

19th& 20th February 2020

Thirty Fourth meeting of the Customer Forum
Held at Murrayfield Suite, Jurys Inn Edinburgh, 43 Jeffrey Street, Edinburgh, EH1 1DH

Attendees and in attendance

		19 th	20 th
Peter Peacock (PP)	Chair		
Agnes Robson (AR)	Vice Chair		
Jo Dow (JD)	Member		
Rachel Bell (RB)	Member		
Andrew Faulk (AF)	Member		
Bob Wilson (BW)	Member		
Stuart Housden (SH)	Member		
Mairi Macleod (MM)	Member		
Tom May (TM)	Member		
Sue Walker (SW)	Member		
Sam Ghibaldan (SG)	Director		
Rachael Picken (RP)	Customer Forum Support Manager		
Fraser Stewart (FS)	Customer Forum Research Officer		
Douglas Millican	Scottish Water		
Brian Lironi (BL)	Scottish Water		
Tom Harvie-Clark (THC)	Scottish Water		
Molly Horsley (MH)	Scottish Water		
Mark McEwen (MM)	Scottish Water		
Fiona Templeton (FT)	Scottish Water		
Alan Sutherland	WICS		
Ian Tait	WICS		
Colin McNaughton	WICS		
David Satti	WICS		
Kirsty Holstead	Hydro Nation scholar		

Introduction (19th February)

1. Apologies

There were apologies from Fraser Stewart (19th), Sue Walker (19th), Tom May (19th and 20th) and Jo Dow (20th).

2. Declarations of interest

None declared.

3. Internal discussion: Prospects for Prices Decision Paper

The Chair introduced the topics for discussion with WICS:

- Understanding the different approaches being taken by Ofwat and WICS
- Prospects for Prices Decision Paper (circulated in advance).

The aim of the session with WICS was for the Forum to seek clarifications on the Prospects for Prices Decision Paper (PfP), published on 19th February. In particular discussion areas highlighted were the acceptable range for agreement with Scottish Water; the purpose and detail around spend to save proposals; and whether WICS considered that these would sit within the prioritisation process.

In discussion the Forum noted the strength of the EBR/EBP narrative in PfP, innovative thinking on the future customer and community perspective and the urgency of the climate emergency. Further that PfP reintroduced the concept of 'spend to save', which had been advocated by the Forum at an earlier stage of the SRC process, but then subsumed under the description 'efficiency'.

The rest of this item was taken in private.

4. WICS Presentations

WICS attended the Forum session to discuss:

- Understanding the different approaches being taken by Ofwat and WICS
- Prospects for Prices

Understanding the different approaches being taken by Ofwat and WICS

WICS updated the Forum on the response to Ofwat's Final Determination. Four of thirteen companies (Northumbrian, Bristol, Anglian and Yorkshire) have referred OFWAT's final determination to the CMA.

The rest of this item was taken in private.

Prospects for Prices

WICS introduced PfP. The first part of PfP is on the change of regulatory approach.

The first change is to meet Ministerial Objectives. Scottish Water will have to move from a great 'delivery' organisation to an organisation that will lead on Scotland's achievement of Net Zero and Hydro Nation ambitions. Previously Scottish Water have been good at delivering a defined list of projects. As the industry moves towards outcome focussed and more holistic approaches, with longer-term time dimensions due to decarbonisation and asset replacement, a 5-6 year list of projects is more difficult to define.

The second change is that WICS recognised the need to give Scottish Water the time and space to change. If this change didn't materialise it would result in a loss of trust and a return to a more traditional regulatory relationship.

PfP sets out the need for a Transformation Plan for Scottish Water. A Transformation Plan is critical to retaining long term trust and confidence in the system. There will be a need for assurance against the Transformation Plan.

WICS noted their current focus areas are the development of the Transformation Plan and regulatory and stakeholder interactions.

The Chair invited reflections from the Forum, which included:

- The Transformation Plan should seek to integrate the approach to delivering all other plans and strategies.
- The Forum have discussed with Scottish Water the need for a shift in approach from the previous regulation and engineering environment to make progress in addressing the climate emergency (and for example leadership and partnership opportunities).

Price profiles

WICS updated the Forum on the price profiles in PfP. The main points to noted in discussion were:

- The assumptions not changed since before Christmas (page 42).
- There are three factors that can materially affect the average annual increase in charges that could be required (page 45):
 - the efficiency improvement required of Scottish Water;
 - whether any ex-ante allowance for the additional cash costs arising from including emissions in investment decisions should be allowed for; and
 - the target level of investment post-efficiency in 2017/18 prices.
- The Commission has analysed the real change in charges required under each combination of inputs (page 48). Scenario 3 applies the most favourable set of conditions, the least favourable is Scenario 6 (CPI+2%).

The Chair invited reflections/questions from the Forum:

- **Cash in the system:** is the possibility of extra cash in the system in the first 6 years the reason for the proposed need for debt refinancing or spend to save proposal?
 - In response WICS stated that there would doubtless be enough projects for delivery, but the question is whether these are all consistent with moving towards net zero. WICS are confident that by Years 5 and 6 of the regulatory period Scottish Water will have plenty of appropriate projects to deliver. This might result in circa. £100M-£150M cash in the system in Year 1, declining to £0M in Year 4. This could result in c.£300-350m over the 4 years for spend to save, debt-refinancing, and re-shaping the organisation.
- **Spend to save:** would 'spend to save' proposals be considered outwith the prioritisation process; and how would the areas identified work in practice?
 - WICSS identified 3 categories of available cash: operational costs (fairly certain), carbon emissions, and spend to save where it was reasonable for the Forum to discuss ringfencing with Scottish Water.
 - WICS stated that it was possible for Scottish Water to purchase PFI contracts provided there was a willing seller and that there were opportunities to buy back and manage more rigorously.
 - WICS noted that spend to save projects have to be NPV neutral or positive.

- **Debt:**
 - The Forum asked questions around the debt refinancing options (PfP page 51). Previously Scottish Water has not needed the equivalent of a treasury function to proactively reprofile debt. However, in the context of the long-term strategy now adopted there may be advantages for re-financing debt at current rates which are lower than inflation.
- **Efficiency:**
 - The Forum questioned the concept of Scottish Water investing £1Bn efficiently by 2040. WICS confirmed that efficiency in delivery is in a much better place than previously, and in the future context there would be increasing amounts spent on new approaches to water infrastructure such as blue/green cities as an alternative rainwater management.
- **Price ranges:**
 - The Forum sought clarification about the acceptable range for price increases set out in PfP. WICS clarified that 1% above CPI per annum is theoretical and would not allow for sufficient progress to the 2040 net zero emissions target and is therefore not an option for agreement. The only exception to this would be if Scottish Water could sign up to a much higher sustained efficiency level than previously achieved elsewhere in the industry.
 - WICS confirmed that the target is a minimum increase of 9.2% over the 6 years, and a cap of 12.6% unless Scottish Water achieves efficiency rates previously not evidenced or sustained in the industry.

Internal discussion: Prospects for Prices Decision Paper and Prices 2021-27

Continued (20th February).

The Forum reflected on the WICS session and discussed:

- WICS parameters
- Other external considerations
- Research
- Potential Forum scenarios

The Chair reminded the Forum of the negotiating remit in the tri-partite agreement for the Price profile and the Business (now Strategic) Plan. This SRC process has evolved since this agreement.

Scottish Water and the Forum have taken the pragmatic approach of continuously involving Forum members, including those from Licensed Providers, in the way in which agreement was reached on the Strategic Plan; and this approach is to be adopted for talks on the 21-27 price profile and customer safeguards. The Chair had written to WICS, CAS and Scottish Water on 4th February to confirm this approach. CAS and Scottish Water have indicated that are content. It is also understood that WICS are content with approach outlined.

The Forum endorsed the approach to continuing price and safeguard discussions.

The Forum had further discussions around the spend to save initiatives. It was noted that it would be useful for the Forum to understand the re-financing of debt in more detail.

Scottish Water and Forum are next meeting on 21/02/20 to discuss how to progress discussions around price profiles, PfP, customer research, spend to save clarifications, review mechanisms and any further information required by the Forum.

Future Independent Customer Perspective and National Engagement Paper

Future Independent Customer Perspective

The Future Independent Customer Perspective paper had been circulated in advance of the session.

An update on the Future Independent Customer Perspective was provided by the Chair, SG and RP. A discussion was held prior to Scottish Water attendance.

Points of discussion were around:

- Membership of the body and the potential practical challenges inherent in a representative body, not least who it would be representative of, and the risk that members could become delegates of other interests.
- The recruitment and appointment process for a respected, independent Chair, and that this could involve WICS and CAS and an external assessor.
- Annual appraisal of the Chair could be undertaken by Scottish Water's Chair, who could seek input from WICS and CAS and the pros/cons of this approach.
- Whether there were benefits in the current tri-partite arrangement that should be retained.

National Engagement Programme

The National Engagement Programme paper had been circulated in advance of the session.

The main points noted in discussion were:

- The potential link between 'Join the Wave' and National Engagement Programme activities
- The need for inclusion of communities of interest (and need for more resource in this space)
- Summer 2020 events

Scottish Water

Opening remarks

In his opening remarks Scottish Water's Chief Executive made the following observations.

ECCLR Committee: Scottish Water will attend the ECCLR Committee w/c 21st February.

Performance Reporting: Good work ongoing internally within Scottish Water to shape the new measures for SRC21. The aim is for these to be taken to SAG following further internal and stakeholder consultation.

Scottish Water provided a summary of the status of the RP&I sub-group. The Forum sub-group members had agreed it would be good if Scottish Water could talk through the detail of some of the measures/trackers proposed with the Forum to allow sharing of thoughts to contribute to the testing / revisions stage of the process. It was agreed the appropriate time for this would be in April.

Transformation Plan: There was a brief discussion around the Transformation Plan; the proposal is that will be one report which will include:

- corporate governance and statutory requirements
- experience to date and lessons learned
- future prospects.

An example was provided around the 2018 weather using the six capitals as a basis for reporting. It was proposed that high level performance trackers would be included in the annual performance report in addition to the narratives framed in the capitals style. The Forum provided positive feedback on proposals.

Scottish Water's Chief Executive outlined that Scottish Water are well developed in Transformation planning. Whether this is part of a Delivery Plan or a standalone plan is to be decided. The Transformation Plan will address how Scottish Water should look at the end of 2027-2030, setting out where Scottish Water envisage being and what will need to change on route to achieve that. The framework will be in place by summer 2021: (this is determined by two key milestones within Scottish Water: engaging all employees in the autumn of 2020; and it is required before the WICS Final Determination).

2021-27 prices and MoA update

Scottish Water gave their perspective on progressing price discussions for 2021-27.

Independent customer perspective

Scottish Water positioned the independent customer perspective paper in the context of the value the Forum have added in SRC21 process to date (paper circulated in advance of the session).

Points noted in discussion between Scottish Water and the Forum:

- **Principles**

The wording of principle relating to an active role was adjusted to: 'Active – engaging with Scottish Water and customers and communities on an ongoing and proactive basis'.

The wording of the principle relating to independence was adjusted to: 'Providing independent input and constructive challenge, and where relevant conducting their own research or engagement with customers and communities'.

- **Role**

Customer Forum noted that the wording relating to WICS 'being minded to accept' a price agreed between SW and the Forum in the current tri-partite agreement has been powerful in

adding value and ensuring independence, and it would be important that the future perspective was empowered in a similar way. The endorsement of other stakeholders would help to strengthen the role of the independent perspective. Scottish Water confirmed role of the future independent perspective is to provide Scottish Water with 'edgy but constructive challenge'.

- **Potential Objectives and Remit**

Communities of Interest were added into the objectives. Wording of objective to be changed: 'Support Scottish Water's work to increase public benefit and develop active, engaged relationships with customers and communities of place and interest'.

- **Governance and membership**

Scottish Water outlined the main points from the paper. The following were raised as discussion points:

- Clarity was required about the reporting line of the independent perspective.
- A high-level summary of the key points relating to the future independent perspective will go to the Scottish Water Board w/c 21st February. Accountability will need to be in the non-Executive side of the Board.
- Confidence will be needed in the appointment process, and the rotation cycle.
- The future independent perspective should have a voice in decision making.
- The independent perspective should be resourced appropriately, including a research budget and an executive team.
- A discussion around whether the independent perspective should be a representative body. In discussion the following points were made:
 - a) How would it be representative?
 - b) If representative then members effectively become delegates, arguing for an interest rather than considering evidence in the round.
- Scottish Water noted that this was simply to ensure that the body is not unrepresentative and includes breadth and diversity. The Forum noted it interpreted representative differently, as potentially applying to specific representation, e.g. for geographical, current, future, vulnerable, business or other groups. It was agreed to consider this further.

National Engagement Programme and Summer events

Scottish Water introduced the National Engagement Programme and summer 2020 events programme.

The aims of the programme were agreed subject to two wording changes captured:

- Raise awareness of the opportunities and challenges facing the water sector, strategies and plans to tackle them, Scottish Water's long-term transformation, and the implications for customers.
- Allow people to share their views on the pace of change that they are looking for Scottish Water to make, particularly in relation to the rate of investment and impact on prices, through the development of a two-way dialogue with people and wider stakeholders.
- Gauge public perceptions of the acceptability of price rises and ascertain what influences these perceptions.

Other points noted through discussions:

- Multi-layered programme (broad and deep coverage)
- Timeframe of circa 2 years
- Requirements from WICS PfP on customers and communities noted
- Scottish Water could use existing networks of interest e.g. RSPB, National Trust and Scottish Wildlife Trust newsletters.

A question was posed by the CEO to the meeting: does what is proposed meet the commitment to world leading engagement set out in the Strategic Plan? It was agreed to consider this point further.

Customer support side packages update

Scottish Water introduced the session for an update on the Trusted Advisor Service (which sits within the Empowering customers and communities Strategic Objective of the Strategic Plan). The Trusted Advisor service was a must do from MOSCOW analysis:

- **Programme outcome:** Improve trust
- **Sub-programme need:** Avoid or minimise customer impact and improve customer satisfaction and trust.
- **Activity:** Provide trusted help, advice and partners on customer side water and wastewater issues and develop links to wider holistic customer side services.

3 parts of the Trusted Advisor Service:

- Easy access to information
- Partnership and sign posting
- Staff training and resources

Scottish Water outlined the Scottish Water Plan on a page and the early stages of the Trusted Advisor Service.

Trusted expert help and advice elements:

- Needs research
- Review of existing suite of help
- Promotion
- Training
- Website hosting
- Self-help videos (to date mainly on website and on the water side of the business such as byelaws, water quality, water aesthetics low pressure- starting to look at chokes on WW side of the network). Challenge here to ensure they remain relevant.
- Partners
- Measuring success

Potential Service Packages:

Included 17 areas for development and discussion. 3 areas highlighted for immediate focus and discussion with the Forum:

- **Lead pipes:** (Scottish Water outlined the needs research (previously covered at RCG: starting to shape approach in Tignabruich and policy development)), lead and plumbing partnerships (including Watersafe)
- **Rural and private supplies:** mains connection: new separate guidance 'moving from private to public supply' under 'Your water' on the Scottish Water website, linked to Scottish Government Portal. Includes key aspects driving acceptability/process including the distance to nearest main, sufficient pressure and flow, new mains, byelaws, potential contribution from multiple properties, routing enquiries to trained SMEs. This should be live by the end of February 2020. Aim to provide a yes/no decision relatively quickly and next steps.
- **Water efficiency:** How Scottish Water provide efficiency advice: e.g. partnership or direction to 'savewatersavemoney' (one example). Need to decide what is right for Scottish Water customers; but essentially looking for ease of access for customers to this information to save water and save energy.

Scottish Water covered the 17 potential service packages again- and invited reflections from the Forum, which included

- This area of work has progressed significantly in the last two years with the development of the package of options.

Questions were around:

- Whether further signposting might be needed for videos to find easily online.
- Whether there was the ability to have this level of service if not using the digital service or digital accessibility? Scottish Water to investigate further.
- Whether there is the option to leave information with customers? Scottish Water noted that options currently available to field staff and NSOs but could be further developed.
- Whether there are there possible accreditation areas/partners. Scottish Water noted that they already signpost organisations (WaterSafe and Snipef) but these could be further sign posted.
- Whether printouts are available to customers and whether there are any links to water meter options. Scottish Water confirmed both of these areas could be looked at.

The Chair thanked Scottish Water for a productive session that had clearly shown how Scottish Water had responded to previous challenges from the Forum.

Updates

5. Stakeholder Advisory Group (Chair, Director, Agnes Robson)

The Forum were given an update about the Strategic Advisory Group meeting in January.

6. Reporting, Performance and Information (Director, Sue Walker, Mairi Macleod, Rachael Picken)

The last RP&I meeting was held on 5th February 2020. The main purpose of the meeting was to discuss a draft Performance Report, timelines for the workplan and reporting frameworks. A Programme Manager for RP&I has now been appointed.

There is a commitment from Scottish Water to run a session with the Forum in April to discuss the detail of the underlying metrics/indicators/trackers (current and forward looking information) to allow Forum thoughts to contribute to the testing/revisions stage of the process. It was agreed the appropriate time for this would be in April once the detail had been settled as a basis for testing.

The particular areas of the framework the Forum are interested in are:

- Value creation and carbon tracker
- HH experience
- NHH experience
- New OPA
- Communities

Performance Reporting and Metrics development are now split out.

Date of next meeting (RP&I sub-group and Forum session) to be confirmed. Bilateral meetings might be beneficial to detail the trackers/measures with a follow up multi-stakeholder meeting.

7. Research Coordination Group (Agnes Robson) (inc. RCG review proposal)

The last Research and Coordination Group was held on 21st January 2020. The main purpose of the meeting was to discuss research themes/proposals for a potential forward programme; with the aim of gathering views and a paper prepared for the next meeting. Questions were raised around the future of the RCG and/or future programme.

A paper has been drafted summarising the potential areas for future research, building on the SRC21 research programme, lessons learnt and gaps identified, structured to demonstrate alignment with the Strategic Plan outcomes and the broader Water Sector Vision. The aim is this could be circulated to stakeholders in due course.

An underlying theme throughout the discussions was the desirability of having an independent review/assessment of RCG SRC21 role and outcomes in order to capture good practice and lessons learned from the process. WICS and Scottish Water are both content with a review in principle. The next steps are to agree the review remit. The Chair outlined a discussion with CCWater recently on PR19, customer the role of customers outwith a price review and research.

8. Six Capitals Task and Finish Group update (Andrew Faulk)

The last Task and Finish group was held on 17th January 2020. It is clear that Scottish Water have significant progress to make in assessing natural and social capital. It was noted that the six capitals assessment framed within the sustainable growth agreement with SEPA. Challenge is to translate it into a robust, useable framework. Piloting approach with River Eden catchment in Fife. Next meeting 27/02/20.

9. Beyond zero emissions StratHack (Rachael Picken)

RP attended the Scottish Water StratHack on 23rd January 2020. This was with the aim of helping Scottish Water to develop the Zero Emissions route map. The problem posed on the day was 'How can Scottish Water deliver beyond net zero by 2040 across it's operational and capital activities, and how can it be delivered sooner than that?' There were attendees from across Scottish Water,

academics, ATOS, Amazon, SPEN, Hutton Institute, SGN and across the supply chain. The session brainstormed various ideas across operational, embodied and sequestration opportunities.

10. Independent customer perspective

The Forum agreed questions to discuss further with Scottish Water.

AoB

None

Meeting Closed.

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