

Minutes of the fifteenth meeting of the Customer Forum on 18 March 2013

at Consumer Focus Scotland, Royal Exchange House, Glasgow

Attendees: Peter Peacock (Chair)
Fiona Ballantyne
Jo Dow
Cowan Ervine
Sarah Hendry
Agnes Robson
Sue Walker
Bob Wilson

In attendance: Professor John McLaren, CPPR (item 4)
Emma Partridge, Blue Marble (item 5)
Douglas Millican, Scottish Water (item 6)
Jim Mulholland, Scottish Water (item 6)
Belinda Oldfield, Scottish Water (item 6)
Alan Scott, Scottish Water (item 6)
Adam Ralston, Water Industry Commission for Scotland
Donna Very, Project Co-ordinator

Chairman's opening remarks

The Chairman welcomed everyone and opened the 15th meeting of the Customer Forum.

1. Apologies for absence

Iain MacTaggart

2. Minutes of previous meeting (14/02)

The Forum agreed that the minutes were an accurate record of the last meeting.

3. Oral update on current issues and events

The Chair updated the Forum on recent activities.

The Chair informed members that due to an increasingly heavy workload, Iain MacTaggart would not be attending forthcoming Forum meetings. The Chair would meet with Iain to discuss whether this is likely to resolve itself.

Members noted that the Forum's response to Scottish Water's draft Strategic Projections had been submitted to Scottish Water and is now on the Forum's website.

The Forum discussed the need for some work to be commissioned to ensure that Members have a greater understanding of the current framework for the Overall Performance Assessment (OPAs) which measures Scottish Water's performance on a range of activities by comparing them to companies in England and Wales. OFWAT have introduced a new framework for measuring the performance of water companies – Service Incentive Mechanism (SIMs) and no longer use OPAs. The Forum and Scottish Water need to agree improvements to the OPA framework in order that it reflects customer priorities and to ensure that Scottish Water's performance is maintained. It was agreed the Chair will consider how it might be best to move forward on this.

The Forum was circulated with a copy of Jonson Cox's recent speech on regulation in England and Wales, which was recommended reading as there may be implications from points he is making for future performance in England and Wales, while also pointing out various issues concerning recent performance which might affect some comparisons with what has been happening in the South.

http://www.ofwat.gov.uk/mediacentre/speeches/prs_spe20130305jcrae.pdf

The Chair had recently met with the Consumer Focus Scotland board and provided them with an update on the Forum's activities.

The Chair, Agnes Robson and Jo Dow, spoke with Professor Stephen Littlechild. Professor Littlechild has been commissioned by the Water Industry Commission for Scotland (WICS) to undertake an evaluation of the Customer Forum process from its set-up, along with expectations of those involved. Professor Littlechild had also interviewed Scottish Government officials, WICS, and representatives from Scottish Water.

The Chair had been scheduled to meet with Welsh Water but due to diary conflicts this has now had to be rescheduled. A new date will be sought from Welsh Water.

The Forum have been invited to dinner with the Scottish Water Board on 26 March 2013.

The Chair is scheduled to meet with Douglas Millican, Chief Executive, Scottish Water and will request a paper be produced, similar to the Service Improvement Report – on all financial aspects which will look at borrowing, PPP, efficiencies etc.

The Chair recently received a copy of the RSPB's response to the Scottish Water consultation which will be circulated at the next meeting.

4.Scottish Economic Performance and the effects on households

Professor John McLaren from the Centre for Public Policy for Regions (CPPR) gave a very interesting presentation on economic trends in Scotland and UK. The Customer Forum had requested this research be carried out in order that they understand, given the recent state of the economy, how customers were affected and whether water was affordable.

The presentation outlined the history of the UK's recession and in particular Scotland's economic past and the impact that it has had on households. The Forum noted that since the 1990s water prices had risen well above the rate of inflation. Professor McLaren gave an overview of rates for economic growth and the impact on customer's disposable income and also gave a forward look on economic prospects.

Overall it was clear family incomes had been squeezed considerably since the financial crises and that looking forward there was considerable uncertainty about economic growth, let alone growth that may return household economics to the pre-recession levels once enjoyed at any point in the near future.

Professor McLaren informed the Forum that the Office of National Statistics (ONS) had recently confirmed that the Retail Price Index (RPI) will no longer be used as a measure of inflation. The ONS will use two new measures of consumer price inflation alongside the Consumer Prices Index (CPI); CPIH (which includes owner occupiers' housing

costs) and RPIJ, an improved variant of the (RPI) which will meet international standards.

The Forum thanked Professor McLaren for his valuable insights and agreed that the supporting paper to his presentation should be put on the Forum's website.

5. Mindspace – Interim findings

Due to other commitments, Mindspace were unable to present their interim findings therefore Emma Partridge who has been managing the research work for the Forum did so on their behalf.

The presentation outlined the interim findings from the customer research being carried out by Mindspace on behalf of the Forum. Emma gave an overview of the background to the methodology and stimulus materials used with the customer groups. The Forum were particularly keen to gain a deeper understanding of the views of customers and their responses to the different price scenarios and asked for some additional information which would help clarify and qualify the analysis further. Emma agreed to provide feedback to Mindspace. The Forum would look to share the full report with Scottish Water once this additional information had been provided

6. Scottish Water

Douglas Millican, Chief Executive, Scottish Water thanked the Forum for their response to Scottish Water's Draft Strategic Projections consultation. Mr Millican also took the opportunity to say that the Scottish Water Board look forward to meeting with Forum Members on 26 March.

Feedback from Scottish Water on issues arising from WICS range papers

Following the WICS range papers Douglas Millican gave a presentation which addressed the additional questions raised by the Forum. The Forum found this presentation helpful and it provided clarity on a wide range of topics. It was noted that the Forum would like to discuss OPA further and it would be on the May agenda.

Service Improvement Report – Improving waste water services

Alan Scott talked through Scottish Water's plans for improving waste water services to customers which includes flooding, pollution and odour arising from the waste water collection and disposal system. Following a series of questions, the Forum undertook to provide feedback on the report in due course.

7. Response to the Regulated Industries Unit (RIU) Consultation

The Forum discussed the draft response to the Regulated Industries Unit draft work programme which is out for consultation. Cowan Ervine attended the recent stakeholder meeting held in Glasgow on behalf of the Forum. The draft response will be sent out subject to some minor amendments.

8. AOB

There was no other business discussed.

The Chair thanked everyone for attending. The next meeting will be held on 22 April 2013.