

31 May 2022



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Dear Alan

Thank you for your letter of the 10<sup>th</sup> May setting out your expectations for the Information Request and a request for us to set out a timeline for completing the tables by the 31<sup>st</sup> May.

Firstly, I would like to pass on my thanks to Colin and David for their engagement over the past few weeks; their time has helped us better understand the need for the information request and discuss the individual tables.

We plan to submit tables and supporting commentary to you on the 31<sup>st</sup> August 2022. Ahead of the Tables being submitted we are asking Peter Martin and his team at Binnies to audit the data and, following this, the submission will be considered by the Scottish Water Audit and Risk Committee that meets on the 30<sup>th</sup> August 2022.

One of the real benefits of the SR21 regulatory approach has been the move away from a fixed technical expression to an agreed approach to prioritising investment on a rolling basis throughout the period. Whilst we held some of the information requested in previous regulatory periods, it is important to highlight that several of the requested tables will only be partially completed as the information requested in them has not yet been generated and will only be generated as decisions are made during the 21-27 period.

These gaps cover three main areas – future forecasts of performance measures beyond 2022/23, outputs on investment projects and project specific information on non-live projects. We are still to review the financial information tables with your team. I can confirm after the session on the 8<sup>th</sup> June any other areas where the requested information has not yet been generated.

For each area where we are not yet able to provide the requested information, we will set out clearly in the commentary why this information is not yet available and when it will be generated. In large part, the way in which Scottish Water is making decisions in this regulatory period, and the timing of them, is far more dynamic than previously and does not fit easily with the nature of the detailed information requested for the full regulatory period. Clearly, all this information will be generated and become available in due course; this is simply a matter of timing.

For example, with respect to future forecasts of performance measures, the approach we're adopting for the 2021-27 period draws from our experience in 2015-21. In the 2015-21 period, the Board agreed performance targets each year for our customer experience measures, drawing on the experience of what we had achieved in previous years and the stretch that would be appropriate for the forthcoming year. This allowed a more dynamic and inclusive

approach to be adopted than OPA where targets were set at the start of the period for six years.

In light of this, in the 2021-27 period, the Board will set every February the target performance zone for each key performance measure for the forthcoming year. The target zone for the forthcoming year will reflect achievement to date, the circumstances impacting that achievement, and the improvement stretch that may be feasible for the next year.

On the areas of outputs, whilst the quality regulators no longer sign off outputs it has been recognised at the Delivery Assurance Group that visibility and reporting of outputs would be beneficial. The Task and Finish Group has reviewed and discussed a draft set of set outputs for projects on the Committed List. We are planning to have these in place for December 2022 but given the importance of these to the Information Request, we will accelerate this such that we can return the outputs table for named projects on the Committed List by August. This approach will provide information on a much broader set of outputs than in previous regulatory periods as it will now include outputs associated with planned asset refurbishment and replacement as well as areas of enhancement.

Providing this information for August will require significant manual input as our portfolio management software (P3M) needs updated to align to the new output structure. However, we will work with our digital partners to aim to provide improved functionality by December. This will enable us to provide the information on potential outputs for named projects as they are being developed – ahead of going on the Committed list.

For the final area of non-live investment, we hold information at a management approach level on provisional investment allocation and for several of these management approaches there are named sites or locations that could be used in the return; however that would not reflect the basis on which we're making decisions in this period, which is at the point of projects being confirmed and added to the 'committed list'. The majority of investment allocations are based on bottom-up forecasts of demand which are confirmed by for example inspection programmes, investigation or studies. We will look to explore a number of our management approaches with your team over the coming week to see what information can be meaningfully and appropriately used to support the information request.

We will update your team on progress and continue to explore alternative information sources to meet your information need ahead of the submission date in August. I will also provide an update at our regular liaison meetings.

Yours sincerely



**Simon Parsons**  
Director of Strategic Customer Service Planning