The Role of Customers in the Strategic Review of Charges Process in the Water Industry in Scotland

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Background

- Economic regulation was introduced to the Scottish water industry in 1999. Since 2002 water and wastewater services have been provided by a single publically owned company – Scottish Water.
- Between 1999 and 2010 features such as the collection of information, benchmarking of costs and service and monitoring proved effective in improving efficiency and generating a rapid improvement in Scottish Water’s performance
- During this time, customers benefitted from significant improvements to both prices and levels of service
The need for change

Despite these improvements, it became clear that there were a number of limitations to the existing approach:

• Scottish Water was accountable to the economic regulator rather than directly to its customers
• There was a lack of transparency in the way Scottish Water and WICS made key decisions
• The prescriptive approach prevented Scottish Water from fully owning its decisions and enabled the company to hide behind the decisions of others

In order to address these issues we sought to empower customers for the 2015-21 Strategic Review of Charges
Involving Customers

- Following extensive research, we decided to set up a new independent customer representative body to engage customers in decision making.
- The new Customer Forum was empowered to negotiate and reach agreement on areas of price setting by engaging directly with Scottish Water.
- The role of WICS was to facilitate the negotiation and provide objective information and assistance.
- We stated that we would accept any agreement reached provided it complied with objectives and parameters set by the Scottish Government and WICS.
The Customer Forum

• The Forum was set up as an independent entity consisting of a chair and eight representative members
• The Forum carried out the most comprehensive customer research ever undertaken in the Scottish water industry, which formed the basis of negotiations
• The negotiations resulted in significant positive changes to Scottish Water’s business plan that reflected customer priorities
• These included new customer service measures, price stability and increased investment in areas of customer priority
Implications for regulators

• The Scottish water regulatory experience might be relevant for other areas of regulation like electricity and gas in both the private and public sector
• The experience shows that empowering customers can deliver positive outcomes for customers and the environment where there is a willingness from the company and regulator
• It could be considered as a case study for ERRA members who are seeking to strengthen customer participation in regulatory decisions and increase transparency
THANK YOU FOR YOUR ATTENTION!

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