

Twenty second meeting of the Customer Forum

Held 21 February 2019

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

In attendance: Sam Ghibaldan
Graeme Dickson
Fraser Stewart
Alan Sutherland, Water Industry Commission for Scotland (WICS)
Colin McNaughton, Water Industry Commission for Scotland (WICS)
Ian Tait, Water Industry Commission for Scotland (WICS)
David Satti, Water Industry Commission for Scotland (WICS)
Douglas Millican, Scottish Water
Simon Parsons, Scottish Water
Tom Harvie-Clark, Scottish Water
Molly Horsley, Scottish Water

1. Chair's opening remarks

The Chair welcomed attendees to the meeting and Sam Ghibaldan who has been appointed as Director of the Customer Forum. The Forum noted its thanks to Donna Very for her work supporting the Forum and the members agreed to send her a gift.

2. Apologies

Apologies were received from Jo Dow.

3. Declaration of interest

Stuart Housden noted that the previous minutes should be corrected to show he was a member of the International Union for Conservation of Nature.

4. Minutes of the last meeting

The Minutes of the last meeting were approved subject to a minor correction: there was a missing word “fund” in the third line of the first full paragraph on page two after “ring fenced.”.

5. Update on recent activities

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

Financial Framework Working Group

The Forum noted that the FFWG had met the previous day to consider WICS’ price projections for SR21-27 and beyond. The Chair advised members of the price rises the WICS were proposing and that he had made clear the points that had been subject to correspondence with the Forum in the run up to the FFWG meeting that the Forum at this time, and when acting as a conduit for customer views, could not sign up to the prices proposed or to any plan which had a consequence for such prices. The Chair further advised that he had made a number of points about the assumptions within the model the WICS had developed, particularly around the effects of moving to circular economy approaches to investment; the lack of a clear articulation of the benefits of the proposed approach or the risks; and that there was a need to illustrate the actual effect on customer charges of above inflation rises over prolonged periods of time; and that the borrowing arrangements in place and assumed for the future did not appear to serve the long term interests of customers. The WICS would be presenting the detail of their proposals later in the meeting to the Forum.

Customer Experience and Flourishing Scotland

Several points were made by members in relation to the CEFS working groups:

- The potential to improve public access to Scottish Water land for leisure purposes
- That the CEFS workstream need to focus on outcomes rather than simply reinforcing existing SW campaigns

Performance monitoring

Members noted that it was important that performance measures addressed issues such as good catchment management which might benefit wider Scottish government objectives on access and wetlands for example, as well as those perhaps more straightforward to measure like carbon reduction, if they were to help drive change in SW.

Research Coordination Group

An update on various research activity was provided:

- The brief for the Behavioural Insights phase 2 research was complete and would look at private/public benefit and the stability of customers’ preferences.
- The research on wider environment being co-commissioned by the Customer Forum and SW has been let.
- The research company undertaking the research on legacy, also being co-commissioned by the Customer Forum and SW, is about to be appointed.

- The community engagement research being co-commissioned by CAS, SW and the CF is underway, with preliminary results due at the next RCG meeting in March.
- There is a need for more detail on prices – options include re-running ESRI Study 1 with more accurate figures emerging from WICS. There is also the possibility of re-running the Fraser of Allander modelling undertaken by CAS to get a better handle on water charge affordability.
- YouGov – The longlist of topics/questions has been developed. This is currently being prioritised and organised into batches.

Highland Council

Mairi Macleod reported on a meeting she had with the head of Planning and Development at Highland Council. The Council had noted that in their view Scottish Water's performance had improved over recent years. There were still issues with private supplies and at times, such as over the sudden change in demands of NC500, SW were perhaps not as agile as they could be to respond to changing circumstances. Mairi would give a note to SW on the issues that emerged.

EBR review group

An expert group had been appointed to review the SRC process in the context of ethical business regulation, and had interviewed the Chair, Agnes Robson and Stuart Housden in the past week about the SR and EBR.

6. Scottish Water

The Chair welcomed the team from Scottish Water (SW).

The discussion began with a review of progress at the co-creation working groups.

Flourishing Scotland

SW noted that any proposal to re-shape business charges would need to be agreed with other stakeholders. In principle, SW considered there could be benefits from re-shaping charging, but that any change will involve pain for some businesses as well as benefits for others. SW asked that the Forum share its work on the comparison with non-domestic charges between Scotland and England when that was more advanced.

IPPF

Forum members observed that the level of information provided at the IPPF workshops was very high and had been very helpful. Further, they stated that the IPPF process was still theoretical, and in some cases a more strategic approach would be useful in the workshops. SW that they considered the IPPF process would evolve to guide the prioritisation of investment, and this would begin in March and April. SW's Asset Management Improvement Plan, and the work of Brian Adey would help inform the prioritisation process.

The Forum noted that its role in the ongoing prioritisation process after the conclusion of the SRC needed to be developed.

Responses to SW's Strategic Plan

SW noted that two new responses had been received since the last discussion, from SEPA and DWQR. In addition to those themes from previous responses, had included reference to:

- SEPA's river basin management plan
- Integrating circular economy and natural capital thinking
- Embracing one planet prosperity
- Water quality

SW noted that they were responding positively to SEPA's sector plan. Forum members asked how the SEPA agenda, which they broadly endorsed, might be advanced. SW indicated they would share their response to SEPA and the matters would be the subject of much further discussion in future working meetings within the co-creation process.

The Strategic Wheel

SW noted that the Strategic Plan (SP) had to convey a clear and compelling narrative that says what it was about, and why, for customers

The following points were made in discussion:

- The Strategic Plan, and therefore the wheel, needed to be clear about the destination and purpose for the long-term, not just the 6 year review period
- That although it was necessary to look 25 years we should also acknowledge that things will change as more is known about the state of infrastructure, as innovation takes place and priorities change.
- That from an SW perspective the SP had to make sense to two different groups: stakeholders and staff. They would agree a narrative externally and then co-create internally about how that's delivered
- The Plan and the Wheel needed to convey a vision, and focus on strategic outcomes and benefits that were tangible to consumers

The Forum thanked Scottish water for their input and that the discussion on the Strategic Wheel would continue later in the meeting in preparation for a session of the Strategic Advisory Group the following week.

Other points

The Forum indicated that they felt it necessary to engage with some communities of interest in fulfilment of their obligations to more fully involve community views in the SR process. The Forum and SW agreed that they should collaborate on some engagement

sessions with interest groups, potentially including vulnerable consumers, the business community and organisations with an interest in the environment.

7. Forum Discussion on the Scottish Water Session and Strategic Wheel

Members of the Forum observed:

- A greater interest from SW on issues including Hydro-Nation, circular economy, and catchment areas. Noted that the SEPA water sector plan was also clearly being considered.
- That the Forum needs to develop a list of the critical questions it wanted addressed in the IPPF process such as carbon; circular economy; and what had been learnt from community engagement.
- A previous working group couldn't come up with alternative to ELL (Economic Level of Leakage), but the ambition should be to do more than manage the current situation; wasting water through leakage should be regarded as unacceptable and an approach towards the lowest practicable level of leakage should be adopted.
- A need to define customer benefits in the Strategic Wheel. The vision at the centre of the wheel needs to be ambitious, forward thinking; show public benefit; stress the circular economy; consider future generations; explain how water defines Scotland; be dynamic; progressive and inspiring.

8. Prioritising Forum Outcomes

The Forum began to consider its potential priority areas could be for the Strategic Plan.

Areas discussed included:

- Improvement on being a great wholesaler. Discussion included concepts such as an equal level of service for businesses and using a net promoter score.
- Valuing water, helping address leakage and lowering water use. Discussion referred to consumer behaviour, inspire people, wasting water being unacceptable and the lowest practicable level of leakage.
- A comprehensive environmental plan, encompassing the circular economy
- Performance measures, including focus on incentivising the right behaviours relating to energy use and generation, community engagement and the environment. Discussion referred to performance measures helping achieve significant business change.
- Reducing, or eliminating lead in water – where to get to and by when?
- Improving rural supplies and private waste management – where to get to and by when?

The Forum agreed that it needed to focus in ever more on the issues it prioritised for action for the Strategic Plan and the priority they gave to such actions. Sam Ghibaldan would prepare the necessary formats to further enable discussion on this during coming meetings, building on the work to already capture Forum positions that Graeme Dickson had undertaken.

9. Water Industry Commission for Scotland (WICS)

The Chair welcomed the team from WICS, who gave a presentation on their proposals for future prices. This looked at:

- The nature of the asset replacement challenge, and the concept of a backlog. Scottish Water's analysis implies they will require significantly greater resources than hitherto when taking a long-term view.
- This would require a transition over several price review periods to reach a sustainable level of investment.
- That this implied a range options of real terms average price increases (i.e. above CPI, assumed to be 2%).

In discussion the following points were made by WICS:

- That there was uncertainty about the cost of replacing assets or exactly when that would be needed, but it was clear that assets needed replacing, and these price ranges were modelled on the best figures available at this stage
- That in the co-creation process the Customer Forum and other stakeholders may decide they wanted approaches that would affect the timing profile of investment, and that these were averages
- That there needed to be further consideration of the role of borrowing, and the implications of this for consumers

AOB

The Forum noted the WICS presentation and that there was a great deal to probe and further understand. That at this stage, acting as a conduit for customer views, they could not sign up to the proposals as they stood and would carry forward into the SAG the considerations the Forum had previously agreed.