



Meeting held on Thursday 14 June 2007

Members in attendance

Chairman:

Philip Fletcher

Chief Executive:

Regina Finn

Non-Executive Directors:

Peter Bucks

Mike Brooker

Penny Boys

Jane May

Executive Directors:

Keith Mason

Apologies

Gill Owen

Melinda Acutt

In attendance:

Roger Dunshea (Director of Operations)

Andrew Dunn (Director of Consumer Protection)

Fiona Pethick (Director of Corporate Affairs and Secretary to the Board)

Huw Brooker (Director of Legal Services)

Jonathan Hodgkin (Interim Director of Network Regulation)

Sarah Johnson (Minute Secretary)

Kieran Duffy (Head of Transfer Pricing) item 2

Christopher Pepper (Senior Business Analyst) item 2

Lynne Currie (PR09 Project Manager) item 4

Rhiannon McHugh (PR09 Planning Analyst) item 4

Phillip Dixon (Head of Competition Policy) items 5,6 and 7

James Gilchrist (Competition Policy manager) items 5 and 6

Clair Daniel (Competition Case Manager) item 7

Peter Jordan (Senior Revenues Analyst) item 8

1. Minutes and actions arising

The Board approved the minutes of the meeting on 30 April 2007. The minutes will be published on the Ofwat website.

2. Regulatory action on transfer pricing at United Utilities Water

The Board discussed the responses received to the Section 22A(4) notice of proposal to impose a penalty and considered the draft Section 22A(6) notice. The Board noted the two responses received, one from United Utilities Water and the other from the Consumer Council for Water. They also noted the Public Accounts Committee's comments regarding Ofwat's policy on the use of its enforcement powers although it was noted that the PAC had not had the benefit of hearing formal evidence from Ofwat on this specific case and its comments must therefore be seen in that context.

The Board:

- approved the Section 22A(6) notice of imposition of a penalty;
- approved the level of the fine;
- gave United Utilities Water 49 days from the date of service of the Section 22A(6) notice within which to pay the fine; and
- gave Regina Finn and Keith Mason authority to finalise and issue the Section 22A(6) notice of imposition of a penalty.

3. Leakage target failure by Severn Trent

Severn Trent Water has informed Ofwat that it had failed its 2006-07 leakage target. The Board was advised of the possible courses of action it could take against Severn Trent Water. The Board reiterated how seriously they take failures to meet leakage targets by any company and agreed that the executive should continue to explore appropriate action in this case. The executive will report back to Board when the June return has been validated and assessed.

4. Board decision taking for PR09

Board discussed and agreed their approach to decision taking for PR09.

5. Creation of a sub-committee of Board to grant inset appointments

The Board agreed that a sub-committee of Board would be set up to approve inset appointments so as to ensure timely decision making.

6. Approach to inset appointments.

The Board discussed general business models for inset appointments and confirmed the policy approach to considering applications as previously agreed by Board on 30 April 2007. In particular, the Board agreed that Ofwat should not fetter its ability to fulfil its primary duty to protect customers. It is essential for inset appointees who supply domestic customers to be subject to regulation designed to protect customers who have no choice of supplier.

7. Review of competition

The Board were updated on progress with the consultation on the review of competition. Board noted that the publication date for the paper has changed from June to mid July. Stakeholders would be made aware of this change through the publication of a Water Supply Licensing bulletin. The Board agreed that market analysis should form a key part of the way forward. A workshop would be held to allow initial discussions to take place after the publication of the consultation paper.

8. Form of price control mechanism

Board discussed the results of the review of the price control mechanism and the recommended approach moving forward. Board agreed with the proposal that a revenue corrected price cap should be consulted on as a preferred option. This new proposal will be shared with stakeholders before it appears in the methodology paper for consultation in October.

9. Summary financial report for 2006-07

The Board noted the financial report for the 2006-07 period.

10. MD seminar

The Board discussed proposals for the annual MD seminar was to be held on 24 July 2007. Philip Fletcher, Regina Finn and Fiona Pethick were asked to finalise an agenda to be sent to companies as soon as possible.

11. Chief Executive report

Regina Finn presented the headline issues of her Chief Executive's report. The issues discussed included:

- company preliminary results;
- proposals currently being considered to change the means and timing of publication of information arising from the June return analysis;
- stakeholder meetings which included a House of Lords roundtable discussion with other regulators and a meeting with Ian Pearson MP, Minister for Defra; and
- feedback on European issues.

12. Any other business

None.

Sarah Johnson