

Twentieth meeting of the Customer Forum

Held on 13 December 2018

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

In attendance: Graeme Dickson, Customer Forum
Donna Very, Water Industry Commission for Scotland (WICS)
Douglas Millican, Scottish Water
Simon Parsons, Scottish Water
Tom Harvie-Clark, Scottish Water
Peter Farrer, Scottish Water
Molly Horsley, Scottish Water

Chair's opening remarks

The Chair welcomed attendees to the meeting.

Apologies

No apologies were received.

Declaration of interest

There were no declarations of interest.

Minutes of the last meeting

The Minutes of the last meeting were approved subject to the Chair correcting various typos apparent in the minutes as circulated.

Actions

All the outstanding actions were completed with the issue of letters to the main Business Organisations offering meetings.

Methodology update and Decision Papers 6,7,8

The Forum noted the publication of the full methodology refinements and clarifications running to over 70 pages, and Decision papers 6, 7 and 8. The Forum welcomed confirmation of advances in how knowledge of Scottish Water's assets would be improved over time, the references to improved transparency including in financial matters, the developing thinking on a new financial framework, the development of a fuller project appraisal system for future investment. The elucidation of the thinking on a 'target zone' for future expenditure while helpful in confirming the Commission's thinking also implied very substantial increases in spending which would put upward pressure on customer charges. Decision Paper 8 further confirming potentially extended periods of above inflation rises. The Forum noted work on this was ongoing within the Financial Framework Working Group and re-affirmed that it was not taking a position at this stage on any particular price trajectory that might be envisaged by the Commission and that many factors would need to come into play in finally adopting any position. The Forum further noted the firmer references to a ring-fenced fund being created and built in the coming SR period for potential use in future SR periods. Considering the recent internal communications about the opportunities but also the risks and mitigations to risks associated with any such fund, the Forum reserved its position on the appropriateness of the creation and uses of any such fund. The Forum further noted with regret and disappointment confirmation of what appeared a redefinition at this stage of the process of the Forum's role and having, in the Forum's view, effectively narrowing that role and the potential considerations of the Forum, and agreed to write to the Commission recording its concerns. The specific wording of the role as now envisaged in relation to charge trajectories, given the Commission's drive and increasingly firm position toward increased charges to support the long term asset replacement ambitions, gave rise to concerns as to whether the Forum would in practice have any real or worthwhile discretion in these matters. This remained to be seen as matters unfolded. These real concerns notwithstanding, at this stage and on balance, the Forum considered that there were still a good number of worthwhile matters they could seek to influence within the revised process. The Chair would draft a letter to the Commission recording its concerns for consideration by Forum members.

Planning for a future Forum/Consumer Scotland

The Chair and CEO of the Water Industry Commission for Scotland (WICS) had recently met with Sam Ghibaldan and the CEO of Citizens Advice Scotland (CAS), Derek Mitchell, to discuss the future role of the Forum, Consumer Scotland and the consumer landscape. CAS would not have any objection to a future Forum sitting under their sponsorship and agreed it may seem to be a natural home for the Forum to sit given CAS' consumer advocacy role.

ESRI Behavioural Insights Study

Fraser Stewart had helpfully provided a summary of the ESRI Behavioural Insights report. The Forum considered the nature, size of the sample and responses to be very good and noted the results had confirmed some of their thinking as set out in the Provisional Objectives paper published earlier in the year. The Forum agreed to support further work on price trajectories suggested by the researchers going beyond

the 6 year period that was used in this study. The circulated paper drew on the research findings to illustrate where customers stood on charge rises. The Forum noted the clear majority of customers within Stage 1 on the study would prefer no rises or reduced charges, with the majority rising significantly for below inflation charge rises; that whatever level of charge rise they would prefer it spread over the period rather than front or back loaded; and that customers came back from that last position a bit when given information on the cumulative effect of charge rise over the period. Fraser Stewart will collate feedback from Forum members on the next phase of research and submit to the Commission and OECD.

Commission Report on Scottish Water's Performance

The Forum noted that Scottish Water remained on track or ahead in the Commission's glowing performance report of Scottish Water.

Update on recent activities

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

The Chair had attended the latest Stakeholder Group meeting and provided members with an update on discussions. Bob Irvine from Scottish Government had provided an update on the Scottish Government's consultation on Ministerial Objectives which, overall, respondents had given broad endorsement for the principles. There were specific matters raised that the Scottish Government would be reflecting on. It was noted that very few responses had been received from developers.

The Commission had presented an outline similar to that the Forum had received at its last meeting on Decision Papers 6, 7, and 8.

The Chair gave feedback on research activities to the stakeholder group and emphasised that the Research Co-ordinating Group would focus on prioritising research that was most relevant to the major decisions needed in the SR process.

The Stakeholder Group also had a further discussion on the co-creation of the Strategic Plan. There would be a number of working groups established and the Chair would be circulating to members a list of these groups and those which he would like members to participate in.

Agnes Robson, Chair of the Research Coordination Group, provided an update on the recent activities of the Research Coordination Group (RCG). The last meeting of the RCG had been very well attended and Agnes Robson had been encouraged by the level of engagement from all participants. The RCG had discussed priorities and questions to inform the SRC by June 2019 and those activities which could take place over a longer period. The discussions had focussed on the following areas:

- Willingness to pay
- Legacy for future consumers
- Trade-offs

The Forum endorsed the proposal that a research organisation (potentially .yougov) be used to provide a rapid research deployment facility to the Forum for outstanding

research questions and matters that were likely to arise through the co-creation process over coming months. This survey would provide very quick feedback to the Forum of responses. It would be focussed only on Scotland, with a large sample and a capability to target particular sections of the population as appropriate and could be participated in fortnightly or monthly. Procurement advice was being taken from the Commission.

The Chair and Sue Walker provided an update on a meeting they had following a request from SEPA. They had a very useful discussion across a range of issues and SEPA, while recognising the appropriateness of having long term considerations, also expressed some concerns over the effect of this on much more short-term pressures that were very evident to SEPA and where Scottish Water were still not meeting the standards SEPA wanted. The discussions also covered SEPA's One Planet role and the desirability of seeing ambition beyond normal compliance from Scottish Water both in terms of what they could do while investing, but also beyond the normal investment spending considerations. SEPA would shortly be publishing a sector plan for water which will highlight matters of ongoing concern to them. SEPA confirmed they have a role liaising with SNH on water matters and would be furthering their contacts with SNH.

The Chair and Agnes Robson had attended the first meeting of the Financial Framework Working Group which had established terms of reference. This group will look at price trajectories and the underlying assumptions for such.

Sue Walker provided an update on the Performance Monitoring Working Group meeting that she had attended. Scottish Water agreed to produce a workplan on how they will firm up their ambitions in monitoring performance. Scottish Water's initial environmental sustainability measurement proposals had been well received. Bob Wilson, Sue Walker and Agnes Robson would now be meeting regularly to focus on CEM, non-household CEM as specific aspects of measuring performance.

The Chair, Bob Wilson and Tom May had met with Licensed Providers (LPs) that morning and had set out the Customer Forum's role in the SRC process. The Forum had sent LPs some questions relating to interaction with Scottish Water and what LPs would want from Scottish Water. There had been some very useful feedback and this would be brought to Scottish Water's attention through the working groups.

Andrew Faulk provided an update on the IPPF working group meeting he had attended. This meeting had brought all stakeholders up-to-date on recent work in this area.

Andrew Faulk provided an update on the initial Investment Prioritisation Working Group meeting he had attended on the water portfolio. The meeting had focussed on providing background on some of the key issues that would be considered in more detail in the various work-streams.

Andrew Faulk updated members on a Local Governance Conference he had attended and at which Scottish Water had also been represented. The focus of interest was to hear from the Scottish Government on their latest thinking on getting closer to and the role of communities in decision making.

Scottish Water

The Chair welcomed the team from Scottish Water.

Scottish Water provided a high-level outline of their performance for the reporting period 2017-2018. As per the cooperation agreement, Scottish Water must with the Customer Forum, review performance annually of levels of service and performance. The Customer Forum will formally write to Scottish Water following the meeting with their comments in relation to this.

During this period Scottish Water recorded their best performance ever in customer service and delivered drinking water quality compliance at over 99.9%. Scottish Water also recorded the lowest environmental pollution incidents and a reduction in energy consumption during the period.

Scottish Water set out the journey they have made in relation to the Household Customer Experience Measure (CEM) and improvements have been made to review customer feedback and get to problems before they escalate.

The Non-Household CEM, which had been developed in conjunction with the Forum, measures performance against a number of quantitative and qualitative indicators for service and experience for LPs. Scottish Water set out the work they are doing in in the non-household CEM space and are developing further improvements in this area to gain a better insight into how they can improve services to non-household customer.

Scottish Water outlined their performance against other companies and utilities in the UK Customer Satisfaction Index survey from the Institute of Customer Service. Results demonstrate that SW are continuing to perform above other water and utility companies in the UK.

Scottish Water updated the Forum on their performance against OPA. During the period 2017/18 Scottish Water achieved a score of 406 points. This has been their best performance to date and was attributed to the fact extra points were collected due to improvements in performance for wastewater treatment works and environmental pollution incidents being reduced.

Scottish Water outlined recent reductions in the economic level of leakage despite a difficult winter in Feb/March 2018. Internal and external flooding still remains a high priority for customers and Scottish Water have come some way in improvements in this area.

Scottish Water set out their improvement on their carbon footprint and discussed with the Forum areas where they are working on some water efficiency trials.

Scottish Water set out the Strategic Plan timeline as agreed in the revised methodology. Scottish Water outlined what the Forum could expect to see in the initial Outline of the Strategic Plan which had just been issued but which all Forum members had not yet had the opportunity to read. The overall structure of how they had gone about framing the Plan was explained, and how arguments were developed from a central 'lozenge' concept and which went in to further details of their ambitions and

outcomes. They will work closely with all stakeholders and working groups/sub groups will feed in to these ambitions.

Scottish Water explained the work they are doing in developing an asset management and improvement plan. They are working closely with AMCL who have experience in asset management both globally and within the UK. AMCL will score Scottish Water against a recognised criteria. Scottish Water are also working with a leading asset expert, Professor Brian Adey, to develop the rigour of their methods of assessing the condition of their assets.

The Forum thanked Scottish Water for the very useful presentations. The Forum agreed to formally write to Scottish Water in due course addressing matters arising out of the initial outline Strategic Plan, and following the Forum's upcoming away-day to look at the plan.