

## THE CUSTOMER FORUM IN SR21: A BRIEF SUMMARY

### Key achievements

- The Forum promoted and helped shape the adoption of a bold and transformative long-term vision and strategy to secure value for customers, including delivering broader public benefit.
- The Forum initiated the move to tackling climate change as a primary strategic outcome, with the dual purpose of achieving net-zero emissions and ensuring water and waste water services are safe and secure into the future.
- The Forum secured Scottish Water's commitment to being a fully customer-centric, organisation, actively engaging with customers and communities<sup>1</sup> and putting their views and priorities at the heart of its decision making.

### Context

1. The Customer Forum has been a ground-breaking initiative that puts the interests of customers and communities at the heart of the Strategic Review of Charges (SRC) for 2021-27. Established by the Water Industry Commission for Scotland, Scottish Water and Citizens Advice Scotland, and building on the success of the Customer Forum in SRC15, the Forum has been a central part of the evolution of the Ethical Business Regulation (EBR) concept in SRC21. The Organisation for Economic Development (OECD) has been monitoring and assessing the SRC21 process throughout as it considers this a potentially world-leading approach in utility regulation.

### Customers at the heart of the Strategic Review

2. The Forum successfully put customers at the centre of decision making in key parts of the SRC21 process:
  - a. Ensuring potential customer and community considerations were fully identified early in the Strategic Review.
  - b. Co-ordinating and collaborating with other stakeholders on an extensive and innovative customer research programme, using outcomes to inform the Water Sector Vision and Scottish Water's Strategic Plan.
  - c. Working in a challenging, constructive manner with Scottish Water to develop Scottish Water's Strategic Projections and then to develop and agree the Strategic Plan and the accompanying Minute of Agreement.
  - d. Reaching a price agreement with Scottish Water for 2021-27 (though this was subsequently overtaken by the response to the COVID-19 pandemic).
  - e. Securing Scottish Water's commitment to becoming a fully customer-centric organisation in the Minute of Agreement on the Forum's Expectations of Scottish Water's Transformation Plan.

### How the Forum worked

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<sup>1</sup> Customers refers to household and non-household customers, and communities refers to those of place and interest

3. The Customer Forum helped ensure people's views were understood and reflected in Scottish Water's strategies. It probed and challenged, suggested and encouraged actions in the interests of customers. In every area the Customer Forum asked:
  - a. What evidence does it have of customer's needs, aspirations or priorities?
  - b. What is in the interests of customers and communities?
  - c. How might Scottish Water use its expertise to lead innovation and change in the interests of customers?
4. Throughout the SRC21 process the Forum worked and collaborated closely and constructively with water sector stakeholders. In the context of the EBR approach the Forum were members of and took part in a significant number of groups including the Stakeholder Advisory Group, the Financial Framework Group, the Research Co-ordination Group, the Flourishing Scotland working group, other associated groups and numerous 'deep dive' multi stakeholder sessions covering the full range of investment and operational needs, and other issues.
5. The Forum developed detailed Position Papers, based on customer research, with 'asks' of Scottish Water. All of these were addressed in the Strategic Plan or the accompanying Minute of Agreement.
6. Through a process of discussion and challenge the Forum reached agreement with Scottish Water on the Forum's high-level expectations of the business's Transformation Plan and secured its commitment to their implementation.

#### Forum achievements for customers

7. Seeking **value for customers' money** through the water sector's commitment to a **long-term approach**, holistically addressing the challenges for water and waste water services. This is evident in the Water Sector Vision, Scottish Water's Strategic Plan and the Water Industry Commission for Scotland's Decision Paper Prospects for Prices.
8. A significant change in approach, putting **climate change at the centre of the Vision and the Strategic Plan**, and committing to a circular economy approach. Forum research showed customers want Scottish Water to tackle climate change both to protect the environment and to maintain the quality and reliability of their water services.
9. Securing Scottish Water's commitment to becoming a **fully customer-centric organisation** in which 'every decision made by Scottish Water should be the one it would take if the customer were in the room.' As part of its commitment to being customer centric Scottish Water will establish an ongoing and operationally independent customer group as an integral part of its business.
10. Ensuring Scottish Water seeks to **deliver broader public benefit**, contributing to society's priorities including the economy and the environment and increasing public amenity. The Forum developed a draft Social Contract, the ethos of which was comprehensively reflected in the Strategic Plan.

11. Reaching agreement that Scottish Water will **remove all remaining lead from the public water network by 2045**, improving water safety. This is the first time there has been a target to achieve this.
12. Encouraging Scottish Water to recognise and embrace a key role as **a leader, inspiring and promoting change** in pursuit of the Strategic Plan outcomes: going beyond net zero, service excellence and great value; transforming the way it works to form partnerships with the public sector, NGOs, geographical communities and communities of interest to share expertise and promote excellence.
13. Scottish Water's commitment to **establishing a 'world leading' national engagement programme**, building on the success of the customer and community engagement which informed the Strategic Plan. It should develop a shared understanding with customers and communities of the challenges facing the water sector and inform the rate of progress towards achieving the strategic outcomes.
14. Scottish Water has committed to optimising their role in **improving the wider environment**, enhancing biodiversity, and **enabling appropriate access** to their land and assets for leisure purposes.
15. Scottish Water has committed to **developing catchment management** approaches to mitigate climate change, manage source water quality and further understanding and mitigating the risks of emerging pollutants.
16. Scottish Water has committed to creating the best possible retail environment, ensuring it is **a great wholesaler**, making it easy for Licensed Providers and business customers to do business with it, helping them contribute to achieving net zero.

### **Price Agreement**

17. The Forum reached a price agreement with Scottish Water for the period 2021-27. It was designed to recognise the need for increased levels of investment to tackle the challenges of ageing assets and net zero but for the pace of progress to be informed by customer views as elicited through the National Engagement Programme. However, before the agreement was formally concluded it became apparent decisions on prices would need to be delayed until more was known about the impact of the COVID-19 pandemic.