

## Communication of JSC “*Sadales Tīkls*” and JSC “*Augstsprieguma Tīkls*” about Tariff Changes

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**Abstract.** The purpose of the study is to evaluate how the communication of JSC “*Sadales tīkls*” and JSC “*Augstsprieguma tīkls*” about tariff changes using different communication channels and tools affects the public opinion about the companies that provide electricity supply in Latvia. The study consists of a theoretical part, which describes the theories used in the research, as well as their application; the methodological part, which describes the research methods used in the work and their application therein, and the empirical part, which consists of the results of the methods used in the study, the data obtained and the conclusions reached during the study, as well as recommendations for improving communication for each of the investigated companies. In the framework of the research, communication representatives of JSC “*Sadales tīkls*” and JSC “*Augstsprieguma tīkls*” were interviewed; 209 Latvian residents were surveyed using the electronic questionnaire method; a content analysis was conducted in digital media and social media. As a result of the research, it was established how the crisis communication by JSC “*Sadales tīkls*” and JSC “*Augstsprieguma tīkls*” affected the public opinion about these companies, as well as the communication practice and experience in communicating about tariff changes were compared.

**Keywords:** tariffs, electricity, communication, crisis, JSC “*Sadales tīkls*”, JSC “*Augstsprieguma tīkls*”

### Introduction

Energy supply, renewable energy resources and other issues related to energy production are gaining relevancy in Latvia due to the rapid increase in energy resource prices last spring. After the invasion of Ukraine by the Russian Republic on 24 February 2022, the rise in energy prices caused a crisis in this sector across the entire Eastern Europe. The topic of energy independence also gained currency for the people of Latvia, as they started to produce energy on a local scale or even individually in households. This is especially topical when producing electricity

using solar panel systems or wind stations. Data shows that the most used type of electricity production for household needs or self-consumption are solar panel stations called microgenerators – in October 2022, their total number in Latvia exceeded 10 thousand (Sadales tīkls 2022).

The company that provides electricity supply to most households in Latvia, including the connection of solar panel stations to the electricity grid is JSC “Sadales tīkls” (hereinafter referred to as ST). A big challenge for the electricity system operators today is the fact that currently customers actively produce electricity themselves, which transfers to the electricity network, although the electricity network in Latvia has historically been made to conduct electricity in only one direction – from the electricity producer to its consumer. To ensure this process as successfully as possible, electricity transmission and distribution operators regularly carry out network modernization and development works. The total length of ST’s electricity network in Latvia reaches almost 93 000 km, with the number of customer facilities exceeding 1.1 million. ST is a part of the JSC “Latvenergo” concern, 100% of ST’s shares are held by AS “Latvenergo”.

ST once in the regulatory period regulated by the Public Services Regulatory Committee (hereinafter referred to as SPRK) reviews the electricity distribution tariff, including and updating the relevant components, as well as evaluating the conformity of the tariff methodology with the current situation. The tariff provides the company with income to ensure the maintenance and modernization of the electricity network. More than 95% of Latvian households are connected to the electricity distribution network, hence, if the electricity distribution tariff increases, it impacts almost every electricity consumer in Latvia, especially the companies, whose electricity consumption is significantly higher than that of the households. As a result of the increase in the price of the service, the risk can turn into a crisis, which directly affects the way of communication and strategy of the company.

The development and revision of the electricity distribution and transmission tariff is a complicated process. The company JSC “Augstsprieguma tīkls” (hereinafter referred to as AST) is the main and only electricity transmission operator in Latvia. The large electricity producers transfer the produced electricity to AST, then electricity goes to ST, and afterwards – to the majority of Latvia’s electricity producers. Since ST’s clients are located all over the territory of Latvia and almost every citizen of Latvia uses the provided service, the information flow in involves both direct communication with the client using telephone communication, e-mail and social networks, as well as public communication using the media, social networks and organizing public events, discussion of changes in public services.

Corporate communication management is the involvement of all interested parties in the creation of communication. To create successful corporate communication, its management requires the involvement of top management, who can

integrate these aspects of corporate communication into the company’s goals and execution plans. Another important aspect in the context of corporate governance is financial indicators, from which corporate communication has a significant impact, and communication can significantly affect financial indicators, depending on their success and performance factors (Mohamad *et al.* 2014).

A successfully created corporate identity can maintain successful relations with all interested parties. Undeniably, businesses transform over time, and their identity can change as time goes by and the business evolves. However, this should be done thoughtfully and in a structured manner, so as not to create potential risks of reputation and communication crisis (Melewar *et al.* 2005).

Unsuccessful creation or management of corporate identity can lead to several types of risks, moreover, the risks can develop into a crisis, hence, it is essential for companies to draw up a corporate identity structure appropriate for the company’s operations.

Risk management and identification of risks are intended to pre-emptively prevent the occurrence of a potential crisis, as risks can turn into a crisis. However, there are risks that cannot be predicted, so an even more essential part of the plan is to draw up a crisis prevention mechanism that includes crisis communication as a part of the strategy (Zhang 2020).

Risk management in a company or organization includes some important stages and actions that complement each other. A set of six actions has been defined by the Polish researcher Lech A. Grzelak, who describes them, as follows:

- identification of risks, which is one of the most important actions in order to eliminate these potential risks;
- measuring and analysing the effect of potential risks and possible consequences for the company;
- evaluating and studying the most suitable method for risk management;
- identifying and choosing the most appropriate tool, evaluating the costs and returns for each tool;
- choosing the most suitable methods for identifying and preventing the specific risk;
- evaluating the return of the chosen methods and tools by studying their results and performance (Grzelak 2003).

## Methodology

To successfully fulfil the set research goal and tasks, the author has used various research methods: a quantitative content analysis, a survey, an interview and a case study analysis. Both qualitative and quantitative research methods are employed to make the study as versatile as possible. Before conducting the public surveys, company employees who are responsible for the communication function

in each of the companies have been surveyed, so that the obtained results could then be compared with the results obtained in the public surveys. This contributes to understanding whether the communication implemented by the company in terms of content meets the expectations of public. All these methods have been used during the current research to enable considering the researched topic from several points of view, as well as to compare the applied approaches and the public's position concerning each of the companies before and after the tariff changes in the conclusion section. Furthermore, the study explores the impact that the tariff changes have had on society, including an insight into reputational changes.

## Results

Communication about electricity distribution and transmission tariffs takes place on a regular basis, as the tariffs are reviewed every few years and each company has a different period of review. Public interest in the distribution and transmission tariff applied to electricity previously has not been high, as the changes over the years have been negligible, but as the communication representatives of both companies point out, this time tariff change process is unique, and the previous experience of tariff changes is currently of little use in terms of communication. With the help of quantitative content analysis, it was possible to establish how actively the electricity supply companies ST and AST communicated on the topic of the tariff in social networks during the researched period. The content analysis demonstrates that the greatest difference was in the form of communication, – comparing the number of posts in social media showed that ST had made 51, whereas AST – only 6. This finding confirms that ST chose to proactively communicate with public concerning the topic of the tariff increase in social media, while AST did it reactively and formally, according to company audiences. The results of the survey revealed that the respondents most often chose to obtain information about tariff changes from internet, television and social networks. However, a significant part (94 respondents) also looked for information on the websites of ST or electricity traders. Radio and print media are the considerably less-used sources where information is sought about electricity distribution and transmission tariff changes. The greatest majority noted that they rated the communication about the tariff increase as generally below average, meaning that they had not received a detailed explanation or had not heard about tariff changes at all.

## Conclusions

Since the companies ST and AST are strategically important providers of electricity infrastructure, these companies must pay immense attention to public

communication related to changes in service prices, in particular – the increase thereof. It is essential to work both on strategic communication planning and crisis communication plans, as well as analyse the public reaction to the communication. Furthermore, a communication plan must be created that meets the communicative specifics of society and the industry. It is just as indispensable to maintain relations with the parties involved, including the media, to be able to implement communication more effectively, explaining one's opinion and offering expertise. By regularly creating interesting and informative content on social media, businesses can build their audience, which can be useful for conveying essential information. In practice, communication about price increases has never had a positive reaction from the public, consequently, the companies need to communicate and justify the expected price increase as much as possible, so that the public understands the reasons for the price increase. It is crucial not only to communicate the price as such, but also to explain how this price is formed and clarify the need for changes.

Comparing the communication of the two companies in digital channels in greater detail, it can be concluded that the type of communication in each company's case differed significantly during the research period. Looking at the communicated content, it was possible to notice differences in the application of communication methods, the type of communicated content and the numerical amount of published content units. As company representatives have stated in the interviews, the approach of each company can be explained by the specifics of its audience. The audience of ST consists predominantly of Latvian households and companies, while for AST they are mostly business customers or electricity producers and legal entities. Furthermore, it was established that the communication practices of both companies included differences in the choice of various methods and channels. However, since ST is also the largest customer of AST, the communication should be created and managed in a unified way, because the AST tariff has a significant impact on the ST tariff and its increase.

- ST implemented crisis communication in the public space, communicating proactively, as the public was actively involved in the communication and discussion of the tariff process.
- AST chose to communicate reactively in the public space, communicating more directly with customers, using their customer databases, which in the case of AST mostly consist of companies and legal entities.
- The results of the survey reveal that a large number of respondents are not entirely sure what the ST and AST companies are doing. This makes it difficult for companies to communicate, because an additional barrier must be overcome to work with public awareness and to be able to accurately predict the audience's reaction.

- The survey responses confirmed that most respondents did not follow ST and AST social media accounts, although they used these channels to obtain information daily. The respondents indicated television and digital media portals as the main source of obtaining information about electricity tariff changes.
- A large number of respondents do not know what components are included in the electricity bill, consequently, they have formed a wrong idea about the impact of the tariff increase on the total electricity bill. Therefore, when seeing the percentage of the increase, it was a false assumption that it would be an increase in the total bill, as the companies had not explained exactly what the planned price increase was for.
- The public opinion concerning the companies ST and AST is much more positive than the opinion regarding the tariff communication from the companies.
- Survey respondents reveal that the opinion about the companies ST and AST has deteriorated significantly during the communication of the tariff changes, which can be explained by the resonance of the public, which has been augmented by the involvement of various politicians and government representatives during the tariff changes.
- Companies had to react and communicate promptly, because decisions from their makers came unexpectedly and rapidly. If the management of the companies and the involved parties had involved the communication representatives sooner, it would have been possible to prepare a more detailed and successful communication strategy and plan.
- Respondents support the production of green energy, and a large number of them plan to or have already installed solar panels in their household in the future, these company customers have an increased interest in the increase of ST and AST tariffs, and they also engage in discussions in the digital media on the topic of the electricity tariff changes.
- Most of the content about ST and AST tariff changes is communicated in media, but the users of company services do not specifically look for information about tariff changes in these sources, therefore, most of them do not delve into the information provided by companies, as it is complex and detailed, according to company representatives. At the same time, the respondents indicate that they would like to receive an explanation about the tariff increase in a way that is easy to understand and worded in a comprehensible manner.

According to Pamela Ferrante Walaski's method of dividing the crisis into 4 stages, it is concluded that:

1. During the crisis identification phase, both researched companies encountered a rapid reaction from the public, which manifested itself in the form of various crisis signals both in the digital environment and in the mass media.

2. The moment when public criticism of the submitted planned tariff changes emerged, which could pose a threat to the companies' reputation, can be considered as the stage of worsening conditions.
3. During the crisis response phase, companies communicated proactively and reactively about the reasons for the tariff increase, using various channels.
4. Companies can start performing the activities included in the reflection stage only at present, as the tariff has been approved only at the end of May 2023 (Walaski 2011).

Since the crisis reflection stage coincides with the final stage of the master's thesis, the author notes that it is important for companies to evaluate the set of proposals, as well as to assess their application in communication practice to be able to use them effectively and efficiently.

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