

# Keys to success in stakeholder engagement: a case study of efficiency Nova Scotia

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## Abstract

In a regulated environment in which stakeholders' perspectives are considered an important component of a regulator's decisions, more than just technical analysis is required to achieve success with the development and implementation of energy efficiency programs. In particular, stakeholder engagement is key. This paper explores factors that lead to successful stakeholder engagement as it relates to energy efficiency policies and programs and then highlights a successful model of stakeholder engagement in Nova Scotia, Canada. The model examined consists of a non-binding advisory body made up of key, knowledgeable stakeholders and facilitated by Efficiency Nova Scotia, an administrator of energy efficiency programs. The model focuses on informal, proactive engagement with regulatory stakeholders, many of whom are involved in the formal, regulated processes as well. This group, consisting of a wide variety of stakeholders who often have competing interests, provides input into program development, works to find solutions to problems, and ensures they stay informed as to the development of energy efficiency in the province. The keys to success of this group, from Efficiency Nova Scotia's perspective, are open communication, sharing of data and documentation, incorporation of feedback, informality, and formal consultation. Through a combination of these elements, Efficiency Nova Scotia and its stakeholders are able to obtain mutual benefits, including creative cooperation, stakeholder loyalty and compliance, and future trust-related behaviours. These benefits lead to positive outcomes for all parties, but must be understood within

the roles that each party plays in both the informal engagement process and the formal regulatory process itself. Incorporating these strategies, however, requires some risk on the part of organizations in terms of a lack of control over the use of information and informal discussions, making them not suitable for all organizational cultures. When implemented effectively, however, they can lead to success in terms of overall energy efficiency frameworks as well as specific policies and plans.

## Introduction

Successfully designing, implementing, and evaluating policies for energy efficiency requires a multitude of inputs and feedback mechanisms: measure characterizations, understanding of potential opportunities and uptake, benchmarking analysis, integrated resource planning, program development, and evaluation of energy savings. A large portion of the time and resources required to develop and implement energy efficiency policies is, and should be, spent on these types of technical analyses. However, in a regulated environment in which stakeholders' perspectives are considered and can influence a decision, technical analysis is only one element that leads to success. In these types of environments, successful stakeholder engagement can be the difference between success and failure of an overall energy efficiency framework or the design of specific policies or plans.

While increasing attention is being paid to the consideration of stakeholders in the corporate world (Wieland, 2005), not all administrators of energy efficiency have been successful at doing so. One of the reasons for this lack of success can be too narrow of a focus on the regulatory process. This is not surprising, as the regulatory process is where key decisions are made for the vast majority of efficiency programs that are

administered by regulated utilities (Sosland, et al, 2012) and key stakeholders, including consumer representatives, environmental organizations, regulators, governments, and other experts and interested parties, are involved in that process. When the regulatory process can take up a significant portion of an organization's time and resources, a focus on that process may seem inevitable. However, an exclusive focus on the formal regulatory process maintains the “stakeholder” portion of stakeholder engagement, but it also removes the “engagement” portion: genuine interaction, exploration, and consensus-building is not easy or sometimes even possible in a regulatory setting. Yet jurisdictions continue to focus on this more formal setting, despite the fact that the organization has less influence over the result once it reaches the regulator.

This paper therefore explores an alternative method of engaging regulatory stakeholders, one that focuses on engaging stakeholders outside of the regulatory process, in a more informal, consensus-based manner. It does so through an examination of one organization's experience engaging with stakeholders using a combination of open communication, incorporation of feedback, sharing of data, and informal and formal processes. The model examined consists of an advisory body made up of key, knowledgeable stakeholders and facilitated by Efficiency Nova Scotia, an administrator of energy efficiency programs in Nova Scotia, Canada. Because the advisory body is non-binding, it provides an opportunity for informal, proactive engagement with regulatory stakeholders, many of whom are involved in the formal, regulated processes as well. After an elaboration of the strategies used, the paper outlines particular successes and considerations for incorporation in other regulatory settings. The paper is written from the perspective of the author's work at Efficiency Nova Scotia, so some of the achievements made can only be described through anecdotal examples, because it is the very avoidance of formal documentation of positions that provides the benefits seen by the organization. Nevertheless, the examples are intended to show an overall approach to engaging stakeholders rather than a specific methodology for doing so.

This type of engagement provides both the administrator and stakeholders an opportunity to engage in meaningful dialogue and exploration of different views in a way the formal, binding regulatory process does not allow for. This engagement, while informal, in turn leads to success in the regulatory context because support and consensus can be built beforehand. This success is particularly important in the case of energy efficiency, which, by nature of its intangibility and political volatility, can be subject to sudden and extreme loss of support, at least in the North American context. In this type of environment, stakeholder support is critical to the longevity of energy efficiency programs, and the Efficiency Nova Scotia case study highlights ways in which stakeholder support can be gained, leading to a greater chance of success both within, and outside of, the regulatory process.

## Background

Efficiency Nova Scotia is a demand-side management franchise in Nova Scotia, Canada. Run by EfficiencyOne, Efficiency Nova Scotia administers electricity demand-side management (DSM) programs in the province. DSM programs are regulated

by the provincial regulatory body and, to date, have focused on electricity efficiency and conservation activities, with a potential future focus on demand control initiatives. Because the administrator is independent of the provincial electric utility, it does not focus on demand response initiatives; however, it may become involved in partnership opportunities on demand response in the future. On the electricity side, the organization is considered an electricity efficiency utility, selling energy savings to the provincial utility, although the regulator approves the organization's DSM plans and investment amounts, cost recovery applications, and evaluation of energy savings. The focus of this paper is on the regulated, demand-side management portion of Efficiency Nova Scotia's administration of energy efficiency programs, as it is within the regulatory context that unique successes have been achieved.

As in many jurisdictions, interested parties register as intervenors in Nova Scotia's regulatory process; this group includes stakeholders with a wide variety of often competing interests. Regularly registering intervenors include ratepayer representatives for residential customers, small businesses, medium and large industrial customers, and municipal electric utilities. In addition, environmental and affordable-energy organizations, the large provincial utility, and government all register in most electricity-focused regulatory processes. The regulator in Nova Scotia considers the perspectives of all stakeholders when rendering decisions and looks favourably on support from the customer groups and other stakeholders when obtained.

## Demand-side management advisory group

Independent administration of demand-side management programs in Nova Scotia began in 2010 as the result of a stakeholder-driven process in which it was decided the administrator of DSM programs should be independent of both the utility and government. During the initial development of DSM in Nova Scotia, a program development working group, made up of consumer and business advocates, ratepayer representatives, environmental and social policy groups, utilities, government, and the regulator's representatives, was created to assist with program design and implementation. Once DSM was established within the independent administrator, Efficiency Nova Scotia modified it into an ongoing advisory group, which has been in place for approximately three years. As defined in the group's Terms of Reference, which were developed using a consensus-based approach by the group itself, the advisory group is a forum “to provide strategic or directional advice and stakeholder perspectives on current or emerging DSM issues.” The group is co-chaired by Efficiency Nova Scotia and rotating members of the group and managed by Efficiency Nova Scotia. It meets at least quarterly to discuss DSM issues and topics, which can include addressing members' concerns, providing input into program development, working to find solutions to problems for particular rate classes or reaching consensus on issues that cross rate classes. At a minimum, the group provides a way in which stakeholders can say informed as to development and administration of DSM in the province.

The group is an advisory one only, so decisions are non-binding. The benefits of this approach are that group members can contribute ideas and suggestions without prejudice; they are still able to file questions and concerns in formal regulatory

processes. Drawbacks can be that group members may state objections in a formal process that were not raised during informal group discussions (and this has happened, as intervenors may need to be seen as advocating for those they represent). However, because group members provide input and advice to Efficiency Nova Scotia as plans and programs are developed, and even as issues arise, these less supportive formal interventions are infrequent, and when they do occur, they are not in opposition to agreed-upon decisions and are included in opening statements and media interviews rather than in testimony or cross-examination.

### Stakeholder interactions leading to success

Literature on stakeholder engagement highlights the increasing importance that it plays in organizational planning and the benefits if done well. While such a focus in a regulatory context has not been studied in-depth, much has been done in the areas of environmental policy- and decision-making and in the energy field in general (Spence, 2011; Agterbosch et al., 2009; Reed, 2008; Zoellner et al., 2008; Breukers and Wolsink, 2007). However, many of these analyses tend to focus on *what* needs to be done rather than *how* it can be done. For example, Reed et al. (2009) suggest that the first step in designing more effective stakeholder engagement processes is to identify and characterize stakeholders. Johnson et al. (2015) attempt to address one of the gaps of *how* by outlining a way to identify stakeholders for a particular project. However, how to actually engage with these stakeholders (whether systematically identified or those who have pre-selected themselves through involvement in regulatory processes) has not been examined to the same extent, or in the area of energy efficiency. While MacMillan et al. (2000) argue that creative cooperation, stakeholder loyalty, stakeholder compliance, and future trust-related behaviours of stakeholders are results of developing commitment and trust, their analysis similarly does not address how to develop it.

Through an examination of one specific case, the remainder of this paper outlines one way to develop this commitment and trust: in Efficiency Nova Scotia's experience, the informal and proactive way in which stakeholders are engaged in the DSM Advisory Group, outside of the formal regulatory arena, has provided a way for these benefits to be realized. The benefits themselves can be seen by a lack of aggressive, combative approaches during formal regulatory processes rather than by a specific set of indicators that demonstrate success. Specifically, the following factors have been identified as ways to develop this commitment and trust, thereby improving outcomes for Efficiency Nova Scotia.

#### OPEN COMMUNICATION

To foster collaboration, commitment, and trust, open communication is key. If stakeholders are only able to obtain information or answers through formal processes in which every answer is scrutinized and used to develop a defence, trust is unlikely. For this reason, Efficiency Nova Scotia encourages open communication (consisting of stakeholder questions, feedback, and input that are given without prejudice and not held as final positions) outside of formal regulatory processes. To facilitate this type of exchange, the organization has a regulatory staff person assigned, as part of their job duties, as a liaison to the DSM

Advisory Group whose role is to facilitate the group's meetings and respond to group members' questions. The liaison will also provide periodic updates between meetings as required, as stakeholders meet only approximately four times per year, or as specific issues arise. Nevertheless, if a plan changes or an update is required, the liaison is a consistent presence who is available to provide information or answer questions as required.

In addition, members can call to discuss items of concern one-on-one, and Efficiency Nova Scotia will proactively call stakeholders to inform them of areas they will likely be concerned about in regulatory proceedings. For example, a ratepayer representative who was new to the group did not have enough knowledge to ask questions when an issue arose that resulted in a significant rate increase to his rate paying classes (Efficiency Nova Scotia Corporation, 2013). The representative was contacted for the purpose of beginning a discussion on developing a solution, rather than waiting until he discovered the issue once the application was filed and a formal hearing process initiated. The intervenor was able to ask questions and learn enough to engage in future discussions and contribute to a rate-smooth adjustment solution that was developed in advance of filing the application, more effectively representing his rate classes.

With other group members receiving similar communications, stakeholders are able to more effectively represent their clients, customers or rate classes by obtaining full information on an issue, which is a valuable way to build trust between the organization and its stakeholders. Rather than waiting for formal requests through a regulatory process, Efficiency Nova Scotia is able to hear their concerns and discuss underlying considerations. Similarly, stakeholders are able to follow up with additional questions and receive more informed, less guarded answers.

In terms of benefits to Efficiency Nova Scotia, when stakeholders are able to gain clarification and receive information informally, the workload during formal, time-limited processes is reduced. In Nova Scotia, the DSM administrator usually (depending on the specific process and timeline defined by the regulator) has ten business days in which to answer any and all information requests: if some of the basic clarification questions can be answered in advance of this process, stakeholders receive better, more thought-out answers due to fewer time and capacity constraints, and Efficiency Nova Scotia can spend more time during the formal process answering more difficult or strategic questions.

#### INCORPORATION OF FEEDBACK

Regulatory stakeholders in Nova Scotia consist of many of the same representatives for the electric, natural gas, and water utilities as for the DSM administrator. They are a knowledgeable and experienced group, and they have expert consultants advising them in these areas, including on energy efficiency matters. The input and suggestions they provide, while being put forth for the benefit of the group that each stakeholder represents, can therefore benefit Efficiency Nova Scotia through the incorporation of additional analyses and perspectives conducted by these stakeholders. For this reason, Efficiency Nova Scotia takes stakeholder feedback into account for any item discussed through the advisory group and before regulatory applications are filed.

According to Zoellner et al. (2008), it is when individuals feel left out of planning processes and decision making that they are more likely to oppose the outcome. This element is key;

stakeholder input is sought before final decisions have been made and with enough time to incorporate feedback within the development and decision-making stages. There is a critical difference between asking stakeholders for input when a final decision has not yet been made and when one already has. Timing is therefore important: while the provincial utility will often hold technical conferences approximately one week after a regulatory application is filed in order to answer initial questions and clarify details prior to stakeholders filing information requests, Efficiency Nova Scotia will hold its technical conferences approximately 2–3 months before an application is filed. The first conference provides an overview of the organization's initial plans and key changes from prior years, soliciting feedback; the second conference presents changes and suggestions based on the initial feedback received.

This is not to suggest that stakeholders have, or desire, open-ended feedback into energy efficiency program planning or strategy development. From Efficiency Nova Scotia's experience, it is clear that they rarely provide suggestions to open-ended questions; rather, they prefer to respond to a particular recommendation or set of options. The difference is that when they provide that input, they know that it will be considered and that it is not a formality. The intent of doing so aligns with Sosland et al.'s (2012) experience that seeking early input is worthwhile:

Rather than expend effort on contentious litigated proceedings between utilities, intervenor groups, and public agencies, a coordinating council [similar to the DSM Advisory Group] can bring all stakeholders into the discussion before policies and program details progress to the point where there is little flexibility to address concerns and instead seek solutions that better satisfy multiple objectives.

It is important to note that incorporating feedback does not mean that Efficiency Nova Scotia will, or should, always accept stakeholders' feedback. As mentioned above, the stakeholders involved in the DSM Advisory Group have a wide variety of often-competing interests: incorporating all of their input when it is often contradictory, would be, at the least, undesirable and, more often than not, impossible. However, while Efficiency Nova Scotia will not always accommodate stakeholders' requests, the second part of this strategy is providing clear and honest explanations of why the request has not been incorporated. Therefore, it is the (honest) engagement, not the final decision, that is important from a stakeholder engagement perspective.

For example, when one advocate argued that a particular perspective of cost allocation was appropriate and should continue, Efficiency Nova Scotia did not agree. The two parties, both within the context of the group and in one-on-one meetings, stated their reasons for their positions. In this example, there was no one "correct" answer; the discussion was based on different perspectives. Nevertheless, while the two parties continue to disagree on this issue, the advocate has stated her preference to work with Efficiency Nova Scotia because the organization is willing to engage in the discussion and make concessions or change plans when feasible and reasonable from an administrator's position. Thus, both parties have a better understanding of the others' position and can make a more informed argument during the formal regulatory process.

## SHARING OF DATA AND DOCUMENTATION

Efficiency Nova Scotia provides data and documentation on request rather than waiting to do so when required under formal regulatory proceedings. For example, certain reports are shared prior to being filed with the regulator, more detailed information on programs and results is provided on request when possible, and alternative scenarios are run, when feasible, to test out group members' ideas. For example, in the example of the rate increase highlighted earlier, Efficiency Nova Scotia developed and sent out three versions of the rate-smoothing proposal with various options so that stakeholders could view the results and provide comments prior to making a decision whether or not to support the proposal.

There are risks to this open sharing of data. Stakeholders receive the information prior to making formal requests, which means they can ask more detailed questions during formal proceedings than they would otherwise be able to, due to the additional information. However, benefits to stakeholders include getting information in a manner in which they can ask questions without time constraints, leading to better answers. Benefits to Efficiency Nova Scotia are multiple: gaining an understanding of areas of questioning or concern for stakeholders, fewer information requests to answer during formal proceedings, the opportunity to provide context not always available in formal proceedings, and the opportunity for mistakes or inconsistencies to be caught by stakeholders prior to being filed publicly. If trust has already been developed in the relationship between the stakeholders and the organization, then the risk of stakeholders misusing the opportunity they have been given by gaining access to data and documentation is reduced.

## INFORMALITY

DSM Advisory Group meetings consist of informal discussions, and stakeholders' questions are answered with honest, not scripted or "on-message" answers. The discussions are also considered to be without prejudice, which is a crucial element of this strategy: stakeholders must feel that they can provide feedback and input without waiving their right to critique or disagree with the final product in the formal process. In other words, the discussions provide helpful advice and perspectives, but no one, including the administrator, is considered limited by them.

Holding informal discussions without prejudice allows for exploration and exchange of ideas that may not be feasible when fully examined. However, elements from those discussions often provide details or components that can be used in final decisions. For example, when two rate classes were potentially facing a rate shock issue, all stakeholders agreed to hold a special meeting to brainstorm solutions. During this phase of planning, suggestions were made that individuals would not have been willing to support in the final solution; however, as part of the initial development, they were able to provide them. Doing so resulted in a unique solution being developed: rate classes agreed to loan money to the classes facing rate shock via an increase in their own rates. This solution was a win-win: borrowing classes were able to smooth out their rates over time, and lending classes earned interest that lowered their future DSM rates.

This type of informal discussion is very different from a formal hearing process, in which responses to information re-



quests are carefully crafted to provide an answer to questions but no extra detail is provided that could be used to build a case against the application. For example, during Advisory Group discussions, Efficiency Nova Scotia will explain flaws in planning or procedures that have led to unanticipated results. This does not proactively occur in a formal regulatory process unless asked by intervenors. This strategy, as with others listed in this paper, contains risk that not all organizations would be willing to take. However, once a level of trust that the continued sharing of information and informal, without-prejudice discussions will continue, the risk is reduced because of the benefits received. Stakeholders have not, to date, used informal, exploratory discussions in formal proceedings or held Efficiency Nova Scotia accountable for statements made during this type of discussion. If they are going to use information learned through the informal discussions in the development of their evidence, they will inform Efficiency Nova Scotia they are doing so. This is not surprising and is not considered of great risk to the organization, since stakeholders would lose the benefit of the information information-gathering available to them if they used it negatively in formal proceedings.

#### FORMAL CONSULTATION

In addition to the informal consultation and information-sharing highlighted above, Efficiency Nova Scotia also holds formal consultations in the form of technical conferences and settlement discussions. While these consultations are not a required part of regulatory processes, they are standard procedures in Nova Scotia, with an intent to clarify questions or discuss potential areas of agreement in an open format, whether or not utilities have standing stakeholder groups. Even for organizations such as Efficiency Nova Scotia, these consultations are open to a larger group of stakeholders and allow for more formal feedback and incorporation of advice beyond those received from the core group of DSM Advisory Group members.

This formal consultation is an important component of overall stakeholder engagement in the regulatory sphere, since these additional stakeholders are often less informed on DSM matters. Therefore, providing them with information and clarification can reduce misunderstandings and resources required throughout the regulatory process. In addition, since DSM Advisory Group members are in attendance at these sessions, other stakeholders can take their cues from them as to areas of concern or ones that are generally accepted.

#### Successes

In large part through the engagement of the DSM Advisory Group, Efficiency Nova Scotia has achieved regulatory success in a number of ways. Returning to MacMillan et al's (2000) considerations of success in the area of stakeholder engagement, many of those considerations are reflected in Efficiency Nova Scotia's experiences in its interactions with the group. It is important to note that the considerations of success are not mutually exclusive; indeed, they are mutually reinforcing. Without one, the other considerations may not succeed or may not have the results that would be otherwise possible, as described below. And improvements can always be made, as indicated in the following sections.

#### CREATIVE COOPERATION

Creative cooperation, or social capital, as MacMillan et al. (2000) describe it, are "those sets of behaviours which are likely to lead to the creation of social and intellectual capital and, thereby, competitive advantage." While administering energy efficiency programs in Nova Scotia is not completed through a profit-driven business model, Efficiency Nova Scotia is considered a source of supply for the electric utility, one that must compete against supply-side options. Therefore, maintaining positive stakeholder relationships is key to ensuring ongoing support for DSM programs, particularly because DSM leads to short-term rate increases and the benefits are long-term and intangible.

One highlight of creative cooperation shown by the DSM Advisory Group model is the inter-rate-class loan mechanism described earlier in the paper and developed and supported by stakeholders. To our knowledge, Nova Scotia (and likely most other jurisdictions) has never had rate classes agree to voluntarily raise their rates to assist another rate class. It is Efficiency Nova Scotia's position that the dynamics of the group, in addition to the collaborative development of the solution, that led to the acceptance of the proposal by group members. As mentioned above, in Nova Scotia, the regulator places importance on the support of stakeholders, so when they signed on to the proposal in Efficiency Nova Scotia's next rate application, the unique solution was approved without change.

Challenges in this area include the need for ongoing education for stakeholders to provide them the opportunity for creative cooperation. Short-term rate increases, for example, are still of concern to regulatory stakeholders. However, DSM requires short-term rate increases – without them, there would be no dollars available for energy efficiency activities. Efficiency Nova Scotia has not yet reached a point at which stakeholders understand the longer-term rate and bill reductions resulting from DSM programs – each regulatory process involves the defense and justification of proposed expenditures. While every process will, and should, require justification, the emphasis on rate impacts indicates that Efficiency Nova Scotia has not yet succeeded in proactively collaborating with stakeholders on some of the more complex areas of energy efficiency. The organization must therefore work to improve creative cooperation by proactively focusing on areas of concern, rather than only responding to issues as it did with the inter-rate-class loan mechanism.

#### STAKEHOLDER LOYALTY

There is little reason for stakeholders to develop creative cooperation if they are not loyal to an organization. Therefore, loyalty "can be an important facilitator for creative co-operation" and is seen "as essentially *active allegiance*" (MacMillan et al., 2000). Stakeholders have demonstrated trust in Efficiency Nova Scotia, based on the mutually respectful relationship that has been developed. For example, comments made to the utility in a 2014 Integrated Resource Planning process included such questions as "Why wouldn't you trust the work of your DSM administrator?" When the utility proposed a method of analysis that would focus on short-term rate reductions by reducing DSM expenditures, one rate class's advocate wrote in her submission that "it is unclear whether [the utility] has considered the scalability of DSM from the perspective of ENSC [Efficiency Nova Scotia] and its service delivery" in its proposal for the reductions, and that such an analysis should have regard to ENS's [Efficiency

Nova Scotia's] operational constraints (Rubin, 2014). This type of statement indicates that DSM is included within stakeholders' considerations, even in cases in which arguments are made for its reduction resulting in lower electricity rates.

It is important to note that loyalty, in this sense, does not mean that stakeholders will agree with everything Efficiency Nova Scotia proposes or that considerations of DSM will take precedence over the considerations of advocates' own stakeholders. In fact, Efficiency Nova Scotia must continue to improve its education of stakeholders on the benefits of DSM. Explaining the benefits of an intangible product such as energy efficiency is difficult to do, and Efficiency Nova Scotia can improve in this area. However, the positive engagement between Efficiency Nova Scotia and its stakeholders has resulted in stakeholders including DSM and Efficiency Nova Scotia as a consideration in their decision-making: this is crucial, as energy efficiency is often perceived to be an area that is easy to remove in the interests of short-term cost cutting, which is a considerable risk in North American energy efficiency jurisdictions.

#### FUTURE TRUST-RELATED BEHAVIOURS

Trust-related behaviours, which include "stakeholders' intentions to act in a trusting way towards a business in the future" (MacMillan, 2000) are, again, interdependent with loyalty and creative cooperation, insofar as stakeholders are not likely to intend to act in a trusting way in the future if they are not loyal to the organization or willing to work with it in the present. These behaviours also point to a positive result of Efficiency Nova Scotia's stakeholder engagement strategies. For example, Efficiency Nova Scotia reached settlement agreements with key stakeholders during its two previous DSM Plan filing processes. During the hearings for those processes, there was zero cross-examination of Efficiency Nova Scotia. While this may not appear to be significant, counsel for the utility commented to staff after the hearing that even when they have reached settlement agreements with stakeholders, they are still cross-examined by intervenors. It is Efficiency Nova Scotia's view that by engaging with stakeholders in advance of these formal situations, stakeholders are able to provide input into the final product. In addition, through its willingness to incorporate feedback and input, Efficiency Nova Scotia is able to demonstrate concessions and compromises, which allows stakeholders to demonstrate "wins" to their clients or stakeholders.

#### Considerations and challenges

The experiences and tips provided in this paper may seem unremarkable and easy to incorporate. In some ways, they are: communicating with individuals in an open manner and answering questions to provide clarity and understanding is a simple method for improving or maintaining relationships in general. However, the manner in which these particular strategies are implemented requires a particular organizational culture: one that is open to adapting and revising its work based on external input. Efficiency Nova Scotia has seen benefits from incorporating informal engagement strategies in its work with stakeholders, but this approach may not be feasible or desirable for all organizations. Challenges faced by some utilities or DSM administrators in incorporating or seeing benefits from these strategies could include the following:

- An element that is key to success of these strategies, but that must be developed in tandem with them, is trust. If stakeholders do not trust the organization, informal discussions will not result in hearing new information or perspectives from them. Similarly, sharing data and documentation, even if not required to, could result in formal questioning and use of that information in unintended ways. While this has been a risk in Efficiency Nova Scotia's experience, it has not been used to build evidence against the organization. However, if trust is not yet built, the risk is greater. Nevertheless, the time invested in continued communication and the demonstration of an understanding of stakeholders' perspectives is worth the benefits that are gained once a mutually beneficial, engaged relationship is developed.
- An organization with an existing negative relationship with stakeholders will not likely be able to win them over after one or two meetings or sharing of information. As Gable and Shireman (2005) state, "Stakeholder engagement is a process. It is a systems approach to doing business and, because of that, it is transformative rather than merely tactical." An existing negative relationship or one in which no real engagement has occurred in the past has a real possibility of resulting in abuse of shared data or information in an informal way. Nevertheless, if an organization is committed to improving the relationship and engaging with stakeholders, the strategies outlined in this paper can be incorporated in a staged approach: first with more informal communication, solicitation of feedback, and, after a measure of trust has been developed, then the sharing of information.
- Not all organizations would be comfortable sharing in-progress plans that may contain mistakes with regulatory intervenors. Sharing in-progress material that has not been through extensive quality assurance checks contains real risks of stakeholders pointing out flaws and mistakes that can cast doubt on the validity of final versions. Efficiency Nova Scotia has faced this problem in the past: for example, in an early version of a prior DSM Plan application, proposed investment levels were lower than in the final version. This was because the earlier, informal version did not include consideration of increasing future costs. Details of the requirements for increased costs were detailed out; however, stakeholders had more questions on it than they otherwise might have because they had seen lower numbers previously. This led to greater work during the formal regulatory process than might have been seen had stakeholders not had a version to compare it to. Their questions were not a misuse of the data; rather, stakeholders had additional information on which to base questions. Nevertheless, the trust built up between Efficiency Nova Scotia and stakeholders meant that after the questions had been answered, stakeholders signed on to a settlement agreement for the higher amount.
- Developing initial high-level plans and incorporating stakeholder feedback that may be at odds with larger organizational strategies may not be feasible for all organizations, and at least some feedback needs to be incorporated sometimes, or the solicitation of that feedback becomes an empty exercise. If a utility or administrator has corporate goals that are in opposition to stakeholder concerns, then soliciting

feedback will be problematic. Requesting feedback and not being able to take any of it into account will likely result in greater mistrust than not requesting it in the first place.

- The strategies outlined in this paper have been used with a non-binding advisory body that does not have decision-making authority. An additional consideration is the difference between stakeholder engagement and stakeholder authority. Efficiency Nova Scotia's regulatory stakeholders have a significant amount of influence, but recommendations are still at the discretion of the administrator, subject to the final decision of the regulator. It has been Efficiency Nova Scotia's experience that the lack of authority is not of concern to stakeholders as long as they feel heard and that they are contributing to an informed decision. However, when developing any kind of stakeholder engagement strategy, it is important that everyone be aware of the roles and limits of the various parties. This perspective works both ways: Efficiency Nova Scotia is fully aware that informal discussions are considered without prejudice: group discussions are not considered public or final positions, and "stakeholders" are also "intervenors" and need to retain their rights of impartial critique and commentary

## Conclusion

As with any utility or regulated entity, DSM administrators focus significant time and resources on regulatory processes. However, genuine interaction, exploration, and consensus-building between the DSM administrator and stakeholders is difficult, and sometimes impossible, in this type of setting. Yet jurisdictions continue to focus on this more formal setting, despite the fact that the organization has less influence over the result once it reaches the regulator. This paper has therefore explored an alternative method of engaging regulatory stakeholders, one that focuses on engaging stakeholders outside of the regulatory process, in a more informal, consensus-based manner.

Strategies employed by Efficiency Nova Scotia in its engagement with stakeholders were used to examine the benefits of an informal stakeholder engagement process within, or parallel to, a formal regulatory context. The experiential learnings demonstrated by this case highlight the benefits MacMillan (2000) identified more than a decade ago: creative cooperation, stakeholder loyalty and compliance, and future trust-related behaviours. The keys to achieving this type of success for Efficiency Nova Scotia have been open communication, sharing of data and documentation, incorporation of feedback, informality, and formal consultation as required. While improvements can be made, including ongoing education of stakeholders regarding energy efficiency best practices and benefits, the efforts made to date have resulted in significant benefits. These strategies allow for real engagement, rather than the very different type of engagement in the regulatory arena, in which the goal is often to gather enough evidence to build a particular case or, conversely, refute enough evidence to tear it down. In Efficiency Nova Scotia's case, it is the legitimate dialogue that occurs outside of the regulatory sphere that enables a level of trust between the organization and its intervenors, thereby leading to very real examples of creative cooperation, stakeholder loyalty

and compliance, and future trust-related behaviours. While each one of these elements is standard, positive organizational practice, the combination of them when applied to stakeholder engagement is one of the keys of Efficiency Nova Scotia's success within its overall energy efficiency framework as well as specific policies and plans.

## Glossary

DSM Demand-side management (energy efficiency)

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