

Date: 1 March 2013

Our Ref: 130301 RIU Response

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REGULATED INDUSTRIES UNIT CONSULTATION RESPONSE

I am writing in response to Consumer Focus's consultation on the proposed work programme for the new Regulated Industries Unit (RIU).

As the economic regulator of the Scottish water industry, the Commission's role is to ensure that customers receive high-quality water and sewerage services that represent best value for money.

We recognise the important role that customer advocacy plays in influencing and shaping policy; Consumer Focus Scotland has played an invaluable role in this regard to date, and we hope that the RIU can continue to be successful in influencing policy for the benefit of customers in future.

It is generally acknowledged that, in order to be fully effective, customer advocacy bodies should operate independently from regulators and from the regulated industry. At the same time, it is also important that advocacy bodies and regulators work together where appropriate to ensure a co-ordinated approach to delivering successful, customer-centric solutions.

As such we would be keen to ensure that the proposed approach is consistent with the effective framework that is already in place for the water industry in Scotland. We also wish to ensure that the interests of Scottish water and sewerage customers do not become confused with those of other utilities or, ultimately, of other UK water customers.

Overlap with the Customer Forum in Scotland

As the consultation notes, the Customer Forum was recently established in Scotland with the joint support of Scottish Ministers, the Commission, Consumer Focus Scotland and Scottish Water. The Forum's role is to identify and understand customers' priorities and secure the

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most appropriate outcome for the generality of customers through the negotiation of a price settlement with Scottish Water.

In establishing the Customer Forum, very careful consideration was given to the interface with Consumer Focus Scotland to ensure that there would be clear roles and to avoid any scope for conflict. It will be essential that the successful working relationship that has been established between the Customer Forum and Consumer Focus continues following the transfer of duties to the RIU.

In our view as part of this process, the RIU's workplan should require the RIU to adopt the current cooperation agreement that exists between Scottish Water, Consumer Focus Scotland and the Commission. Any uncertainty could cause confusion and could undermine the stability of the price review process.

Timing

It is envisaged that the transfer of the RIU to Citizens Advice will take place in October 2014. 2014 is a key point in the Strategic Review process; it is the point at which the Government finalises its Objectives in the light of our draft determination. We will publish our final determination in November 2014.

The input that is provided by the RIU to the Strategic Review process should take account of the timescale and methodology that is already in place and has been agreed with all stakeholders, including the Scottish Government, Scottish Water and the Customer Forum.

Yours sincerely



Alan D A Sutherland
Chief Executive
Water Industry Commission for Scotland