

Putting customers at the centre of the price review process: overview of responses

Background

In July 2009 we published a short document, 'Putting customers at the centre of the price review process'. This outlined our initial proposals about how we might further encourage customer participation in decision-making at future price reviews. We are developing our thinking in this area as part of our future planning for the next review, when we will set charges for the period beyond 2015.

The document outlined our overall approach to customer engagement, along with our views about how we might overcome existing barriers to participation. We outlined the actions that we felt we could take to encourage wider participation, including working closely with others.

The document was intended as an informal way to gauge responses at an early stage. We also welcomed expressions of interest from stakeholders who wanted to contribute in any way to our work in this area.

Overview of responses

We received a number of responses to our document, and would like to take this opportunity to thank those who contributed. Responses included several expressions of interest from stakeholders. A list of respondents is set out overleaf.

Respondents generally welcomed the principle of encouraging greater customer involvement. Specific comments made by respondents included the following:

Form of customer involvement

- There needs to be greater clarity on the form of customer engagement that we are seeking to introduce. The objectives from increased customer involvement should be clearer, as this would have a bearing on which measures to increase customer involvement are most appropriate.
- Engagement could involve a quadripartite-type forum involving customer representatives, the quality regulators and Scottish Water.

The role of the regulator

- The boundary between customer participation and regulatory decision making should be clear.
- Although greater involvement of customers could improve decision making, we would still be required to distill and balance the views we receive.

Provision and transparency of information

- The proposals for more customer involvement in the price review rely on the availability of clear information. In order to streamline the provision of information we will need to define rules in the process at an early stage.



- We should set out key assumptions and comparators, and encourage Scottish Water to engage with its customers, at an early stage in the price review process.
- We could consider requiring Scottish Water to submit a business plan that is supported by its customers, followed by a transparent process that shows any changes that are made subsequently.

The length of the regulatory control period as a constraint on investment planning

- Longer term planning horizons would help overcome the current constraint on strategic planning that is caused by the length of the regulatory control period.
- The proposal to allow Scottish Water to invest in projects over a period longer than the regulatory control period would allow better planning of resources, both within Scottish Water as well as their contractors, and this could generate savings.

Other comments

- Customers need to have a good understanding of regulation of the Scottish water industry if they are to be more involved in the price review process.
- There is a cost to consumers, as well as potential benefits, from increasing customer involvement.

Next steps

We will take account of the responses as we continue to develop our proposals on customer engagement in the price review process.

We have also been discussing this issue with stakeholders, including Scottish Water, the Scottish Government, customer bodies and other regulators. Once we have finalised our proposals we will publish more information on our approach.

Our customer engagement work forms part of a wider project we are undertaking to develop and simplify the price setting process, and we plan to publish further consultation documents concerning other areas over the coming months.

Respondents

We received responses and expressions of interest from the following organisations:

- BOC Gases
- Professor Catherine Waddams, University of East Anglia
- The Consumer Council for Water (CCWater)
- The Office of Fair Trading
- Procurement Scotland
- Satec
- Scottish Council of Development and Industry (SCDI)
- Scottish Water
- K. Vishnu Mohan Rao, Unesco Centre for Water Law, Policy and Science

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Water Industry Commission for Scotland

T 01786 430200 **F** 01786 462018

E enquiries@watercommission.co.uk

www.watercommission.co.uk

