

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
 <p>Long-run affordability</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.
 <p>Trust and confidence</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Open, clear and proactive communications. Stakeholder engagement. Clear motivation and long-term outcomes. Leadership, culture and values. Outcome focused regulation and stable policy frameworks
 <p>Long-run resilience</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.
 <p>Public engagement & capacity</p>	<ul style="list-style-type: none"> Energy has much to learn from water on stakeholder engagement. Disaggregated energy value chain makes it difficult to get a single or system overview 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. 	<ul style="list-style-type: none"> 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.
 <p>Market approaches</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Need a mix of approaches. Different 'tools in the box' for decision makers: <i>Competition in the market</i> – individual consumers make choices between service providers; <i>Competition for the market</i> – 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.

Contacts - for more information:

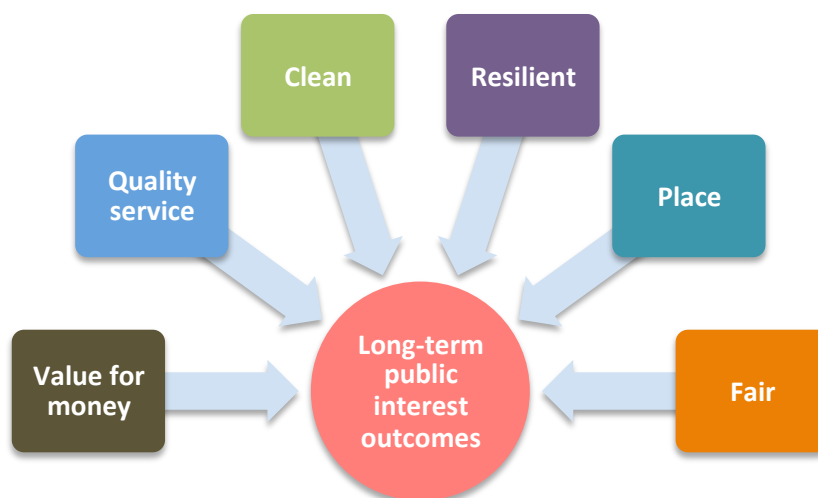
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Figure 1: New-Pin ‘Dash-board’ of desirable long-term public interest outcomes



Source: Sustainability First