

Sixteenth meeting of the Customer Forum

Held on 23 August 2018

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

In attendance: Graeme Dickson, Customer Forum
Donna Very, Water Industry Commission for Scotland (WICS)
Kerstin McEwan, Water Industry Commission for Scotland (WICS)
Jonathan Sandler, Water Industry Commission for Scotland (WICS)
Colin McNaughton, Water Industry Commission for Scotland (WICS)
Douglas Millican, Scottish Water
Simon Parsons, Scottish Water
Tom Harvie-Clark, Scottish Water
Belinda Oldfield, Scottish Water
Neil Hemings, Scottish Water
Molly Horsley, Scottish Water
Fiona Templeton, Scottish Water
Paul Dudley, Scottish Water

Welcome

The Chair opened the 16th meeting of the Customer Forum commenting it had been an extremely busy week for Forum members with a number of meetings having taken place with Scottish Water. The Chair planned to write to Scottish Water thanking them for the effort around the extra meetings this week, and to set out for Scottish Water some of the sense of what the Forum had taken from those discussions and additional information.

Apologies

Apologies were received from Jo Dow.

Declaration of conflicts of interest

None were received.

Minutes of last meeting

The minutes of the last meeting were not approved due to an incomplete set being issued to members and would be brought back to the next meeting (*n.b. updated minutes circulated to all forum members and retrospectively approved at the 17th Meeting*)

Update on recent activities

The Chair updated members on the most recent joint stakeholder meeting. The meeting focussed on the emerging financial framework and the work being done on potential financial trajectories. WICS would provide Forum members with a presentation on the financial framework based on the discussions at the stakeholder meeting. In short, on the question of the potential price trajectories being exemplified revealed that, depending on when the optimal level of sustainable financing for increased investment in asset replacement currently envisaged by the Commission would be reached, it could be possible to hold prices to the CPI rate of 2%. In other potential scenarios the rate of annual increase could be marginally above this. The Chair stressed that while these emerging scenarios had a great deal to be yet undertaken as to their development, they were broadly consistent with the Forum's own view of possible ranges. The Forum, which had not and was not agreeing to any particular view of the future at this stage, noted the matter and agreed that further detail around the assumptions underlying this modelling be sought in order to consider the matters further. Forum members had recently met with CAS to pick up on recent discussions the Forum had regarding the Ministerial Objectives and the Principles of Charging Consultation. CAS had welcomed the Forum's efforts to share their thinking on these issues and CAS was now aware of this thinking for when they made a formal response.

Arising from the discussions with CAS, the Forum discussed the ideal level of borrowing for Scottish Water and the framework underpinning it. In the short term the need for borrowing was a vital part of the financial equation supporting Scottish Water and the Scottish Government role in maintaining this was crucial. However, taking a longer view, as this SR process was inviting, then the particular arrangements for borrowing and how they played out, raised questions as to what was in customers' long-term interests. The Forum will discuss this matter with further CAS and the Commission on how best to proceed to explore the matters of principle that arise, including potentially commissioning some work to better understand the issues and whether there was a long-term customer interest arising from the particular arrangements. Depending on whether any further study showed there were issues of principle, the matter was ultimately one for CAS within the policy considerations surrounding the industry in Scotland.

The Forum also discussed with CAS a number of environmental matters and the affordability insight report that had been produced. The Chair commented that the report for CAS on this matter highlights that while the proposed changes to single person discounts and council taxes may not be the strongest possible proxy, it represented progress and none of the other proxies available were likely to be available to the Scottish Government or workable in practise. CAS were considering how they responded to government on this matter.

The Forum were pleased to note that CAS had been reviewing strategic capacity and the payment for new capacity and had indicated to CAS support for a re-balancing of customer and developer charges.

CAS had agreed to organise a community best practice workshop, which the Forum had been considering as an approach to helping build their own knowledge base and confidence in good practise.

Members of the Forum met with Scottish Water to follow up on a previous meeting that was held to discuss wholesale KPIs. Scottish Water agreed to report on KPIs, providing timelines in tables and real performance data. They also revisited the idea of dissatisfaction measures and concerns over cross-border business rates. The Forum business sub-group recommended they pursue the matters in much more depth and to encourage further action by Scottish Water and this was agreed, with the objective that there should be an equivalence between the household customer service level and approach and the services given to business customers between the LPs and Scottish Water. The group were also asked to look into the question of the potential price trajectories impact in Scotland, where business charges were often already significantly higher than equivalent business customer charges in the south which may necessitate some research to be undertaken.

The Chair invited members for contributions to the 'social contract' discussion and customer expectations which had been taking place in email exchanges between members of the Forum.

Future Research Priorities

Agnes Robson provided an update on future research priorities. The question of what legacy customers wanted to leave for future generations in water services (an inter-generational question) was one that needed greater exploration. Further, the trade-offs between competing priority areas was raised as an area in need of further research.

The Forum considered how they should proceed to further test how customers view water companies, what they expect, and whether new techniques can help to collect this information more effectively. In part, once the Forum had developed its thinking on the 'social contract' between Scottish Water and citizens, this would be an important matter to test with customers for the extent to which it met their aspirations.

Getting customer views on the use of unallocated cash balances that SW held could be a useful insight to have, while recognising the incentives for SW to perform well was linked to the use of generating cash out-performance.

Kerstin McEwan provided an update to the forum on the progress of the behavioural insights work; results are likely to be in September with a follow-up experiment on 24 September. To a large extent this work was closely related to the concept of longer time price trajectories and, depending on the initial results, the question of whether the actual potential price trajectories now emerging needed to be specifically tested would need to be considered. Once the first BI exercise was complete, the Forum was keen to see the question of

customers' appetite to 'risk' that had featured as a further priority for research should proceed.

It was noted that Apptivism had completed the recent pilot on environmental questions with a response of over 800. The full details were yet to be analysed. Further, the pilot in the Western Isles in both English and in Gaelic was about to launch.

The Research Co-ordinating Group would be advised of the Forum's thinking on what further research was necessary from a Forum perspective.

WICS: Presentation

Colin McNaughton provided the Forum with a presentation based on the most recent stakeholder group meeting. The Forum noted that principle that there was an opportunity to bank resources against future need to be able to smooth price trajectories and protect customers from 'price shocks' and that there would be a 'gateway' or assurance process for reviewing potential price trajectories at important points into the future (yet to be determined) and when resources might be released into the system. WICS will be publishing a refined document as thinking matured. The Forum welcomed the progress in fleshing out the new financial framework which, in principle, was embracing some of the points the Forum had been raising to protect the customer interest in any scenario where there was pressure to raise prices, even to the rate of CPI inflation.

Scottish Water

The Chair welcomed Scottish Water to the meeting.

SR21 Principles of Charging policy issues

Belinda Oldfield and Neil Hemings outlined the proposed changes to household charges set out in the Principles of Charging, including the removal of the vacant exemption to households, the reduction of the Single Person Discount and the increase to the Council Tax Reduction.

Scottish Water confirmed that the move to reduce Single Person Discounts in favour of increasing the Council Tax Reduction will be a revenue neutral change. The Scottish Government will undergo a separate, more focused, consultation on the Council Tax Reduction if this is viewed favourably in the Principles of Charging consultation. The group considered any possible impacts of the change in Council Tax Reduction to bad debt levels and Scottish Water offered to pull together a paper on any analysis currently held on bad debt.

Tom Harvie-Clark provided an overview of the current structure of developer charges and the changes proposed under the Principles of Charges. Scottish Water confirmed that Scottish Water is currently a consultee on planning applications, allowing them to highlight issues when development is planned in areas with little capacity, however outlined some of the current challenges it is facing on assets needing part 4 investment. The group discussed the balance of developers and customers paying for additional strategic capacity.

The Forum advised that they had previously discussed the matters and had advised CAS of their thinking on the issues from the Forum's experience. It was for CAS to make consumer representations on this policy matter.

SR21 Performance Monitoring

Belinda Oldfield outlined the progress and stakeholder engagement on performance monitoring to date, including discussions with Licensed Providers and the Customer Forum.

Paul Dudley presented slides setting out Scottish Water's current monitoring framework, a timeline for developing a new performance monitoring framework and alignment of the performance monitoring plan with Scottish Water's strategic ambitions and stakeholder priorities. Scottish Water will run a series of meetings with specific stakeholders (such as the SEPA on environmental metrics), however all other stakeholders will be invited to these also. The Customer Forum confirmed that it is interested in being engaged on all areas of the new performance monitoring framework.

The Customer Forum accepted that some of the developing measures under the new framework may need some hold-back before implementation (as was done with the Non-Household Customer Experience Measure) to ensure the right incentives are being created, however the Forum noted that any such case would require expectations around when the measure could be delivered for customers.

Scottish Water noted that some metrics which are already measured internally may be of interest to the wider public and would only need to be made more visible. Scottish Water explained that it is looking at different channels of communication to ensure Scottish Water's performance reporting is as visible and accessible to the general public as possible. Scottish Water welcomed any input from the Customer Forum on this, such as in improving how Scottish Water communicates with community interest groups.

Fiona Templeton presented slides on performance measure related to customer experience. Scottish Water continue to consider the weightings and splits between qualitative and quantitative components of its Customer Experience Measures to ensure they are driving the right behaviours. Scottish Water is also considering any potential new reporting capabilities with its new CRM systems.

Scottish Water explained that, as a supplementary measure, it is considering monitoring the Customer Measure of Experience (C-MEX) and the Developer Measure of Experience (D-MEX) used by Ofwat on a shadow basis. Currently developers are considered in Scottish Water's Non-Household Customer Experience Measure, however Scottish Water noted that this is by far the most difficult component to measure.

Fiona Templeton outlined some of the additional metrics that Scottish Water is developing to measure customer experience.

Scottish Water could potentially compare satisfaction between different groups of customers or on a geographical basis. Some consideration is still needed as to what is most suitable to publish and what is of interest to the public.

Scottish Water is currently setting up new data input systems to capture stakeholder engagement, including with community councils, councillors, MSPs, MPs and journalists. This aims to capture points of insight and could have a perception-based element, however Scottish Water is still testing and evolving what will work best.

Scottish Water is considering a measure to capture community engagement on capital programmes of a particular size. This has already been tested in Haymarket and a few other projects.

Scottish Water is working on developing a community principles measure alongside CAS. This has already been tested qualitatively with some household customers, and a series of 12 workshops are planned for Scottish Water employees. Scottish Water is still developing how to best monitor and measure the community principles.

Scottish Water continues to capture how customers trust it in comparison to other organisations, such as through the UKCSI measure.

The Forum welcomed the clarity of the emerging proposals and the development of potential new measures of the sort described. The Forum was represented on the group developing the proposals and would continue to take an active interest, noting that there was much more detail to yet emerge.

Low Pressure Research – Formal Response

Fiona Templeton outlined Scottish Water's response to the low pressure research, completed as part of its Engage21 research programme. The conclusions of the research piece were that low pressure should stay at medium priority, however improvements were needed in its communications with customers.

Scottish Water has had a communications company come in and challenge how it engages its customers on low pressure. Scottish Water explained that it is also actively working on changing its literature to be in more relatable language, as well as developing some online videos for customers on low pressure. Scottish Water is also considering the role of plumbers and is planning to look into industry communications as well. Scottish Water may revisit some activities of the research piece when communication issues have been improved.

Scottish Water presented its actions on low pressure, with a key focus on partnership. Scottish Water noted in particular one of its actions on how to build additional services on low pressure into its customer experience service plan. This could, for example, include help with internal plumbing issues or a technical expert service package.

The Customer Forum noted the wider issues related to low pressure, such as its place in the investment prioritisation process, any potential effect on lowering house prices and the trade-offs with leakage. The Forum, while approving of all the actions outlined in the paper presented, was looking for further action in this area noting that this was one area where Scottish Water might be able to make a discernible improvement to service for many customers who perceived low or lower pressure issues. The Forum also noted that because of the link between leakage management and pressure this was, perhaps uniquely, an area

where the management intervention to manage leakage had the effect for many customers of lowering pressure, lowering the customer experience. This was at odds with the considerable focus and effort Scottish Water made to continually improve the customer experience.

Scottish Water pledged to produce a piece on analysis on how the curves of leakage and pressure could offer more optimisation to explore other ways of managing issues. Scottish Water will add this to the low pressure actions.

Scottish Water highlighted the importance of continuing to drive down leakage, however clarified that the pressure of those on the low pressure register could not be improved simply by tweaking leakage. Scottish Water explained that the register is dynamic and Scottish Water will not take a property off the register for just a temporary or minor improvement above the one bar limit.

The Forum endorsed the need to continue to drive down leakage and this was a matter to which they would return when it came to establishing particular expectations for the next period.

AOB

The next meeting will be held on the 20th of September.