

21st March 2019

Twenty third meeting of the Customer Forum

Held at 10.00am at the Apex Hotel, Edinburgh Haymarket

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

In attendance: Sam Ghibaldan
Graeme Dickson
Fraser Stewart
Robert Stewart, Scottish Water
Simon Parsons, Scottish Water
Tom Harvie-Clark, Scottish Water
Molly Horsley, Scottish Water
Elise Cartmell, Scottish Water
Gordon Reid, Scottish Water

1. Apologies

There were no apologies.

2. Declaration of interest

Andrew Faulk noted that he'd been appointed as Policy Manager at Zero Waste Scotland.

3. Minutes of the last meeting and matters arising

The minutes of the previous meeting were approved.

The Chair was invited to ask the Scottish Government whether in a current exercise to refine draft Ministerial Objectives they might mention the community and wider environment dimension to Scottish Water's work.

4. Update on recent activities

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

Members were asked to upload their deep dive notes to the Forum SharePoint site.

Strategic Advisory Group

The Chair had written to Forum members following the meeting with details of what had happened.

Since then the EBR Review Group had issued their written report, which the Chair summarised. This item was taken in private.

The Forum discussed aspects of the creative session within the SAG meeting about future strategy for Scottish Water, and noted the key pillars emerging in the thinking around: going beyond circular economy company, financial sustainability, community focus, and being world class. The `critic' and `realist' view of these aspirations toned down aspects of them but didn't seek to change the broad thrust.

Research Coordination Group

Progress on several issues was set out by the Chair of the Research Coordination Group:

- the Forum has co-commissioned with Scottish Water legacy and environment research, which has recently commenced.
- CAS is commissioning Fraser of Allander to re-run its previous affordability research.
- the Forum is developing a Specification of Requirements statement for a deliberative research project on Scottish Water's Future Strategy and willingness to pay.
- a long list of You Gov questions that have been developed and shared with Scottish Water.

Andrew Faulk agreed to share with the environment researchers the background paper he prepared with Stuart Housden on how other water companies embrace wider environment questions.

Flourishing Scotland

The Forum discussed the recent Flourishing Scotland sessions. They felt they had been constructive but could benefit from more strategic input and vision. In particular:

- the economic growth session was felt to be primarily focused on house building
- there was felt to be a narrow view of Scottish Water's impact on health, for example limited to water safety
- more progress was needed to improve support for business customers and LPs. In relation to this, the Forum's Business sub-group reported it was making progress in developing its position. Once this was developed it would be shared with other stakeholders.

IPPF

The Forum discussed the approach to the IPPF process. It was considered that the individual IPPF sessions had been useful. The approach could benefit from being more consistently strategic. ,

The Forum noted that its members involved in the IPPF had met the previous day to explore how the Forum should engage in the MOSCOW prioritisation process. It agreed the key assessment criteria for use in the prioritisation process that the group had identified:

- Circular economy (all projects and programmes must be evaluated to consider whether they could be carried out in a manner consistent with a circular economy approach)
- Health impact
- Catchment approach rather than a service programme approach (where sensible)
- Added customer value

- Spend to save
- Built to last

It was agreed that the Forum should be involved in the research connected to the four IPPF pilot project.

Performance Monitoring

Progress was continuing to be made in the Performance Monitoring sub-group, but appropriate measures for the community and wider environment dimensions of performance monitoring were necessary. The question of what to include in the measures that really drive Scottish Water performance and what could be allowed to be less central was raised. It was agreed this required further discussion.

5. Scottish Water – IPPF

Scottish Water took the Forum through the latest thinking on the shape of the emerging IPPF process.

IPPF is intended to create a framework to build trust and decision making that investment maximises the potential benefits from it. It needs to be flexible and have appropriate levels of governance. Scottish Water's approach to Strategic Investment Planning had several tiers: strategic objectives, four portfolios, programmes, projects and sub-portfolios. Scottish Water explained how they planned to use the MoSCoW prioritisation technique.

In discussion the following points were made:

- Four pilot projects were being established to understand how to maximise the benefits from community engagement at an early stage in the process. These are getting underway now. The Forum welcomed the offer from Scottish Water that it could be involved in overseeing and evaluating those pilots.
- The Forum recognises the huge amount of effort and information from Scottish Water in the workshops. Many are excellent, though in some areas it is clear more thought needs to be given to how Scottish Water will transform its approach and assess investment decisions differently in the future.
- A premium should be given in the IPPF to programmes and projects that provide multiple benefits
- The IPF process represented a cultural shift that would take time to embed
- There was a need to balance needs that derived from long-term strategy and compliance

Following the EBR review group recommendations it had been decided to delay the prioritisation until there was a clearer industry strategic vision. The first stage prioritisation would now take place at the end of April and early May.

The Forum thanked Scottish water for the clarity of the presentation and broadly endorsed the direction of travel.

6. Scottish Water – Circular Economy

Scottish Water presented their approach to the circular economy, making the following points:

- Current energy use by Scottish Water is slightly over 500GWh per annum
- Significant progress was being made in using renewable energy, with a 70% reduction in carbon emissions from energy expected over the next decade
- In terms of spend to save present rules look to payback within the spending review period; though Scottish Water Horizons has a longer-term period of 20 years
- SW is seeking greater standardisation of products and off-site manufacture to reduce cost and installation time; this includes joint working with Welsh Water and Anglian Water
- Scottish Water's asset life extension challenge - Project Atom – (which seeks solutions to keep assets running) has increased the asset life by 10% since 2015.
- Minimising waste is a key part of the circular economy challenge, example of Pipe Diver to inspect mains while they were still operating.
- Since 2006 leakage has been reduced so now 600m fewer litres of water are abstracted per day, saving 30,000tCO₂ in total
- Scottish Water is developing technologies to reduce resource use and increase resource recovery e.g. Nerada, Microvi and MABR
- In the future Scottish Water aim to turn wastewater treatment works into a production facility, using anaerobic activity. Scottish Water is working with other water companies to develop appropriate technology for this and is hoping to trial this in Bo'ness within twelve months.
- Seeking to move to a zero-emission vehicle fleet, working with Renault to get appropriate vehicles, e.g. hydrogen cars.
- Trialling septic tanks of the future to recover biogas. There are 200,000 septic tanks in Scotland.
- Approximately two-thirds of bio resource is returned to the land and one-third used to generate in energy. Aim for the future is to use all of this resource to generate energy (estimated 100GWh) as then use product for fertiliser (saving on chemical products).
- Other significant area is energy from waste – there is enough heat in the sewer network to heat just about every house in Scotland, if it can be made to happen. This requires partnership working with a broad range of agencies. Currently activity in this area is supported by the Low Carbon Investment Fund.
- Scottish Water is working with CREW and Aberdeen University to identify potential economic benefit from resource recovery in the water cycle.

In discussion the following points were made:

- The current payback policy appeared unduly limiting to doing the right thing, seeking payback within a regulatory period. A whole life approach would be more beneficial.
- In societal terms we no choice but to adopt a circular economy approach; it is a must do, not an optional extra. This would have impacts, for example, on IPPF assessment criteria.
- SW acknowledge that at present a circular economy approach was not central to the way they operate, and they did not have a circular strategy as such.
- There is a dilemma for SEPA in this space: some short-term compliance activity may conflict in spending priority and service terms with measures needed to adopt a fully circular long-term approach.
- Retrofitting is desirable, but in the context of growth all development should take a circular economy approach. The point was made that this required partnership working with a wide range of organisations. The Blindwells development in East Lothian was a good example of such partnership working.

- There needs to be a joined up regulatory approach that removes, for example, barriers to co-digestion of sewage and agricultural waste.

7. Forum Positions

The Forum thought the template for agreeing positions would be useful way to define its views. It was agreed to amend the form to use MoSCoW criteria, and for it to start with issues are in the customer interest.

The Forum agreed that it would be sensible to have an away-day to allow the Forum to discuss its emerging positions.

8. Prices Strategy Discussion

The Chair updated the Forum on what had been learned over the past three weeks in various meetings attended on the question of prices.

The Chair, Agnes Robson and Sam Ghibaldan had met with WICS to seek further clarity on the pricing model still being developed and the underlying assumptions to the model. WICS decision paper on prices is now unlikely to be published until May at the earliest.

The issue of affordability was discussed. The Forum noted that the Scottish Government has dropped the proposal to reduce the single person discount, the savings from which were to have funded the doubling of the Water Charges Reduction Scheme.

The Forum also discussed their attitude to the sustainable financing of the industry and its relationship with affordability questions.

The Forum is planning deliberative research to understand the views of customers. This would inform its positions on the many issues emerging, and would be the subject of further discussion within the Forum.