

16th May 2019

Twenty fifth meeting of the Customer Forum

Held at 10.00am at the WICS Office, Stirling

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

In attendance: Sam Ghibaldan
Graeme Dickson
Simon Parsons, Scottish Water
Tom Harvie-Clark, Scottish Water
Nicola Penman, Scottish Water
Molly Horsley, Scottish Water
Brian Lironi, Scottish Water
Jim Conlin, Scottish Water

1. Apologies

There were apologies from Agnes Robson and Fraser Stewart.

2. Declaration of interest

There were no new declarations of interest.

3. Minutes of the last meeting and matters arising

The minutes of the previous meeting were approved subject to an amendment to item 10.

The Chair noted the response from the Commission to his letter on price profiles, which would be discussed later in the agenda.

4. Update on recent activities

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

The Chair drew the Forum's attention to the First Minister's statement on the global climate emergency, and the Cabinet Secretary's statement to parliament earlier in the week, noting that they could have implications that could have for the Strategic Review process.

The Forum also noted the publication of Ofwat’s vision for the water industry in England.

Strategic Advisory Group

The Director stated that the Strategic Advisory Group (SAG) had met on the 24th April. It had been a short meeting, including updates on customer research, the development of the sector vision and on the co-creation working groups. In particular the SAG had noted that the Scottish Government was considering commissioning the vision from the sector.

Financial Framework Working Group

The Director reported that the recent meeting of the Financial Framework Working Group (FFWG) had received an update from Scottish Water on its developing criteria for procurement from its supply chain.

Research Coordination Group

Progress on several issues was set out by the Chair and Director of the Forum. The Research Co-ordination Group had met the previous day. The Forum noted:

- The Legacy Research had been completed and a final report was expected soon.
- That the environment research suggested:
 - Differing views between generations.
 - An expectation that Scottish Water “just did” what it should do for the environment as business as usual.
 - Surprise and concern about the high level of leakage.
- The initial findings of the ESRI stage 2 had been received. It was complex, and full report was expected shortly.
- The Forum’s Future Strategy research tender process closed the following week.

Overall the Forum noted there was significant current research activity across a range of fronts.

IPPF Prioritisation: Flourishing Scotland, Water and Wastewater

The Chair and other members updated the full Forum on the prioritisation sessions held over the previous three weeks. Noted:

- That in the context of the Scottish Government’s position on the environment it seemed likely that a new “MUST DO” category would be required for environmental issues under the MOSCOW criteria.
- That the issue of unmanned premises for business metering had been referred to the wholesale sub-group.
- There had been some discussion in the Flourishing Scotland session about the Community Benefit Fund. Eventually this was categorised as a “could do” but the purpose of a fund required further definition.
- That this issue of catchment areas had featured significantly in the Forum’s contribution to the water prioritisation sessions.

- That the question of ensuring developers built in appropriate locations, and paid a fair contribution to costs, had arisen in the wastewater sessions. It had been noted that the Government were considering policy in relation to developer charges.

The Chair thanked members for the significant work they had put into the prioritisation sessions.

Performance Monitoring

The Forum noted the updated from the working group. Issues included the relationship between the vision and reporting. Also noted that research would help support customer reporting.

5. Scottish Water – Asset Management

Scottish Water presented their approach to asset management:

- Water assets can be very long-lived; some of those built in Glasgow in the 1850s are still in use today. Their key purpose is public health.
- Scottish Water's total asset replacement value is approximately £70bn.
- Key challenges are the aging of long-life assets; and more complex short life assets.
- The balance between cost efficiency and the risk benefit of a number of assets to reduce the impact of any individual failure.
- Effective asset management improves stakeholder engagement; leads to successful investment and to effective maintenance and operation.
- Scottish Water is moving from managing assets to asset management. A priority area for improvement is asset information.
- Scottish Water anticipates a 10-year asset management improvement plan journey to achieve excellence.
- Strategic alignment is essential for effective asset management. If not, you get inefficiency within the system.
- Asset management supports systems thinking.

In discussion the following points were made:

- The need to learn from experience and apply those lessons to future decisions.
- Data about assets is essential to improve, but this can lead to tension between theoretical asset requirements and the availability of resources. It is important to understand customers' appetite for risk to help resolve that.
- A better understanding of assets in local water systems could support engagement with communities.

6. Scottish Water – Vision update

Scottish Water updated the Forum about the development of the sector vision:

- Sessions had been held with all sector stakeholders other than DWQR.
- There had been significant consensus between stakeholders: areas for development included: vulnerable consumers, public ownership; how specific it should be about price; whether it is transformational enough; and how long this is a vision for.

- Feedback from consultation within Scottish Water was very positive.
- Scottish Water presented their revised thinking about what had previously been the strategic wheel – the rainbow.

In discussion the following points were made:

- There would be benefit in drawing out the need for affordable charges more explicitly.
- The Forum understood there would be editing but in general remained supportive of the thrust of the vision.
- That it might recognise the fast-changing nature of customers' expectations.
- That it was important that the vision then drove strategic decisions within Scottish Water and the sector.
- It would be necessary to convey the transformation required to protect the planet.

7. Internal Forum Discussion

Asset Management

The Forum noted asset management needed to be considered 'in the round' including catchment areas. It was important that Scottish Water's asset management was driven by the vision and consistent with available resources.

Financial Scenarios

The Forum discussed the response from WICS to the Chair's letter seeking information on a range of potential price profiles. It noted the WICS statutory remit was to identify the lowest reasonable overall cost for delivering Minister's Objectives. The Forum further noted the current analysis of the emerging cost of future investment could lead to a disparity between the price increases necessary to deliver those and our current understanding of customer views.

Prioritisation Process

The Forum felt that the prioritisation process had worked well in general, though there was less to be addressed in the flourishing Scotland session. The process was one of establishing relative priorities and there would always remain a management challenge to Scottish water in managing the resources available against the relative priorities. The Forum noted a risk that long-term aspects – a system approach, circular economy - should not be lost as the prioritisation process progressed to the next stage.

8. Forum Positions

The Forum considered and agreed its position notes on Performance Monitoring and Priority Substances.

9. Any other business

The Chair thanked Graeme Dixon for his considerable contribution to the Forum, this being his last formal meeting.

Tom May agreed to arrange for the Chair to meet the technical panel of Licensed Providers.

There being no other business, the meeting closed.