

10th September 2019

Twenty ninth meeting of the Customer Forum

Held at 10.00am at the Murrayfield Suite, Jurys Inn Edinburgh, 43 Jeffrey Street,
Edinburgh, EH1 1DH

Attendees and in attendance

Peter Peacock (PP)	Chair	Attendee	Green
Agnes Robson (AR)	Vice Chair	Attendee	Red
Jo Dow (JD)	Member	Attendee	Green
Rachel Bell (RB)	Member	Attendee	Green
Andrew Faulk (AF)	Member	Attendee	Green
Bob Wilson (BW)	Member	Attendee	Green
Stuart Housden (SH)	Member	Attendee	Green
Mairi Macleod (MM)	Member	Attendee	Red
Tom May (TM)	Member	Attendee	Red
Sue Walker (SW)	Member	Attendee	Green
Sam Ghibaldan (SG)	Director	In attendance	Green
Rachael Picken (RP)	Customer Forum Support Manager	In attendance	Green
Fraser Stewart (FS)	Customer Forum Research Manager	In attendance	Green

Introduction

1. Apologies

There were apologies from Agnes Robson, Mairi Macleod and Tom May.

2. Declaration of interest

There were no new declarations of interest.

3. Minutes of the last meeting

The minutes of the previous meeting (August 2019) were approved subject to:

- Section 10 Page 4. IPPF Working Group: add to attendees.
- Section 8: Broad Support to be contextualised with wording provided to Scottish Water as part of the Prioritisation process.
- Section 8: Language update required.
- Performance Monitoring: RB to be taken off the list, SW and MM to attend.

Matters Arising

- **Technical Panel.** PP updated the Forum. SG, PP and RP had attended the Technical Panel in August. Tom May is a member of the Technical Panel and was also present. Provided an update on the SRC21 process and the Strategic Plan. Positive response from attendees.

Updates

The Chair and members provided an update on activities since the last meeting, including:

4. Stakeholder Advisory Group (Chair, Agnes Robson, Sam Ghibaldan)

The Chair and Director stated the Strategic Advisory Group (SAG) had met on 21st August 2019.

The main points highlighted were:

- Constructive session, with **OECD in attendance**. OECD provided some comments on the draft Strategic Plan, which have now been combined into the September 2019 draft (transformation of services etc).
- **Feedback on the Strategic Plan:** in line with the Forum's previous comments, the September 2019 draft now includes a Strategic Outcome on net zero emissions. Scottish Water has committed to becoming a leader and to produce a route map in 2020 to enable net zero emissions by 2040. SEPA positive around the inclusion of One Planet Principles,. It has been made clear by SW that in coming weeks they would be focused on agreeing the Strategic Plan with the Customer Forum.
- **WICS Decision Paper on Prices** (Prospects for Prices) seemed likely to be delayed until at least December 2019.
- There was a discussion around the **narrative** of the transformation of the industry and the need for price changes over the longer term (24 years) and the 6 year regulated period to be separated. The Chair and Director are discussing this with all stakeholders.
- Discussion around **ESRI Studies:** the Forum raised the question of whether ESRI could test customer understanding of, and appetite for, risk. ESRI are to attend the next SAG.
- **Prioritisation/IPPG:** the 3 sets of prioritised needs (CE&FS, Water and Wastewater) had been given broad support from the Forum (subject to *The Forum takes the view that nothing should be finally agreed until everything is agreed and will consider the question of support of the entire programme once we see a balanced overall programme to address needs and opportunities and considering the question of the resources that can ultimately be made available*).

However, the combined list of needs (known as the first tranche) is not going to SAG for discussion or approval. Instead, they will be discussed at the new IPPG, for onward recommendation to the Minister. The Forum is not a member of the IPPG. The Chair stated that there needed to be discussion about how the Forum was engaged in endorsing the combined list of needs in future.

- **Narrative:** There was a discussion around how to manage the Strategic Plan narrative (pre, at publication and post publication) and the role the Forum might play in that. Brian Lironi (SW) and SG to develop a draft narrative in advance of the next SAG. The Forum position is that they would not see it as appropriate to be part of a 'selling' of a particular outcome to customers, but would be happy to be part of an exercise sharing in an open and honest fashion what factors are now identified as bearing on the industry and their potential implications, including possible price implications. The narrative should explain to customers the role of various stakeholders and the process that had been followed over the past couple of years.

- **Decision making process:** There had been a review of the various working groups due to the stage in the SRC process.
 - SAG will continue to meet.
 - FFWG curtailed. Anything from FFWG will go to SAG.
 - IPPF curtailed. Now should feed into IPPG and IPPG WG.
 - RCG an ongoing process.
 - Asset Management Improvement Working Group; an ongoing process with monthly meetings until the Roadmap, Supporting Document and Progress Monitoring approach gain broad support then reduce to meeting every 6 months.
 - RPI retains the Working Group.

5. Financial Framework Working Group (Chair, Agnes Robson, Sam Ghibaldan)

The final FFWG was held on Thursday 29th August.

The main points highlighted were discussion around potential changes to the borrowing regime. Further discussion of these items was taken in private.

- Focus from Scottish Water on **supply chain strategy**.

Potential **Borrowing regime changes:** Possible front loading of borrowing over the coming period with a progressive tapering out of borrowing over a number of future years. Remains a need for further in depth understanding for the Forum: a) to understand why this is the right thing to do for customers (e.g. benefits in terms of bringing to an end the progressive debt burden SW carried and where customer bore the interest costs. On the other hand it is not clear how future peaks in demand for capital investment would be met easily within an established charges regime, nor what the inter-generational effects of no longer spreading costs for customers would be) b) consequences in the longer term for services and customers c) to enable the Forum to agree both the Strategic Plan and the price profiles. Discussions will continue at future SAG. Current financial position of Scottish Water will be discussed at the October 2019 Forum session (up to March 2019). The Forum noted CAS was considering commissioning a piece of work to look at borrowing.

6. Research Coordination Group (Agnes Robson)

The Research Co-ordination Group had not met since the last Customer Forum meeting and the next meeting is on 17th September.

7. Customer Experience Flourishing Scotland Group update (Bob Wilson, Tom May, Rachel Bell)

No meeting since the last Forum session.

8. Prioritisation Workshops (Andrew Faulk, Stuart Housden, Rachel Bell)

No meeting since the last Forum session.

9. IPPF working group (Andrew Faulk, Stuart Housden)

No meeting since the last Forum session.

10. Performance Monitoring (Sue Walker, Mairi Macleod)

SW provide an update. No further session since the last Forum meeting. Next meeting to be held at the end of September. MM to attend with SG. At this meeting SW are expected to seek feedback from the Forum on progress with the inclusions in the Performance Monitoring Framework and the customer facing proposal.

Internal discussion: Future Strategy

- **Emerging research findings and implications**

SG introduced overall context of the research project:

- Domestic and non-domestic customers
- Customers' views are being explored in the context of three different aspects of Scottish Water's strategy: a) water and wastewater service standards, b) a water industry fit for the 21st century and c) expectations of a publicly owned company
- Primary focus on the pace of change acceptable to customers for Scottish Water in relation to ageing assets and the climate emergency with relation to price scenarios (CPI, CPI+1%, CPI+3%)
- Target 100 domestic customers across Fort William, Dundee, Glasgow and Hawick.
- Currently at 86 domestic customers engaged. Extra session planned to reach 100- 21st September 2019 in Falkirk.
- Business customers 18-24 target- across Glasgow, Dundee and Fort William.
- Currently only 10 attended the sessions. Another business session is planned, date to be confirmed and to be Edinburgh based. Possibly also incorporating in depth interviews with business customers to ensure a range of views have been incorporated.

Very early draft slides were presented for discussion to the Forum. There was a discussion around the early insights provided on customer understanding of their current bills, infrastructure replacement strategy and price scenarios. A full analysis will be available when the Ipsos Mori report is received. .

RP indicated that the report is expected c.26th September with a full stakeholder session to be held 8th October.

The Forum (FS) is to pull together a short paper on 'research on charges/evidence base'- including what insights can be gained from the individual elements of the pieces of research, and how a narrative and position for the Customer Forum can be formulated.

Internal discussion: Strategic Plan

- **Scottish Water Strategic Plan (post August 2019 SAG)**

Focus areas

- Has the Customer Forum feedback been taken on Board?
- Is the document at a more strategic level?
- Is the document reduced in length?
- Is there the clarity required around the Customer Forum Strategic Plan 'Asks'?

- Format of responses expected in an exchange of letters for items not picked up in the Strategic Plan
- How is price represented in this document? (picked up under the separate discussion point).

Output:

- Collated feedback for Scottish Water meeting on 11th September

The Forum reviewed the September 2019 draft of the Strategic Plan.

RP introduced the Customer Forum asks work vs. the Strategic Plan. Combining Yes/Partly and exchange of letters (or similar) would mean 85% of the Customer Forum asks would be answered. Some discussion around the 'partly met' asks which are mainly in relation to lead and long/short term interruptions to supply. The 10 Customer Forum asks which have not been answered relate to leakage (3), preventing blockages (2), sewer flooding (2), licensed providers (1) and community engagement fund (2).

The Strategic Plan was reviewed page by page to allow for feedback at the 11th September session with Scottish Water. Collated feedback between PP/SG/RP.

The Forum had a price discussion around the September 2019 draft text; in particular around the intention of the current level of detail around prices included in the Plan. As it stands the sequencing of agreement with Customer Forum is not in alignment with the process if this is included. It was agreed that discussion should take place with Scottish Water to clarify the sequencing and timeline. If there remained a desire to refer to prices in the plan, suggestions were made that this could be around revenue needs for delivery instead of price profiles or a higher level statement of possible price direction.

Internal discussion: Forum strategy on charges

The Forum had as strategy discussion on the elements of a package that they would regard as part of a price setting discussion and necessary safeguards for customers. The Forum having agreed an overall outline position authorised the Chair and Director to share this at their discretion with Scottish Water if that was appropriate in up-coming discussions. Further discussion of this item was taken in private.

Miscellaneous discussion points

- **Programme for Government:** document circulated includes a significantly enhanced focus on climate change for Scottish Water. Reviewed and discussed by the Forum, which considered it closely aligned with the objectives of the Forum (leader in this space, catchments, renewables).
- **Asset Management Plan meeting:** SG attended. The meeting focused on the detail of how six capitals can be used in appraisals.
- **Community partnerships:** meeting held with Scottish Water and CAS on 5th September 2019. Discussed Community partnerships programmes, links to PfG etc. Asking for transformational approach to community engagement from Scottish Water. Ongoing discussions and draft of paper by the Customer Forum.

AoB

None. Meeting Closed.

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