



The Future of Water in Scotland

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Our Business



- 5 million customers, 2.4 million households with 2.3 billion litres of water provided daily
- Over 300 WTW
- Over 1,900 WWTW
- 29,339 miles of water main
- 30,488 miles of sewer pipes
- >£1 billion turnover
- 4th largest water services provider in UK
- £2.45 billion capital programme 2006-10
- £1.90 billion capital programme 2010-14



Key Challenges

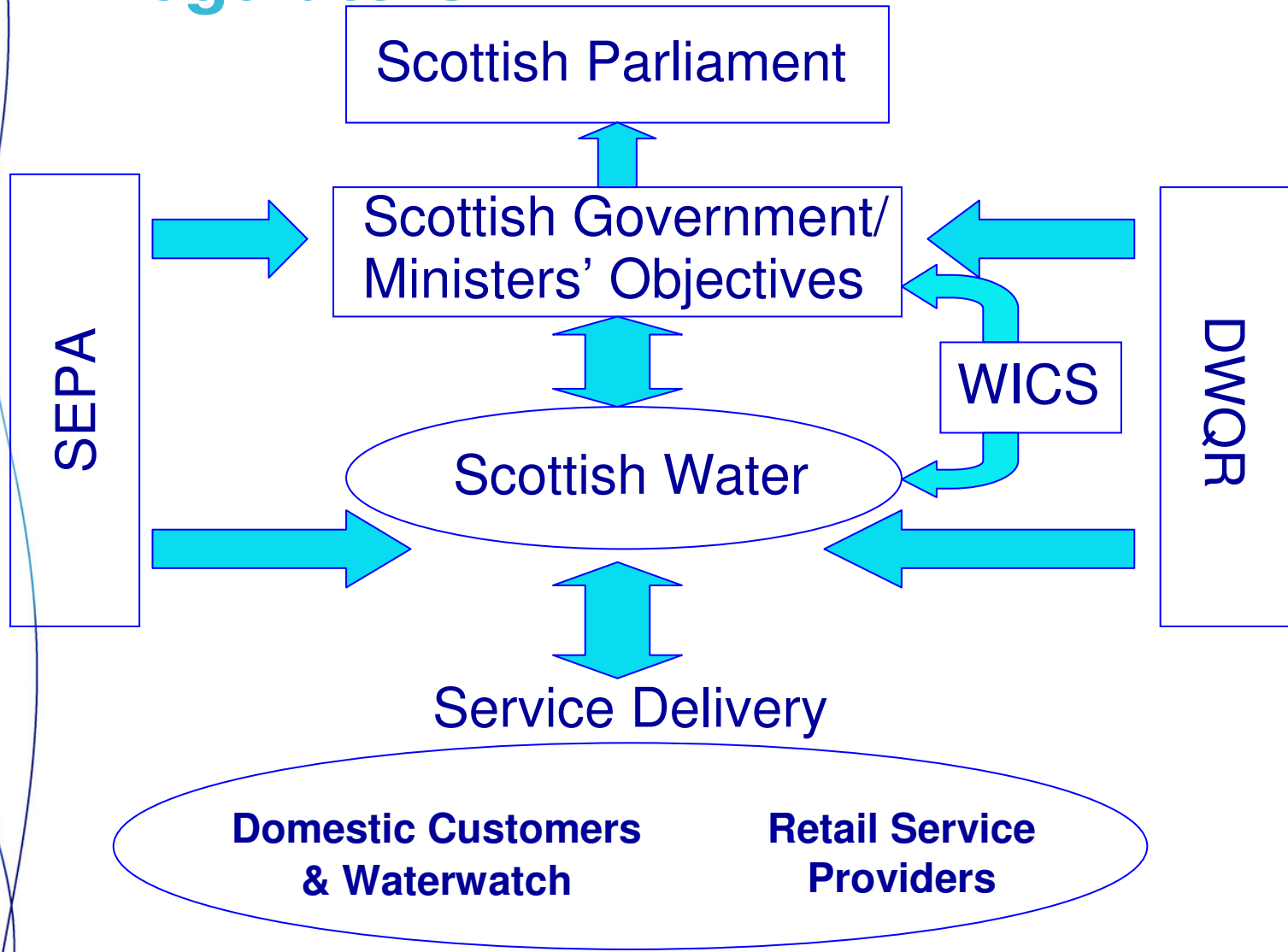


- 'Breaking the cycle' in Capital Programme
- Climate Change
- Leakage
- Maintain affordable prices
- Improved Customer Service
- Retail Competition

And particularly relevant to today:-

- Household Water Service Charges
(methodology, service provision)

Owners & Regulators





Current Regime



- Council Tax banding as basis of charge with some equivalent discounts/exemptions
- Councils provide service via Billing Order and SLAs
- 2008-09 billed value at circa £705m
- 1996-2008 total billed = £5.54 billion
- Bad Debt Provision = £275m (5%)
- BDP Target for 2010 of 4.0%
- Cost of Service 2008-09 = £14.3m
- WICS – “economically sound, well functioning regime”
- Scottish Ministers – not dissatisfied with current regime



Drivers for Change



- Scottish Government's aspiration to abolish Council Tax (introduce LIT)



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BUT there are others:-

- Sustainability
- Carbon footprint
- Leakage management
- Customer choice



Initial Work



- Scottish Government Advisory and Working Groups
 - Reps from WICS, Waterwatch, CoSLA, Consumers Council, Government Depts and Scottish Water
 - Remit to provide guidance to Ministers NOT to recommend
 - Consideration of options for charging
 - Scottish Variable Rate (SVR)
 - Alternative local tax e.g. Land Value
 - Retention of CTax bands infinitum
 - Modify CTax bands
 - Phase to measured charges (metering)

Initial Work



- Scottish Government Advisory and Working Groups
 - Consideration of options for service provision
 - SVR – via HMRC
 - Alternative local tax, retention of CTax bands infinitum or modification of CTax bands
 - Councils continue, individually or consolidated
 - direct billing by Scottish Water
 - Phase to measured charges (metering)
 - rate/method of metering
 - tariffs
 - billing/collection mechanism –
SW monopoly/competition



Issues?



- Already an independent review of household charging and metering in E & W for water services
- Effectiveness and fairness of charging methods
 - trend for metering v fixed tariffs
- Does metering support sustainability?
- Costs and benefits of metering – do these support the carbon dilemma?
- Can innovative tariffs help vulnerable households and/or reduce demand
- How could affordability issues be addressed for low income households?
- Would methods of charging impact on health?
- Legislation, data sources, recovery powers, etc.



Current Status



- Awaiting government decision on Ctax
- BUT
- Giving due consideration to options for charging and service provision
 - Benchmarking against E & W
 - Understanding costs of service provision
 - Understanding key issues for service provision
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- Currently not actively promoting but preparing for change given potential tight timescales
 - Scottish Water yet to agree potential strategy, influence government and other stakeholders.
 - Need to consider as part of our Business Plan 2010-14



The Future?



- Will change happen? If not, do we stay as is?
- Is change inevitable? Options for water charges?
- Potential scenario is :-
 - Introduction of metering
 - Metering of new properties, optants, water stressed areas
 - Tariffs to encourage meter optants (customer choice)
- Scottish Water bill and collect
- Outsourcing for efficiencies
- Introduction of competition in the household market?



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