

Scottish Environment

LINK

The voice of Scotland's environment movement

Scottish Environment LINK is the forum for Scotland's voluntary environment organisations representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society.

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LINK's Freshwater Taskforce response to the consultation by the Water Industry Commission

The WIC's approach to the 2010 – 14 price review

Introduction

The Freshwater Taskforce of the Scottish Environment LINK welcomes the consultations on the approach of the Water Industry Commission to the forthcoming price review. We particularly welcome the commitment to make this process more open and accessible to Scottish Water customers and other stakeholders. However, we are concerned that this task has been undertaken by the WIC alone and without any prior input or involvement from Waterwatch. We strongly recommend that the WIC considers the role of Waterwatch in this process, and ensures that there are no overlaps in the remit of either organisation.

From our experience, further emphasis is needed on action to ensure cross-sectoral involvement in the management of the water services in Scotland. Scottish Water, its customers, other government departments and interested parties need to become actively involved in the decision making process for the investment programmes. We believe that it is unacceptable for the customers of Scottish Water to be paying for the cleanup of pollution caused by other activities outwith their direct control, such as agriculture. It costs customers millions of pounds each year to clean up pollution caused by other sectors in order to achieve standards, for example, for drinking water quality. Scottish Water, SEPA and departments of the Scottish Executive need to work together to address these issues through the implementation and processes of the Water Framework Directive. For example, much of the Phosphorus pollution in the aquatic environment comes from the run-off from agricultural land and the use of P-containing detergents. In the light of the WFD it is becoming clear that a better regulation of the polluting sectors is needed to address such problems. This would include the introduction of effective and enforceable means of controlling rural land use activities with the aim to minimise nutrient run-off from farms, and a ban on the production and the use of P-containing detergents.

A response by the Freshwater Taskforce of the Scottish Environment LINK, March 2007

In order to keep our water environment healthy, we need reliable and sustainable water services, which are valued by Scottish Water customers. We believe that in order to achieve sustainable use of water resources, particularly in the presence of climate change, the Scottish Executive must recognise that:

- **The water is not only an economic resource, but an environmental asset**
- **Water pricing must ensure sustainable use, not only efficient use**
- **The cost recovery must include the costs of damage to the environment**

Water pricing is a powerful tool to bring about more sustainable water use, and help to clean up our environment.

Freshwater Taskforce comments to specific sections/questions in the consultation document:

The proposed overall approach

We welcome the commitment to make this an open and transparent process. We are especially keen to see that this process learns from the experience of the Quality and Standards III process. As one of the stakeholders who responded to the Quality and Standards III consultations, **we are disappointed that our organisations were not contacted during this review. In fact, the exclusion of environmental non-government organisations seems to be a regular occurrence. Therefore we ask again for the opportunity to have more effective engagement in both the price and objective setting processes.**

Whilst we welcome the proposed approach, we are concerned that the requirements of the WFD in relation to charging are not specifically mentioned in the overall guiding principles. Any proposed changes should also ensure better alignment of Scottish pricing policies with the requirements of the Water Framework Directive, and in the long-term contribute to the more efficient use of water.

Water Framework Directive

WFD is a powerful tool to ensure sustainable and efficient use of water resources.

It specifically requires the use of economic instruments and incorporation of the polluter pays principles in the recovery of costs for water services. Article 9 of the WFD states that:

Article 9, section 1: *'Member States shall take account of the principle of recovery of the costs of water services, including environmental and resource costs, and in accordance with the polluter pays principle.*

Member States shall ensure that by 2010:

- *that water-pricing policies provide adequate incentives for users to use water resources efficiently, and thereby contribute to the environmental objectives of this Directive*
- *an adequate contribution has to be made by the different water users, including industry, household and agriculture'.*

The water industry in Scotland plays an important role in contributing towards meeting the WFD objective. One of the aspects of WFD implementation is the Programme of measures, which requires the introduction of cost-effective solutions to water pollution problems. The current framework for the regulation of water industry favours tried and tested solutions with highly predictable outcomes, and provides little incentive for innovation or to encourage holistic approach to addressing such problems. **We believe that the current approach to the regulation of**

Scottish Water needs to change to allow for, and encourage innovative and sustainable solutions to water management problems.

Promoting efficient water use

Tap water is a precious resource, which takes energy, chemicals and money to produce. How we use water at home, work and in our garden affects the health of our water environment. Encouraging water efficiency has its place in Scotland, and could save customers money. Whilst Scotland has a plentiful water supply, climate change could make water scarcer in certain parts of Scotland. Increasing water efficiency and promoting a more sustainable approach to water use is a low cost and low risk option for dealing with climate change impacts.

The Water Framework Directive has far reaching consequences for pricing policies in Scotland and these should be explored. The WFD provides a unique opportunity to introduce a strategic approach to water management in Scotland, address pollution at its source, minimise impacts of activities affecting the water environment, and protect and enhance the environment and biodiversity. The WFD, if properly implemented, will result in a greatly improved environment, and sustainable, cost-effective water management, as well as a more sustainable water industry. However, this will require Scottish Water, Ministers and the WIC to make a more positive contribution to the implementation process, identifying and promoting more sustainable and longer term solutions than have been in the past and throughout the Quality and Standards III consultation process.

From this perspective, it is very surprising that the consultation document does not recognise the role of the WFD in setting pricing policies.

Encouraging customers and other stakeholders to get involved

We agree with the overall approach, but would like to see recognition that Waterwatch has a key role to play in engaging customers in the price review and providing relevant information. As we mentioned above, we would like to see more engagement with the environmental non-government sector, which not only has a wealth of experience in water related issues but also a creditable record of constructive engagement.

We further welcome the commitment to issue documents in non-technical summaries. In order to ensure effective consultation and public engagement, all relevant information has to be provided in an easy to understand format and be widely available. The format of consultations, such as WIC's Draft Determination needs to be simplified and a non-technical summary provided to enable effective engagement in the process.

The issues the review will cover

We are disappointed that wider environmental issues do not feature on the current list. The forthcoming price review will be greatly affected by issues such as sustainability, climate change and the implementation of the WFD. These important issues need to be addressed in the forthcoming price review. This will also help to improve the public's understanding of these important issues and explain how they affect/relate to the price review process and water/sewerage services provided by Scottish Water.

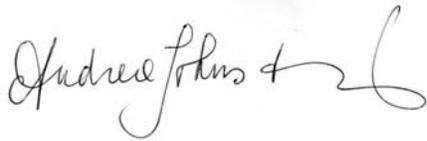
We find that the current list of issues only addresses the economic/regulatory point of view – and not the wider issues that the customer may be interested in. We believe that the decisions about topics for the review would be better done in consultation with Waterwatch, which has a range of relevant experience when dealing with SW customers, as well as good knowledge of their needs and demands.

A response by the Freshwater Taskforce of the Scottish Environment LINK, March 2007

A staged approach

We greatly welcome an early start to setting guiding principles for both the public and stakeholder involvement. The list of events and activities given in the consultation is very detailed and covers each major aspect of the price review process, which is particularly welcome.

We hope you find this response useful. Should you require any further information, please do not hesitate to contact me. In the meantime, we are looking forward to our future engagement in the price review process.



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