

CO-OPERATION AGREEMENT

among

THE WATER INDUSTRY COMMISSION FOR SCOTLAND, a body corporate established under section 1 of the Water Industry (Scotland) Act 2002 (the "2002 Act") and having its principal office at First Floor, Moray House, Forthside Way, Stirling FK8 1QZ (the "Commission")

SCOTTISH WATER, a body corporate established under section 20 of the 2002 Act and having its head office at 6 Castle Drive, Dunfermline, Fife KY11 8GG ("Scottish Water"); and

CITIZENS ADVICE SCOTLAND the operating name of the Scottish Association of Citizens Advice Bureaux, a company limited by guarantee and a registered charity, and designated as a consumer advocacy body under section 1 of the Consumers, Estate Agents and Redress Act 2007 having its principal office at Spectrum House, 2 Powderhall Road, Edinburgh EH7 4GB ("CAS"), including its internal Consumer Futures Unit ("CFU") and any reference to CAS shall include its CFU and vice versa.

CO-OPERATION AGREEMENT

among

THE WATER INDUSTRY COMMISSION FOR SCOTLAND, a body corporate established under section 1 of the Water Industry (Scotland) Act 2002 (the "2002 Act") and having its principal office at First Floor, Moray House, Forthside Way, Stirling FK8 1QZ (the "Commission")

SCOTTISH WATER, a body corporate established under section 20 of the 2002 Act and having its head office at 6 Castle Drive, Dunfermline, Fife KY11 8GG ("Scottish Water"); and

CITIZENS ADVICE SCOTLAND, the operating name of the Scottish Association of Citizens Advice Bureaux, a company limited by guarantee and a registered charity, and designated as a consumer advocacy body under section 1 of the Consumers, Estate Agents and Redress Act 2007 having its principal office at Spectrum House, 2 Powderhall Road, Edinburgh EH7 4GB ("CAS"), including its internal Consumer Futures Unit ("CFU") and any reference to CAS shall include its CFU and vice versa.

Whereas

- (1) The Commission has the function under Part 3 of the 2002 Act of determining maximum amounts of charges for services provided by Scottish Water by such time and in respect of such period (the "Review Period") as the Scottish Ministers may specify (the process by which the Commission discharges this function being known as the "Strategic Review of Charges" or "SRC").
- (2) The Commission is required to exercise this function for the purpose of ensuring that (a) Scottish Water's income from charges, taken together with certain other resources, is not less than sufficient to meet the expenditure it requires for the effective exercise of its core functions (which is taken to be the case where Scottish Water makes such use of its resources that it achieves the objectives set for it by the Scottish Ministers (the "Ministerial Objectives") at the lowest reasonable overall cost); and (b) so far as is consistent with (a), any charges scheme made by Scottish Water gives effect to the statement of policy regarding charges issued by the Scottish Ministers in respect of the Review Period (the "Statement of Policy").
- (3) The Scottish Ministers must, before setting the Ministerial Objectives or issuing the Statement of Policy, consult CAS. The Commission must, before determining maximum amounts of charges, invite representations on a draft of its determination from the Scottish Ministers, Scottish Water and CAS.
- (4) The CFU performs an important role in inputting to the Scottish Government's "Quality and Standards" exercise which informs the setting of the Ministerial Objectives and will be conducting research (and coordinating with Scottish Water) in that context (such research being known as the "CFU Research").
- (5) A customer forum was established further to a previous co-operation agreement between the Commission, Scottish Water and the National Consumer Council and supported the representation of customer views in the development of the Strategic Review of Charges in respect of the 2015 - 2021 Review Period (the "SRC 2015-21").
- (6) The Commission is expecting to receive a letter from the Scottish Ministers requesting it to undertake a Strategic Review of Charges in respect of the 2021 - 2027 Review Period (the "SRC 2021-27") and to build upon the successful involvement of customers throughout the SRC 2015-21.
- (7) The Parties have held a series of discussions in light of the anticipated request from the Minister and have concluded, building on the lessons from the previous customer forum and having regard to the requirements of the 2002 Act, that they should establish a second customer forum to play a formal role in facilitating effective customer engagement and acting as a conduit for customer views in the context of the SRC 2021-27 (the "Forum").

- (8) The Commission proposes, in an iterative and progressively more focused process, to issue to the Forum a series of decisions (the "Commission Decisions") as to the range of issues and range of costs relevant to the determination of lowest reasonable overall cost and establishing a framework within which the customer engagement described above should take place.
- (9) The Parties envisage that the Forum will seek to agree with Scottish Water a business plan for delivery by Scottish Water in 2021-27 which is fully consistent with the Ministerial Objectives, the Statement of Policy and the Commission Decisions (a business plan agreed on such a basis being known as an "Agreed Business Plan").
- (10) The Commission is minded (subject to the provisions of this Agreement) that the draft determination made by it in respect of the 2021 - 2027 Review Period should reflect fully and completely the terms of a draft business plan agreed by the Forum and Scottish Water which would (if adopted) amount to an Agreed Business Plan (a "Draft Agreed Business Plan").
- (11) Assuming that the draft determination made by the Commission is made in the circumstances contemplated above, the Parties envisage that, following the receipt of representations on the draft determination, the Forum and Scottish Water will review the Draft Agreed Business Plan in light of such further Commission Decision(s) issued to the Forum in light of those representations.
- (12) The Commission is minded (subject to the provisions of this Agreement) that the final determination made by it in respect of the 2021 - 2027 Review Period should reflect fully and completely the terms of a business plan agreed by the Forum and Scottish Water in light of the review mentioned above and amounting to an Agreed Business Plan.

Now it is agreed as follows

1. Definitions and interpretation

- 1.1 Words and expressions defined in the 2002 Act shall, unless otherwise provided, have the same meaning when used in this Agreement.
- 1.2 The capitalised words and expressions shown in column 1 below shall have the meaning shown in column 2 below.

Column 1	Column 2
Agreed Business Plan	has the meaning ascribed to it by recital (9) of the preamble to this Agreement.
Business Plan Agreement Committee or Committee	has the meaning ascribed to it by clause 4.1 of this Agreement.
CFU Research	has the meaning ascribed to it by recital (4) of the preamble to this Agreement.
Commission Decisions	has the meaning ascribed to it by recital (8) of the preamble to this Agreement (and "Commission Decision" shall be construed accordingly); a non-exhaustive list of proposed Commission Decisions is set out in part 1 of the Schedule to this Agreement.
Draft Agreed Business Plan	has the meaning ascribed to it by recital (10) of the preamble to this Agreement.
Financial Year	a financial year of the Commission.
Forum	has the meaning ascribed to it by recital (7) of the preamble to this Agreement.

Ministerial Objectives	has the meaning ascribed to it by recital (2) of the preamble to this Agreement.
Parties	the Commission, Scottish Water and CAS.
Review Period	has the meaning ascribed to it by recital (1) of the preamble to this Agreement.
Statement of Policy	has the meaning ascribed to it by recital (2) of the preamble to this Agreement.
Strategic Review of Charges or SRC	has the meaning ascribed to it by recital (1) of the preamble to this Agreement.
SRC 2015-21	has the meaning ascribed to it by recital (5) of the preamble to this Agreement.
SRC 2021-27	has the meaning ascribed to it by recital (6) of the preamble to this Agreement.
SRC 2021-27 Completion Date	means the date which is the later of (i) expiry of the period during which Scottish Water may request the Commission to make a reference to the Competition and Markets Authority in respect of the determination made by it at the conclusion of the SRC 2021-27 process; and (ii) in the event that such a request is made, the date upon which the Competition and Markets Authority reports to the Commission on the reference made by it.
SRC Research Programme	has the meaning ascribed to it by clause 2.1.1 of this Agreement.

2. Aims and principles

- 2.1 Subject to the remaining provisions of this clause 2, the purpose of the Forum is to play a key role in the SRC 2021-27 process by:
- 2.1.1 working with Scottish Water (subject to clause 6.1) on a programme of high quality, behavioural, quantitative and qualitative research within the context of the SRC to establish customers' priorities for service level improvement and expectations in terms of the level of charges (the "SRC Research Programme");
 - 2.1.2 ensuring that the SRC Research Programme includes a meaningful level of engagement from communities (in both a geographic sense and in the sense of persons sharing particular interests);
 - 2.1.3 understanding and representing to the Commission and to Scottish Water the priorities and preferences of customers (as a whole) in the SRC 2021-27 process as identified through the SRC Research Programme; and
 - 2.1.4 seeking to secure, through its participation in the SRC 2021-27 process, the most appropriate outcome for customers (as a whole, both now and into the future) based on those priorities and preferences, in particular by seeking to establish an Agreed Business Plan;
- in a manner consistent with the provisions of this Agreement.
- 2.2 Scottish Water, the Forum and CAS will put in place operational arrangements to ensure effective co-ordination of their research programmes in the context of the SRC 2021-27 process.
- 2.3 Following such consultation with Scottish Water, CAS and the Scottish Ministers as it considers appropriate, the Commission shall provide the Forum with a letter (which may be amended or supplemented from time to time), such letter (as amended or supplemented) being referred to as the "Commissioning Letter") dealing with (i) the process and timescale envisaged in relation to the SRC 2021-27, (ii) the arrangements to be made for dialogue between the Commission and the Forum in the context of the SRC 2021-27 and (iii) the steps to be taken by the Commission in assessing whether a business plan (or Draft Agreed

Business plan (if adopted)) would represent an Agreed Business Plan and the Forum will perform its role in line with that Commissioning Letter.

- 2.4 The Forum may undertake such activities as it considers (having regard to the need to keep within its agreed budget) to be necessary or desirable in order to perform its role under this agreement and shall, where appropriate, consult with Scottish Water and the industry quality regulators, SEPA and DWQR, as to such matters as:

2.4.1 in the context of the SRC 2015-21, what Scottish Water has done to deliver the business plan agreed between the previous customer forum and Scottish Water; and

2.4.2 in the context of the SRC 2021-27, how Scottish Water has decided what needs to be done in order to meet the Ministerial Objectives and the associated costs of this activity and also to any customer priorities and preferences for expenditure beyond that which is required to meet those objectives (and any associated cost challenge); and

the Forum may request information from the Commission for the purposes of such activities and may provide comments to the Commission on information received.

- 2.5 The members of the Forum will be accountable to the Parties for ensuring that they act at all times in a manner consistent with the aims and principles set out above and otherwise in accordance with this Agreement.

- 2.6 The Parties undertake to do all such things as may be necessary or desirable for the purpose of giving effect to this Agreement and shall cooperate in good faith with each other and with the representatives of the Forum with a view to securing the aims and principles set out above.

3. Constitution and governance

- 3.1 The Forum is not intended to be constituted as a separate legal entity and will consist of a panel of nine Ordinary Members and a Chair each of whom will be appointed jointly by the Parties.

- 3.2 The procedure and terms governing the appointment of members is set out in Part 2 of the Schedule. The members of the Forum will be selected in line with appropriate recruitment provisions and with due consideration to the principles of diversity and equality of opportunity, as outlined at Part 2 of the Schedule

- 3.3 The members of the Forum will be required to act within the terms of clause 2. The Forum will have discretion as to how to frame the discussions between the Business Plan Agreement Committee, as outlined at clause 4 below, and Scottish Water but with reference to the views and opinions obtained from the public generally in consumer research. It is not expected to be involved in policy decisions nor is it intended to be a voice for the community generally in relation to matters outwith the purpose outlined in clause 2. The Parties will ensure that all members are fully aware of the time commitments required of Forum membership.

- 3.4 While respecting the Forum's independence:

3.4.1 the Forum will provide quarterly reports (i) to the Parties on its activities over the relevant period and (ii) to the Commission and the CFU on its current view on progress towards the agreement of an Agreed Business Plan within the timescale envisaged by the Commissioning Letter;

3.4.2 there will be an annual meeting between the Forum, CAS and the Commission; and

3.4.3 the Commission and the CFU will also meet the Chair and (if appointed) Vice Chair of the Forum every six months.

- 3.5 The accountable body for the Forum is the Commission. The operational activities of the Forum must be consistent with the governance and remit of the Commission as the accountable body. This will not detract from the Forum's independent role with regard to the SRC 2021-27 process. In particular, the Forum will not have power to acquire or lease any property, borrow any sums, engage any employee or enter into any legally binding contracts or other arrangements, or undertake any other operational activity that is not consistent with the Commission's administrative policies or procedures. The Forum will provide quarterly reports on expenditure to the Commission.

- 3.6 Resources will be provided to the Forum by the Parties, as set out in clause 5.
- 3.7 If, notwithstanding the research programme described at clause 2.1.1 above, the Forum determines that additional research is required, the Forum may carry out such additional research and the costs of such research shall (unless otherwise agreed by the Parties) be paid from, and within the parameters of, the previously agreed Forum Budget.
- 3.8 No member of the Forum shall incur any third party expenses without having a prior, written delegation from the Chair. All such approved third party expenses shall be subject to the Commission's finance and procurement rules and reimbursed from the Forum Budget administered by the Commission. No member of the Forum shall be entitled to be reimbursed any third party expenses which have not had the prior approval of the Chair or which would exceed the balance of funds within the Forum Budget.

4. Business Plan Agreement Committee

- 4.1 The Forum will form a committee of its members to undertake the role of engaging directly with Scottish Water as regards the establishment of an Agreed Business Plan (the "Business Plan Agreement Committee" or "Committee"). The Committee will be established and will operate in accordance with the provisions of Part 3 of the Schedule.
- 4.2 After considering and discussing the customer research and the scope of the matters set out in clause 3 and the Commissioning Letter, together with the Commission Decisions, the Forum will provide the Committee with an initial remit for the engagement with Scottish Water. The Forum may amend or expand the remit at any time. In addition, the Forum may give specific directions to the Committee, which must be included in the package agreed with Scottish Water.
- 4.3 If the Committee agrees a position with Scottish Water, which is within the remit given to the Committee by the Forum, then the Forum will automatically approve the agreed position.
- 4.4 If the Committee is unable to agree a position that falls within the remit given to it by the Forum, it must go back to the Forum for approval. If the Forum agrees a position then the Committee must adopt that position in its discussions with Scottish Water.
- 4.5 If agreement is reached with Scottish Water, the Forum and Scottish Water will prepare a joint report to the Commission setting out the agreed terms.
- 4.6 If agreement cannot be reached with Scottish Water, the Forum and Scottish Water will endeavour to submit a joint report to the Commission setting out the points in issue and reasons for the disagreement, failing which the Forum and Scottish Water shall be required to submit separate reports to the Commission setting out their view of the points in issue and the reasons for disagreement.

5. Resources

- 5.1 The Parties agree that they shall meet the financial liabilities of the Forum and provide additional resources to the Forum as follows:
- 5.1.1 The Commission shall provide the Forum with:
- (i) a budget of £250,000 for Financial Year 2017-18, £250,000 for Financial Year 2018-19, £375,000 for Financial Year 2019-20 and £250,000 for Financial Year 2020-21 to meet the expenses of the Forum (the "Forum Budget") to allocated and paid out of the Commission's agreed annual levy, provided that the Commission and Forum may (without increasing the aggregate amount payable) agree on a different annual budget profile to that set out above; and
 - (ii) technical assistance, upon request by the Forum, including any resources necessary to analyse information provided by Scottish Water.
- 5.1.2 The Commission shall:
- (i) provide the Forum with payroll and other banking and accounting functions (including, without limitation, the preparation of monthly management accounts and audited annual accounts);
 - (ii) ensure that such Forum Budget is managed in accordance with the principles of regularity, propriety and value for money observed by the Commission in respect of its own affairs;

- (iii) provide corporate services support in terms of facilities management, information technology (IT), human resources (HR) and senior management;
- (iv) act as a contracting entity for any external resources that the Forum may have to engage such as consultancy services and customer research; and
- (v) provide office accommodation, access to meeting room facilities and general administrative support services.

5.1.3 Scottish Water shall:

- (i) provide the Forum with access to all existing and ongoing customer research required for the purpose described at clause 2.1 above;
and both Scottish Water and CAS shall provide the Forum with:
- (ii) technical assistance upon request by the Forum; and
- (iii) meeting rooms on request by the Forum, at no additional cost to the Forum.

- 5.2 For the avoidance of doubt, direct costs incurred by the Forum shall be covered by the Forum Budget and will include staff costs, programme costs and running costs.
- 5.3 On termination of this Agreement and the disbanding of the Forum, the balance of the Forum Budget remaining after payment of all liabilities properly incurred by the Forum, if any, shall be retained by the Commission.
- 5.4 Other than the Forum Budget to be contributed annually by the Commission, the Parties shall have no obligation to contribute to the costs or liabilities of the Forum. The liability of the Parties to the members of the Forum shall be limited to the funds representing the balance of the Forum Budget held by the Commission.

6. OECD peer review and advisory input

- 6.1 The Parties agree that (i) there shall be an independent review by the OECD of the activities of the Forum and (ii) the OECD shall also provide the Forum and the Parties with advisory input on the behavioural research to be carried out pursuant to clause 2.1.1 and shall co-operate with the Commission to specify such further details of that review and input as may be required.
- 6.2 The Parties note that, in order to provide sufficient funds within the Forum Budget needed to cover the activities described above, the Commission may reduce repayments which would otherwise have been made to Scottish Water in respect of annual levy income.

7. Review of terms

- 7.1 The Parties agree to review the terms of this Agreement as soon as practicable following the SRC 2021-27 Completion Date. In addition, the Parties agree to review this Agreement in good time before any Party for any reason ceases to exist in order to ensure the continued operation of the Forum.

8. Termination and transfer

- 8.1 Subject to clauses 8.2 and 8.3, the Forum shall remain in place for at least such period as is required to facilitate effective customer engagement in the context of the SRC 2021-27 process and to complete any further role assigned to it by the Parties under this agreement. Thereafter the Parties may disband the Forum and may terminate this Agreement, other than clauses 2.6, 5.2, 5.3, 13, 14 and 15 which shall survive such termination.
- 8.2 The Parties shall co-operate to ensure that the activities of the Forum are effectively wound down. This shall include, but not be limited to, ensuring that all information, analysis and any records generated or held by the Forum are retained and accessible to the Parties and that any reviews of the work of the Forum can be completed effectively.
- 8.3 In the event a statutory body is established which is considered suitable for the purpose of assuming the functions of the Forum under this Agreement, the Parties shall co-operate to ensure the orderly transfer of those functions to that body, the winding down of the Forum and the termination of this Agreement.

9. Announcements

- 9.1 Save as otherwise set out in this Agreement, no announcement, circular, advertisement or other publicity in connection with this Agreement, its subject matter or any ancillary matter shall be made or issued by or on behalf of any Party (save as required by law or any governmental or regulatory organisation) without the prior written consent of the other Parties (such consent not to be unreasonably withheld or delayed).

10. Notices

- 10.1 Any notice, demand or communication in connection with this Agreement shall be in writing and delivered personally or sent by pre-paid first class post (or airmail if overseas) or by fax to the recipient's address as set out at the beginning of this Agreement or to any other address which the recipient has notified in writing to the sender not less than 7 days before the notice is despatched.
- 10.2 The notice, demand or communication is deemed given:
- 10.2.1 if delivered personally, at the time of delivery to the address provided for in this Agreement; or
- 10.2.2 if sent by pre-paid first class post, on the second business day after posting it; or provided that, if it is delivered personally or sent by fax on a day which is not a business day or after 4pm on any business day, it shall instead be deemed to have been given or made on the next business day.

11. Entire agreement

- 11.1 This Agreement and the documents referred to in it, constitute the entire agreement between the Parties and supersede and replace any previous agreement, understanding, undertaking or arrangement of any nature between the Parties relating to the subject matter of this Agreement, save that nothing in this Agreement shall limit or exclude any liability for fraud.

12. Variation

- 12.1 Subject to clause 12.2, this Agreement may only be varied by an agreement in writing signed by or on behalf of each party to this Agreement.
- 12.2 If a Party ceases to exist the consent of that Party shall not be required for any variation of this Agreement.

13. Legal effect

- 13.1 Nothing contained in this Agreement, and no action taken by the Parties pursuant to this Agreement, shall be deemed to constitute a relationship between the Parties of partnership, joint venture, principal and agent or employer and employee. None of the Parties has, nor may it represent that it has, any authority to act or make any commitments on the other Parties' behalf or otherwise bind the other Parties in any way.
- 13.2 Nothing in this Agreement shall be construed as limiting or restricting the ability of any of the Parties to exercise any powers or functions conferred on it by or under any enactment, or to perform any duty (including a duty to exercise discretion) imposed on it in relation to any such power or function.

14. Governing law

- 14.1 The formation, existence, construction, performance, validity and all aspects whatsoever of this Agreement or any term of it (including non-contractual disputes or claims) shall be governed by the laws of Scotland.

15. Dispute resolution

- 15.1 In the event of any dispute arising out of or in relation to this Agreement, each of the Parties shall use all reasonable endeavours to consult and negotiate with each other, in good faith and, recognising their mutual interests, attempt to reach a settlement of the dispute to the satisfaction of all Parties. Within 7 days of a dispute arising the Parties shall convene a

meeting between persons nominated by each Party (the "Appointed Persons") to attempt to resolve the dispute.

- 15.2 If the Appointed Persons agree upon a resolution of the dispute, they shall sign a statement setting out the terms of the resolution and the Parties shall use procure that the resolution is fully and promptly carried out.

IN WITNESS WHEREOF these presents consisting of this and the 7 preceding pages and the Schedule consisting of 3 parts have been subscribed as follows:

EXECUTED for and on behalf of **THE WATER INDUSTRY COMMISSION FOR SCOTLAND**

at... STIRLING

on... 17 March 2017

by... ALAN SUTHERLAND

its authorised signatory in the presence of this witness:

.....
Authorised signatory

Witness.....

Full name.....

Address.....

.....

EXECUTED for and on behalf of **SCOTTISH WATER**

at... DUNFERMLINE

on... 9 MARCH 2017

by... DOUGLAS MILLICAN

its authorised signatory in the presence of this witness:

.....
Authorised signatory

Witness.....

Full name.....

Address.....

.....

EXECUTED for and on behalf of **CITIZENS ADVICE SCOTLAND**

at... Edinburgh

on... 14 March 2017

by... ANNE LAVERY

its authorised signatory in the presence of this witness:

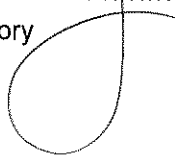
.....
Authorised signatory

Witness.....

Full name.....

Address.....

.....



This is the Schedule, consisting of three parts, referred to in the foregoing Co-operation Agreement among The Water Industry Commission for Scotland, Scottish Water and Citizens Advice Scotland.

SCHEDULE

Part 1

Non-exhaustive list of proposed Commission Decisions

The following table sets out the proposed Commission Decisions to be issued by the Commission which, together with such other Commission Decisions as the Commission may issue from time to time, will inform the discussions between the Customer Forum and Scottish Water in establishing an Agreed Business Plan.

When	Description
May 2017	<p>The Commission issues Decision Paper 1</p> <p>This paper would cover:</p> <p>Initial views on the inflation, interest rates and other macro-economic assumptions.</p> <p>Initial views on the customer base and growth assumptions.</p> <p>Initial views on the initial range for the investment requirements to meet growth.</p>
July 2017	<p>The Commission issues Decision Paper 2</p> <p>This paper would cover:</p> <p>Initial views on operating expenditure.</p> <p>Initial levels of service ranges.</p> <p>Initial views on resilience and its investment implications.</p>
Oct 2017	<p>The Commission issues Decision Paper 3</p> <p>This paper would cover:</p> <p>Initial views on operating efficiency.</p> <p>Initial views on capital efficiency.</p> <p>Our initial approach to encourage innovation.</p>
Dec 2017	<p>The Commission issues Decision Paper 4</p> <p>This paper would cover:</p> <p>Initial views on financial strategy.</p> <p>Initial views on the capital enhancement ranges.</p> <p>Initial views on the capital maintenance ranges.</p> <p>Initial views on evolving the financial tramlines.</p>
End December 2017	<p>The Commission has published its initial decisions on the key regulatory parameters which constitute the lowest reasonable overall cost of meeting ministerial objectives.</p>
June 2018	<p>The Commission issues Decision Paper 5</p> <p>This paper would take account of SW's 25 year strategic projections and any new information and would cover:</p> <p>Revised inflation, interest rates and other macro-economic assumptions.</p> <p>Revised customer base and growth assumptions.</p> <p>Revised ranges for the investment requirements to meet growth.</p>

Aug 2018	<p>The Commission issues Decision Paper 6</p> <p>This paper would take account of SW's 25 year strategic projections and any new information and would cover:</p> <ul style="list-style-type: none"> Revised ranges on operating expenditure. Revised levels of service ranges. Revised views on resilience and its investment implications.
Oct 2018	<p>The Commission issues Decision Paper 7</p> <p>This paper would take account of SW's 25 year strategic projections and any new information and would cover:</p> <ul style="list-style-type: none"> Updated views on financial strategy. Revised views on the capital enhancement ranges. Revised views on the capital maintenance ranges.
Dec 2018	<p>The Commission issues Decision Paper 8</p> <p>This paper would take account of SW's 25 year strategic projections and any new information and would cover:</p> <ul style="list-style-type: none"> Revised views on operating efficiency. Revised views on capital efficiency. Revised approach to encouraging innovation.
End Dec 2018	<p>The Commission has published its revised decisions on the key regulatory parameters which constitute the lowest reasonable overall cost of meeting ministerial objectives.</p>
July 2019	<p>The Commission issues Decision Paper 9</p> <p>This final paper takes account of information set out in SW's draft business plan for 2021-27 and sets out the Commission's final decisions on all the above key regulatory parameters.</p>

SCHEDULE
Part 2
Constitution of Forum

1. Appointment of Chair and members

- 1.1 Subject to paragraph 1.12 below, members will be appointed jointly by Scottish Water, the Commission and CFU, but on the basis of the following nominations procedure:
- 1.1.1 Scottish Water, CFU and the Commission shall jointly nominate an independent Chair;
 - 1.1.2 the Chair, in consultation with CFU and the Commission, shall nominate as Ordinary Members up to three persons who previously served on the customer forum established for the SRC 2015-21 (whether as a result of nomination by water services providers and/or sewerage services providers (the "Retailers") (a "Previous Retailer Member") or otherwise (a "Previous Other Member"));
 - 1.1.3 CFU shall seek nominations for such number of other Ordinary Members (as shall equal six minus the number of Previous Other Members nominated under paragraph 1.1.2) through posts publicly advertised through an appropriately open recruitment procedure (and CFU shall arrange for the Chair to participate in the interviews conducted as part of that procedure), and
 - 1.1.4 the Commission shall seek nominations for such number of other Ordinary Members nominated by the Retailers through an appropriately open recruitment procedure as shall equal three minus the number of Previous Retailer Members nominated under paragraph 1.1.2.
- 1.2 The persons nominated shall be appointed by the Parties, and there shall be no ability for any Party to veto the appointment of any person so nominated provided that such persons fulfil the criteria set out at paragraph 1.4 below. The Members shall hold office in their personal capacities and not as a representative of the person(s) who nominated them or any other person or body.
- 1.3 In developing any recruitment procedure, the Parties shall ensure that such process gives due consideration to the principles of diversity and equality of opportunity.
- 1.4 The Chair and Members must satisfy the following criteria:
- 1.4.1 they must not hold a political office or be standing as a political candidate for election at any level;
 - 1.4.2 they must not have any criminal convictions;
 - 1.4.3 they must not have been disqualified from acting as a director;
 - 1.4.4 they must be prepared to engage constructively in the process outlined in clause 2 of the Agreement in a personal capacity without representing any political, local, community or specific interests; and
 - 1.4.5 they must not be an employee of, or have any commercial relationship with, Scottish Water, CAS or the Commission (and must have disclosed in writing to the other members of the Forum any former such role performed during the previous five years).
- 1.5 The Chair shall also be the Chair of the Business Plan Agreement Committee.
- 1.6 The Chair shall appoint a Vice Chair from the other members of the Forum. The Chair may determine what role(s) should be performed by the Vice Chair, but the Chair may not delegate to the Vice Chair any function expressly allocated to the Chair by this Agreement.
- 1.7 If a Chair is appointed who is already an existing Ordinary Member, they shall vacate that existing position and the entity, which originally nominated him to be an Ordinary Member pursuant to paragraph 1.4 above shall be entitled to nominate someone else in his place as an Ordinary Member.
- 1.8 The Ordinary Members and the Chair shall be appointed for such period as is required to complete the roles assigned to the Forum under this Agreement.
- 1.9 The Chair may conduct an annual appraisal of each of the other Members' performance in respect of their Forum duties and may share the results of those appraisals with the Parties.

- 1.10 Notwithstanding paragraph 1.4 above:
- 1.10.1 the appointment of the Chair and each Ordinary Member will automatically terminate:
- (i) if the Agreement is terminated; or
 - (ii) if a separate legal entity is established to take on the role of the Forum;
- 1.10.2 the appointment of the Chair may be terminated by a unanimous decision of the Parties on the grounds of:
- (i) misconduct;
 - (ii) being incapable over a period of twelve weeks or more of discharging their responsibilities and duties as Chair due to illness or other cause;
 - (iii) insolvency; or
 - (iv) failure to fulfil the criteria set out in paragraph 1.4 above;
- and Scottish Water, CFU and the Commission shall jointly nominate another Chair in his or her place;
- 1.10.3 the appointment of an Ordinary Member nominated by the CFU may be terminated at the discretion of the Commission and CFU on the recommendation of the Chair on the grounds of:
- (i) misconduct;
 - (ii) being incapable over a period of four weeks or more of discharging their responsibilities and duties as an Ordinary Member and/or member of the Business Plan Agreement Committee (as the case may be) due to illness or other cause;
 - (iii) insolvency; or
 - (iv) failure to fulfil the criteria set out in paragraph 1.4 above;
- and CFU shall be entitled to nominate another Ordinary Member in their place; and
- 1.10.4 the appointment of an Ordinary Member (other than one nominated by the CFU) may be terminated at the discretion of the Commission on the recommendation of the Chair on the grounds of:
- (i) misconduct;
 - (ii) being incapable over a period of four weeks or more of discharging their responsibilities and duties as an Ordinary Member and/or member of the Business Plan Agreement Committee (as the case may be) due to illness or other cause;
 - (iii) insolvency; or
 - (iv) failure to fulfil the criteria set out in paragraph 1.4 above;
- and the party responsible for the original nomination of the Ordinary Member concerned shall be entitled to nominate another Ordinary Member in their place.
- 1.11 If the Chair resigns a new Chair will be appointed pursuant to paragraph 1.1.1 and paragraph 1.4 above.
- 1.12 If an Ordinary Member resigns a new Member will be appointed by the entity which originally nominated the person to be an Ordinary Member (or, in the case of the resignation of an Ordinary Member nominated by the Chairman, by the CFU) pursuant to paragraph 1.1.3 or 1.1.4 (as the case may be) and 1.4 above.

2. Remuneration

- 2.1 The Chair shall:
- 2.1.1 be paid an annual sum calculated on the basis of a commitment of up to 100 days per Financial Year at an daily rate equal to that payable from time to time to the Chair of the Commission minus ten percent; and
- 2.1.2 be entitled to reimbursement of properly incurred expenses in line with the Commission's travel and expenses policy (or any policy that the Commission

creates for this purpose) upon submission of the relevant receipts to the Commission.

- 2.2 Ordinary Members that are not employees of, board members of, or otherwise related to, or engaged by CAS, or the Retailers shall:
- 2.2.1 be paid an annual sum calculated on the basis of a commitment of up to 50 days per Financial Year at a daily rate equal to that payable from time to time to a member of the Commission minus ten percent; and
- 2.2.2 be entitled to reimbursement of properly incurred expenses, which have been approved in advance by the Chair, in line with the Commission travel and expenses policy upon submission of the relevant receipts to the Commission.

3. Meetings

- 3.1 The Forum shall be entitled to decide how to regulate its affairs, including participating in meetings by telephone or video conference, but will be required to meet in person not less than once every quarter.
- 3.2 On request, CFU, Scottish Water and/or the Commission will make available an appropriate meeting room for the Forum meetings.
- 3.3 Unless otherwise agreed by all members of the Forum all members must be given not less than 14 days' notice of any meeting and the notice must include details of the business to be discussed at that meeting.
- 3.4 All members of the Forum will be entitled to receive copies of the minutes of each meeting and the papers tabled at each meeting.
- 3.5 Any matter which could be determined at a meeting of the Forum, may be validly determined if approval of the matter is given in writing (including by email or other form of electronic communication) by the percentage of members that would have been required to approve the matter had it been determined at a meeting.
- 3.6 Members of the Forum will be required to keep any information which they obtain or receive as a result of their participation in the Forum and (save as provided for in paragraphs 3.7 and 3.8) the content of all minutes and all such other papers together with the terms of the remit given to the Business Plan Agreement Committee and the discussions leading to the agreement of that remit, confidential and will not be entitled to pass any such information to the person who appointed them without prior approval of the Chair. A breach of this restriction will entitle the defaulter to be removed from the Forum.
- 3.7 Subject to paragraph 3.8, the Chair will ensure that copies of all minutes and any associated papers shall be delivered to each of the Parties to enable them to be published on their respective websites not later than 3 months after the date of such minutes.
- 3.8 The obligation to deliver copies of minutes and associated papers within three months of the date of the relevant minutes shall not apply during the period in which the Business Plan Agreement Committee is in active engagement with Scottish Water and all minutes and papers relating to that period shall instead be delivered to the Parties as soon as reasonably practicable after the SRC 2021-27 Completion Date.

4. Quorum

The quorum for meetings of the Forum shall be six (unless fewer than six members have been appointed in which case all of the members shall be required for a quorum) and must, include the Chair or Vice Chair and one member nominated by the Retailers, provided that if at any meeting a quorum is not present it will be adjourned to the same time and place 7 days later, and if at the adjourned meeting a quorum is still not present it will be adjourned again to the same time and place 7 days later at which time those members in attendance will constitute a quorum.

5. Voting

- 5.1 Members will have one vote each at Forum meetings.
- 5.2 Decisions of the Forum will require the approval of at least 60% of the Forum members present at the meeting.

SCHEDULE**Part 3****Business Plan Agreement Committee**

1. The Committee will consist of no less than three nor more than five members, each of whom must be a Forum member, one of whom must be the Chair, one of whom must have been appointed from the publicly advertised posts pursuant to paragraph 1.1.3 of Part 2 of the Schedule and one of whom (a "Retailer Nominee") must have been nominated by the Retailers pursuant to paragraph 1.1.4 of Part 2 of the Schedule (provided that the foregoing requirement for the inclusion of a Retailer Nominee on the Committee shall not apply if no Retailer Nominee is willing to perform such role).
2. The initial member of the Committee shall be such person as is appointed as the initial Chair of the Forum and the Chair shall select the remaining members.
3. The members of the Committee (other than the Chair) may be changed at any time by the Forum in accordance with the procedures in paragraph 2 above on the Chair giving not less than one month's written notice of the proposed changes to Scottish Water (or such lesser period as Scottish Water may agree from time to time).
4. Any member of the Committee who ceases to be a member of the Forum for any reason shall automatically cease to be a member of the Engagement Committee.
5. Decisions of the Committee will require unanimity, with each member of the Committee having one vote.