, regulation and collaboration can deliver in water and energy ?

We will circulate a scoping paper by 25 November for comments by 2 December

Agenda – 19th October 2016

	LUNCH SERVED	12:50
7	Discussion **over lunch** of BritainThinks and London Economics research approaches paper	13:15
8	Steps towards future good practice on stakeholder engagement (Sections 6,7 & 8 of the discussion paper). Breaks out groups to: •Discuss the Sustainability First Principles for Good Engagement •Test the Sustainability First Decision Making Framework for Stakeholder Engagement •Poll of new tools for future public interest capacity building	13:45
9	Competition policy and the public interest agenda – brief scoping discussion for 22nd February 2017 New-Pin workshop	15:00
10	**Feedback and AOB**	**15:25**

Contact Sustainability *First*

Sharon Darcy, Associate – 0208 404 4250
sharon.darcy@sustainabilityfirst.org.uk

Judith Ward, Director – 0208 675 9912
judith.ward@sustainabilityfirst.org.uk

www.sustainabilityfirst.org.uk

Read our blog at : sustainability1st.wordpress.com
info@sustainabilityfirst.org.uk