

Scottish Water's draft business plan: Additional priorities for customers

Scottish Water published its draft business plan on 30 October 2013. This note is one of a series that the Commission is publishing to provide an objective assessment of the plan and to facilitate discussions between the Customer Forum, Scottish Water and other relevant stakeholders.

The Commission is aware that Scottish Water and the Customer Forum have been in regular and detailed discussion over many months. In drafting these notes the Commission has been briefed by the Customer Forum on its emerging thinking having seen the draft business plan as it was being developed. As such the notes contain advice on areas that the Customer Forum has identified as being important to it.

The notes highlight the strengths of the business plan and areas where the Customer Forum may wish to focus its discussions with the company. Although each note focuses on specific areas of the plan that are material to customers, final decisions should be taken 'in the round', reflecting the overall package of price and service levels agreed between the Customer Forum and Scottish Water.

Introduction

This note presents the Commission's view of some of the additional priorities that the Customer Forum may wish to consider for inclusion in Scottish Water's business plan for the period 2015-21, in discussion with the environmental regulator (SEPA), the drinking water quality regulator (DWQR) and the Scottish Government. Any additional priorities that are proposed would have to be included in the Scottish Ministers' final investment objectives.

Overview of business plan proposals

Scottish Water's business plan is based on delivering the draft objectives for customers, the environment and public health that the Scottish Government has issued¹.

We are aware that, in their ongoing discussions with Scottish Water, the Customer Forum and other stakeholders have identified potential scope for additional priorities to be included within the investment objectives. This note summarises some areas that it may be worthwhile considering further. The Customer Forum may identify other priorities as the dialogue continues.

Potential additional priorities

Priorities linked to further level of service improvements

In Customer Forum note 19 we noted the importance of some of the Customer Forum's thoughts about the long-term level of service that customers in Scotland will receive. In our view, Scottish Water's draft business plan could have gone further in this area. As such, the Customer Forum may

¹ See 'Investing in and Paying for Your Water Services from 2015', Annex D, issued by the Scottish Government in June 2012.

wish to consider how its additional priorities may contribute to a more resilient, more innovative and more sustainable water industry in Scotland. It may also wish to consider how rural communities in particular can be most sustainably served.

It will be important to allow for the relevant studies or trials to be carried out so that appropriate target dates are set for delivery of any new service levels. However, it is equally important that, while agreeing a grand vision for the industry with Scottish Water and the Scottish Government, small steps are taken towards these desired improvements.

For example, the lead pilot projects discussed below may be a first step towards a lead-free water network. Pilot projects in the delivery of services to rural areas may substantially improve the quality of life for these communities.

Private water supplies and sewerage provision to rural communities

In response to the Ministers' rural communities objective², the Scottish Government is taking forward work to consider how best to address issues in private water supplies and rural sewerage provision. Scottish Water's draft business plan does not currently include any provision for work arising from these studies.

The Customer Forum may wish to discuss with Scottish Water, the DWQR and the Scottish Government whether customers are content to see schools, hospitals and some reasonably large populations being served by private water supplies. It may be prudent to consider how such areas may be sustainably and safely supplied. This may be best achieved by financing some pilot projects during the 2015-21 period. These pilot projects could inform the future approach to making sure that private water supplies meet appropriate standards.

The Customer Forum may also wish to discuss with Scottish Water, SEPA and the Scottish Government the approach to rural sewerage services. We are aware that SEPA has recently written to the Scottish Government identifying six villages with public nuisance or environmental impact caused by the cumulative effect of private sewage discharges. A pilot project approach, similar to that being discussed for water, may also be appropriate for waste water services.

The Commission considers that given the high marginal cost of extending public service provision, the economic interests of customers are best served by encouraging innovative approaches that work with local communities. The Customer Forum may wish to consider whether this is a priority that should be included and, if so, how it is best tackled.

Lead pipe replacement pilot projects

At present around 4% of customers' water supply pipes and the associated 'communication' pipes³ to properties are made of lead. Although there are potential operating cost savings and possible environmental and long-term health benefits from removing these pipes, there is significant uncertainty around the costs and benefits of replacing them entirely.

² As set out in section 1.3 of the Draft Objectives for the period 1 April 2015 – 31 March 2027 (See Appendix 3 of Scottish Water's October 2013 draft business plan).

³ The 'communication' pipe is the section of pipe that connects the water main to the edge of the customer's property and is Scottish Water's responsibility. The water 'supply' pipe provides the remainder of the connection from the edge of the property to the main valve inside the property and is the customer's responsibility.

The Customer Forum may therefore wish to explore with Scottish Water and the DWQR whether it would be beneficial to carry out pilot projects in areas where Scottish Water already has to intervene to ensure compliance with water quality standards. Such pilot projects would improve our understanding of what should be done and the associated costs.

As highlighted in our note on levels of service, it may be appropriate to begin the process of agreeing a date by which Scottish Water's network would be lead free.

Further improvements in water and waste water supply resilience

Scottish Water's draft business plan outlines its proposals in this area. There appears to be little doubt that this is an important area for customers. The Customer Forum may wish to consider whether more progress on reducing the number of properties with low water pressure or at risk of sewer flooding should be considered.

Addressing household water service pipe issues

At present, it is the responsibility of property owners throughout the UK to manage water supply pipes on their property; as a result, some insurance companies are offering expensive cover to property owners.

Defra is currently consulting on the management of water supply pipes south of the border. While we do not know at this time what the outcome of the consultation might be, there may be merit in considering cost-effective mechanisms by which Scottish Water could take additional responsibility for maintaining and/or repairing supply pipes on behalf of customers.

The Customer Forum may wish to explore whether a pilot scheme may be appropriate to allow a better understanding of costs, customer acceptance and the practical considerations of addressing supply pipe issues. In doing so, it should be recognised that supply pipe repairs often involve disruption to people's driveways or gardens. In other words, drives would have patches, gardens would simply be returned to earth or turf, and plants and rockeries etc would not be replaced.

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