

ANNEX C Building a Hydro Nation – A Consultation



RESPONDENT INFORMATION FORM

Please Note this form **must** be returned with your response to ensure that we handle your response appropriately

1. Name/Organisation

Organisation Name

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3. Permissions - I am responding as...

Individual

/

Group/Organisation

Please tick as appropriate

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please tick as appropriate Yes No

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please tick ONE of the following boxes

Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

(c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please tick as appropriate Yes No

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please tick as appropriate Yes No

The Macaulay Land Use Research Institute and The James Hutton Institute.

From 1 April 2011, The Macaulay Land Use Research Institute and SCRI (Scottish Crop Research Institute) will join forces to become [The James Hutton Institute](#). By bringing together existing expertise in crop research, soils and land use, The James Hutton Institute will be a world leader of research to tackle key global issues surrounding the sustainable use of land, water and the environment and will enhance Scotland's long-standing international reputation as a centre of scientific and research expertise. Our vision is to be a world leader in research into the sustainable use of land, water and all the natural resources we need to preserve human life, the environment and the health and wealth of all nations. This will be achieved by delivering high quality, innovative research in support of knowledge, products and services; to support policy makers and the communities they serve with the aim of meeting global demands on our finite natural resources of land and water.

CONSULTATION QUESTIONS

Q1 (Principles): Are the principles set out above the most appropriate to guide the development of Scottish Water into a wider role?

Principle 1. Yes, it is vital that this is the main and overarching objective for Scottish Water (SW). Whilst SW has had success in meeting the targets set by WICS in recent regulatory periods there are still many challenges to be met, such as:

- Reducing leakage
- Reducing greenhouse gas emissions
- Increasing qualitative measures of customer service
- Implementing new development connections
- Improving performance related to road re-instatements after works have been carried out (SW received the highest number of fixed penalty notices of all utilities according to the Scottish Road Works Commissioner [annual report](#) 2010)
- Increasing long-term sustainability (requires looking beyond each regulatory period)

Principle 2: Yes, SW commercial activities should support the overall function of sustainable economic growth. In particular, sustainability needs to be considered over a longer time period than has currently been the case. There has been concern expressed by stakeholders (such as Scottish Environment LINK) and within the Transport Infrastructure and Climate Change, and Rural Affairs and Environment Committees in the Scottish Parliament that although there is guidance that SW activities must be sustainable, this is viewed over the regulatory period of 5 years, rather than over the longer term. Short term costs are cut at the expense of longer term more sustainable benefits.

The Scottish Government may wish to consider strengthening the long term

sustainability requirement of SW and imposing a long term sustainability requirement on the Water Industry Commission for Scotland (WICS) in setting SW's targets. Scottish Government might also consider imposing targets and measuring indicators of this.

Principle 3: Yes, in principle SW might consider developing new activities and take on new functions where they are aligned to existing activities and where they have the expertise and resources to do so. However,

- this must not detract in anyway from its core activities – there are still many challenges to be met (see above)
- the wider context/consequences must be considered
- competition is good in many sectors, but duplication of effort would be a waste of public resources
- does this conflict with other government policy, e.g. the single outcome agreement? Funding SW for flood management could be seen as ring-fencing, and a way to get round the single outcome agreement with Local Authorities
- transparency and accountability are vital
- is there a demonstrated need to move into new areas?

Principle 4: SW should consider utilising assets and expertise where there is a robust business case, but should avoid risk. The concerns above under principle 3 are relevant here, but also:

- Developing new areas of business is resource intensive and can detract from efforts elsewhere
- Any risk/failure associated with SW will have to be met by the Scottish Government. This is not an issue about the ownership model for SW, since water utilities cannot be allowed to fail. If there is a risk of failure the government will have to intervene, whatever ownership model is in place. Therefore risk is held by the Government and through them the public.

Q2 (Developing Non-core): Does the proposed revision to Section 25 of the 2002 Act deliver the Government's aim of making it certain that Scottish Water is able to utilise its assets and expertise in any way its sees fit for commercial and/or social benefit?

No response

Q3 (Developing Non-Core): Should Scottish Water be under an obligation to seek to develop commercially attractive opportunities?

We do not think SW should be *obliged* to seek to develop commercially attractive opportunities.

Q4 (New Functions):

(a). Do you support the proposal that Scottish Water should work with the Scottish Government to identify areas where they may contribute to water-related international development activities?

(b). Should Scottish Water be asked to use part of their own resources to support the proposed water-related international development activities?

(c). If yes, should Scottish Water be given a statutory obligation to do so or should they take responsibility for deciding how best they can contribute resource and expertise?

a) If the Scottish Government is committed to allocating a proportion of the financial surpluses of SW to assist the efforts already being undertaken through international development policy, this must be targeted (as is the case with the International Development Fund) to support collaborative initiatives with public, third sector and academic organisations that have their head quarters in Scotland.

b) As a responsible nation, Scotland has committed itself to assisting developing countries achieve their Millennium Development Goal targets. Target 7c., to halve the proportion of the population without sustainable access to safe drinking water and basic sanitation, is a key Millennium Development Goal target and remains a challenge in many part of the developing world. Resources committed to the achievement of this goal need not be exclusively related to financial support, but could be targeted through collaborative initiatives with organisations in Scotland with relevant expertise. SW should not see itself as an aid organisation, but could help facilitate development assistance when this is channelled through appropriate bodies.

c) As this decision has resource/cost implications for the public purse, that is not necessarily associated with a direct benefit to the Scottish people, if SW is to become involved in aid-related international development activities, it must be given a statutory obligation.

Q5 (New Functions):

(a). Which areas of water science and innovation in Scotland could contribute to assist in the initiative, and how could this input best be achieved and organised?

(b). What role should Scottish Water play in any such Centre?

a) As the consultation document recognises, Scotland already has an excellent science and research base examining all aspects of water, and

the associated wider context. Strengthening this science and research base has the potential to provide benefits especially for the policy community, but requires careful consideration of the relative costs and benefits. Some of the costs and benefits that need to be considered are:

Benefits:

- Additional capacity to support policy
- Different areas of expertise such as better urban focus
- Greater availability of case studies, demonstration sites
- One stop shop
- Better links, for example to industry
- Access to additional resources such as labs and technology

Costs:

- Making things too big, unwieldy and unresponsive
- Diluting or duplicate existing capacity
- Higher transaction costs in ensuring policy/research links
- Extra administration costs of new organisation
- Lack of focus on the wider context and links to other sectors

The Macaulay Land Use Research Institute (The James Hutton Institute from April 1st) co-ordinates the Centre of Expertise for Waters (CREW), supported by RSD. CREW is a partnership between the Scottish Research Institutes, Higher Education Institutions, Industry (including Scottish Water) and stakeholders (through [CAMERAS](#)) which aims to deliver a policy:research interface for water. It aims to:

Build networks - establish a delivery mechanism at the science, policy and practice interface through which knowledge generated within the research and other sectoral communities flows, and reaches the people who can apply it, in a timely manner.

Create new capacity - ensure that knowledge continues to be generated from leading edge research of international significance to enhance the formation, implementation and delivery of water-related policies in Scotland. Additionally, to ensure emerging international knowledge and perspectives are available to the widest user community.

Increase impact - enhance Scottish science so that it continues to be placed at the centre of the global knowledge economy; informing and influencing international practices on water resource management.

b) The inclusion of additional expertise into Scotland's already excellent science and research base would be beneficial. Indeed, the Macaulay Land Use Research Institute already has close relationships with Scottish Water and has included them in research partnerships, and within CREW.

Q6 (New Functions):

(a). What opportunities are there for creating additional public benefit from Scotland's water infrastructure, both inland and maritime?

(b). What role could Scottish Water play?

No response

Q7 (New Functions): Should Scottish Water and Local Authorities be given powers to establish Partnership Boards to address the issues of surface water flooding and implement solutions?

We argue that the implementation of the Flood Risk Management (Scotland) Act 2009 should be allowed to continue without new legislation or regulation at this point because:

- As it stands Scottish Water is identified as one of the responsible authorities and therefore is already under a general duty to work with other responsible authorities in the way best calculated to manage flood risk in a sustainable way.
- Under the Act SW will also already be involved in the flood assessments, maps and plans.
- The act allows SEPA, Local Authorities and SW flexibility in how they work together in meeting their obligations under the Act. Partnerships can be developed if appropriate. Further regulation is not necessary.
- The example of the Metropolitan Glasgow Strategic Drainage Partnership shows that voluntary arrangements can and do work in practice, without formal powers to create those partnerships.
- One of the main objectives of the Flood Risk Management (Scotland) Act 2009 was to ensure clarity in who is responsible for what, with respect to flood risk management. Additional powers and changing responsibilities so soon after the Act has come into force is only likely to confuse matters.
- Currently, as we understand it, funding for flood management projects is included in the block grant to Local Authorities. It is unclear how new obligations on SW would work with the current funding arrangements.
- Increasing SWs role in flood management would require processes to ensure transparency and accountability in this area.

Q8 (New Functions): Could Scottish Water fulfil a proactive role in promoting the use of more sustainable urban drainage techniques for flood management?

See response to Q7

Q9 (New Functions): Is there a role for Scottish Water to be required to undertake urban surface water flooding studies that examine above and below ground drainage?

See response to Q7

Q10 (New Functions): Are there further steps Scottish Water can take with respect to SUDS that provide flood management benefits?

See response to Q7

Q11 (New Functions): Would a greater role for Scottish Water in surface water flooding detract from the important role that planning authorities play in this area?

See response to Q7

Q12 (New Functions): Should Scottish water be given a stronger role in planning decisions that could affect surface water flooding?

See response to Q7

Q13 (New Functions): Should Scottish Water be given a formal role to support Local Authorities in relation to flood defence projects?

See response to Q7

Q14 (New Functions): Do you think Scottish Water should be given additional functions? Please give details.

No response

Q15 (New Functions): What would be the most appropriate way to confer such functions on Scottish Water? For example it could be done on a statutory basis or through Ministers' powers of directions. If it were done on a statutory basis, is it appropriate to extend Scottish Water's core functions to include the additional functions or is it more appropriate to have separate legislative frameworks for the functions for water and sewerage (core functions) and any other functions?

No response

Q16 (Financing): What is an appropriate balance for surpluses generated by Scottish Water and its subsidiaries between building up a financial buffer, developing Scottish Water's commercial activities, financing social initiatives and being returned to Government to fund other priorities?

No response

Q17 (Financing): Is it appropriate to ask water and sewerage customers to fund the costs arising from other activities such as flood defences?

We are not convinced of the merits of such an initiative. Such a move would need very careful consideration. Is this an additional revenue raising initiative? Is it open and transparent? Are SW accountable? Does it bypass single outcome agreement arrangements?

Q18 (Financing): Is it appropriate for customers to have part of their charges invested in commercial opportunities if they could receive the profits which flow from this investment in the form of lower bills in the future?

As we discussed in response to Q1, the issue of risk needs to be carefully considered. Any risk/failure associated with SW will have to be met by the Scottish Government. This is not an issue about the ownership model for SW, since water utilities cannot be allowed to fail. If there is a risk of failure the government will have to intervene, whatever ownership model is in place. Risk is held by the Government and therefore the public.

Q19 (Governance): In the light of the Government's proposals to make best use of Scottish Water's assets and expertise, would putting in place a more standard corporate structure, consisting of a holding entity controlling distinct and separate business units, enhance the governance of Scottish Water?

No response

Q20 (Governance): In the light of the Government's proposals to make best use of Scottish Water's assets and expertise does the economic regulatory framework in the Scottish Water industry remain fit for purpose to or could it be strengthened?

As set out in response to Question 1, there has been concern expressed by stakeholders (such as SE LINK) and within the Transport Infrastructure and Climate Change, and Rural Affairs and Environment Committees in the Scottish Parliament that although there is guidance that SW activities must be sustainable, this is viewed over the regulatory period of 5 years, rather than over the longer term. WICS is an economic regulator, and seems to look for short term costs cuts at the expense of longer term more sustainable benefits.

The SG may wish to consider strengthening the long term sustainability requirement of SW and of WICS in setting SWs targets, and setting targets and measurable indicators of this.

Q21 (Governance): Are there lessons from the economic regulation of Scottish Water that could be applied successfully elsewhere in the public sector in Scotland?

No response

Q22 (Governance): What barriers might there be to Scottish based firms competing in an English retail market and what steps can be taken to minimise these? In

particular, should the aim be to have a single retail market covering the non-domestic sector in Scotland and England?

No response

Q23 (Areas to Modernise): Do respondents have any comments about the areas identified, or any others relating to the water environment, and the best way to modernise them?

No response

Q24 (Building a Hydro Nation): How could Scotland best develop itself as a hydro nation and take a global lead on water governance?

Extreme caution needs to be taken in any aspiration for Scotland to lead the world in water governance issues. Top down, imposed initiatives such as the training of water leaders and the application of legal solutions might be seen to be making unfounded assumptions about the right of a developed nation to impose solution on a developing nation, demand for such services, and the role these initiatives might have in addressing an extremely complex issue. Our work shows that more pressing issues are facing many water poor nations, such as water collection, its storage and appropriate use.

Governance issues related to “embedded water” are an issue for developed nations to address, in much the same way they have carbon emissions. Rather than seeking to impose values and judgements on other nations, Scotland should take a lead with water in the same way it has with CO2 emissions - set the highest possible national standards within a given timeframe, as an example to others, and then work to meet those targets.

That said, if demand was established in developing countries for specific initiatives, the Centre for Expertise may be able to contribute as appropriate, such as:

- Championing international education (CPD, MSc courses, PhD) and hosting international researchers
- Co-ordinating international meetings
- Ensuring easily accessible publications and other outputs for an international audience
- Creating a single online resource for Scotland’s water expertise
- Linking research, industry and NGO activities building on existing strengths.

It should be envisaged that the current Centre of Expertise for Waters (CREW) could form the first building block of a larger Centre that might consider the demand for such initiatives and be involved in their development if appropriate.

Q25 (Building a Hydro Nation): To what degree should the water centre for excellence, and our wider academic base, focus on providing educational services to the world and capacity building in the water sector?

Whilst providing academic services related to water is appealing, the practical feasibility of such a proposal needs serious consideration. This would need to include examination of the demand for such services, competitors, capacity, costs and so on, both now and in the future.

There already exists a great deal of knowledge and expertise in developing countries and any role that a centre of expertise should take is to enhance (not build) existing capacity, only in areas where this is required and only where this is in response to specific demands driven from these countries. Collaborative and supportive engagement is essential.

We do not think that a Scottish Government funded national prize for water governance is appropriate. (The Nobel prize is funded from a personal bequest and is not a national prize). Such a prize could be seen to imply that Scotland has resolved the problem of water governance. A subsequent (inevitable) instance of a contaminated water source, or legal action over water rights would highlight any failings in the Scottish system, and may have greater negative consequences for Scotland's reputation in the water field.