

Customer Forum for water in Scotland

Response to Scottish Water's consultation on 'Shaping the future of your water and waste water services – Draft Strategic Projections'

Introduction

The Customer Forum is pleased to be able to respond to the consultation on 'Shaping the future of your water and waste water services – Draft Strategic Projections'. We recognise these projections span a 25 year time horizon and that they also provide the context for more detailed business planning within individual price periods, linking one price period to another to ensure continuity of purpose in the investment strategy.

The Customer Forum has welcomed the opportunity to be involved in scrutinising early iterations of the consultation document and regards the consultation document to be a broadly fair reflection of key strategic considerations for Scottish Water and stakeholders. The Forum looks forward to being involved in the more detailed considerations relating to the forthcoming price period 2015 to 2021.

The Forum also recognises that Scottish Water has undergone significant change and improvement over the period since its creation, delivering both improved service and broadly stable or reducing prices, in real terms, over recent years, through greater efficiency. A key strategic question is to determine how much further improvement in efficiency can be delivered, to continue this trend of improvement.

The Forum recognises that the provision of high quality water and the removal and safe treatment of waste water are fundamental to delivering public health, and to the safe functioning of society. Issues around the future of these services require careful planning and delivery, and over long time horizons, if they are to continue to serve society's needs. The Forum further recognises that much of Scottish Water's investment is driven by regulatory standards which require particular outcomes to be met. The Forum is engaging with the regulators to understand their perspective on these matters. The Forum believes that as a matter of principle Scottish Water should be compliant with regulatory standards, albeit there may be scope for the precise timing of some activity to meet those standards, as well as some opportunity to meet them in new, more environmentally friendly and cost effective ways.

In undertaking its role on behalf of customers the Forum seeks to pose the question and receive information and justification from Scottish Water as to why it is that what they propose is in the customers' interests. The customer interest is ultimately to be found in the balance between the safety of their water delivered to their home or premises and the waste water taken away and treated in an environmentally sound way, the price they pay for services, and the levels of service they receive for a given price. This response is informed by these considerations. It is also informed by a clear desire to see Scottish Water continue to improve across a range of measures, and a belief that it can, while maintaining the business strength it needs to deliver not just in the short term, but also into the longer term.

Key Strategic Considerations

Having reviewed the consultation document, the Forum believes there are a number of key strategic considerations that arise.

While we are broadly supportive of the analysis drawing out key strategic issues, and of many of the proposed approaches identified to tackling issues, we have concerns about a number of matters, principally – the underlying planning assumption for price rises at RPI, a need for greater transparency across a range of fronts, the need for greater balance in the arguments around specific proposals to improve resilience, a need for greater emphasis on the conservation of water, the development of approaches to more fully empower customers, a need to further attune incentives to customer received benefits, the need for full justification and transparency around the shift from new capital to capital maintenance, the need to reduce energy consumption in ways which fully exploit renewable potential in the customers long term interests.

In what immediately follows some comments confirm and support the broad approach set out by Scottish Water, others invite Scottish Water to review its planning assumptions. Each of these key considerations is covered in the following paragraphs.

Long term planning

Part of the function of developing a 25 year strategic vision is to ensure that the long term interests of Scotland's population is served, and that the prices and improvements delivered in each specific price period are put within the context of this longer time horizon. The Forum believes this is the right strategic approach, with the vision being renewed and rolled forward every five to six years.

Scottish Water has a clear stated ambition to become Scotland's most valued and trusted business. Scottish Water has further expressed its wish to be seen as a leading company within Scotland and within its industry. Viewed from this perspective, the final Strategic Projections might usefully develop the narrative of how Scottish Water is to take itself to and be seen as at the leading edge across a broad range of fronts. So, for example, in what ways will Scottish Water continue to develop its position so that it can be regarded as leading, as an exemplar, in helping economic growth and attracting new business to Scotland, in the use of renewables to reduce its carbon impact and customers' bills, in the efficiency of its capital maintenance, in transparency and efficiency in all dimensions of its work, in design and innovation and in alternatives to capital solutions, in its incentive mechanisms, in the depth of its relationships with customers and in helping its customers' contribute to mutually beneficial outcomes, and so on.

This is beyond the rhetorical, setting out for customers the ambition and the benefits customers will derive if such ambition is met, involving potentially demanding standards of measurement.

The need for stable prices

Given the large number of variables that could affect prices at any given moment in time, or in any given period, there would be potential for noticeable fluctuations in prices year on year. The Forum believes that it is in the customers' interests not to subject them to a

fluctuating price regime, but to have a reasonable element of predictability and stability in prices year on year. The strategic projections work on this underlying assumption and the Forum agrees this would be the right strategic approach. (See also later comments on sharing out-performance).

The price assumptions underlying the strategy

The strategic projections are based on an assumption that, broadly, prices will rise by the rate of inflation, as measured by RPI, which, together with an underlying growth in customer connections, provides the essential and direct customer contribution to delivery of the planned services set out in the strategic projections.

The Forum believes this is an optimistic and bold planning assumption upon which to build the strategic plan and ought to be re-considered.

While appreciating the strategic projections are over a long time horizon, it is difficult not to take account of recent, current and likely future economic conditions. Since the last price setting process prior to 2010, there has been a significant and continuing economic downturn, with the UK and Scotland being formally in recession, or with very low levels of economic growth. This has had major consequences for levels of unemployment, for significant changes in the jobs market resulting in more part time working. There has been little or no growth in average earnings for a number of years, interest rates on savings have been low, there have been revisions to many private pensions to uprate them by the generally lower CPI rate of inflation. In addition, some key benefits have been held to a rate below RPI inflation, and there are significant changes being implemented in the benefits system which are placing pressure on particular families or individuals. Further, there has been price inflation of food and energy costs well above the headline rate of inflation, and ahead of wage inflation. The proportion of elderly people in the population, many living on low incomes, is steadily growing. Taken together, there is considerable pressure on household incomes and the ability to pay for water and other services.

While the foregoing can be seen as a description of what has happened, the economic forecasts for growth in the economy for the foreseeable future are not optimistic and there remains considerable anxiety in Europe and beyond at the fragile economic conditions. In short, there would appear to be little respite coming to families for a number of years looking forward. Much economic commentary reveals that it may be at least a decade before household incomes return to pre-recession values.

Further, however, and leaving aside those current economic conditions and forecasts, as greater efficiencies in economic performance across the economy as a whole continue to be won, and in circumstances where it could be expected that any enterprise is, over time, able to achieve innovation and greater efficiencies, then it would be to be expected that there would be further deliverable efficiencies by Scottish Water, such as to reduce pressure to seek RPI linked increases in prices.

Indeed, Scottish Water has delivered prices that are, in aggregate, well below the rate of RPI inflation over recent years, while also delivering improved service, coping with reduced borrowing, and building cash reserves. Looking forward, while there may be debate about

the precise rates of improvement still available, in principle further improvement should be possible, therefore questioning an assumption that RPI increases are needed.

The strategic projections clearly work on particular assumptions, and these are generally clear, but do not appear to plan for any scenario where the income may be anything other than the optimal assumption on RPI. In the current economic climate, and in the political climate affected by economic concerns and significant expenditure constraints in Scotland, and with the pressure on household budgets, it is entirely conceivable that the income assumptions may not fully materialise. This is a matter for the immediate future business plan as well as the strategic projections. Whether dealt with here or elsewhere, this is a matter that will have to be resolved.

The Forum is currently engaged in work to look more closely at customer willingness to pay and this will inform further deliberations on this when looking to the immediate forthcoming price determination process.

At a time of 'austerity', when the customer base as a whole has seldom been more economically pressed and is likely to remain so for the foreseeable future, when customers are not preparing for growth and are more likely to be 'battening down the hatches', it seems important that Scottish Water, with its ambition to be the most valued and trusted company in Scotland, is itself fully in tune with its customers circumstances.

In such circumstances a strategic approach which assumes automatic indexing of charges at all, let alone at the level of the RPI index, would seem adrift of where customer interests currently lie. Customers might well question why any cash increase is justifiable, particularly in the short term.

A further dimension to these considerations may be the extent to which improved social protections may be achievable for particularly vulnerable groups as part of the overall price determination, or otherwise.

Transparency in efficiency and value for money

The immediately foregoing section covers the principle of achieving greater efficiency, not just for its own sake, but as a basis for reducing pressure for any price rise, or as a way of accommodating more improvement in service at a faster rate. Achieving greater efficiency implies delivering greater value for money for the customer, and this would be welcomed.

While reference to greater efficiency in the strategic projections and a stress in achieving greater value for money is touched on, and clearly implied throughout, it will be important in moving forward for Scottish Water to be explicit, open and transparent about how it seeks to achieve greater efficiency, how and at what levels it sets targets for this, and how it measures its efficiency. This will be an essential component in providing re-assurance to customers that what they are being asked to pay is towards the costs of a company operating at optimal efficiency and with a continuing and verifiable focus on continuously driving efficiency and improvements in value for money.

At present it may be difficult for customers to know whether they are getting value for money, as access to comparative data is difficult for the ordinary consumer to access and assess.

The Forum believes, however, that there may also be a wider strategic question arising for Scottish Water. It is evident from customer research that there is very little awareness among customers of what they pay for water, together with a wider confusion about how water charges are set and by whom, with many believing the Council may still set charges. Without having a clear understanding of how much you pay, it is difficult to have a clear understanding of whether you get value for money.

This feature of the water industry landscape in Scotland is in part conditioned by the billing (as distinct from charging) arrangements. These arrangements are well established, derive from the particular history of water services in Scotland, and have many merits. To change these arrangements would involve not insubstantial costs, and the Forum is not advocating such a change. None the less, it remains a fact that Scottish Water, while seeking to be the most valued and trusted company, are buffered from one of the most fundamental relationships between any company and its customers, the direct issue of a bill, the reaction to that bill, and the consequent payment and collection arrangements. Looking over a 25 year time horizon, how the current arrangements affect Scottish Water's relationships with its customers might seem to be a significant strategic consideration worthy of attention in the final Strategic Projections document.

Service resilience

Throughout the strategic projections there is an emphasis on improving service resilience. This is driven by changing and growing customer demand and by changes in climate, for example.

A number of potential measures to improve resilience are described, ranging through better leakage management, the development of new reservoir capacity, improved customer use of water, and better management of domestic water and waste into the waste water drainage system, for example.

The Forum would agree that adequate service resilience is a key strategic consideration for Scottish Water and would concur with the broad description of the elements of service delivery that would have to be considered to deliver this.

The Forum also notes that within this strategic projections considerable emphasis is placed on creating additional 'water supply links' and a greater 'water network' than exists at present. This would provide the ability for water to be moved across Scotland or within or between some of its regions in times of need, but also opening up some potential to deliver water that is more cost effective to treat to areas where currently more expensive water has to be used. Some of the thinking might involve the closure of local reservoirs, with fewer reservoirs serving more people.

In principle, the Forum understands the reasoning for this and, at face value, it would appear a sensible strategic objective to examine the prospects and possibilities. However, the Forum also believes that any potential risks and costs are underplayed in the strategic projections. Clearly the benefits that could derive from a greater network in terms of resilience will have to be balanced against any extra capital this might consume, the additional costs in terms of energy use for pumping water around more of Scotland, the effects of greater energy use on carbon targets, the greater risks to resilience from putting

more eggs in fewer (reservoir) baskets, and any increased risks from any significant disruption to linked mains, for example. The Forum understands that the approach to this is seen as taking place over significant time periods (20yrs plus), rather than it being a shorter term 'grand design', and that work to achieve this might be designed around other necessary works to the system, thus building greater resilience alongside other necessary work. The Forum also appreciates that Scottish Water would apply detailed cost benefit analysis to any such proposals, and that thinking is at a relatively early stage.

However, before the Forum could be fully satisfied that this approach was in the customers interests, there would need to be a high degree of visibility about all the factors set out above and that commitments to this should be made explicit in any revised strategic projections, and that there is stronger acknowledgement that there is a balance of arguments to be brought out in relation to this strategic question.

Further, in considering the question of adequate resilience it would be helpful for there to be a clearly understood definition of what would be meant by adequate service resilience and what criteria would be used to determine when it was achieved, for example, by reference to how many, off what service, for how long.

The need to build infrastructure, or not build it and manage required outcomes differently

Throughout the strategic projections there is recognition of possibilities for developing alternative and potentially less capital intensive approaches to overcoming known problems, for example through better water catchment management. Such approaches may be able to achieve necessary outcomes, while lessening pressure on the price customers pay, and achieving more sustainable environmental outcomes customers may also wish to see.

The Forum is aware that Scottish Water, in common with all water and waste water companies, has been a highly capital intensive industry for many years. The strategic projections envisage a lessening of capital investment to overtake specific regulatory requirements, but that, none-the-less, Scottish Water will still consume significant sums in capital investment throughout the 25 year period ahead. This is within a climate, for Scottish Water, where there is likely to be significant constraints on Government borrowing limits, compared with past times. This makes the need to look at potential approaches to securing necessary outcomes, with less need for consuming capital, more urgent. The Forum welcomes the fact that some acknowledgement of this is given in the strategic projections.

That said, and given the development of the industry to date, its predominant technical skills, and its focus on capital solutions, the Forum would encourage further development of a service culture within Scottish Water which places the pursuit of capital intensive solutions only where alternative approaches could not deliver with the degree of certainty needed and at lower cost. The Forum appreciates that Scottish Water is subject to regulatory requirements set by the DWQR and SEPA and often deriving from EU directives and, on occasion, delivering a capital intensive solution may be what is necessary. However such decisions should follow a risk based assessment of alternative solutions.

The Forum would encourage greater emphasis on finding alternative approaches and timelines within the final revised strategic projections, acknowledging the need to work with regulators to open up as much space for this as is possible, while not compromising

regulated standards. This should be linked to a commitment to an open and transparent declaration of how projects will be appraised to support this broad objective.

Further still, and overall in the considerations of the use of capital is both the cost of that capital and the return on capital achieved. Maintaining full transparency around these issues will be an important dimension in Scottish Water fully securing its valued and trusted status.

Climate change and water consumption – empowering customers to act

The potential impacts of climate change and the problems that could arise are explored in the strategic projections, and rightly so.

One challenge for Scotland is that, because of our climate experience, particularly in relation to what is perceived as a high level of rainfall, the careful use of water may not be seen as a high priority by customers overall. This needs to be set against the uncertainty in future rainfall brought about by climate change, a projected drift of population from the wetter west of the country to the drier east over time, the cost of treating water ready for consumption (and its potential movement across supply areas), the environmental and carbon consumption impacts of treating more water and wastewater than may be necessary, and the cost to customers through their energy bills when using water at less than optimal rates.

In all the circumstances, it would seem right that Scotland's water customers should be actively encouraged to achieve a greater understanding of the benefits to be had from using less water and Scottish Water should facilitate changes in customer behaviour to reduce consumption, with customers being empowered to act. . The Forum would like to see stronger emphasis on reducing water consumption as a key strategic priority over the 25 year horizon in the strategic projections.

Empowering customers

It is not only in the question of water consumption that customers could be empowered to act. For example, the strategic projections rightly draw out the fact that 80% of flooding from sewers is caused by inappropriate items being disposed of in the toilet, and disposing of oils and fats in inappropriate ways. It is probably the case that few customers are actually aware of this, or are clear about what is the correct way to dispose of certain items, of oils or fats.

The strategic projections indicate Scottish Water wish to continue to develop and deliver a customer education programme to help address these issues. This should be a key strategic consideration, but the Forum believes this should develop and extend beyond the idea of education. Customers have the capacity to help 'co-produce' better outcomes for themselves, their neighbourhoods, and Scotland as a whole, if they can be empowered to do so. This is likely to extend beyond education and encouragement, into advice, consultancy services and incentives for customers, empowering them to take different and mutually beneficial actions.

The Forum is likely to return to this theme in relation to the coming price determination period and what might be achieved then, but believes that it will be important in any revised strategic projections for Scottish Water to signal an intention to deepen its relationship with customers in order to 'co-produce' key outcomes around water consumption, better disposal

of wastes, with a view to improving household economics and reducing pressure on maintenance and treatment costs.

Empowering customers goes further, however. Earlier in this submission reference has been made to further developing transparency in various dimensions of Scottish Water's operations, in relation to efficiency, value for money, and how investment projects are appraised, for example. Such transparency will allow customers to develop ever greater trust in what is delivered to them and, over time, to be better able to express views about service priorities they may desire.

Scottish Water has made commendable efforts to engage with customers and to listen to their views, in helping frame the strategic projections, and the projections themselves highlight a need to keep engaging with customers. It is not just seeking out customer views that will be important, but listening to those views, hearing them and acting on their priorities and concerns or explaining to them why this is not possible. Increasingly the process of engagement with customer's needs to embrace Scottish Water sharing their thinking and forward plans, justifying what they need and want to do to customers, and seeking customer agreement.

Putting customers at the very heart of what Scottish Water do and how they operate over the next decades, and how Scottish Water will deepen their relationships and better empower customers deserves to be a clear strategic priority for Scottish Water and expressed as such.

The Forum itself has been established to help bring the customer voice right to the heart of the shorter term price and priority setting process and there is welcome acknowledgement of this in the strategic projections. With the recent extension of the price period from a 5 to a 6 year period, on the face of it, the opportunity for customers to influence priorities and prices has been reduced. The Forum is aware that within a price control period there can be significant changes in the operating environment which can have potentially beneficial, or negative, consequences on performance. The strategic projections describe the ability of Scottish Water, through the price control process, to pass back savings to customers. The Forum believes that in revising the strategic projections, Scottish Water should strengthen its commitment to engage with customers by signalling a clear willingness to establish, within a price control period, a means for any out-performance to be considered and potentially shared with customers. This could be through a potential price freeze or refund or, for example, through accelerated improvements in particular service areas, to be determined by Scottish Water and customers, together with other key stakeholders and regulators. Such a commitment would be consistent with emerging thinking emanating from the Water Industry Commission for Scotland in relation to the specifics of the forthcoming price period. Moving forward, there is a need for fuller transparency on these issues and to facilitate proper engagement with customers and others stakeholders.

Incentivising performance

Scottish Water has delivered very significant improvements in performance over the past decade. Part of this has been due to regulatory pressure, and we know that Scottish Water would also attribute part of their success to the way they have operated incentives within the company.

Looking to the future, it will be important that any incentive mechanisms are seen to command the support of customers, particularly at a time when remuneration in both the public and private sectors is under such close scrutiny. In principle it would seem right that major incentive rewards be linked to a sharing of out-performance benefits in enhanced service or improved price, with customers. Performance measures and incentives should be seen to reflect what is important to customers (as well as required by regulators). This could be by reference to the price customers have to pay for service, with incentives to minimise price, and/or by reference to specific service outcomes customers have made clear they would like.

For the purpose of the strategic projections the Forum would welcome a statement of principle from Scottish Water in the final strategic projections that they will seek to create incentive mechanisms that are increasingly driven by customers price and service priorities, that they will engage with customers in the development and review of measures and appropriate incentive mechanisms, and that they are committed to transparency around any incentive mechanisms they operate.

The move to greater capital maintenance

The strategic projections make clear that the pressure for continuing high levels of capital spending to create new infrastructure to meet regulatory requirements will ease, but that the need for capital maintenance spending will increase as the infrastructure created over recent times will require to be refurbished.

The Forum has no difficulty with accepting this proposition as a major strategic consideration. As a broad matter of principle the logic and plausibility of such an approach can readily be seen.

What is much more difficult to assess is whether the scale of the estimate of what will be required by way of increased expenditure for capital maintenance is right. On the face of it the scale of the increase in capital maintenance is broadly equal to or greater than the reduction in new build capital, thus maintaining or marginally increasing the aggregate capital spend. This may be a happy co-incidence in terms of maintaining the flow of capital works, but how do customers know this is right? It may also seem, on the face of it, that past capital spending is giving rise to such an increase in maintenance when part of the purpose of capital spend will be to minimise maintenance thereafter. Some of this will clearly be due to a net addition to overall capital assets compared to the past, but the cause of the capital maintenance increase needs considerable transparency around the models used, the technical assumptions underlying any such models, company policy and how that affects any modelling assumptions and how, even by marginal variation on certain key assumptions spending profiles might alter.

The Forum would welcome greater transparency in the mechanisms used by Scottish Water to balance risks of asset failure and its consequences with the long term costs of capital maintenance.

The Forum believe that this is an area requiring close scrutiny and that there should be some acknowledgement through the strategic projections to justify the broad order of increased capital maintenance cost, and the mechanisms that will be used to confirm what is

required. This is a matter where transparency and reassurance will be needed, and where the customer may feel there is potential scope for savings in particular by re-profiling spend.

Environment and carbon reduction

There are many references throughout the strategic projections for the need to address environmental and carbon reduction issues, in effect to behave in a more environmentally sustainable way.

Further, expenditure on power is a major factor in Scottish Water's overall expenditure and any measures to impact on reducing this expenditure will impact on costs passed on to customers.

The use of power is therefore a central strategic consideration for Scottish Water for environmental and cost reasons.

The Forum believes Scottish Water is right to highlight the potential for using their infrastructure and assets to generate power, with the possibility that they could generate more power than they consume being an attractive one. The extent to which this is possible, and has been factored in to the cost profiles looking forward, is less clear and in developing the final iteration of the draft strategic projections and in looking to the shorter term business plan, this should be clarified. As part of this it will be important, not just for reasons of transparency, to be clear about the core relationships between Scottish Water as the parent company and its operational subsidiaries. There has been proper emphasis in investments about renewables to insulate the customer from risks to matters which may not be considered the core business of Scottish Water. Equally, however, the customer may find it acceptable to carry a certain element of risk, if the rewards from renewables investment were sufficient to ensure more customer benefits.

Scottish Water, given its land ownership and other aspects of its infrastructure is in a good position to be a leader in the field of renewables, and in building expertise. Carbon reduction measures are often considered a cost centre, but increasingly can be considered as a profit centre.

The potential for bio-energy from wastes is an area it would seem obvious Scottish Water could also be active in.

The Forum believes it is right for Scottish Water to provide leadership through its position as a business with the potential for significant beneficial environmental impact and as the major energy user. Scottish Water should seek to meet all its environmental and carbon reduction obligations. The evidence to date shows that customers generally support doing the right thing by the environment, even if it is less clear whether all customers believe they should pay any more for this.

Other issue arising from the consultation

Beyond these bigger strategic points above, the remainder of this submission picks up matters of detail arising within or from the draft strategic projections.

Adapt to climate change (P8)

The Forum believes that Scottish Water is right that customer expectations are likely to expect them to adapt to climate change and, to the extent this is ever possible, anticipate emerging problems and plan to eradicate or mitigate the effects.

The water resource as a potential key economic advantage (P13)

Notwithstanding any growing pressure on the water resource, Scotland's resource relative to other parts of the UK may well continue to be significantly better. This potential economic advantage, through the potential location or re-location of business, for example, is correctly identified. Any strengthening of the customer base in this way could contribute to greater resource use efficiency and the ability to meet investment requirements and be good for the customer interest, while also increasing demand on the resource.

Building standards and incentivising household behavioural change (P16)

The Forum believes that Scottish Water should take the lead in pressing for a review of building standards to minimise water use and waste discharges.

The Forum would support greater emphasis in its strategic thinking on ways in which Scottish Water might incentivise behavioural changes in existing homes which would contribute to reducing water consumption and better management and reduction of waste disposal, where that can be shown to have cost benefits.

Listening to our customers (P18)

The Forum welcome the approach Scottish Water has and is taking to establish customer views and preferences through their extensive customer engagement strategy. It is important that this commitment continues right throughout the period covered by the strategic projections, while developing and adapting methodologies in the light of experience.

The Forum believes the table on P18 is a fair summary of customer preferences as currently understood, and that this will be refined as further research evidence emerges.

The Forum notes that at the time of writing its own research to build on that of Scottish Water is currently underway, focussing particularly on willingness to pay issues.

Water Pressure (P21)

The Forum notes the commentary on low pressure and acknowledges that further work to explore customers' views is underway. On the face of it, early research findings of which the Forum is aware, reveal that while significant progress has been made on reducing pressure problems to meet the technical standard, and that significantly less than 1% of customers experience any problem, more customers feel they have issues with water pressure. This may be due to a number of factors but reveals customers' expectations for water pressure may be greater than the technical standard. The Forum awaits the results of the further research and its implications with interest.

Working with others (P31)

The Forum welcomes the strategic projections drawing attention to the fact that Scottish Water is today only part of the solution to outstanding discharge issues, as Scottish Water is

no longer the principal cause of problems, due to improvement secured over recent years. In this context it will be particularly important for Scottish Water to resist pressure to make significant investments in treatment if the outcome on the discharge levels is purely marginal, as the problem emanates from other land users. However Scottish water's technical expertise could helpfully be used to help understand how these problems can be addressed, for example through catchment management planning.

Monitoring and recycling (P32)

The Forum believes the strategic projections draft is right to emphasise the scope for using technology to further improve monitoring in a variety of ways and as a means to improve management efficiency of the network and maintain assets more effectively without the need for greater capital expenditure.

Similarly, customers today are likely to expect Scottish water to keep improving its recycling efforts.

Wider planning assumptions (P34)

The Forum notes the range of other planning assumptions listed on Page 34, and the very considerable sums involved in investment, were these assumptions to prove wrong. It may be helpful for Scottish Water to make clear what deliberate effort they are making with Governments to seek to ensure the necessary actions on the issues raised do not fall to Scottish Water. Further, how they would go about planning to cope with any of these matters if the assumptions are not borne out. This is an area where there is potential risk to the core of the strategic projections thinking, though how that risk is being assessed is less clear.

Plan to deliver a positive customer experience (P36 to P41)

The Forum welcomes the emphasis placed on delivering a positive customer experience and the factors which will need to be continually addressed to help achieve this are helpfully identified within the strategy. Customers themselves are the key to identifying what needs to develop and improve, and this will require a clear and on-going commitment to engage with and listen to customers.

Modern apprentice and graduate programmes (P40)

Scottish Water is a significant employer in Scotland operating across the whole of Scotland and as such has a role and a responsibility to play a full part in enabling a new generation of people to find fulfilling work and in support of the wider strengthening of communities. The references in commitments in this regard in the strategic projections are welcome. It is also important for Scottish Water to maintain its skills base into the future.

Relationship with business customer (P41)

The Forum notes the references to their relationship with business customers and how the existence of Licensed Providers has an impact on this. While it is acknowledged that the immediate or initial interface with a business customer may be through the Licensed Provider, Scottish Water may none the less be required to attend premises or the vicinity of premises to attend to problems and in this way they maintain a relationship with business

customers. This relationship with business customers' needs to remain a priority for Scottish Water.

The 4p for improvement and the historic cost of investment (P44)

The Forum notes the table on Page 44 which reveals that the strategic intention of Scottish Water is to increase to 4p in every £ of expenditure, spending on improvements in priority, but non-statutory, elements of service. Whether this is the correct level of investment as a share of the total or not probably requires more exploration and the Forum notes that even quite modest increases in this proportion of spending could bring significant benefits while only very marginally affecting the other and larger blocks of spending.

The Forum further note references on Page 44 to historic debt and how opportunities may present themselves to restructure debt, with potential consequent benefit to customers. Although not explicit from the text, the Forum assume that commitments to previously negotiated private finance initiatives is also included in the proportion to be devoted to the historic cost of investment. As with traditional finance debt, the Forum believe it would be right for Scottish Water to keep under review the opportunity to extricate themselves from any historic debt of this sort where it could be shown that this was in the customers financial interests when looking out over the 25 year period of the strategic projections.

Customer Forum
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