

Nineteenth meeting of the Customer Forum

Held on 15 November 2018

Attendees: Peter Peacock (Chair)
Rachel Bell
Andrew Faulk
Agnes Robson
Bob Wilson
Stuart Housden
Sue Walker
Tom May
Mairi Macleod

In attendance: Graeme Dickson, Customer Forum
Donna Very, Water Industry Commission for Scotland (WICS)
Kerstin McEwan, Water Industry Commission for Scot. (WICS)
Ian Tait, Water Industry Commission for Scotland (WICS)
David Satti, Water Industry Commission for Scotland (WICS)
Colin McNaughton, Water Industry Commission for Sc. (WICS)
Douglas Millican, Scottish Water
Simon Parsons, Scottish Water
Tom Harvie-Clark, Scottish Water
Molly Horsley, Scottish Water

Chair's opening remarks

The Chair welcomed attendees to the meeting.

Apologies

Apologies were received from Jo Dow

Declaration of interest

No declarations were made.

Minutes of the last meeting

The minutes were approved.

Actions

Noted. The Chair will follow up on a meeting with SCDI.

Update on recent activities

The Chair provided an update on activities since the last meeting.

The Chair provided a summary on the very helpful and constructive OECD wash-up session which was held with all stakeholders. The wash-up session focussed on the progress made since the peers last visit and the shared objectives of stakeholders for the SRC21. The OECD had made particular comment about risks to the process with reference to the stretch of resources of all involved; the pace of change may leave people behind; the need to consolidate processes in advance of key decisions; that process capture may limit the participating stakeholders from criticising the process and the outcomes; and that consensus among stakeholders might compromise the independence of regulators and customer representatives. The Forum welcomed the clear identification of such issues which they could associate with. The OECD further highlighted the process needed to remain focussed on the customer; and the need for research to be prioritised toward matters which were most relevant to the decisions required in SR21. The Chair also described the role of the EBR review group. The EBR review group will meet with all stakeholders to refine and develop further the six key performance indicators.

The Chair provided an update on the most recent SRC Stakeholder Group Meeting. The focus of this meeting centred around the concept of co-creation and what it was and was not. The Chair indicated that there had been a very good discussion at the Stakeholder Group on the co-creation process and Scottish Water would be presenting on this later in the meeting. The Forum welcomed the indication that Scottish Water were moving into the lead in chairing stakeholder discussions in order to seek to co-create what was their Strategic Plan. The Forum noted that the process of co-creation would change quite significantly how they would need to operate. It was evident that discussions would take place within wider fora involving the Commission, other regulators, the Scottish government and CAS. While the Forum would now be one voice among many, the Forum recognised there were advantages to having wider input and perspectives and to opening up the process to deeper engagement by SEPA and DWQR in particular. Not only could this enrich insights it could also provide re-assurance that the customer interest and that of those regulators would often be closely aligned in a context where the Forum had been asked to seek to agree the Strategic Plan. It was noted that with the Forum being represented at all the tables for discussion in the creation of the Strategic Plan and within a context where it was hoped that there would be scope for a high degree of consensus which they would be part of building, agreeing the Strategic Plan may be more of a formality if strong consensus had emerged.

The Stakeholder Group had programmed time for a very brief discussion on refinements to the methodology and changes to the timeline. The draft changes to the methodology was a large paper and the Chair indicated that he had provided feedback on some detailed points in writing following the meeting on matters of material importance to the Forum contained in the draft refinements document and which implied change to the role of the Forum which were of potential concern to Forum members.

Stuart Housden and the Chair recently met with Stuart Trow, the leakage assessor. Mr Trow provided background on how the economic level of leakage is calculated and described how certain factors such as carbon, or a factor for water pressure

could be added to such calculations. These would not be decisive however in changing the calculations as power use, for example, was already a factor. He was of the opinion that Scottish Water had made some good progress on leakage - its methods of managing leakage were performing as well as any other company in the UK but, consistent with the objectives of water companies across the UK, there would still be scope for Scottish Water to reduce leakage in line with further average reductions envisaged (by around 15%). It was recognised by the Forum, following the helpful discussions with Mr Trow, that Scottish Water would benefit from support from stakeholders for this direction of travel and would need to develop specific strategies on how to further reduce leakage. The issue was not one in which Scottish Water was in complete control as it was suspected that a significant proportion of remaining leakage was at the customer side of the home boundary, requiring new approaches to get buy-in and support for customers to address the issues. The Forum noted that one of the co-creation work-streams was likely to address the question of leakage and they would have the opportunity to be part of those further discussions. The Forum re-affirmed their desire to see Scottish Water continue to bear down on leakage because of the multiple benefits that it could deliver for customers and wider society, while also recognising the inter-play between this and the question of water pressure.

The Chair provided an update on an event he spoke at held by Indepen on what a "Social Contract" would look like in the essential industries area. The discussions at the event had been very interesting and, except for work undertaken by Sustainability First, the Forum's thinking on the issues, which had a practical focus, appeared further ahead than many. In the margins of the event there were discussions with Scottish Water and Sustainability First and a hope that they could further develop some of their thinking in the Scottish context. Some documentation by Sharon Darcy from Sustainability First had been circulated.

An update was provided by Forum members on the environmental sub group discussions that had taken place. The group's discussions would feed back into what research in the environmental area could be best undertaken to address key questions. Part of that may include how Scotland compares to those companies south of the border. The sub group had reprised the various actions that the Forum had already taken in communications with Scottish Water and the first sign of how Scottish Water were now considering matters would be likely to emerge in the first iterations of the strategic plan due in December.

Andrew Faulk provided an update on the work of the IPPF which is progressing quickly. At this meeting there was a discussion on community engagement which Mr Faulk felt would benefit from other members from the Forum participating in and he asked for volunteers to make themselves known to him. He was in regular liaison with Scottish Water on the issues and in suggesting how discussions might progress.

Sue Walker provided an update on the Performance Monitoring Group which is now meeting every month. There seems to be some good progress in the right direction with Scottish Water providing information on the key drivers to behaviours and an

additional objective in “Flourishing Scotland”. Sue Walker also provided an update on the challenges Scottish Water will face to meet the EU directive on lead.

Due to time constraints the Forum noted the receipt of decision Papers 4 and 5 from the Commission but were unable to discuss these. The Forum had the ability to return to the issues involved in future discussion.

Joint update by SEPA and DWQR

The Chair welcomed SEPA and DWQR to the meeting.

Jennifer Leonard, SEPA, provided an update on SEPA’s roles in regulatory compliance, One Planet Prosperity and as the Strategic Flood Risk Authority.

Jennifer Leonard provided a high-level overview on matters relating to regulatory compliance and reported that there were a number of areas where Scottish Water were not complying with environmental directives and this was of growing concern to SEPA. She outlined that there is a large environmental enhancement programme that SEPA felt needed more focus on. SEPA would like to see a plan from Scottish Water on how matters could be improved and believes Scottish Water faces some challenges to meet with EU directives and to meet their commitment to River Basin Management Plan measures. SEPA would also like more transparency around their capital maintenance program and more focus on routine maintenance. SEPA had a concern that current performance measures, while having driven significant improvement now needed adapting to give more focus on the areas where standards are not currently being met. In this context Scottish Water’s improved and high performance did not report on all matters of importance to SEPA and the interests they were there to protect.

Jennifer Leonard outlined SEPA’s draft needs/options for prioritisation framework. They would like to see this framework linked to the SRC21 process with all stakeholders having an equal say on important outcomes.

The Forum were provided with an update on “One Planet Prosperity” and the Sustainable Growth Agreement which was agreed with Scottish Water in the summer. This work gave a common vision with regards to growth, value from wastewaters and sustainable catchment decisions.

SEPA looked forward to engaging further with the Forum and others through the emerging co-creation process, which they were finding very demanding in terms of time required.

Sue Petch, DWQR, introduced the roles in which DWQR plays a part. DWQR is not only the Drinking Water Quality Regulator, they also have the responsibility of security for the network and information systems and has a policy responsibility for private water supplies.

DWQR expanded on Scottish Water’s performance in the area of drinking water quality. From samples taken from customer’s taps 99.91% met required drinking water quality standards however, it should be noted that Scottish Water trail those companies south of the border and although Scottish Water have improved there is

still for example a higher level of THM incidents in Scotland to those down South. DWQR believes that the IPPF process will assist in delivering good outcomes in this. DWQR also updated the Forum on the requirements for reductions in lead in water supplies and outlined the challenges Scottish Water will face to meet the upcoming EU directives on lead. Scottish Government are now piloting some work in relation to lead and DWQR will feed the outcomes into the co-creation process once completed.

DWQR had expressed disappointment in their response to the draft Ministerial Objectives of the objectives having less ambition in the private water supply space than she would have liked and in which Scottish Water could have led, and which would have had real societal benefits.

DWQR provided a summary on the Drinking Water Directive which the European Parliament and Council for Europe are in the process of amending.

The Chair thanked DWQR and SEPA for their helpful and insightful contributions.

Water Industry Commission for Scotland

WICS were welcomed to the meeting.

Ian Tait opened the discussion by thanking the Chair for the opportunity to meet with the Forum and expressed that it would be helpful if WICS could attend meetings more frequently to keep an open dialogue.

Ian Tait provided a high level presentation on the upcoming and latest 3 Decision Papers that are to be published on 21 November which had taken on board comments from all stakeholder groups.

Ian Tait also gave a high-level overview of some of the refinements to the financial framework in the methodology document. Scottish Water will take over the chairing of the joint stakeholder group and will propose the process for the co-creation of the Strategic Plan. The Customer Forum will play an important role by feeding in customer and communities views. The methodology document would include the latest thinking on the price trajectory considerations and the target 'landing zone' for future prices to meet potential asset replacement needs. The Chair indicated the need for clarity on how the figures that underpinned thinking on the target 'landing zone' had been arrived at. The Chair expressed concern that at present the understanding of the figures would not withstand the sort of scrutiny the Forum would expect without that clarity. The Chair also indicated that while there were considerable opportunities in the strategy that could see the creation of a 'ring-fenced fund', there were also risks associated with the strategy and there would be a need for an 'opportunity and risk assessment' before the process of discussion was concluded. The Chair indicated that he had been giving some thought to this matter and would share that with the Commission when it had advanced sufficiently. The Chair further re-iterated some concerns at the back-end of the co-creation process as had been emerging in the revised methodology and had made those known to the Commission in recent comments on the draft methodology.

Scottish Water

The Chair welcomed Scottish Water.

The CEO of Scottish Water opened the discussion by reflecting on where things stood to date on the co-creation of the Strategic Plan. He expressed that this SRC was significantly different to those in past years and that it was good for change to happen even if there were challenging times ahead. The Strategic Plan will be shaped by stakeholders allowing stakeholders to see their input.

Scottish Water set out their proposals on the co-creation of their plan. The aim was expressed as “to achieve agreement on the Strategic Plan with the Customer Forum and broad support from all stakeholders”. The Forum welcomed this clarity of purpose.

The former stakeholder group organised by the Commission would become a Stakeholder Advisory Group. The Forum welcomed this clarification of the status of the group.

Scottish Water set out the Guiding Principles and values needed in the co-creation process which had emerged from the recent stakeholder group discussion on the matter. The Forum again welcomed the clarity of the matters and their importance.

Many of the inputs to the co-creation of the Strategic Plan would form through four overarching Working Groups on Investment Planning and Prioritisation, Performance Monitoring, Price Profiles and Financial Frameworks, and on Customer Experience and a Flourishing Scotland. The Forum would be able to have representatives on each of the working groups and the various work-streams sitting underneath those working groups. A co-creation programme management group would ensure the smooth flowing of all information. The Strategic Plan will, it was hoped, have a holistic approach and be a short readable document.

The timeline was discussed and there was agreement that this seemed an achievable approach, while recognising that the demands for meetings will grow considerably.

The Forum welcomed the pragmatic and principled approach that Scottish Water was taking to the question of co-creation and, for its interests, the Forum was happy to endorse the approach set out. Scottish Water would present its proposals to the next meeting of the Stakeholder Advisory Group for their consideration.

2019/20 Prices

The Forum noted the paper on 2019/20 prices which maintained the agreement reached with the Forum for this period. Prices in 2019/20 would rise by 1.6% and, depending on inflation, would be projected to drop in the year 2020/21.

Note: Part of the discussion the Stakeholder Group reported above was held with only Forum members.