

16th April 2020
Thirty Sixth meeting of the Customer Forum
Meeting of the Customer Forum
Held via video / tele- conferencing facility

Attendees and in attendance

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	

Introduction

1. Apologies

There were no apologies.

2. Declaration of interest

None declared.

3. Minutes of previous meetings

Three sets of minutes from previous meetings had been circulated to Forum members. These were:

- **19th/20th February 2020**

The minutes were approved.

- **9th March 2020**

The minutes were approved subject to one clarification.

- **19th March 2020**

The minutes were approved.

4. Actions from the March 2019 meeting

There were no outstanding actions for discussion.

Activity updates

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

5. Covid-19

The Chair had written to Forum members prior to the meeting to outline the latest impacts of Covid-19 on the SR process, including understanding on current thinking, length of the settlement period and possible timelines for the remainder of the SRC process.

The Chair sought members' views to inform any upcoming discussions with stakeholders. This included the Forum's perspective on WICS' response to the Scottish Government letter of 6th April. That letter had asked WICS to consult with Scottish Water, the Forum and other stakeholders.

Scottish Water's focus is currently on the Covid-19 response and there is limited ongoing engagement directly with the Forum.

The shorter-term

In relation to shorter-term considerations, the Forum concluded:

There was a need to recognise Covid-19 as an unprecedented event and one which leaves an economic shock of significant proportions. There is uncertainty about how those economic effects will play out on household incomes, and for how long the effects might be regarded as severe.

- In this context it would be prudent to take only decisions that are absolutely essential and avoid those that might pre-empt how this sector needs to continue to react and adjust as events further unfold.
- Research evidence on customer views on charging that has informed the Forum's position on SR21 questions may no longer be an accurate reflection of customers' current views. It would be prudent of the Forum and consistent with the EBR/EBP approach to signal this to other stakeholders.
- WICS are considering options relating to the next Final Determination. Discussions on this are ongoing.
- The Forum's view is that, at this point, it should maintain the joint position it agreed with Scottish Water on charges for the short term, i.e., that for at least the first and possibly second year of the previously envisaged SR period (21/22 and 22/23), charges should be set to reflect the severe economic pressures on many families as a result of Covid-19, with consideration of an appropriate price trajectory to be implemented after this.
- That a key decision will be how it is determined that the immediate crisis has passed, and it is possible to move onto a longer-term price trajectory. It seems likely that this will need to include consideration of health and economic factors.

- The Forum have reviewed the SRC Risk Register (previously discussed at SAG) and noted that at a future point a discussion with Scottish Water is needed re the need to review and update in relation to the impact of Covid-19.

Future of the SRC Process

There followed discussion about the future of the SRC process.

In response to the Minister's letter WICS are considering options for the future of the SRC process given the impact of COVID-19 and the need to achieve the 2040 net-zero target. It was noted that WICS's duty is to set a price cap over the settlement period (as opposed to an annual price).

With regards to the future of the SRC process the Forum concluded:

- That for Scottish Water to retain public confidence, stay in step with their customers and ensure they are making appropriate progress towards their strategic outcomes, it will be necessary to include review point(s) if there is to be a shift to a longer SRC period. Previous SRC periods have seen price changes within the period and the longer the SRC period the more likely it is that changes will be required.
- That prices were just one of three key elements of Scottish Water's move to embrace Ethical Business Practice, the others being the development and implementation of the transformation plan and a business ever more focused on putting its customers at its heart. As far as is practical in current circumstances Scottish Water should be encouraged to continue to make progress on the latter two elements, despite the delay in relation to prices.
- It would be necessary to consider the impacts on the investment requirements and capital delivery of Scottish Water in at least the first years of SR21 including:
 - Potential reductions in new demand from growth/development projects, such as new housing or retail. This may free capacity in the system and result in a different project focus (e.g. Net Zero).
 - Potential reduction in wholesale income as businesses struggle in the economic climate.
 - The impact on the Scottish Water supply chain and their ability to deliver at the rate pre-Covid-19 in the short term.

Business and Licensed Providers (LPs)

The Forum were updated on the experience of business customers and LPs since the start of the COVID-19 crisis. LPs had seen a significant increase in business customers cancelling direct debits. As many businesses are closed there had also been a considerable reduction in water volume used which would reduce LPs' revenue. Although it had been agreed that LPs did not need to pay wholesale charges to Scottish Water in advance for the time being, they are still liable for these.

Research update within the context of Covid-19

Such are the impacts of Covid-19 it seems likely that customers' views on a range of matters will change (and will continue to do so) including concerns about the economic impacts.

The Forum have started to monitor surveys of customer opinion and economic commentary to aid understanding and to 'keep a finger on the pulse' of public mood. Face-to-face research will not continue for some time, but new techniques and online and telephone interviews remain options for research agencies. Questions remain here around when the best time would be to engage customers.

It may be that people's attitudes to net-zero have not changed, but the relative priority in relation to other areas such as household finances or health may have. It was agreed that in due course, relevant areas of research should be revisited to ensure the validity of the Forum's understanding of customers' views of strategic priorities.

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

An update note had previously been circulated around the Forum. There were no questions on the note.

7. Prices

Covered as part of the Covid-19 discussion above.

8. Research Coordination Group Review (Agnes Robson)

At its meeting on 21st January 2020 the members of the Research Coordination Group (RCG) agreed that there should be an independent review of the Group to assess the effectiveness of its role in the SRC 2021-27 process and to identify lessons learned to inform future arrangements for planning and co-ordinating research by stakeholders. The Review brief for the RCG has been drafted by the Forum and finalised with stakeholder input.

Lorenzo Casullo (previously of the OECD) will carry out the review supported by Fraser Stewart. The review will be a blend of a desk-based review of the research materials and RCG papers and interviews with all relevant stakeholders involved in SRC21.

The review will commence in April 2020. A draft final report will be circulated for comments (to be provided in writing) in June 2020. The final review report will be provided to all stakeholders involved in the SRC21 research programme to inform future arrangements for planning and co-ordinating research by stakeholders. The expected completion date of the report is July 2020.

9. Asset Management Transformation Plan (Sam Ghibaldan, Andrew Faulk, Stuart Housden, Rachael Picken)

Documents were circulated to the Forum prior to the meeting for reference.

SG, RP, AF and SH took part in a meeting with Scottish Water re. the Asset Management Roadmap on 1st April 2020. The aim was to take the Forum members through the key objectives, the 9 key building blocks to the Asset management Improvements and to seek feedback on the document.

The Forum have provided comments to Scottish Water on the Asset Management Roadmap following the meeting. The next steps proposed are a full Asset Management working group meeting

towards the end of April to follow up on the bi-lateral meetings and to close the version of the document.

At this meeting the Forum will continue to raise questions around how customer benefits will be valued, and to understand the risk appetite of Scottish Water.

AoB

RP&I: Meeting cancelled in April 2021. It would be helpful to understand in due course the revised timeline for the development of metrics for the start of SR21. (Previously revisions were required before September 2020).

Meeting Closed.

-----END-----