Fairness in utilities: What are the implications of public purpose for companies, policy makers and regulators?

Live online event

Tuesday 30 March 2021, 2:00 - 4:30 pm

#FairUtilities



Speakers:

Professor Colin Mayer - Saïd Business School
Anne-Marie Trevelyan - Minister for Business, Energy and Clean Growth
Giles Stevens - National Infrastructure Commission
Lawrence Slade - Global Infrastructure Investor Association
Dame Polly Courtice - University of Cambridge Institute for Sustainability Leadership
Rachel Fletcher - Ofwat
Rachel McEwen - SSE
Suleman Alli - UK Power Networks

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Keynote speaker



Professor Colin Mayer

Peter Moores Professor of Management Studies, Saïd Business School

Panel 1



Dame Polly Courtice

Founder Director of the University of Cambridge Institute for Sustainability Leadership (CISL)



Sul Alli

Director of Strategy and Customer Service, UK Power Networks, Subsidiary of CKI



Rachel McEwen

Chief Sustainability Officer, SSE

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Keynote speaker



Rt Hon Anne-Marie Trevelyan MP

Minister for Business, Energy and Clean Growth

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Regulation for the future: The implications of public purpose for policy and regulation in utilities

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Summary

- Companies have freedom to adopt social/public purpose/value and should use this
- But easier and more sustainable if there is a supportive culture from regulators – without undermining regulators' key role in addressing monopoly pricing etc
- Equally, regulators can do this more easily if there is support from government
- Some regulator/ company interactions are almost institutionally adversarial, based around series of bureaucratic one shot games. This is at best an unnecessary distraction given net zero, climate adaptation, biodiversity, deprivation
- Thirty years after privatisation, need to fundamentally rethink policy and regulatory frameworks so that they can enable the purposeful approach needed for a disrupted world

Positive Developments

- Ofgem adaptive regulation – e.g. reopeners. In principle should create more flexibility within price review periods
- Ofwat commitment to public value, work with the Environment Agency, Drinking Water Inspectorate etc on environmental water quality and water resources
- Ofcom flexibility and acceptance of need to finance fibre etc.
- Greater focus on customers in vulnerable situations (though not yet enough or sufficiently joined-up across sectors)
- Early stage cross-regulator work on net zero
- Increased focus from the Financial Reporting Council on culture

Regulation needs to shift its focus

Price reviews and regulatory interventions should concentrate on:

- Cost of capital (though could arguably be done across regulators)
- Major baseline totex
- Major new spend

For other activities, regulators need to move to:

- Risk based regulation/third party assurance/earned autonomy
- Ethical regulation
- We suggest new freedom for companies to use modest amounts of baseline totex to respond to community/local need – determined through local negotiated settlements/deliberative engagement/with Local Authorities etc rather than through formal regulation
- All leading to culture change in regulators: less economics, more citizen/ESG

Government role

- Adopt the purposeful business agenda
- Forthcoming HMT review of economic regulation
  - New statutory duties, on net zero and climate resilience – for Ofwat, Ofgem and Ofcom
  - Enhanced Strategic Policy/Direction Statements – including across regulators
  - Shift focus of regulation from customers to customers and citizens
- Clarity on relative roles for welfare state and vulnerability tariffs/support
- Extend work on fair transition to climate change impacts
- Reappraisal of the role of place and local democracy/ communities in utilities
- Appointments to regulator boards, producing more diversity of thought and commitment to purpose/public value
- NAO need to support appropriate regulator risk taking

Long term/future regulation

- Adaptive planning – start with the long term aim and work backwards
- Build trust - adopt sustainability principles, create safe spaces and use scenarios
- National Infrastructure Commission role as voice of long term, stop issues being pushed right
- Sort out multi price review projects and conditions under which direct procurement works
- Role for pilots, but much to learn about mainstreaming

Panel 2



Martin Hurst

Associate, Sustainability First



Rachel Fletcher

Chief Executive, Ofwat



Lawrence Slade

Chief Executive Officer, Global Infrastructure Investor Association (GIIA)



Giles Stevens

Director of Policy, National Infrastructure Commission (NIC)

Conclusions



David Sigsworth

Trustee, Sustainability First

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Contact us

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