

THE CUSTOMER FORUM FOR WATER IN SCOTLAND

Legacy report

Lessons learned from customer
involvement in the 2015-2021
Strategic Review of Charges

February 2015



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Foreword

Those involved as Members of the Customer Forum for Water in Scotland have enjoyed being part of a remarkable and challenging journey of discovery, over the period from late 2011 to early 2015, through their participation in the Strategic Review of Charges that sets limits on the price of water and sewerage services, breaking new ground in consumer representation and empowerment in Scotland and possibly more widely.

I would like to think that this journey, which has allowed the customers' voice to be taken to the heart of decision making in water spending priorities, pricing and performance monitoring, has played a significant part in helping facilitate Scotland's water company, Scottish Water, in developing an ongoing and significantly strengthened customer focus to all dimensions of its work.

The process was given enormous strength by the inspired decision by the water regulator, the Water Industry Commission for Scotland (WICS), to charge this customer representative group to negotiate an agreement with Scottish Water on their forward business plan. I believe it is to the great credit of the WICS, to Scottish Water and to the former Consumer Focus Scotland, who jointly designed and commissioned this process, that they were prepared to go so far in developing a new approach and giving it latitude and trust to deliver.

The Customer Forum wanted to try and capture what, in our view, has been important about this whole process, as a contribution to sharing perspectives and enabling the fullest understanding of the issues, to help inform future approaches.

I want to thank all the members of the Customer Forum for their considerable efforts and the insights each brought and contributed to the process, and to Nelly Maublanc who has helped capturing the views presented in this Legacy Report.

It is for others to determine whether and how the success of the process this report helps illuminate can be taken forward and further developed. The report points to some areas where arrangements could be improved and to some outstanding questions on governance, which would benefit from further debate. Nonetheless, the Customer Forum believes that there is a strong case and a clear agenda for continuing direct customer engagement with Scottish Water to define the future outcomes to be delivered.

The Customer Forum hopes this Legacy Report will contribute to ensuring the new frontiers established through the process it describes can be taken even further ahead in future, embedding a trusted customer voice at the heart of future decision making in the Scottish water industry.

Peter J Peacock

Chair
Customer Forum for Water in Scotland

1 Introduction

In September 2011, the Water Industry Commission for Scotland (WICS), Scottish Water and Consumer Focus Scotland (CFS)¹ signed a Cooperation Agreement that created the Customer Forum for Water (hereafter referred to as 'the Forum'), with the aim of playing a formal role in the Strategic Review of Charges (SRC) 2015-2020 process by:

- working with Scottish Water on a programme of quantitative and qualitative research to establish customers' priorities for service level improvement and expectations in terms of the level of charges;
- understanding and representing to the Commission and to Scottish Water the priorities and preferences of customers (as a whole) in the SRC 2015-2020 process as identified through the customer research; and
- seeking to secure, through its participation in that process, the most appropriate outcome for customers (as a whole) based on those priorities and preferences.

A year later, the Forum was entrusted with the task of seeking an agreement on Scottish Water's Business Plan, which effectively made the SRC evolve into a process of customer negotiated settlement. A 14-month engagement phase between the Forum and Scottish Water ensued, followed by a negotiation which resulted in the signing of a Minute of Agreement. This Minute of Agreement outlined the modifications to the draft Business Plan that both parties agreed to, and several outstanding workstreams that Scottish Water committed to carry out. The Forum worked to February 2015 to provide insight to Scottish Water into these various workstreams and to sign off progress.

This report captures the views of the Forum on its involvement in the overall process.

These views are informed by the Forum members' own analysis of their experience and contribution to the SRC process, as well as, more generally, to the governance of the Scottish water industry. The arguments presented in this report developed over time and with the benefit of hindsight; they were elicited during dedicated Forum sessions held in October and November 2014 (see topic guide in Appendix 1).

In deciding to produce this report, the Forum seeks to fulfil three objectives:

- To explain its work and achievements: the novelty and fast pace of the process over the past three years may have passed off largely unnoticed to outsiders of the sector. This report seeks to make some of the internal mechanics of the Forum and its contribution to the SRC more transparent.
- To better understand the root causes of any success and challenges faced: while there seems to be an overall consensus that the 2015–2021 SRC process delivered a positive

¹ Consumer Focus Scotland became Consumer Futures on the 1 April 2013, then moved into Citizen Advice Scotland on 1 April 2014. The same acronym CFS will be used throughout the document to refer to this organisation notwithstanding its various forms.

outcome, to which the Forum's involvement was central, there is value in trying to determine the various factors that made this success possible, and what could be improved in future.

- To help inform the debate on the future of the Forum, which should in the first instance settle the question of whether a Forum should become a permanent feature of the Scottish water industry regulation landscape, whether it should be reproduced for the next SRC only, or whether the concept should be completely altered.

To be clear, this report is not advocating any specific outcome with regard to this latter point, as the decision of continuing or disbanding the Forum is only for its sponsors to make. It only seeks to offer an informed, endogenous perspective on the impact of the Forum and the conditions that underpinned its success or gave rise to challenges, which should usefully complement similar reviews carried out by internal stakeholders.² Forum members are well-placed to assess what worked well or not so well during their tenure, and they are also in a good position to suggest improvements towards greater effectiveness.

2 The success of the new SRC process

The Forum was created as a means to an end: that of placing customer representation at the heart of the process whereby the regulatory contract, i.e. the level of charges and service performance for a given period, is defined. To assess the achievements of the Forum is therefore also to assess the success of this innovation as a whole, including the framework that was put in place to implement it and that developed over time.³

In particular, the impact of the Forum should not be assessed solely in terms of what was eventually included or not in Scottish Water's Business Plan and in the Determination of Charges that endorsed it (see Appendix 5), but also with regard to the new dynamics that it created and the enduring legacy it will hopefully leave in the industry.

Six key outcomes were achieved, which are captured below.

A more effective process for the SRC

There was a risk that approaches used by WICS in the previous SRCs would find their limits since Scottish Water has all but closed the gap with similar companies in England (making meaningful benchmarking harder to obtain) and potential efficiency gains are dwindling. The

² While the literature on negotiated settlement is growing as the use of this mechanism is expanding outside North America, it is generally produced by academics or regulators themselves rather than by the parties directly involved in the process.

³ In particular, the Cooperation Agreement that created the Forum defined its remit quite loosely so that it could, and did, evolve. While its scope could have remained fairly narrow (to inform decisions on discretionary investments based on customer research), the Forum was eventually entrusted a critical, all-encompassing task: to negotiate and reach an agreement with Scottish Water on their Business Plan for delivery in 2015–2020 (as per a letter from Alan Sutherland, Chief Executive of the WICS, to the Chair of the Forum, dated October 2012).

Forum has 'tried and tested' a new methodology with positive results, since a Determination acceptable to all parties, and by all accounts positive for customers, was achieved.

Importantly, the involvement of the Forum made the nature of the SRC itself evolve: instead of a duel between the service provider and the regulator, which can sometimes turn into a cat-and-mouse game, if not serious tension and dispute, the process amounted to a constructive challenge, whereby all energies were focused on finding acceptable compromises rather than debunking the other party's positions. This created the right conditions for Scottish Water to willingly stretch itself and make the best possible offer of prices and services. In addition, this new process appears to have been less resource-intensive (and thus less costly) and more rewarding for all those involved, in comparison to previous SRCs.

The overall effectiveness of the process also enabled the direction of travel on prices and investment to be confirmed earlier, which is of importance to adequately plan the delivery of investments and service improvements over the price review period (see Appendix 2 for an overview of the process).

A shift towards a truly customer-centric industry

Customer insight and consideration of customer interest have been at the heart of the decision-making process at all stages of the business planning (and even beyond through the development of customer-focused indicators to monitor Scottish Water's performance in the future price review period). This is a significant step forward from adding consumer perspective as an 'afterthought' once all major decisions are made, as could have been the case had the Forum stuck to the narrowest definition of its role, that of informing discretionary investment choices through interpretation of customer research.

This also meant that customer voice, informed by extensive customer research, was given a weight comparable to, if not more important than, that of other stakeholders. This critical move reflects the recognition that a key outcome of service provision – and by extension, of its regulation – is to satisfy customer expectations. As long as they did not cut across the statutory and regulatory requirements associated with the environmental, public health or financial dimensions of the service, customer views and preferences were given primary consideration and therefore directly informed the planning of service developments (investments, operations, performance standards).

In other words, the successful involvement of the Forum in the SRC has demonstrated the legitimacy and value of adopting the customer's viewpoint to shape the regulatory contract, and more generally to orient the future of water services in Scotland.

Strengthening Scottish Water's evolving culture

The further shift towards a customer-centric industry has been especially relevant for, and has had the greatest impact on, Scottish Water, who can be commended for having enthusiastically embraced this change.

The insights and challenges that Scottish Water received and took on board from the Forum were of a type and standard not experienced by the company before, meaning that the company had to live up to the claim that it was listening to its customers. More importantly, Scottish Water was made to answer to its customers in the first place rather than primarily to the regulator or to the government. It had indeed to justify its decisions first and foremost to

the Forum and to revisit its proposals based on the feedback it received as the Forum continued to ask 'why is it that what you propose is in the interests of customers?'

The successful engagement with the Forum has demonstrated the value that Scottish Water can derive from having a direct, almost organic relationship with customers: that is, to gain essential insight into what the company should be aiming for to support its vision of being Scotland's most valued and trusted business. In addition to this significant benefit, Scottish Water was able to enjoy some latitude in offering how to meet these aims, instead of having to deal with a possibly more prescriptive approach by the regulator.

More transparent and robust decision making

For the first time, Scottish Water had to explain its decisions to non-specialists, which required significant efforts with regard to details, clarity and intelligibility. The 2015–2020 Business Plan is therefore a much more customer focussed and 'readable' document than those produced in the past.

Furthermore, the company had to provide strong rationales for its decisions on service improvements and investments, both in terms of their necessity and the value for money that they delivered. While research was intended to provide a direct justification for most of the initial proposals in the Business Plan, the Forum contributed to refining the use of research material through highlighting both the gaps and the nuances that had been overlooked; or by debunking extrapolations that were not warranted.

More generally, the Forum systematically challenged established views and prompted Scottish Water to revisit essential questions such as: what tangible benefits does a proposed investment deliver for customers? Do customers have an expectation or desire to receive such benefits? Is the proposed investment the best value-for-money approach to deliver these benefits? This amounted to a form of 'due-diligence' that ensured that the decisions made were understandable to, and in the interest of, customers.

A better balance in the regulatory contract

The constructive challenge that the Forum provided to Scottish Water, as described above, ensured that the objectives and strategies for the future price review period were tailored to customer needs and preferences, to the best extent that they could be known, interpreted or induced.

In particular, this approach resulted in a much greater balance between price and services in the regulatory contract. Instead of having future standards of service set *a priori* and then charges fixed at the minimum level required to deliver them, there was a 'customer-informed' debate over what level of charges was acceptable, along with what service performances were desirable. Both components of the equation were considered simultaneously to achieve a satisfactory balance.

It may not have been expected at the time of its creation that the Forum would stray into this territory, since it was initially expected to focus on discretionary investments. However it was important to the Forum that it pushed for discussions which addressed the Business Plan in its entirety and not by discrete components, as having a global view was a *sine qua non* of understanding what trade-offs could be made and how the overall balance could be improved.

An increased legitimacy for the Scottish water industry

Having had its Business Plan scrutinised, challenged and eventually endorsed by the Forum is a crucial way for Scottish Water to support its claim that it listens to customers and delivers according to their needs. There is no doubt within the Forum that Scottish Water's commitment to greater customer focus is genuine and not just a PR offensive, in light of the amount of resources and time that it has dedicated to its engagement with the Forum.

Moreover, the Forum has acted as a sounding board representing the Scottish customer base, thus allowing Scottish Water to set and justify its direction of travel in terms of prices, services and customer experience, without having to systematically compare itself with its English counterparts. This newfound self-sufficiency also applies to WICS, which is now able to link the determination of the regulatory contract with an expression of Scottish customers' preferences, instead of relying exclusively on technical analysis and benchmarking.

Lastly, the fact that they have successfully completed this process of negotiated settlement is likely to impact quite positively on both Scottish Water and WICS' image in the water and utility sector. The decision to introduce this innovation was in fact quite bold considering the character of the industry (major technical and infrastructure drivers, low awareness of customers, interplay of social and environmental considerations) and even more so in the context of a public monopoly.

The Forum itself does not deserve all the credit for these major positive outcomes. They were also 'facilitated' by the move towards greater regulatory flexibility (in particular, the introduction of a rolling investment review every three years and the concept of 'tramlines' to monitor financial performance enabled more innovative ways of achieving policy goals) and by a general trend across the industry towards greater focus on consumers' insight and expectations.

However the success achieved was not only a consequence of these background changes but also reinforced them, through demonstrating the value that they could have for the SRC and beyond.

Equally, while it is important to situate the achievements of the Forum in the context of other evolutions occurring in the industry, it is also worth noting that not all attempts at involving customers in price reviews have proved entirely successful.⁴ This means that some specific conditions must have been in place that enabled this process to be effective. With the benefit of hindsight, it is possible to tease out a number of factors of success.

⁴ For example, the introduction of Customer Challenge Groups (CCG) in Ofwat's PR 2015–2020 has to some extent fallen short of expectations, insofar as most companies did not get an enhanced status for their business plans even though they had been 'endorsed' by the CCG.

3 Factors of success

3.1 Factors of success relating to the set-up of the Forum

The Customer Forum was created in September 2011 as the result of a Cooperation Agreement between WICS, Scottish Water and CFS, to assume the role of customer representation that WICS wanted to introduce at the heart of the 2015–2021 SRC. Other models or frameworks could have been considered in lieu of this ad-hoc, independent group of experienced individuals, such as:

- WICS establishing and hosting its own panel to advise on the price determination;
- Scottish Water defining the set-up and managing the activities of its own customer challenge group (as was the case in England);
- the statutory consumer body CFS playing the role of the Forum.

No one can tell whether such alternatives would have 'worked' or what they would have delivered. However, they present a number of challenges that, by comparison, the Forum did not have to face, while some specific features of its set-up proved instrumental in its effective functioning. Not all of these features may have been deliberate, nor would they have been a guarantee for success in themselves, but it is worth trying to identify them to inform the debate on any Forum's future.

A joined-up approach

The Forum was the product of a partnership and was therefore very much attuned to the culture of cooperation that prevails in Scotland and can go a long way to building productive consensus. More importantly, this meant that the Forum's 'sponsors' all had a stake in the process, which gave them a strong incentive to fully participate and support it.

At the same time, the Cooperation Agreement strongly asserted the independence of the Forum, placing it *de facto* at arm's length and equidistant from all three partners. All efforts were made by the Forum throughout the process to ensure that this positioning was maintained in practice and that the Forum could not be (or perceived to be) manipulated by one party to serve its own interests. This contributed to fostering effective cooperation, especially with Scottish Water who had reassurance as and when needed that the Forum was not just a proxy for WICS.

An ad-hoc status

The Forum was ad-hoc in many respects: whilst a formally recognised part of a statutory process⁵ it had no statutory remit or powers, no legal status, no detailed operating procedure. Some may have considered this a limitation or a challenge but it proved to be a strength as it meant that the Forum could benefit from the following:

⁵ The commissioning letter from the Government to WICS dated from June 2012 stated that '*Ministers support the aspiration to increase and improve customer involvement in the setting of investment priorities to deliver the levels and quality of service they deserve for the charges they pay. They expect Scottish Water and its regulators to assist fully in the work of the Customer Forum*'.

- Greater focus on the task at hand: the Forum was not distracted by side-issues or conflicting priorities that can arise in the day-to-day operation of an organisation. Reciprocally, it could have been difficult for an existing organisation to carve out as much time and devote as much attention to this process as the Forum did. In particular, the Forum was largely insulated from the impact of the consumer landscape reform unlike CFS, which went through a complex transition over the 2012-2014 period and had to dedicate a lot of its resources to it.
- Clarity of purpose: the Forum had no institutional agenda that could divert its attention from the task of interpreting and representing customers' views on the level of services and price offered by Scottish Water. Most importantly, the Forum was clearly expected to negotiate with Scottish Water within the boundaries of the current policy framework: this was to ensure that the specific objective of reaching an agreement on the regulatory contract would not be clouded by challenges to this framework and attempts at making it evolve. Potential policy changes fall under the Scottish Government's remit, not Scottish Water's: they must therefore be sought as part of a general advocacy role and not through a negotiated settlement process. Having the Forum focus exclusively on the latter was a good way to prevent any confusion and reassure both Scottish Water and WICS that the nature of the SRC would be respected.
- An 'outsider' approach: as it was created from a blank sheet of paper and started operating with no record, the Forum did not have to overcome historic, institutional or personal barriers to meaningful engagement. A fruitful relationship between the Forum and Scottish Water, essential to the success of the process, could develop on a fresh and wholesome basis whereas Scottish Water's engagement with WICS or CFS (or individuals/organisations perceived as directly associated with them) could have been tainted by 'disputes' or disagreements having arisen in the past or on separate matters.

A mix of qualified individuals

The Forum members were selected to provide a diverse range of profiles with various level of knowledge of the water sector and experience across a number of areas, including consumer affairs, law and regulation, business, policy (see Appendix 7). This diversity created the conditions for very productive conversations within the group as each member could bring their own perspective on the issues that were discussed. It also underpinned the wide-ranging and robust challenge that was provided to Scottish Water throughout the period of engagement. For example, 'lay' questions would highlight the need for greater clarity, while drawing on the high-level collective expertise would help expose biases or unjustified assumptions.

Another key feature of the Forum's composition was the fact that members participated in a personal capacity and not as 'stakeholders' representing an organisation or a group of customers. This ensured that every member could contribute their own views and allow them to evolve freely as a result of the interaction with the group or Scottish Water, instead of coming to the debate with entrenched positions that they would have to defend or advocate no matter what. This openness was critical to the quality of discussions that took place and the Forum's ability to reach a consensus. Being involved in their own name also made the Forum members feel a greater responsibility for the successful outcome of the process, and ensured their full commitment and participation.

3.2 Factors of success relating to the process

Not only the set-up of the Forum, but also some aspects of the process that it participated in, proved instrumental in enabling it to deliver a successful outcome.

High level of empowerment

Had the scope of the Forum remained limited to interpreting existing research and informing decisions on discretionary investments, Scottish Water would have been unlikely to dedicate the significant amount of time, resources and commitment that it did to the process, while the Forum would have had little leverage to exert a significant influence.

In contrast, the decision to entrust the Forum with reaching an agreement on the whole of the Business Plan completely changed the dynamic of its engagement with Scottish Water:⁶ with a full view of the service strategy (performance, investment and financing) and a clear mandate to negotiate and not just inform, the Forum was able to better identify potential room for change and influence key decisions. As for Scottish Water, it had confirmed to it that consumer engagement would be central to the planning process and not just window dressing. As a consequence Scottish Water committed its most senior executives to direct and detailed involvement throughout.

In addition to formally requiring Scottish Water and the Forum to seek an agreement on the Business Plan, WICS also gave them sufficient confidence that any such agreement would be endorsed by the Commission by indicating it would be 'minded to accept' the negotiated outcome as the basis of the Determination of Charges. This understanding made it clear to both parties that the outcome of the engagement/negotiation process would truly matter; it further contributed to empowering the Forum and ensured that it would be taken seriously. This was a critical condition for real change to happen.

Explicit accountability

Had no agreement been reached on the Business Plan, Scottish Water and the Forum would have been required to set out in a document to the WICS the issues or differences that they could not resolve through negotiations. This made both parties explicitly accountable for any failure to achieve a common position, and therefore gave them a strong incentive to avoid such an outcome, through working out compromises rather than adopting hard-line tactics.

Empowerment and accountability created the right conditions for an effective and constructive engagement between the Forum and Scottish Water, which was at the heart of their success in agreeing a Business Plan acceptable to all parties.

Freedom to operate

The Cooperation Agreement defined the scope and the remit of the Forum in relatively broad terms; it also offered a high degree of flexibility to the Forum as to how it should carry out its operations. The Forum seized this as an opportunity by asserting its right to ask any question or

⁶ The Forum's status as an ad hoc body may have been a factor in making this decision possible, as Scottish Water may not have agreed to another statutory or more formal body (other than the regulator) having this degree of influence.

take any action (such as commissioning research) that it deemed necessary to meet the objective of securing the best outcome for customers. While this bold stance may have been unsettling at first, it likely gained the Forum greater consideration from Scottish Water as it realised that it was up against an informed and rigorous challenge.

The freedom granted to the Forum to determine its own agenda and modus operandi also proved beneficial from a practical point of view. There was no need for the Forum to refer to any prescriptive guidelines, to check or negotiate what it was formally authorised to do or to seek formal approval for its initiatives. This greatly helped to maintain the pace and overall dynamic of the process.

Robust back-ups in place

Had the Forum and Scottish Water failed to reach an agreement, WICS' methodology provided that the standard approach would be applied for the Determination of Charges. This explicit assurance to return to a 'tried and tested' process should the new one fail to meet expectations was a critical condition for Scottish Water to buy into the concept of the Forum, as it minimised the risks and uncertainties associated with innovation.

Equally, this fall-back option gave the Forum confidence that it was walking in safe territory even though it was exploring new grounds. In that respect, the guidance and support offered by WICS through the Information Notes that it produced for the Forum, or through direct conversations with the Chair, also played a critical role. The Forum was reassured that it was not 'missing the point', either by making unreasonable demands or failing to recognise what it was being told was challengeable.

3.3 Factors of success relating to operations

Quality of engagement with Scottish Water

The quality of engagement between Scottish Water and the Forum was essential to the success of the overall process. It was characterised by Scottish Water's remarkable openness and willingness to consider any challenge brought up by the Forum.

As noted previously, the framework put in place (and in particular the requirement to seek agreement on the Business Plan and an explicit accountability for both parties) provided the right incentive to Scottish Water to adopt such a constructive attitude. The change of culture that was already on its way within the company to achieve a more customer-centred vision probably gave that process further impetus.

Some 'circumstantial' factors also played a major role, most notably the presence of senior representatives of the company throughout the engagement period. This reflected Scottish Water's commitment to the process, allowed the engagement to progress smoothly (as decisions could be taken 'on the spot', without the need for further internal consultation) and eventually resulted in lines shifting long before the actual negotiation started.

The high level of collective expertise (backed up by WICS as and when needed), the exacting conception of its role and the pragmatism the Forum sought to follow were also essential drivers of the mutual respect that developed between parties, which enabled productive engagement.

Internal dynamics within the Forum

The success of the Forum's involvement in the SRC process would not have been possible without a Forum functioning effectively in its internal proceedings. This proved to be the case thanks to an excellent group dynamic developing over time. Forum members systematically shared and confronted their views, brought complementary expertise to the debate and always managed to settle on positions that allowed a consensus to be reached.

In addition, in spite of the working sessions being fairly informal, they remained focused and to the point as they would generally be concluded by acknowledging a common position of the Forum on the agenda items of the day, which would not have to be discussed again. This was the condition for maintaining a steady path of progress in developing robust positions and avoiding the pitfalls of conversations dragging on without reaching an actionable conclusion or revisiting decisions already made.

The Forum members have pointed out that the role adopted by any Chairman in such a process is an important factor in how that process is likely to work. Effort and skill is required in encouraging a positive dynamic within the group, as well as in fostering constructive relationships with Scottish Water and other stakeholders in what is a complex environment of potentially competing interests. This suggests that the appointment for this role will remain an important factor for any success.

Access to information

Asymmetry of information is a legitimate concern associated with negotiated settlements, but this proved not to be an issue for the Forum, as it felt adequately equipped to provide insight and challenge to Scottish Water, thanks to its access to a large and detailed knowledge base and the availability of technical advice when needed.

The Forum could draw from Scottish Water research and any other existing sources to develop its positions, whether it involved understanding customers' preferences or securing the best outcome for them through challenging Scottish Water's proposals. Forum members made extensive use of this available knowledge, for example by attending customer research events or scrutinising research reports.

The Forum also had the necessary financial resources to commission its own research and could tap into a large network of experts when it felt the need to fill gaps, gain a deeper understanding or bring a different perspective on the issues that were discussed (see Appendix 4 for a list of papers produced and experts in attendance during Forum meetings).

In addition to this, two streams of information specifically produced for the Forum proved invaluable:

- The WICS' Information Notes set out the parameters within which the Commission would find any agreement approvable, which gave the Forum latitude and clarity on the key areas for discussion, and an indication of the headroom available in Scottish Water's proposals.
- The Service Improvement Reports produced by Scottish Water described its investment proposals and the rationale that underpinned them. These were new and powerful tools in several respects: they compelled Scottish Water to think

through the details of its plan much earlier and more thoroughly than it may otherwise have, they made an explicit link between investment decisions and customer preferences elicited through research and they also promoted transparency and focus in the engagement between Scottish Water and the Forum.

Ongoing dialogue with stakeholders

Although developing a productive relationship with Scottish Water was essential for the Forum to assume its role, there was also a clear recognition that there was more to the new SRC process than a two-player action. Key stakeholders to the process, whether directly involved like WICS or indirectly like the Scottish Government, needed to fully comprehend the progress of the engagement and be confident that the process was on the right track. A deliberate effort was thus made to 'keep them in the loop' through regular, although mostly informal, updates by the Chairman of the Forum (see Appendix 3).

The relationship with WICS was particularly close as the economic regulator remained the architect and key driving force behind the new process, as well as the ultimate decision maker regarding what the regulatory contract would entail.

Engaging with the Scottish Environmental Protection Agency (SEPA) and the Drinking Water Quality Regulator (DWQR) was also of paramount importance since they bear a significant influence on the SRC process. As statutory regulators, they need in fact to be satisfied that the package of service improvements (through investment and operational measures) included in the regulatory contract will allow Scottish Water to meet environmental and drinking water quality regulatory standards. Therefore the Forum sought to establish a dialogue with them to gain an understanding of the objectives and requirements they placed on Scottish Water and how these would fit with customer's preferences and best interest. That each party was aware of the other's priorities was a way to ensure consistency of approach and avoid conflicts down the road⁷.

4 Challenges

The Forum encountered two main challenges along its journey.

First, although the idea had been discussed since 2010, the Cooperation Agreement was only signed in September 2011 and the Forum became operational in the following month (the first

⁷ In order to prevent or address any such potential conflict, the SRC process provided for quinti-partite meetings allowing the Forum, the quality regulators, WICS and Scottish Water to discuss the nature and timing of the service improvements required to comply with environmental and drinking water quality standards. These discussions were meant to inform the Forum's views on the acceptable level of price limits. Only one such meeting took place in December 2013 as all parties were in agreement on the main components of the investment plan.

meeting took place on the 26 October 2011). This was just three years before the planned date for the Final Determination of Charges, not leaving very long for such a long and complex process to take place. Hardly any induction could therefore take place before the Forum started working with Scottish Water⁸, and thereafter the engagement process was conducted at quite a fast pace. This required significant commitment from the Forum members, which at times could be strenuous. In particular, the members from business organisations (the Federation of Small Businesses, then the Scottish Council for Development and Industry) struggled to maintain attendance in light of the workload that they had to manage internally. On the other hand, the intensity of the process may well have contributed to the formation of the group dynamics, as well as to the development of the collaborative relationship with Scottish Water.

More importantly, Scottish Water's research programme was well underway by the time the Forum was formally in place⁹. Although Consumer Futures had an involvement in the design of the research, this created some issues when the time came to use and interpret the results. Had the Forum been able to influence how the program had been conceived and implemented, it would have felt more confident it could fully endorse the conclusions. An involvement of the Forum at the early stages of the research programme would have been extremely beneficial,¹⁰ as it would have allowed it to make *ex-ante* suggestions as to the scope and approaches to be used, as well as to build its understanding of the insight elicited from consumers on an ongoing basis, rather than on final reports.

In addition and in relation to this, another challenge resulted from the insufficient internal human resources that the Forum could rely on. While it did have part-time staff at some periods (see Appendix 4), the Forum was essentially 'on its own' during a significant part of the process, and most significantly during critical phases of the engagement with Scottish Water (Sept. 2012 to June 2013). This was a suboptimal situation as the Forum members were too often in a position where they were reacting rather than pushing the agenda forward. More support would have allowed them to do more in terms of the following:

- Collecting 'intelligence', which would have helped members gain a more detailed and comprehensive view of wider developments in the water industry (e.g. to have an understanding of the findings from other processes such as the Quality and Standards group, having an insight into the approaches applied by the Customer Challenge Groups in England, etc.).

⁸ Scottish Water, WICS and others stakeholders provided invaluable support to the Forum in getting up to speed. However, more time would have been useful to allow members to fully digest the information they received or to plan more site visits, which gave them a good grasp at what service provision practically entails.

⁹ The final report 'Listening to our Customers' was published in November 2012, but the program was commissioned and began in 2010.

¹⁰ It would (and should) not have prevented the Forum from conducting its own research in instances where it wanted to obtain a different perspective, to confirm or complete findings from Scottish Water's research.

- Conducting fuller analysis of the proposals made by Scottish Water as well as the negotiation positions contemplated during Forum meetings (e.g. more detailed, formal feedback could have been provided to the Service Improvement Reports).
- Ensuring greater continuity between Forum meetings (e.g. through the provision of preparatory briefs to inform the members on the topics to be discussed at meetings or through keeping a log of key issues discussed/decisions made to supplement the minutes).

To be clear, with more support available, the Forum would likely not have achieved a different outcome (and rightly so as supporting staff would not be expected to exert a direct influence on the Forum's positions). It would, however, have been better equipped to engage and leave a fuller audit trail of its proceedings.

Better resourced, the Forum could have done more to reach out to stakeholders to gain additional insight into their expectations about water services in general and the SRC process in particular. This would in particular have helped raise greater awareness about the role of the Forum and the work that it was carrying out among non-core stakeholders who may have been unaware of, or unclear about the process¹¹. The dialogue with SEPA and DWQR could also have been strengthened to ensure that potentially conflicting positions between them and the Forum could be identified early on in the process, making them also possibly easier to reconcile than through the formal quinti-partite meetings. As noted before, no such conflict arose but it could have been a threat to the overall success of the process: this potential challenge could therefore have been more actively managed.

5 Looking forward

The Forum was created for the duration of the 2015–2021 SRC and should be disbanded in March 2015 (when the members' appointment finishes) unless its shelf life is extended, an option that some stakeholders seem to favour. With the SRC process having now almost reached its conclusion, a debate must therefore take place between the Forum's sponsors and result in a formal decision in this regard. Whatever the outcome, the choice should be informed by well-reasoned arguments and a clear consensus on the direction of travel for a continuing Forum or the possible alternative model that would be retained.

Because of its position at the heart of the regulation of Scottish Water in the past three years, the Forum is well placed to bring an informed perspective to this debate, which is presented in the following section. These views and analysis form a significant component of the Forum's legacy and were therefore important to capture in this report. However the Forum clearly recognises that it has no locus in the decisions about its future, which are entirely for its sponsors to make.

¹¹ The website put in place as well as other communication actions proved insufficient to raise the profile of the Forum outside the inner circle of the water industry, as demonstrated by an informal consultation of community councils that only a tiny minority (13) responded to.

5.1 Key questions

Should direct customer involvement continue in future regulatory processes?

Considering the dynamics that the creation and work of the Forum set in motion or reinforced, many more gains could be expected to be had from turning this innovation into a standard feature of future regulatory processes.

In particular, there would be an obvious logic in extending the scope of customers' involvement from the negotiation of the regulatory contract to the regular review of this contract and the negotiation of subsequent amendments that may be required. The rolling investment review and the tramlines are two mechanisms already introduced by the regulator to provide the necessary flexibility in adapting the regulatory contract on a regular, if not ongoing basis¹²; they should both provide for direct customer involvement.

While the former will require the same kind of probe into investment decision making, as was conducted during the negotiation of Scottish Water's Business Plan (which actually led to a number of choices being postponed to the 2018 Investment Review), the latter will amount to striking a balance between price and service priorities: these are two areas where the Forum has been able to provide valuable insight and exert significant influence to date, and any future Forum could likely continue to do so.

In addition, the Minute of Agreement and subsequent engagement between the Forum and Scottish Water have sanctioned the principle of having a customer representative body 'monitoring' the performance of the company, especially in terms of level of services and customer satisfaction. An annual performance review meeting and a set of indicators and associated targets have been discussed and agreed on to that end: the Overall Performance Assessment (OPA) and additional measures of performance, the customer experience measures (CEM) and the high-esteem test. This monitoring would not be a substitute for other existing mechanisms of control that are in place (including through Scottish Water's own Board in the first instance and through the Output Monitoring Group), but complement them by reinforcing Scottish Water's transparency and accountability to its customers.

¹² Under the 'tramlines' framework, Scottish Water's financial performance will be measured against an acceptable range for key measures of financial strength, derived from cash-based financial ratios. The company will have flexibility to perform between the upper and lower limits of this range. If current and forecast performance exceeds a particular level within the acceptable range, Scottish Water would be expected to start sharing the benefits of its outperformance with current or future customers. Similarly, below a given level, the company will need to set out in its Delivery Plan how and when performance will improve; this may involve an 'interim determination of charges', if appropriate.

The rolling investment review will allow Scottish Water to define its six years investment program on a rolling basis, so that at the end of year three it will be finalising the improvements required for the next three years and then defining the improvements required three years beyond that. The approach ensures that Scottish Water always has at least three to six years of forward visibility for future improvements while having sufficient flexibility to make the most pressing improvements as priorities change. [From WICS, 'Strategic Review of Charges 2015-21: Innovation and choice'].

More generally, making sure that a direct dialogue between Scottish Water and its customers will continue, either through the regulatory process or at the company's own initiative, should contribute to embedding and possibly expanding the change of culture that has already been taking place towards a customer-centric industry. This would be a clear sign that the customer voice is recognised as both legitimate and valuable in shaping the future of water and sewerage services and ensure that there is no backtracking. In this context, the integration of a process of customer engagement within Scottish Water's regulation could become a formal principle of the water industry's governance, and possibly a statutory requirement.

Should the Forum continue to conduct this direct dialogue with Scottish Water?

As mentioned previously, alternative models or arrangements could have been retained in lieu of the Forum to provide customer representation in the 2015–2021 SRC and may have delivered positive outcomes. However, they do not present some of the *ex-ante* features that appear to have contributed to, if not underpinned, the success of the Forum. More importantly, the impact that the Forum has achieved to date makes it *ex-post* a most appropriate model, if not a unique or perfect one, to carry out future constructive engagement with Scottish Water.

In particular, the Forum would be best equipped to continue the workstreams that were initiated with Scottish Water and that did not reach a conclusion within the SRC timeframe because of their complex or inherently 'ongoing' nature. (Appendix 6 provides an overview of the issues that were identified during the SRC process as warranting further involvement of customers in the future). In comparison, a new body to replace the Forum would incur the risk of not having the required insight into previous developments, such as the options already explored and abandoned, the arguments previously discussed, the trade-offs that were accepted to enable progress. This loss of 'collective knowledge' would be compounded by the inevitable loss of momentum associated with the negotiation and implementation of new arrangements to have the Forum replaced.

Even more critically, to disband the Forum would mean losing the productive relationships that have formed between members and with Scottish Water. While this report shows how specific factors have played a role in the development of genuine cooperation, using the same ingredients would not in itself be a guarantee of success as good relationships between the individuals involved were also instrumental: however, these cannot be achieved by decree. Both the 'compatibility' of the players' personality and now the history between them can therefore be considered assets for future engagement. Not only should their importance not be overlooked when considering potential alternative options to the Forum, they could be built upon to further strengthen and deepen the benefits of customer representation in regulatory processes.

5.2 How to maximise the chances of success in the future

While the case for the Forum and its role to continue beyond 2015 appears robust given the arguments presented in the above sections, important questions remain as to how current arrangements should be extended, amended or renewed to make this possible. These questions deserve appropriate consideration as answers are not always clear-cut and should be openly discussed between the Forum's sponsors and, possibly, with other stakeholders in the Scottish water industry. This debate will allow for all parties to share their viewpoints and

discuss options, an important pre-requisite to develop a common understanding of the issues at hand and build genuine support for the responses provided to them.

Set-up

The benefits for the Forum of being the product of a partnership have been outlined before, so that it appears an important feature to retain. A renewed partnership should provide the same degree of independence and freedom that the Forum has enjoyed to date, which have proved critical to its success. However, any new formal agreement between partners should also be developed with the greatest clarity to explicitly reflect the signatories' agreement on key points such as the nature of the Forum's remit, the boundaries of its scope and its relationships with key stakeholders. While such an agreement may still leave room for interpretation in some instances as a condition for flexibility and innovation, this should be balanced with provisions for structured dialogue with the partners to ensure that such interpretation is shared on an ongoing basis, to prevent any major divergence of understanding from growing.¹³

In terms of practicalities, the Forum was hosted by CFS, who provided support for the management of administrative functions (e.g. payroll). While this arrangement presented certain advantages for all parties, it also had drawbacks: the Forum could at times not be fully aware of CFS rules and procedures or find them burdensome (e.g. time for procurement), while conversely there was an onus on CFS to have the Forum comply with such rules in order to meet its own governance policy. More critically, the situation was a potential source of confusion, as it could be interpreted as placing the Forum under the direct responsibility of CFS for all matters, and not just the mere provision of administrative support.

Having the Forum set up as a self-contained organisation (e.g. limited company) could be a way to bring more clarity in this regard, through asserting its independence and the specificity of the role that it fulfils. In addition, this would insulate the Forum from any future change in the institutional consumer landscape,¹⁴ and thus contribute to making it viable in the long term if such was the desire of its sponsors. The option of giving the Forum a legal status was explicitly provided for in the Cooperation Agreement and contemplated at the time of CFS' transfer, but eventually not pursued because of the reluctance to create new quangos. It could, however, be further investigated in case the political context has evolved in this regard.

Composition

The composition of the Forum was at the heart of its success, and possible adjustments (whether proactively introduced or subsequent to current members terminating their participation) will need to be carefully thought through to ensure that they remain the most effective going forward.

¹³ The Cooperation Agreement did include provisions for such an oversight of the Forum, but they were not fully implemented for a number of reasons, including the context of transition that CFS went through and the important workload that resulted for the organisation.

¹⁴ As may possibly arise as a result of constitutional change, with the possibility of further devolution of consumer advocacy matters to Scotland.

While the strengths of the current membership could be retained for reasons previously identified (including the complementarity of available expertise, the fruitful dynamics developed internally and with Scottish Water and the deep insight into the 2015–2021 Business Plan), having ‘new blood’ brought in would be equally warranted to refresh the outlook of the Forum on water services, to prevent unproductive routine from settling in and to minimise the risk of capture. A policy of orderly rotation of the Forum members, modelled on common practice in Board management, should be developed and put in place to ensure that the objectives of continuity and regeneration can be simultaneously achieved.

Besides the pitfalls of having permanent or extended tenures, another issue acknowledged by the Forum regarding its composition concerns the representation of non-domestic customers. For one, the workload associated with participating in the Forum proved extremely demanding for business organisations, which had to either leave the process altogether or missed some critical meetings. Appropriate arrangements would need to be devised to secure an ongoing representation of these or similar organisations in the future, starting with setting expectations as to the time commitments required.

A second potential issue relates to the nomination of Forum members by water retailers.¹⁵ The fact that (some) Licensed Providers (LPs) could influence the terms of Scottish Water’s regulatory contract, while they also have a direct supplier-buyer relationship with the company, could be challenged on the basis that it would make them both judge and party. This could undermine the necessary non-partisanship of the Forum, as LP-nominated individuals could be tempted to use (or even just be perceived as using) the Forum as a channel to advance their own business interests rather than to act on behalf of all non-domestic customers (including the whole retailer community as well as non-domestic end-users).

Such a situation did not materialise, most probably because the ‘retailers’ felt – as was indeed expected from them, as from all other members – that they were participating in the process in a personal capacity and not as representatives of their companies. Acting in their own name could also explain why they chose to contribute their views and share their experience in a completely open and collaborative manner, whereas they could have positioned themselves as competitors, subsequently adopting secretive or defensive attitudes.

However, with pressure for performance becoming ever more intense with the growing number of retailers, the risk can only increase that competitive relationships in the marketplace will hinder the capacity of LP-nominated members to fully cooperate with each other and to independently fulfil their role in the Forum. This could eventually result in the productive dynamics within the Forum, as well as its ability to reach consensus both internally and with Scottish Water, being compromised.

¹⁵ Schedule 1, Clause 1.1.3 of the Cooperation Agreement provided that ‘the Commission shall seek nominations for two (...) ordinary members from the two water services providers and/or sewerage services providers with the largest market shares of the water services and/or sewerage services markets (the “Retailers”)’. The decision to secure representations from the two retailers with the largest market shares could appear somewhat arbitrary, although at the time it ensured that almost all market would therefore be covered.

Therefore, despite, and indeed because of, the invaluable contribution that LP-nominated members have brought to the process so far, new options for the representation of non-domestic customers should be considered. In addition to their insight into the specific expectations to be had from Scottish Water in its function of wholesaler, they have offered strong business acumen and robust financial expertise that will need to be replaced. Participation of business experts from other utility sectors or other nations could be explored as a possible alternative or addition.

Another question that could possibly be raised regarding the composition of the Forum is that of extending the membership to include 'institutional stakeholders', with a view to having a broader range of end-users represented (such as 'the environment', local authorities, etc.). While this approach has been commonly used in other engagement processes, it does not seem a desirable way forward in the present context, for several reasons:

- The Forum 'represents' the interests of all end-users but is not a sample of the customer base, so it does not have to reflect its composition. The distinction between domestic and non-domestic customers is one of particular relevance, though, because of the different modes of service provision to these two categories (direct vs. through licensed retailers).
- Some of the 'end-users' that might be suggested as needing specific representation have their interests already represented through other channels (e.g. the 'environment through the Scottish Environment Protection Agency).
- The participation of institutional stakeholders would be of a different nature to that of 'appropriately qualified persons': while the former may feel or be perceived as 'defending a cause' (however legitimate and valuable their contribution is), the latter can be considered a more neutral assembly, which is likely to facilitate the engagement with the service provider and an 'outside the box' approach to known issues.
- The larger the group the less effective it is likely to be as a negotiating body.

Operations

The Forum conducted its operation on a fairly ad-hoc basis, reflecting the significant latitude that it was given by its sponsors and the Cooperation Agreement to take any action it deemed necessary to fulfil its role, which was not prescribed or limited *a priori* beforehand. This ability to develop or adapt its approach 'as and when' proved especially critical when the overarching objective of the Forum evolved from informing decisions on discretionary investment to seeking an agreement on Scottish Water's Business Plan.

However, the operational freedom that the Forum seized as an opportunity could well have turned into a weakness, as it could have resulted in lack of focus and poor effectiveness. In fact, some members had some initial misgivings about the absence of a clear direction of travel and detailed process. Equally, not being able to take stock of the exact nature and range of the activities carried out by the Forum or to precisely evaluate the concessions that it obtained from Scottish Water before the final agreement was reached may have been a cause of concern for some external stakeholders.

While a dimension of improvisation could be expected as inherent to the innovative nature of the process (this having never been done before), it is regrettable that the Forum was not

better resourced to structure and formalise its actions. As already noted, it would have greatly assisted the work of the Forum to have had from the outset the benefit of a dedicated policy resource to prepare briefings and develop options, draft responses, monitor progress against a work plan, and provide a fixed point of contact for, and communication with, stakeholders. It would be important for such a resource to be built into any future arrangements, to ensure that any future Forum's activities and impact are captured on an ongoing basis rather than *ex-post*, with a view to greater effectiveness and easier communication.

5.3 Strengthening the Forum's contribution to 'good regulation'

The criteria of transparency and accountability are commonly defined as pillars of 'good regulation'. Having the Forum assume its role and functions in line with these criteria is therefore an important pre-requisite to justify pursuing and possibly increasing its involvement in the regulation of the water industry in Scotland. The question of legitimacy relates more specifically to the suitability of the Forum as a customer representative body and but is equally important to its ability to participate in this regulation on behalf of customers.

While questions around these three concepts may seem theoretical, they carry much practical importance as they will underpin the perception that stakeholders and customers themselves may develop of the Forum and, subsequently, determine their support for it. They should therefore be openly debated so that any concerns or suggestions for improvement can be fully explored. The Forum conducted this exercise internally and identified some key arguments outlined below.

Transparency

Transparency is an essential principle of regulation and generally of any public process. The Forum expressed early on a firm intention to adopt the highest standard in this regard and made the best efforts to document its work and make it accessible to all. It did so in particular through establishing its website to provide a place to publish the minutes of its meetings and other information for anyone who wanted to see them. The minutes that were produced were deliberately full as they sought clearly to set out the actions and decisions agreed by the Forum as well as capture the reasoning behind them for those who wished to access them. The narrative on particularly important points was deliberately lengthy and explicit.

In addition, the Forum invested significant time and resources in communication, through the production of written material (briefing papers, letters and interviews) and direct engagement with a range of stakeholders (see Appendix 3). In fact, a large part of the Forum's activities, especially of the Chair, entailed informal meetings and discussions with key stakeholders initiated specifically to provide information on Forum thinking and direction of travel as well as to seek to understand and take into account any feedback arising. These were regarded as important communications, contributing to the accountability of the Forum.

However, while there was a desire and willingness to comply with the principle of transparency, the practices that were implemented could likely be strengthened and improved.

First, the awareness of the Forum's website was pretty low, which means that more needed done to raise its profile. Furthermore, relying only on the published documents could hardly allow the work of the Forum to be fully understood. Even though the detailed minutes provided

much more transparency than in the past on how the regulatory contract was shaped, their format did not allow the various issues that were discussed throughout Forum meetings to be linked together or to reflect the dynamics of engagement that developed over time. In addition, some of the documents that they referred to were not enclosed, further preventing outsiders to the process to grasp what progress was achieved.¹⁶ Insufficient resources but also confidentiality issues prevented more structured material from being produced at the time to offer an overall perspective on how Scottish Water's positions were shifting as a result of the Forum's influence. How and when such material should be produced and published by any future Forum should be discussed among sponsors and stakeholders to improve the transparency of the process without undermining its effectiveness.¹⁷

As to the informal communications with key stakeholders, Forum members were informed (and it was captured in the minutes) that they were taking place but the very nature and purpose of the discussions that took place through these channels sometimes required that their content should remain outside of the public eye. As with the publication of written documents, this residual element of discretion is inherent in the choice of a negotiated settlement, as opposed to having a formal, statutory process in place. It could, however, be appropriately counterbalanced by more formal requirements for accountability (see below).

Some areas for improvements could still be explored, such as making reporting sessions used to update stakeholders on the Forum's work more formalised and regular. They could also include more time to take their questions and specifically request their feedback. This approach of 'proactive transparency' would form the basis for greater inclusiveness and cooperation with other stakeholders, which could yield significant benefits for the effectiveness of the Forum and its ability to fulfil its role.

Accountability

Independence was a fundamental principle of the Forum set-up and clearly asserted in the Cooperation Agreement. In practice, it meant that the Forum did not need permission for its actions or approval of its decisions from any 'parent' body even though it had an obligation to inform others on its activities (and sought indeed to regularly keep key partners updated on progress). Coupled with the freedom of operation that the Forum could enjoy, the absence of direct, formal oversight could have been perceived as a risk by some. However several

¹⁶ In particular, the SIRs and other working papers or presentations produced by Scottish Water were not published by the Forum since it did not author them. This material would have been available from Scottish Water under FOI, if not given freely.

¹⁷ The quality of the engagement with Scottish Water was largely underpinned by their willingness to share confidential working documents, allowing them to present and discuss with the Forum proposed positions to get early feedback on which to base adjustments. Scottish Water may not have been so open if their early views had been at risk of wider exposure at that stage. A balance has therefore to be struck between ensuring transparency and creating an environment of trust between negotiating parties.

provisions were in place to ensure that the Forum would meet the legitimate demand for accountability.

First was the explicit expectation placed upon the Forum to understand and represent the priorities and preferences identified by customers in research, something the Forum took very seriously. The Forum's positions were rooted in the research findings and the legitimate interpretations that could be made of those findings.

Second was the obligation on the Forum to explain the reason if it could not reach an agreement with Scottish Water. Decisions and actions that would not have delivered the required outcome would therefore have been subject to scrutiny. No such close examination was warranted in the case of success, i.e. for the Forum to achieve a consensus with Scottish Water on the Business Plan that was endorsed by the regulator was deemed a sufficient demonstration of its 'performance' in the task entrusted to it. However, the requirement for a formal *ex-post* assessment could be introduced in the future, with an obligation on the Forum to produce clear evidence of how the negotiated provisions of the regulatory contract reflect customer preferences or favour their interest.

The Forum worked, in fact, throughout the process under the assumption that its decisions could be subject to, and should be able to withstand, the scrutiny of any stakeholder, including that of a Parliamentary Committee. To ensure that such scrutiny could take place, the Forum made best efforts at making its proceedings accessible and transparent, providing regular updates on its progress and most importantly through laying itself open to questions as it met with its sponsors and other stakeholder groups whenever requested. In particular, recognising the Forum was part of a public and statutory process, it held a briefing for MSPs and sent them further written updates to explain its work, it met with the Convener and Clerk to the relevant Parliamentary Committee and gave oral evidence to Parliament.

In addition, it is important to stress that Forum members had a very potent sense of accountability resulting from their personal engagement in the Forum. Being nominated as individuals and not as representatives of some organisations meant that they were (and felt) answerable in their own name for the success of the process and the value that it delivered for customers, and were therefore bound by their personal ethics and professional reputation. The personal nomination of members is an important feature of the Forum that should be built upon in the future, especially when developing the process and terms of reference for members' appointment.

Lastly, the very nature of the Forum as an ad-hoc, non-statutory body may be considered the greatest driver of its accountability, instead of a weakness in this regard. It is only the continuous support of its sponsors that maintains the life of the Forum, a compelling mechanism to ensure that it must deliver on their expectations.¹⁸ As with charities, which have to

¹⁸ The Cooperation Agreement states that 'The members of the Customer Forum will be accountable to the Parties for ensuring that they act at all times in a manner consistent with the aims and principles set out above and otherwise in accordance with this Agreement.'

demonstrate positive impact and good management lest they lose their donors and funders, the Forum could not get away with inadequate performance or insufficient value added.

Any future Cooperation Agreement or alternative arrangement governing the Forum should include provisions for a similar 'organic accountability'. In particular it would be helpful for the expectations (in terms of outcomes, conduct, management...) and the process(es) to be set out clearly, not left to the initiative of the Forum alone, so that the parties to the agreement will be in a better position to assess whether these expectations are met and what action may be taken if not.

Even though the Forum always saw itself as fully accountable, it also considers that there could be merit in exploring how to strengthen or make more explicit the provisions laid out above, as operating within a more formal accountability framework could only add to the Forum's legitimacy. However it will be important to strike the right balance between appropriate and understood accountabilities and freedom to respond swiftly in a dynamic environment: more bureaucratic processes could undermine the ability of any future Forum to act and shape the engagement process as unforeseen questions or operational demands arise.

Bringing the Forum back into the realm of 'classic' regulation, with direct institutional supervision could also complicate its positioning, and therefore its relationships with Scottish Water. In fact, the tighter the control of the Forum, the weaker will be the claim that it is a completely independent and impartial body, or that it brings a fresh perspective to the sector. Where the balance of those important freedoms and enhanced accountabilities lies is a matter of judgement and can only follow proper debate between sponsors of the Forum.

The question also remains of who should provide oversight, if any. It would not seem appropriate that this should be Scottish Water for obvious reasons. Both WICS and Consumer Futures within Citizens Advice Scotland (which has taken over the role of CFS) could be envisaged, the former being ultimately responsible for the regulation of Scottish Water, while the latter has a statutory duty to represent and defend the wider interests of water customers. However, this may run counter to the spirit of the Cooperation Agreement as it would make the Forum closer to one of its sponsors than to the others. The option of involving the government or Parliament may be problematic, besides the practical complexity, as it would effectively result in blurring the lines between policymaking and regulation. That said, the Forum throughout believed that it would be ultimately and rightly held to account by the Scottish Parliament as it was central to a statutory process which was itself accountable through Ministers to Parliament.

Legitimacy

There are several dimensions to the legitimacy of the Forum.

As the creation of three sponsors, the Forum derives its institutional legitimacy from theirs. In particular, the influence that it has borne in shaping the regulatory contract is a reflection of Scottish Water, and to some extent WICS, having embraced a new paradigm of giving customers a major role in the regulation process (an approach also supported by CFS, which has long advocated for such a principle).

However, the Forum's legitimacy cannot be granted by institutional stakeholders only and should also emanate from the customers that it is supposed to represent: customers should

hold positive views about the concept of the Forum and support its action as being necessary, meaningful and valuable to them. Unfortunately, few customers if any can have such a perception since the vast majority are unaware of the existence of the Forum in the first place. Indeed, one of the key things emerging from customer research is how little understanding customers generally have of any aspect of Scottish Water's work or the governance arrangements of the water sector. This placed particular responsibility on the Forum to seek to understand customers' views in the round and seek to act accordingly.

The Forum believes that establishing a connection with the customer base, in a manner that has yet to be determined, will be an important area for development for a continuing Forum. Having a direct link with 'real' customers can only strengthen its position as the vehicle to interpret and represent their preferences (including with respect to Scottish Water or other institutional stakeholders). The Forum had hoped to utilise the Consumer Network from CFS as one means to link regularly and directly to customers, but this Network was one of the early casualties of the abolition of CFS in its former form¹⁹. The creation of the website pursued the same objective but its limited audience suggest that more proactive forms of communication and engagement are necessary to increase awareness of what the Forum does and, from there, add to its legitimacy.

Caution will be needed, however, to ensure that improved connections to customers do not become more important than, or replace, research. Such an evolution would be ineffective, since structured research using a range of established techniques is the key mechanism for collecting customers' views and establishing a robust evidence base. It would also be inappropriate, because the role and value of the Forum is to formulate a mandate of negotiation with Scottish Water based on customers' preferences, and not only to express these preferences.

In relation to this, it is important to highlight that Forum members draw their legitimacy not from being customers themselves, but as experienced individuals carrying a duty toward customers: that of researching their views and interpreting research results to be able to understand and adequately represent the customers' preferences and best interests. In particular Forum members were not statistically representative of customers (by age, gender, geography or socioeconomic class) but sought to take consideration of the needs of all customer groups (including households in vulnerable situations, rural communities, etc.).

Overall, the Forum regarded the legitimacy of the positions it defended came both through finding out customer priorities and wishes through extensive research and from the obligation to act on behalf of the customer interest deriving from the members' appointment.

One final but important consideration regards the legitimacy of the Forum in the eyes of Scottish Water, which is essential to the dynamics of their relationship and by extension to the success of the overall process. That Scottish Water engaged so openly and willingly throughout

¹⁹ The Consumer Network was a pool of over 500 volunteers from across Scotland, who kept CFS informed of consumer concerns and assisted the organisation with relevant research work. The work of the network came to a close in 2012/13.

the SRC process (and sought to maintain a close cooperation with the Forum even after the Price Determination) demonstrates that it considered the Forum a legitimate party to negotiate and cooperate with, an essential condition to be reproduced in the future. Several factors must have played a role in building this legitimacy:

- The Forum was a highly demanding stakeholder that was also keen to be constructive and willing to reach consensus; it provided a tough challenge but also valuable, informed feedback on Scottish Water's proposals.
- The positions of the Forum were firmly rooted in customer research and insight and largely exempt from political or tactical considerations, as the ad-hoc status and focussed mandate of the Forum did not give it any opportunity to exploit the process for any other end than securing the best regulatory contract for water customers.
- Scottish Water contributed to establishing and endorsing the Forum as a representation of its own customers, thus bestowing upon it the legitimacy to speak on behalf of these customers. This gave Scottish Water a natural incentive to fully cooperate with the Forum whereas it might have resisted, or only just complied with, an obligation to engage with an organisation that it did not recognise as having an inherent legitimacy for such representation.

While the Forum perceived itself as satisfying appropriately the criteria of transparency, accountability and legitimacy, it recognises that they are both essential and extremely complex concepts that are worthy of further consideration to ensure that any potential reinforcements are fully explored and implemented by any future Forum.

6 Conclusion

The creation of the Customer Forum and its involvement in the 2015–2021 SRC was a highly innovative process, which has therefore, since the outset, drawn a lot of attention from those involved as well as raised questions. That this process resulted in a positive outcome, in the form of an agreement between Scottish Water and the Forum on a significantly improved, more customer-focused Business Plan, has reinforced the attention, but may have also inhibited some questions being addressed hitherto.

This is why the Forum itself felt necessary to engage in a reflection on how it has fulfilled its role and the impact that it has achieved, as well as the underlying causes of its success and the challenges that could have prevented it. Looking back on its journey in such an analytical fashion has enabled the Forum to capture essential lessons learned and to formulate a number of arguments that could inform the debate about the future.

Far from pretending to settle this debate, the Forum recognises that its perceived success was contingent upon a number of parameters and circumstances that may or may not be reproduced or suffice to guarantee its lasting influence. It also subscribes to the view that *'any review of regulatory arrangements must accept the potential for current regulatory arrangements to cease or be radically adapted as producers and consumers respond to and*

limit the effectiveness and power of any previous arrangements'.²⁰ Nevertheless, the report highlights a number of building blocks that are now in place and positive dynamics set in motion following the Forum's involvement, which would be worth building on to ensure that Scottish Water and the regulatory framework for the water industry in Scotland keep delivering the best outcomes for customers.

Customer Forum
February 2015

²⁰ From 'Utility regulation: Facilitating consumer control and driving innovation – A response to Penrose "We deserve Better"', a paper by Jo Armstrong for the David Hume Institute, March 2014.

Appendices

Appendix 1 Topic guide for 'legacy' meeting

Introduction

15 min	<p>Warm up – looking back</p> <ul style="list-style-type: none"> • What did you know of the water industry at the time you joined the Forum? • At the time, what was your understanding of what the Forum would do? Were you aware of the Cooperation Agreement? Did you know who the sponsors of the Forum were? • How did you think at the time you could contribute to the work of the Forum? Did you see yourself as a customer or as an expert? • Has what you have done been significantly different than what you thought you would do? 	'Poll'
30 min	<p>The concept of the Forum</p> <ul style="list-style-type: none"> • The water industry in Scotland has been on a steady path of improvement since 2002 – why would business as usual have not worked in this Price Review? Why do you think the Forum was a good, or necessary, innovation to introduce in the regulation of the sector? • Customers interests have been represented in some way in the water industry for a long time, why the need to introduce a new vehicle/process? Where does the Forum sit in the governance of the water sector? How to describe the added value or new perspective it has brought to the existing landscape? • What gave the Forum its legitimacy, especially in comparison with other players? <ul style="list-style-type: none"> ◦ <i>Prompt on composition</i> ◦ <i>Prompt on set-up</i> • Has the Forum bridged a gap in terms of the functions it has performed? 	<p>Show slides 1 & 2</p> <p>Show slides 3 & 4</p>
30 min	<p>Role and responsibilities of the Forum in the water industry regulation</p> <p>The functions and scope of the Forum were defined in the Cooperation Agreement but this definition left room to interpretation and evolution. As a result, some stakeholders may have wondered what the Forum was really about.</p> <ul style="list-style-type: none"> • Where do you think the Forum was supposed to contribute based on the Cooperation Agreement – where did it eventually get involved? • Did you feel that there was a 'scope creep'? Or was the 'all-inclusive', 'across the board' approach necessary to discharge your function adequately? Was a better definition of the Forum's functions possible, necessary? • Were you aware of the work of others stakeholders and of other processes going on? Would have it been helpful (or detrimental) to know more and why? With hindsight, what more, if anything should have been done to engage with other players / other processes? <p>Revisit the concept of the Forum (legitimacy, filling a gap) in light of this discussion.</p> <p>Reflect on what an ongoing Forum could do.</p>	<p>Show Slide 5</p> <p>Show slide 6</p>

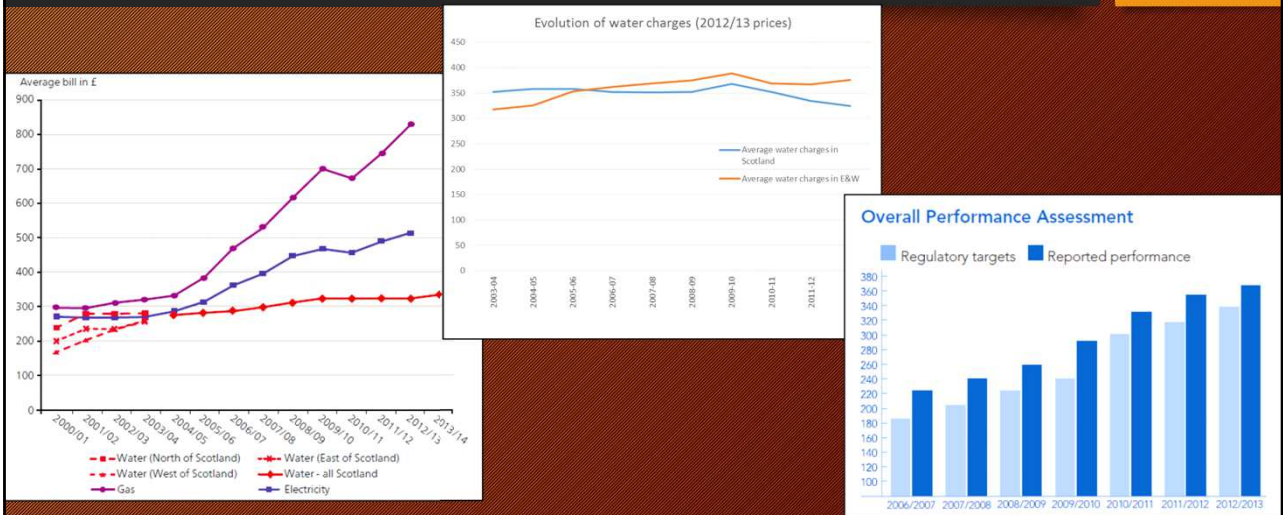
20 min	<p>How the Forum carried out its functions</p> <p>Tools available to the Forum to develop and advance its positions</p> <p>As it was composed by 'lay people' with regard to water, the Forum 'had a long way to go' to form its views about Scottish Water's proposals and how to influence them.</p> <ul style="list-style-type: none"> • What 'tools' were the most useful for the Forum to define its positions? • What else would have been useful/needed? • What approaches were the most effective for the Forum to 'convince' Scottish Water to make its positions evolve? • What else would have been useful/needed? • Examples of critical points where you feel the Forum managed to make Scottish Water change its position? How did you follow-up on and capture progress? What else could have been done? 	
20 min	<p>Engagement with Scottish Water</p> <ul style="list-style-type: none"> • There seem to be a consensus that the engagement between the Forum and Scottish Water was of high quality, why was it the case? Why was SW willing to engage, why did they take the Forum seriously? • What if things had gone wrong (eg SW reluctant to engage or to disclose information)? What levers, if any, could have been used/ would have been needed to have more teeth? Any risk associated with using these levers? 	
20 min	<p>Operations of the Forum</p> <p>There were several phases in the work of the Forum as well as 'workstreams'. Let's try and reconstruct them.</p> <ul style="list-style-type: none"> • Is the list thorough? Were some of these components unnecessary or underestimated? <ul style="list-style-type: none"> ○ Engagement / Discovery process ○ 'Training' / building up expertise ○ Research ○ Developing positions ○ Negotiation ○ Engagement / co-development of indicators an tools ○ Contributing to debate on SRC methodology? ○ Communication? ○ Stakeholder relationships management? • Could these different workstreams have been conducted differently? <ul style="list-style-type: none"> ○ Time? ○ Expertise? ○ Engagement with others? ○ Staff / support? ○ Budget? ○ Output? 	<p>Build timeline on flip chart</p>

40 min	<p>Value added by the Forum</p> <p>Let's try and identify where the Forum made a difference with what was happening before or with what could have happened with another process.</p> <p>Direct achievements</p> <p>Can Forum members complete the following sentences?</p> <ul style="list-style-type: none"> • Thanks to the Forum, SW's business plan is more... • The work of the Forum has benefited customers because... • The impact of the Forum on the water industry is ... <p>Did the Forum add more value to some components of the Price Review than to others: levels of service, investments, price, controls and processes?</p> <p>Contribution to better regulation</p> <p>Good regulation is expected to be meeting a number of criteria , let's see how the Forum 'ranks' on these various criteria:</p> <ul style="list-style-type: none"> ○ <i>Effectiveness / cost efficiency</i> ○ <i>Accountability</i> ○ <i>Consistency and predictability</i> ○ <i>Transparency</i> ○ <i>Adaptability and flexibility</i> ○ <i>Clarity of objectives and focus</i> ○ <i>Innovation</i> 	<p>Cards to collect contributions</p> <p>Show slide 7</p>
30 min	<p>Wrap up and looking forward</p> <p>Alternative options could have been considered as regards the set-up of the Forum, its role or the nature of its engagement with Scottish Water. For each of the following criteria, explain where the Forum positioned itself and why – what were the pros and cons of each alternative — what would happen if the Forum were to become permanent?</p> <ul style="list-style-type: none"> ○ <i>Layman vs experts</i> ○ <i>Real (end)-customers vs stakeholders:</i> ○ <i>Independent vs embedded</i> ○ <i>Informal vs statutory</i> ○ <i>One-off vs permanent</i> ○ <i>Trust vs teeth</i> ○ <i>Challenge vs partnership</i> 	<p>Show slide 8</p>

Conclusion

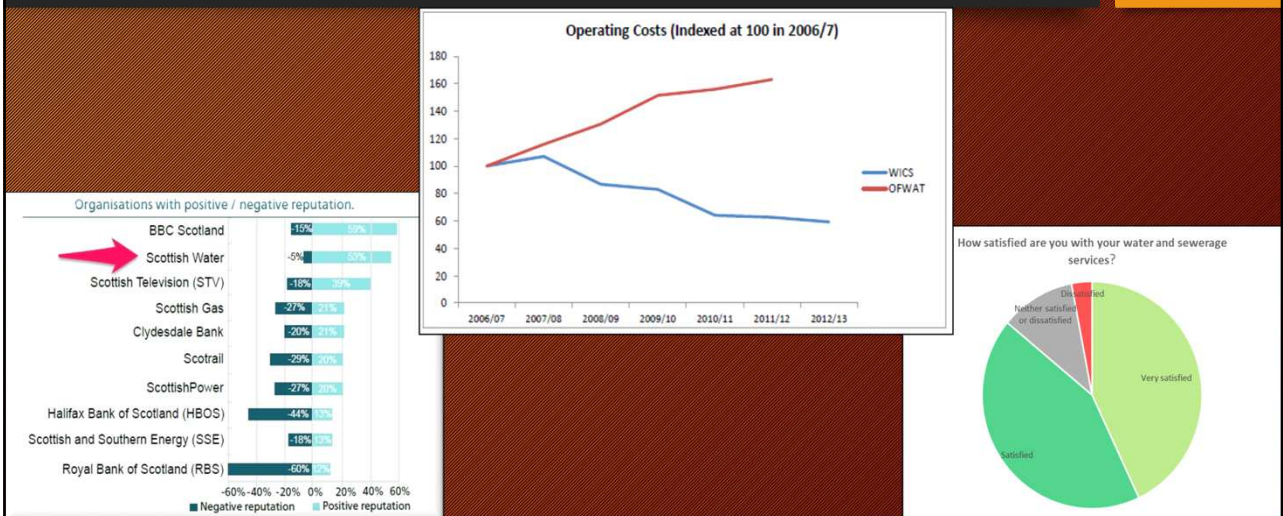
Why a Customer Forum for Water?

1



Why a Customer Forum for Water?

2



Why a Customer Forum for Water?

3

WICS

[XXX] promote the interests of water and sewerage customers in Scotland by making sure that they receive a high-quality service and value for money

CUSTOMER PANELS

[XXX] have the general function of representing the views and interests of the customers of SW (...) in relation to the provision of services by SW in the exercise of its core functions

SCOTTISH MINISTERS

[XXX], acting on behalf of the people of Scotland, set the objectives for the industry to be delivered at least cost to customers

Why a Customer Forum for Water?

4

CFS/CONSUMER FUTURES

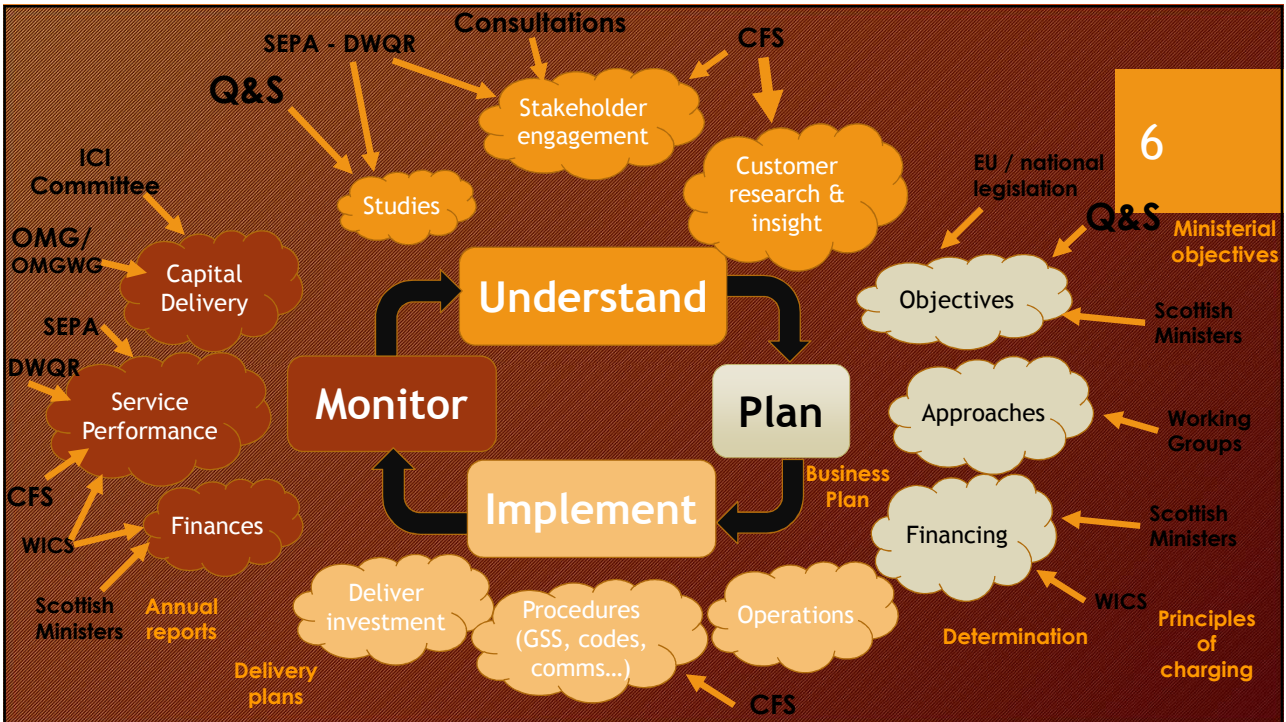
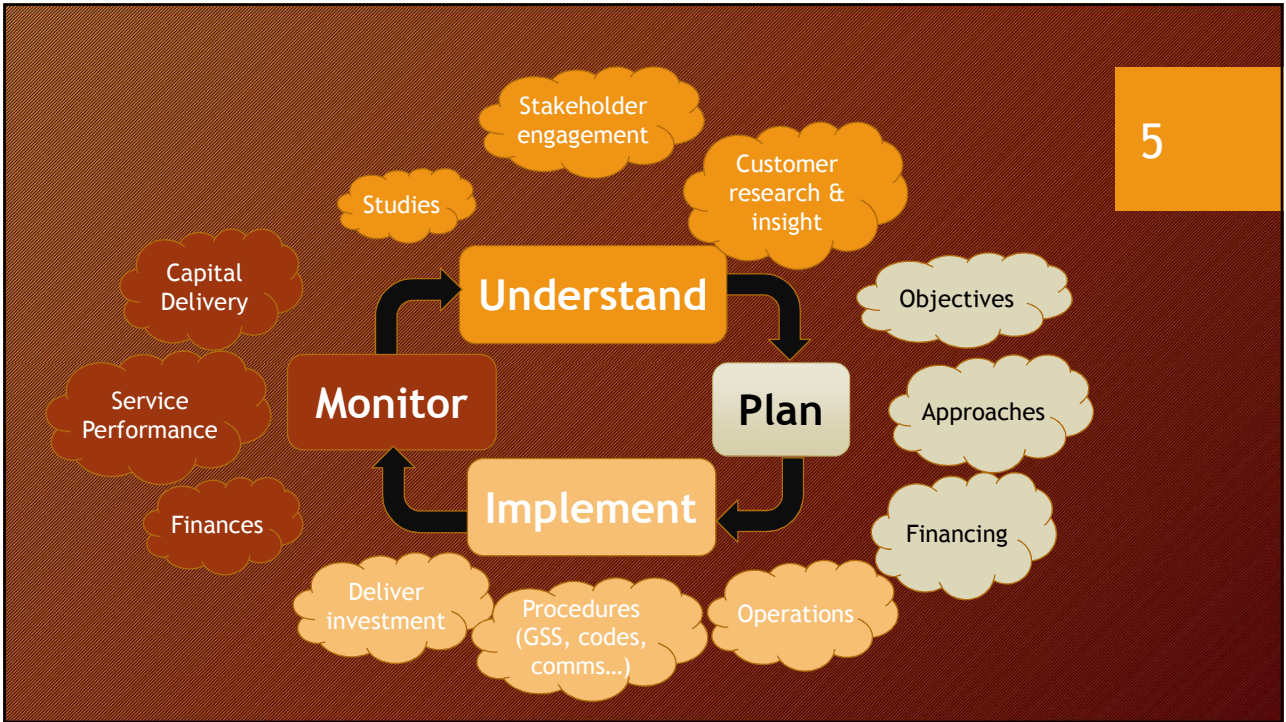
The Scottish Ministers, Scottish Water, WICS, DWQR and SEPA must have regard to any advice, information, proposal or representation made to them by [XXX]

WATERWATCH

Legislation empowers [XXX] to make any recommendations to Scottish Ministers, SW and industry regulators on any issue it regards as relevant to the interests of water customers in Scotland

CUSTOMER FORUM

The role of [XXX] is to (...) understand and present to the regulator and to Scottish Water the customers' priorities and to secure the most appropriate outcome for customers based on these priorities.



Contribution to good regulation

7

Effectiveness

Cost efficiency

Consistency & predictability

Accountability

Clarity of objectives and focus

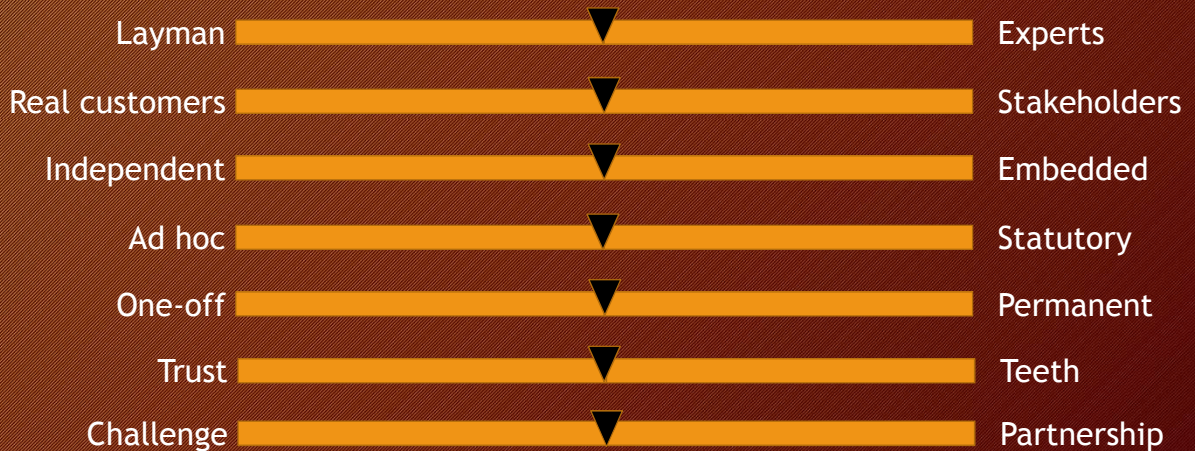
Innovation

Transparency

Adaptability and flexibility

Where does the Forum sit?

8



Appendix 2 Outline of the process

	SRC milestones	Key Forum's activities	Key Forum's outputs
Sept. 2011	The Forum starts its operations	<ul style="list-style-type: none"> - Building expertise - Gathering insight from research (assessing the messages elicited from various research activities, including their robustness and potential implications) - Visioning possible outcomes of the Forum's involvement in the SRC - Assessing Scottish Water's approach to engagement with the Forum (credibility, style, sharing of information) 	<p>Engagement Strategy Aug. 2012</p> <p>Response to RIU Consultation Sept 2012</p>
June 2012	Commissioning letter from the Scottish Government to WICS acknowledging the role of the Forum		
Oct. 2012	WICS's letter to SW and the Forum asking for an agreement on the business plan	<ul style="list-style-type: none"> - Conducting independent research - Probing and challenging Scottish Water's proposals presented in the SIRs - Finding early agreement on building blocks of the investment program / future service levels 	<p>Annual audit report Feb. 2013</p> <p>Feedback note on SIRs 1-4</p> <p>Response to SW '25 y. Strategic Projections' consultation</p>
May 2013	'Innovation an choice' – the 2015-2021 SRC methodology published by WICS		
30 Oct. 2013	SW's draft Business Plan published	<ul style="list-style-type: none"> - Forming positions on desirable improvements to the Business Plan - Preparing the negotiation with SW (outcomes, tactics and arguments) 	<p>Progress report to sponsors May 2013</p> <p>Feedback note on SIRs 5-8 July 2013</p>
13 Dec. 2013	Quintipartite meeting		
30 Jan. 2014	Minute of Agreement between the Forum and SW signed	Formal negotiation	<p>Internal note outlining success criteria for the Forum Aug. 2013</p> <p>Progress report to sponsors Sept. 2013</p>
March 2014	Draft determination published	<ul style="list-style-type: none"> - Finalising details of the agreement on the Business Plan - Providing input into the workstreams to be completed by SW following the Minute of Agreement - Keeping up with the developments in the water sector 	<p>Letter to SW outlining areas of engagement Dec 2013</p> <p>Formal letter to WICS outlining agreement with SW 30 Jan 2014</p>
April 2014	SW's final Business Plan published		
Nov. 2014	Final determination published		
Jan. 2015	Deadline for SW accepting determination		

Appendix 3 List of engagement activities

Meetings with sponsors and the Scottish Government

Reported on	Organisation	Participant	Position	Key topic
Jun-12	CFS	Trisha McAuley Water policy team	Deputy Director, Scotland /	Update on the Forum's activities and discussion of customer engagement strategy and research validation
Sep-12	CFS	Trisha McAuley	Scotland Director	Impact of CFS' transfer
Nov-11	SW	Douglas Millican	Finance Director	Initial contact and discussion of objectives/process
Mar-12	SW	Ronnie Mercer Richard Ackroyd Douglas Millican	Chairman CEO Finance director	Report on progress – general discussion
Aug-12	SW	Douglas Millican	Finance Director	Informal meeting
Nov-12	SW	Douglas Millican	Finance Director	Independent customer research conducted by the Forum
Feb-13	SW	Douglas Millican	CEO	Update and general discussion
May-13	SW	Fiona Templeton	Customer Experience Manager	AR and FB sharing independent research findings on WTP
May-13	SW	Douglas Millican	CEO	OPA/SIM
Jun-13	SW	Douglas Millican	CEO	Response to SW consultation on 25 years projections
Nov-13	SW	Douglas Millican	CEO	Launch of the Business Plan
Dec-13	SW	Douglas Millican	CEO	Update on the Forum's activities and direction of travel
Nov-11	WICS	Alan Sutherland	CEO	Key issues in the water industry
Mar-12	WICS	Alan Sutherland Katherine Russell Keith Harris	CEO Director of Corporate affairs Independent Assessor	Report on progress – general discussion
Sep-12	WICS	Alan Sutherland	CEO	Remit of the Forum and update on progress
Jan-13	WICS	Alan Sutherland Keith Harris	CEO Independent Assessor	Key variables in the price setting process and issues around OPA
Apr-13	WICS	Alan Sutherland	CEO	OPA
May-13	WICS	Gordon Hughes	Chairman	Update on Forum's activities
Nov-13	WICS	Alan Sutherland	CEO	Update and general discussion
Dec-13	WICS	Alan Sutherland	CEO	Update on the Forum's activities and direction of travel

Meetings with other stakeholders

Reported on	Participant names	Position	Organisation	Key topic
Nov-11	Alex Neil	Cabinet Secretary for ICI	Scottish Government	Role of the Forum
Feb-13	Jon Rathjen	Water Team leader	Scottish Government	Update on Forum' s activities
Dec-13	Jon Rathjen	Water Team leader	Scottish Government	Update on the Forum's activities and direction of travel
Jan-14	Nicola Sturgeon	Deputy First Minister	Scottish Government	Forum's involvement in the SRC process, importance of stable borrowing for stability of charges
Mar-12	Maureen Watt, MSP Steve Farrell	Convener of the ICI Committee Clerk of the ICI Committee	Scottish Parliament	Presentation of the Forum
May-12	Jim Hume MSP	Opposition spokesman, Libdem	Scottish Parliament	Presentation of the Forum
May-12	Alex Johnstone MSP	Opposition spokesman, Conservative	Scottish Parliament	Presentation of the Forum
May-12	Richard Baker MSP	Opposition spokesman, Labour	Scottish Parliament	Presentation of the Forum
Nov-12	John Hargreaves	Consultant	Indepen	Developments of the water sector in Scotland and role of the Forum
Jan-13	Sue Petch	Drinking Water Quality Regulator	DWQR	DWQR priorities, the Technical Expression and OPA
Feb-13	Rory Mair	CEO	COSLA	Key water issues for Local Authorities
Dec-13	Councillor Stephen Hagen	Spokesman for Development, Economy and Sustainability	COSLA	Key water issues for Local Authorities
Mar-13	Pr Littlechild	Consultant	Appointed by WICS	Interviews to support assessment of the Forum
Oct-13	Sue Petch	Drinking Water Quality Regulator	DWQR	Lead in water
Dec-13	Margaret Lynch	CEO	CAS	Transfer of CFS to CAS and implications for the Forum
Dec-13	Maureen Watt	Convener of the Infrastructure and Capital Investment Committee)	Scottish Parliament	Update on the Forum's activities

Formal reporting meetings

Date	Activity
November 2012	Meeting with sponsors (WICS, SW, CFS)) and the Scottish Government
February 2013	Meeting with WICS' Board
March 2013	Meeting with CFS' Board
June 2013	Meeting with sponsors (WICS, SW, CFS) and the Scottish Government
September-2013	Meeting with sponsors (WICS, SW, CFS) and the Scottish Government
January 2014	Meeting with CFS' Board
April 2014	Evidence to the Infrastructure and Capital Investment Committee of the Scottish Parliament

Communication and representation

Date / Reported in	Activity/Publication
June 2012	Article in Holyrood Magazine (http://goo.gl/mLDP74)
July 2012	Forum's Chair interview with Utility week (http://goo.gl/5mZSxv)
July 2012	Anglian Water's Global Water Challenge Conference
3 December 2012	Hydro Nation, Global Ambitions conference
7 February 2013	'Introducing the Customer Forum' – Parliamentary event held by Maureen Watt, MSP, Convener of the Infrastructure and Capital Investment Committee
April 2013	Dinner with SW Board
May 2013	Water industry dinner held by Shepherd and Wedderburn
9 October 2013	Water Scotland conference (Glasgow)
November 2013	Speech given by the Forum's Chair at a roundtable event on regulation jointly hosted by the David Hume Institute and the WICS.
November 2013	Roundtable hosted by Indepen and chaired by Jonson Cox about the future of SIM and role of customers in decision-making
December 2013	Forum's chair Interview with Utility week (http://goo.gl/qMXoP7)
March 2014	Forum's Chair interview with BBC Scotland Newsdrive
March 2014	Article in Scottish Policy Now (http://goo.gl/eRl6cQ)
April 2014	Article in Holyrood Magazine (http://goo.gl/1onFi4)
April 2014	Article in Utility Week (http://goo.gl/rFcSAf)
May 2014	Article in the Herald (http://goo.gl/sGE0Qi)
16 June 2014	Water Regulators from Europe Conference - Presentation given on the work of the Forum

Appendix 4 Overview of Forum meetings

The work of the Forum was articulated around monthly to bi-monthly working sessions, lasting from 4 to 6 hours typically, during which key issues and questions were collectively debated and decisions were made. These meetings required significant preparatory work by the members, who received relevant papers in advance of the meeting for review and analysis (eg. Scottish Water's briefings and plans, WICS' notes, research reports, industry news, etc...).

Attendance

Meeting #	Date	Members attending	Policy support	SW	CFS	WICS	Comment
#1	26/10/2011	7	Yes		Yes		
#2	29/11/2011	5	Yes	Yes			
#3	25/01/2012	8	Yes	Yes	Yes		Mary Goodman (FSB) resigns
#4	05/03/2012	8	Yes	Yes			
#5	25/04/2012	5	Yes	Yes			
#6	30/05/2012	7	Yes	Yes			
#7	27/06/2012	6	Yes	Yes	Yes		
#8	08/08/2012	5	Yes	Yes	Yes		
#9	17/09/2012	7		Yes	Yes		
#10	22/10/2012	6		Yes	Yes		
#11	12/11/2012	7		Yes			
#12	12/12/2012	6		Yes			
#13	21/01/2013	6		Yes		Yes	Fiona Ballantyne fills vacant position
#14	18/02/2013	8		Yes		Yes	
#15	18/03/2013	8		Yes		Yes	Iain McTaggart suspends participation
#16	22/04/2013	7		Yes	Yes	Yes	
#17	20/05/2013	8		Yes	Yes	Yes	
#18	17/06/2013	5	Yes	Yes	Yes	Yes	
#19	15/08/2013	7		Yes	Yes	Yes	
#20	16/09/2013	7	Yes	Yes	Yes	Yes	
#21	10/10/2013	7	Yes		Yes	Yes	
#22	14/11/2013	6	Yes		Yes	Yes	
#23	12/12/2013	6	Yes			Yes	
#24	16/01/2014	8			Yes	Yes	
#25	13/02/2014	9		Yes		Yes	Iain McTaggart resumes participation
#26	24/04/2014	6		Yes	Yes	Yes	
#27	23/06/2014	8		Yes	Yes	Yes	
#28	23/09/2014	7	Yes	Yes	Yes	Yes	
#29	17/11/2014	5	Yes	Yes	Yes	Yes	Jo Dow suspends participation
#30	6/02/2015	8	Yes	Yes	Yes	Yes	

Notes:

- WICS and CFS have been attending as observers. Scottish Water was in attendance for specific items of the agenda, for which it usually delivered presentations and took questions.
- Policy support was delivered successively by three different individuals.
- **The list does not include:** site visits, meetings held by the Engagement Committee, meetings held specifically on the topic of future monitoring indicators (including an internal workshop, a meeting with Scottish Water and three meetings of an ad-hoc working group).

Meeting agendas overview

Meeting	Date	Issues discussed	Attendance	Papers for discussion or information
#1	26/10/2011	<ul style="list-style-type: none"> • Introductions • Discussion of the Forum's purpose, objectives and aspirations • Discussion of the Forum's approach to research, engagement with stakeholder, and involvement in Scottish Water's 25 years vision 		SRC process
#2	29/11/2011	<ul style="list-style-type: none"> • Reflection on induction day and potential stakeholders to engage with • SW's presentation of the first phase of their research program 		Draft communication strategy of The Forum
#3	25/01/2012	<ul style="list-style-type: none"> • Discussion about SW's research program (methodology, scope and interpretation/use of findings) • Presentation of the Scottish Government on the SRC process and the Ministerial objectives for the new Price Review Period • Update on communication strategy 	Scottish Government (Rosemary Greenhill and Lucy Carmichael)	
#4	05/03/2012	<ul style="list-style-type: none"> • Resignation of Mary Goodman from FSB • Presentation from Accent on SW's research program • Plans for a site visit • Update on communication strategy 	Research contractor Accent (Rob Sheldon)	Forum's draft business plan
#5	25/04/2012	<ul style="list-style-type: none"> • Discussion of the stated preference survey conducted out by Accent (which some members had taken) • Discussion of SW's '25 years strategic projections' draft • Presentation by Accent and SW of views emerging from their customer engagement program • General discussion of the water industry with WICS's Chairman 	<ul style="list-style-type: none"> • Research contractor Accent (Rob Sheldon) • WICS' Chairman (Gordon Hughes) 	
#6	30/05/2012	<ul style="list-style-type: none"> • Discussion of '25 years strategic projections' with SW, in particular the issue of value for money and price profile for the future - consideration of detailed feedback to be prepared • Discussion of research program • Update on communication strategy 		
#7	27/06/2012	<ul style="list-style-type: none"> • Update on SW' research program (business customers, implementation of second phase) • Discussion of the commissioning letter sent to WICS by the Scottish Government acknowledging the role of the Forum • Discussion of the work needed for customer research validation, with agreement to seek input from CFS and the Independent Auditor • Information about affordability research conducted by CFS 		<ul style="list-style-type: none"> • Ofwat's paper on Customer Challenge Groups • WICS research on efficiencies (by Pr. Saal)
#8	08/08/2012	<ul style="list-style-type: none"> • Discussion around SW's focus groups and the value they added to research • Discussion of the Commissioning letter from the Scottish Government to WICS • Discussion of latest draft of 'SW's 25 years strategic projections' • Agreement on tender process required to carry out customer research 	Scottish Government	

Meeting	Date	Issues discussed	Attendance	Papers for discussion or information
#9	17/09/2012	<ul style="list-style-type: none"> Note of CFS' response to 'Investing in and Paying for your water services from 2015' Update from SW on 'Listening to our customers' (summary of the research program) and the format of the consultation on the '25 years strategic projections' Agreement that the Forum research would focus on value for money and willingness to pay Presentation of retail competition 	WICS (David Walters)	
#10	22/10/2012	<ul style="list-style-type: none"> Discussion of the letter sent by WICS asking the Forum and SW to seek agreement on the Business Plan Discussion with the Independent Assessor about SW's research assessment Discussion of SoR for independent consumer research on Willingness to Pay - discussion of the need for such research with SW Update and discussion with SW about the consultation on their 25 years strategic projections and about the customer engagement program (Phase 2) 	<ul style="list-style-type: none"> Independent assessor (Keith Harris) Research contractor Blue Marble (Emma Partridge) 	
#11	12/11/2012	<ul style="list-style-type: none"> SW's presentation of regulatory framework and Q&SIV Early Start Priorities Discussion of WICS's notes 1 to 4 with input from WICS' representatives 	<ul style="list-style-type: none"> Independent assessor (Keith Harris) WICS (John Simpson and Adam Ralston) 	<ul style="list-style-type: none"> Independent Assessor's report on Customer engagement programme WICS's notes 1 to 4
#12	12/12/2012	<ul style="list-style-type: none"> Update on procurement process for independent customer research Discussion of arrangements for producing formal response to SW' consultation on '25 years strategic projections' Presentation of customer priorities as elicited through the customer research program Presentation and discussion of the SIR on 'Drinking water Quality' Discussion of WICS' notes 5 to 8 Initial discussion of what success would look like for the Forum at the end of the SRC process 	WICS (John Simpson)	<ul style="list-style-type: none"> Letter from N. Sturgeon outlining possible extension of Price review period to 6 years Draft Annual report of the Forum to sponsors WICS' notes 5 to 8 'Drinking water Quality' SIR
#13	21/01/2013	<ul style="list-style-type: none"> Presentation of independent customer research methodology and discussion of / input in topic guide Presentation and discussion of SIRs on 'Improving the Water environment' and 'Meeting demand from new customers' Ongoing discussion of what success might look like 	<ul style="list-style-type: none"> Independent assessor (Keith Harris) Research contractor Mindspace (Jane Cameron & Clare Wade) Research contractor Blue Marble (Emma Partridge) 	<ul style="list-style-type: none"> Consultation on the Regulated Industry Unit (replacing CFS at 1/04/2014) 'Improving the Water environment' SIR 'Meeting demand from new customers' SIR
#14	18/02/2013	<ul style="list-style-type: none"> Meeting with WICS's Board to provide overview of the Forum's work and discuss common interests Presentation by DWQR of their investment priorities, progress on the Drinking Water Directive and overview of the Technical Expression Presentation of SIR 'Maintaining Base Service' Finalisation of response to SW consultation on '25 years strategic projections' 	DWQR (Phil Anderson and Sue Petch)	<ul style="list-style-type: none"> 'Maintaining Base Service' SIR
#15	18/03/2013	<ul style="list-style-type: none"> Discussion of the need for further understanding of options for future monitoring (OPA, SIM) Presentation on the research on economic trends in Scotland and the UK commissioned by the Forum from by John McLaren - Update on new inflation indicators (CPI, RPIJ and CPIH) Presentation of Interim findings from independent Customer research by Mindspace Discussion with SW on issues arising from WICs' notes Presentation by and discussion with SW of the 'Improving waste water services' SIR Discussion of response to RIU consultation 	<ul style="list-style-type: none"> Research contractor Pr. John Mc Laren (CPPR) Research contractor Blue Marble (Emma Partridge) 	<ul style="list-style-type: none"> Paper on regulation by Jonson Cox, Ofwat's chairman Briefing Paper on the economic climate in Scotland * (CPPR) 'Improving waste water services' SIR

Meeting	Date	Issues discussed	Attendance	Papers for discussion or information
#16	22/04/2013	<ul style="list-style-type: none"> • Discussion on the need, scope and arrangements for an away day focussing on OPA/future monitoring framework • Presentation of the research commissioned by the Forum on the impact of welfare reforms on households budgets • Discussion and analysis of the independent research on customers' willingness to pay • Presentation of the conclusions of SW's consultation on '25 years strategic projections' • Presentation and discussion of SW's 'Improving water Services' SIR 	Research contractors (Danny Phillips – Consultant; Keith Dryburgh – CAS; John Dickie -CPAG)	<ul style="list-style-type: none"> • 'Improving water Services' SIR • Research report on customer willingness to pay for water and wastewater services* (MindSpace / BlueMarble) • Briefing paper on the economic conditions of people in Scotland* (Danny Phillips Associate) • Key benefits change – summary paper* (CPAG) • Briefing paper on factors placing household incomes under pressure* (CAS)
#17	20/05/2013	<ul style="list-style-type: none"> • Presentation by Robert Leask on the public sector contract for water services (about 20% of the retail market) • Presentation of the findings of phase 2 of SW's customer engagement programme • Discussion of SW's proposals for OPA and a customer satisfaction indicator to be developed - agreement on setting up a dedicated working group • Presentation and discussion of 'Improving Customer experience' and 'Climate Change and Invest to Save' SIRs 	Procurement Scotland (Robert Leask)	<ul style="list-style-type: none"> • 'Improving Customer experience' SIR • 'Climate Change and Invest to Save' SIR
#18	17/06/2013	<ul style="list-style-type: none"> • Discussion of WICS' 'SRC 2015-2021 - Innovation and Choice' and implications on the role of the Forum • Presentation of 'Choices for Customer' by SW and initial feedback from the Forum on where they agree/ disagree with proposals, or where they may seek more or less priority for potential spending 		<ul style="list-style-type: none"> • WICS' 'SRC 2015-21: Innovation and Choice'
#19	15/08/2013	<ul style="list-style-type: none"> • Agreement on change in Forum's meeting format • Update on change in consumer landscape and policy • Presentation of SPSO's work • Agreement on setting up a dedicated working group to discuss monitoring arrangements ("3 pillars" framework) and discussion of its scope 	SPSO (Emma Gray)	WICS Notes 11 and 12
#20	16/09/2013	<ul style="list-style-type: none"> • Discussion of SW's early draft Business plan - initial feedback provided by the Forum • Presentation by WICS about SW's performances and benchmarking against English companies • Presentation by SEPA about their views on SW's performance, the joint work conducted with them and future investment/improvement priorities. • Discussion of customer's awareness and preferences regarding the role of SW on the environment 	<ul style="list-style-type: none"> • WICS (Alan Sutherland) • Independent Assessor (Keith Harris) 	
#21	10/10/2013	<ul style="list-style-type: none"> • Identification and discussion of key areas of engagement, that would form the basis of the negotiating brief 	Andrea Mancini (WICS)	
#22	14/11/2013	<ul style="list-style-type: none"> • Discussion of the move from RPI to CPI and the dynamics of Price Review in England, with possible implications on negotiations with SW • Update on OPA and the proposed monitoring framework for in the 2015-2021 period • Discussions of SW' Draft Business Plan, including key areas of engagement 	Freddy Pride	Updated briefing paper on the economic climate in Scotland* (CPPR)

Meeting	Date	Issues discussed	Attendance	Papers for discussion or information
#23	14/12/2013	<ul style="list-style-type: none"> Discussions of the implications of paper received describing the evolution of the economic climate and implications for the situation of households in Scotland Discussion of WICS's notes 15 to 20 Discussion of the financial model and potential headroom in terms of pricing, resulting in setting the desirable target to be included in the mandate of negotiation Presentation and discussion with the Innovation Panel 	<ul style="list-style-type: none"> WICS(Ian Tait) SW Innovation Panel (Jerry Bryan, Paul Fletcher, Martin Shouler) 	<ul style="list-style-type: none"> Draft letter to SW highlighting areas of engagement Updated Briefing paper on the economic conditions of people in Scotland* (Danny Phillips Associates) WICS's notes 15 to 20 CFS' detailed analysis of SW's Business Plan Working Group report on Scottish Water Performance Measures.
#24	16/01/2014	<ul style="list-style-type: none"> Feedback from Engagement Committee and discussion on emerging positions, resulting in a formal agreement by the Forum on the outcome of the negotiation 		<ul style="list-style-type: none"> Letter to the Water Industry Commission for Scotland Letter to Douglas Millican on draft Business Plan WICS Note 21 and 22 SW Paper: Improving water services and supply resilience
#25	13/02/2014	<ul style="list-style-type: none"> Reflection on the overall process, including an assessment of success and areas of improvements as well as the factors that underpinned the positive outcome Discussion of the work plan to be carried out as a result of the Minute of Agreement 		
#26	24/04/2014	<ul style="list-style-type: none"> Discussion of the process and work of the Forum with Pr. Littlechild Discussion of the Draft determination 	Pr. Littlechild	<ul style="list-style-type: none"> Article in Holyrood magazine discussing the Forum Draft determination
#27	23/06/2014	<ul style="list-style-type: none"> Presentation by Scottish Water on Innovation Presentation and discussion of progress in developing monitoring indicators (High-esteem test, Non HH CEM) 		
#28	23/09/2014	<ul style="list-style-type: none"> Presentation by SW: of the Intelligent Control Centre and 'Rant & Rave' system Presentation and discussion of work streams flowing from the Minute of Agreement: Price Promise and Guaranteed Service Standards, Customer Education, Care and Support program, Household CEM 	Research Consultant (Keith Harris)	
#29	17/11/2014	<ul style="list-style-type: none"> Presentation of key findings from legacy report workshops Update and discussion of the progress of the workstreams flowing from the Minute of Agreement (monitoring indicators, customer engagement program, Customer Education, Care and Support activities) 		

* Research papers commissioned by the Customer Forum

Appendix 5 Key outcomes achieved by the Forum

Investment

The influence of the Forum on Scottish Water's investment proposals has been iterative, and mostly qualitative in nature. Rigorous scrutiny and probing by the Forum has ensured that the investment plan for the 2015-2021 period:

- Is based on robust and transparent decision-making
- Reflects customers' preferences as elicited through research
- Represents the best possible value for money.

The Forum considered that some uncertainties remained with regard to the above criteria for investment in resilience and sought from Scottish Water a robust methodology and further evidence to assess the risks, costs and benefits of such investment. Scottish Water agreed to provide additional information to any future Forum so that it will be able to make appropriate judgment for the 2018 Investment Review.

Prices

The Forum secured four positive outcomes or customer in relation to customer prices:

- **Stability**, through a regular profile of annual increase throughout the period (the profile is guaranteed for the years 2015 to 2018 as a nominal price increase has been agreed; it is tentative for the years 2018-2021, with an agreement that consultation will occur at the time if required to explore all possible options to stick to this profile).
- **Greater focus on affordability** through linking charges with CPI (reflecting evolution of revenues and living standards) instead of RPI.
- **Value for money** with charges decreasing in real terms (CPI – 1.75%) over the 2015-2021 period)
- Acknowledgment by Scottish Water of its duty to care for **customers in vulnerable situations** not able to pay for their water bills

Performance monitoring

The Forum has negotiated a significant evolution of Scottish Water's monitoring framework:

- Development of innovative new indicators to reflect and drive up performances in terms of customer satisfaction:
 - Customer experience measure (household and non-household)
 - High esteem test
- Addition of new service activity measures
- Ambitious albeit achievable targets set for OPA and greater transparency about events excluded from the OPA calculation
- Greater accountability through an annual meeting allowing Scottish Water to report on and discuss its performances against these various indicators with any future Forum.

Customer engagement

The Forum and Scottish Water have recognised the value of deepening customer engagement and will implement additional measures to that end including:

- On-going, wide-ranging customer research activities
- More comprehensive customer education, care and support arrangements.

Appendix 6 Potential areas of future customer involvement

NB: The Minute of Agreement referred to in the table is the document capturing the modifications to Scottish Water's Business Plan that were agreed with the Forum following the negotiation phase of the SRC process (dated 30 January 2014).

Area	Rationale	Issues for consideration
<p>Customer research and engagement</p>	<p>The Cooperation Agreement that established the Forum provided that it should be deeply involved in research through:</p> <ul style="list-style-type: none"> • <i>'working with Scottish Water on a programme of quantitative and qualitative research to establish customers' priorities for service level improvement and expectations in terms of the level of charges;</i> • <i>understanding and representing to the Commission and to Scottish Water the priorities and preferences of customers (as a whole) in the SRC 2015-2020 process as identified through the customer research'.</i> <p>In fact, the Forum sought throughout its involvement in the SRC process to ensure that its positions were rooted in the findings of customer research and the legitimate interpretation that could be made of those findings. The Forum saw this link to research as essential to building a robust understanding of customers' preferences as well as to establishing its own legitimacy to negotiate on their behalf.</p> <p>The Forum's activities included careful scrutiny (and sometimes, challenge) of Scottish Water research findings as well as commissioning additional, independent research. There was a mutual understanding between the Forum and Scottish Water that this involvement was beneficial and should be built on in the future. As a result, the Minute of Agreement provided that <i>"Scottish water and the Customer Forum are committed to working together throughout the 2015-2021 period on deepening customer engagement. Each year as appropriate, a wider programme of research into customers with particular service requirements will be conducted. This work may encompass, for example, vulnerable customers, customers within particular areas, customer with particular service improvement needs, research to inform future customer driven priorities and long term issues such as lead pipe replacement, rural sewerage provision and private water supplies"</i>.</p> <p>Specifically, the activities of any future Forum with regard to research could include the following:</p> <ul style="list-style-type: none"> • Provision of input to Scottish Water about research scoping and approaches • Review and interpretation of existing research (by Scottish Water and other sources, eg. CFS, COSLA, business organisations, etc...) • Commissioning independent research where warranted to confirm others' findings, bring a new perspective or explore new areas of interest. 	<ul style="list-style-type: none"> • While any future Forum should have a significant role to play in informing and scrutinising Scottish Water's research, it should still leave the company 'own' its programme. • In relation with the above, the process for review and endorsement of Scottish Water's research findings by any future Forum needs to be clearly defined, to ensure an effective and efficient cooperation in this area. • Customer research findings will have to be considered along with other sources of evidence (eg. Technical studies) • It will be important to avoid any duplication between the research conducted by any future Form and others, in particular Scottish Water or CFS, through effectively managing cooperation in this area. • Any future Forum would need appropriate resources (budget and staff) to be able to commission and adequately manage its own research if warranted. • Research should be part of the collective expertise of any future Forum through the appointments of member(s) knowledgeable in this area.

Area	Rationale	Issues for consideration
Performance Monitoring	<p>The engagement between the Forum and Scottish Water resulted in ambitious service performance targets being set for the next price review period, including for new indicators reflective of customer satisfaction or priorities (customer experience measures, high-esteem test and other additional service measures under development).</p> <p>The role granted to customers, through the Forum, in developing these indicators and agreeing the associated targets could logically be extended to monitoring the progress achieved by Scottish Water in meeting its performance objectives. This would contribute to ensuring greater transparency and accountability of Scottish Water towards its customers.</p> <p>The Minute of Agreement provides that <i>'there will be an annual meeting between [them] specifically for the purpose of looking at levels of service and performance as represented by OPA, the CEM, the High Esteem test, wholesale KPIs - and the component part of each; and other agreed service measures under development. Following any such meeting the Customer Forum undertakes to write to Scottish Water identifying any issues it considers relevant to the question of service level and wider performance monitoring and Scottish water agrees to consider the issues raised'</i>.</p>	<ul style="list-style-type: none"> • A number of bodies are involved in monitoring Scottish Water's performance (the company's Board, the Output Monitoring Group, the regulators). The coordination / cooperation of any future Forum with these bodies will have to be carefully managed to avoid any duplication or confusion of roles. • Any future Forum will need independent technical insight to gain the necessary understanding of the reasons behind Scottish Water's potential under- or outperformance. • Potential actions that could be triggered by the outcome of the annual review meeting should be clearly identified to ensure that it is an 'actionable' process for both parties (eg. formal (public) endorsement of performance, revision of future targets, negotiation of an action plan for performance improvements, etc...)
Tramlines	<p>The SRC methodology has introduced the mechanism of the 'tramlines' to provide flexibility in adapting the regulatory contract should the financial projections for the period 2015-2021 not fully materialise. If Scottish Water's (current and forecast) financial strength reaches the upper or lower limit of the acceptable range defined by these tramlines, discussions should take place between Scottish Water, its customers as represented by any future Forum, the WICS, the Scottish Government (as owner of the company) and other relevant stakeholders, to define how outperformance should be allocated or underperformance compensated for.</p> <p>The details of how this new process will be practically implemented remain to be defined, however Scottish Water and the Forum have reached a mutual understanding, as reflected in the Minute of Agreement, that it should be a key area for engagement between the company and its customers in the future. Such engagement would directly follow on from the approach that was implemented during the SRC as it would focus on negotiating an appropriate balance between price and services, i.e. how outperformance (above a certain threshold) should be used to reduce charges and/or provide additional service improvements to customers.</p>	<ul style="list-style-type: none"> • Dedicated research will be required to better understand customers' preferences regarding the allocation of any financial outperformance or the actions required to remedy underperformance. Such research may have to be conducted within a short timeframe should any unexpected financial circumstances materialise. • The negotiation triggered by Scottish Water's sustained out- or underperformance will involve any future Forum as well as a number of other key stakeholders. The respective remit and influence on decision-making of all parties in these negotiations should be clearly defined to ensure the transparency and clarity of the process. Effective engagement between these parties should also be supported to facilitate consensus building.

Area	Rationale	Issues for consideration
2018 Investment Review (IR18)	<p>A number of proposals and corresponding provisions have been made in the Business Plan for the investments required for the period 2018-2021. The IR18 will allow Scottish Water to finalise the planning of these investments as well as to define those required for the three years beyond that. If there is any consensus on the need for, and benefits of, involving customers in the SRC process, then logic would have it that they should be involved in the IR18 as well to ensure that investment decisions continue to be informed by customers' views and preferences.</p> <p>The role of any future Forum in the IR18 would therefore entail the following:</p> <ul style="list-style-type: none"> • Understanding customers' preferences, willingness to pay and best interest with regard to the proposed (and potentially other) areas for investment ; • On the basis of this understanding, scrutinising, challenging and informing Scottish Water's investment proposals, as well as acting as a sounding board to the company to test and develop these proposals. • Ensuring that the level of charges required to finance the proposed investments is in line with customer's willingness to pay and represent the best value for money. <p>A number of potential investment areas requiring further consideration and engagement between Scottish Water and any future Forum have already been identified through the SRC process and in the Minute of Agreement, including <i>'lead pipe replacement pilots, private water supplies and sewerage provision to rural communities, acceleration of Water Framework Directive actions and reduction of the economic level of leakage'</i> as well as resilience (cf. below)</p>	<ul style="list-style-type: none"> • Dedicated research will be required to better understand customers' views and priorities regarding the necessary investment and service improvements to be considered in IR18. Research activities should be initiated in time for results to be available before the actual review starts. • Details of the process and timeline for the engagement phase should be developed and agreed with all relevant stakeholders, to ensure the greatest clarity and facilitate coordination.
Resilience	<p>Improving the resilience of water services has emerged as a key priority for water services in Scotland in the context of ageing infrastructure and climate change. However, very significant investments are needed to meet this objective while the benefits for customers are both long-term and largely intangible to most (as reducing the risk of service failure does not necessarily result in improving the quality of the service in itself). Therefore the Forum has sought a robust and transparent methodology to assess the risks, costs and benefits (including long-term and indirect) of the possible course of actions to improve resilience, to ensure that any proposed investment is in the best interest of customers and represents the best value for money. In addition, the Forum believes that a strong 'awareness and education' component should be included in the resilience strategy to ensure that customers can make informed choices when asked for priorities and preferences on this matter; and that they are ready to accept the consequences of their choices.</p> <p>Further engagement would help ensure that Scottish Water can benefit from customer insight to develop such a customer-focussed resilience strategy while, reciprocally, the Forum could be reassured that the strategy is robust and the proposed investments are warranted.</p> <p>In line with the above, the Minute of Agreement provided that <i>'Scottish Water and the Customer Forum agree that part of the assessment process to be undertaken by Scottish Water into the issues of resilience will include developing a risk assessment to facilitate discussion with customers and allow them to come to judgments about the scale of risk to assets and how it is assessed and the priority for addressing these risks'</i>.</p>	<ul style="list-style-type: none"> • Dedicated research will be required to better understand customers' willingness to pay for improving resilience or the acceptability of the risk of service failure. Given the potential complexity and the high stakes associated with this research, who should sponsor it and what approach(es) should be implemented are important questions that will require further consideration. • Any future Forum will need independent technical insight to gain a fine understanding of the risks, drivers and constraints associated with the various potential courses of action to improve resilience.

Appendix 7 List of Forum members

Peter Peacock	Chair	Peter is a former Minister in the Scottish Executive and MSP for the Highlands and Islands. Prior to this he was the political leader of Highland Council and has had a career spanning local government, the voluntary and private sectors. He has served as a member on a number of public and industry bodies including, for example, Scottish Natural Heritage and the Post Office Board for Scotland
Fiona Ballantyne	Member	<u>Appointed in January 2013</u> Fiona is a Fellow of the Chartered Institute of Marketing and an experienced Director in the fields of Marketing, Market Research and Business Development. Fiona was also a member of the Secretary of State for Scotland's Expert Panel on the Media in the lead up to the new Scottish Parliament
Johanna Dow	Member	Jo is the Finance Director of Business Stream and a Chartered Accountant. She previously worked in private practice, at Scottish Southern Electric and then at Scottish Water
Cowan Erwin	Member	Cowan is an honorary teaching fellow of Consumer Law at the University of Dundee Law School. Prior to this he was a senior lecturer at Dundee. He is also a former member of the Scottish Consumer Council, a former member of the Sheriff Court Rules Council and is qualified as a solicitor in Northern Ireland.
Mary Goodman	Member	<u>Resigned in March 2012</u> Mary was Senior Policy Adviser at the Federation of Small Businesses
Sarah Hendry	Member	Sarah is a lecturer in law specialising in water and environmental law at the HIP-HELP Centre for Water Law, Policy and Science at the University of Dundee.
Iain McTaggart	Member	<u>Suspended participation from March 2013 to February 2014</u> Iain is General Manager & Company Secretary at the Scottish Council for Development and Industry (SCDI).
Agnes Robson	Member	Agnes was previously Head of Corporate Services at the Scottish Executive. As well as being a volunteer she is also a Board Member of Citizens Advice Scotland, a member of the Scottish Health Council and a director of the RSNO.
Sue Walker	Member	Sue previously worked for an English water authority, a privatised water company and the Environment Agency. She has held non-executive positions as a Board Member of North of Scotland Water Authority, SEPA and as a Panel Member of Waterwatch Scotland.
Bob Wilson	Member	Bob is Managing Director of Anglian Water Business, water retailer for the East of England and a licensed provider in Scotland since 2008. He was formerly responsible for GEC businesses in the UK and Europe.

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- Mark Nolan – Project Coordinator (Full-time from October 2011 to August 2012)
- Donna Very - Project Coordinator (Part-time from September 2012 to February 2015)
- Rosemary Greenhill – Policy support (Part-time from June 2013 to December 2013)
- Nelly Maublanc – Policy support (Part-time from August 2014 to January 2015)