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

Mid-project report – summary of key messages

New-Pin focuses on the long-term public interest for the water and energy sectors. It brings consumer, citizen, environmental and investor representatives together with regulators, Government, energy and water companies. To identify long-term public interest outcomes and tackle differences in balancing short- and long-term pressures in energy and water sectors. It was established by the environmental charity and think-tank Sustainability First in 2015. This document gives an overview of: the context for energy and water sectors; New-Pin project – aims, objectives, partners, and approach; major findings on public interest topics; emerging themes; lessons from within and across the sectors; and next steps.

Context - energy & water sectors

Energy and water are essential services under-pinning every aspect of UK economic life. Both sectors require significant future investment to prepare for climate and technological change and to replace aging assets – up to £117bn for energy and £20bn in water and waste by 2020/21 (IPA). A balance is needed between the affordability of present-day and 'future' consumers and citizens. Two thirds of investments in energy and nearly all investments in water will be paid for through consumer bills (NAO). Short-term considerations on price, company returns and efficiency play strongly among today's consumers, reflected in government, regulatory and company decisions – perhaps at the expense of longer-term strategy and plans. Flexibility and an active demand side are increasingly important. Enabled by new technology and greater cost reflection – but consumers and citizens need to trust service providers.

What we're seeking to achieve

New-Pin aims to create a **strong voice** for the long-term public interest in the energy and water sectors and to: understand sectoral challenges; build consensus on long-term goals; develop long term frameworks; create practical tools & approaches; and put public interest at the centre of long-term decision-making. New-Pin has identified three over-arching objectives for consumer, citizen and stakeholder engagement in long-term issues in the energy and water sectors: 1. Cultural - *behaviour change*; 2. Legitimacy – *acceptability*; 3. Consumer and citizen outcomes – *efficiency*.

Who's involved

The New-Pin Network includes senior decision makers from across the energy and water sectors including: regulators; the Government; public interest groups; water companies; energy companies and universities.

What we've done

Examined what the long-run public interest for the water and energy sectors might look like and established a working definition, which we continuously test and refine: *"The public interest is the aggregate well-being of the general public, both short and long-term. It comprises the combined interests of consumers, citizens, the environment and investors for both today and tomorrow."* We have taken a three-pronged approach:

1. In-depth and systematic examination of major long-run public interest topics for the water and energy sectors;
2. Capacity-building for customer and other stakeholder groups;
3. Governance for the long-run public interest.

We've developed list of outcomes that need to be delivered for the long-term public interest, including: value for money; quality of service; resilience; clean / sustainable; place; and fairness (see Figure 1).

How we've done it

We have established the New-Pin Network; shared cross-sector experiences; ran a major workshop series; developed new insights & practical outputs – including a Research Approaches Guide on qualitative & quantitative research methods (with BritainThinks) and Decision Making Framework; and gathered feedback from the network on topics as well as what changes they have made in response to New-Pin recommendations.

Public interest topics

	Challenges	Recommendations
Long-run affordability	• Affordability is an issue today. • Cost recovery increasingly via consumer bills. 2/3 for energy, almost all for water. • Costs to future generations, especially energy affordability, risk of increased costs from delayed investment.	• Costs met by those benefiting from services, and those causing associated pollution – and managed by those best able to manage risks. • Proactively target people in vulnerable circumstances – through data and partnerships with trusted intermediaries. • Ensure public say in decision-making.
Trust and confidence	• Trust in existing systems is low and cannot easily be reset as it's built on a complex web of relationships. • If 'primary' drivers of trust aren't right (e.g. value for money & quality of service), consumers/the public pay attention to 'aggravator' factors (e.g. profit levels, lack of choice). • Risk of a negative spiral.	• Open, clear and proactive communications. • Stakeholder engagement. • Clear motivation and long-term outcomes. • Leadership, culture and values. • Outcome focused regulation and stable policy frameworks
Long-run resilience	• Existing approaches to resilience tend to be top-down & supply side focused. Now an increasing focus on the demand side. • Climate and technological change is leading to new resilience challenges • It is not possible to achieve 100% security (at an acceptable cost), so changes in approach are needed.	• Adapt to the new local / regional landscape. • Take a more cross-sector approach. • Stakeholder engagement, information sharing, and rethinking standards. • Strong leadership based on clear principles. • Develop metrics • Take a long-term outlook.
Public engagement & capacity	• Energy has much to learn from water on stakeholder engagement. • Disaggregated energy value chain makes it difficult to get a single or system over-view of public needs. • For water the environmental context means that a wider range of stakeholders need to be involved and engagement on short- & long-term issues must be co-ordinated.	• Need to link direct engagement of individuals via consumer research with engagement of consumer, citizen, stakeholder reps and 'experts' in panels. • Tailored engagement approaches. • Clear purpose, and measure impact. • Direct company engagement may be supplemented with wider sectoral engagement. • Careful framing of questions.
Market approaches	• There are many different market approaches. Need to understand what these approaches can & can't deliver. • It is more straightforward for market approaches to deliver against some outcomes (e.g. value for money & quality of service) rather than others (e.g. place & fairness). • Markets can inject dynamism and innovation. But this leads to winners and losers and can challenge legacy businesses.	• Need a mix of approaches. • Different 'tools in the box' for decision makers: *Competition in the market* – individual consumers make choices between service providers; *Competition for the market* – competitive tendering & auctions; co-operation, collaboration & information sharing; and interventions (to create market rules and provide regulatory incentives). • Importance of early public engagement in market design.

Emerging themes

- Energy and water companies can take long-term outlook for future investments & as 'place makers';
- Short term political drivers impact ability to achieve long-term public interest outcomes;
- Strategic decision making frameworks are needed;
- Costs and risks should be distributed fairly;
- Leadership, including cross-sector, is vital;
- A combination of 'hard' & 'soft' tools are required; and
- Clear communications are key.

Sharing lessons from within and across water & energy sectors

Lessons not currently well-shared within or between sectors. But both sectors face profound change and uncertainty. Shared challenges include: digitalisation and data; more accurate cost-allocations and greater cost-reflection; new ways to organise and to deliver business outcomes upstream and downstream and between sectors (e.g. joint services); and cross-sector resilience – for the long-run, at individual, community and national levels. New-Pin is developing case studies of how energy and water sectors benefit from comparing and contrasting experiences and sharing lessons.

Upcoming activities

- **Tomorrow's world horizon scan** - with the National Infrastructure Commission. July 2017.
- **Workshop: innovation and regulation**. November 2017.
- **Regulatory and company governance.** Interim paper: Summer 2017, final paper: Spring 2018.
- **New-Pin project close-down:** conference, regional events and concluding paper in Spring 2018.

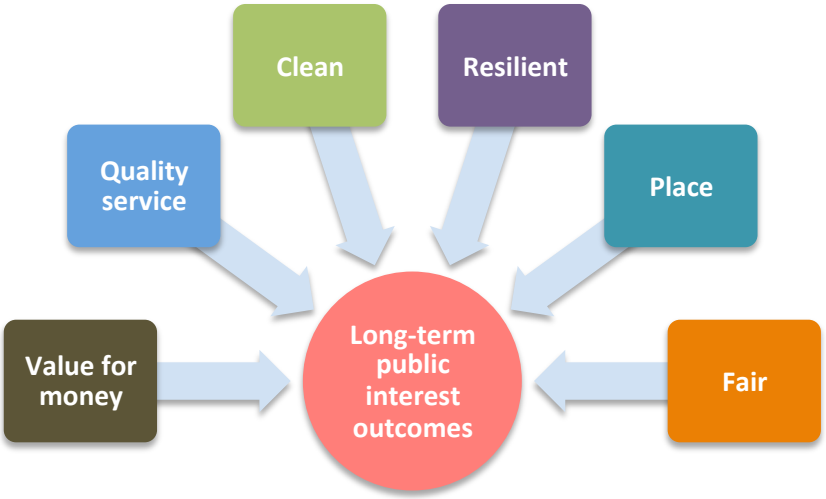
Where next – beyond New-Pin?

Sustainability First is planning a follow on project **'Energy and water: a fair deal for society and long-run sustainability?'** Building on the findings from New-Pin, this project will explore what a **'social licence to operate'** might look like for regulators and for companies in the energy and water sectors.

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Figure 1: New-Pin 'Dash-board' of desirable long-term public interest outcomes



Source: Sustainability First