



OFWAT BOARD

Meeting held on Thursday 24 July 2008

Members in attendance

Chairman:

Philip Fletcher

Chief Executive:

Regina Finn

Non-Executive Directors:

Jane May

Peter Bucks

Penny Boys

Gill Owen

Mike Brooker

Executive Directors:

Keith Mason

In attendance:

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

Noel Beale (Deputy Director of Legal Services)

Sarah Johnson (Minute Secretary)

Cathryn Ross (attending as an observer)

Ingrid Olsen (Head of Enforcement Policy Team) items 3 and 4

Nicola Taylor (Enforcement Policy Senior Analyst) items 3 and 4

Adrian Yeo (Senior Legal Assistant) items 3 and 4

Andrew Dunn (Director of Consumer Protection) items 5, 6, 7 and 8

Lynne Currie (Head of Customer Charges Team) item 5

Michael Jarema (Senior Customer Charges Analyst) item 5

George Day (Director of Network Regulation) items 6, 7 and 8

Roger Dunshea (Director of Operations) items 8, 9 and 10

Paul Hope (Head of Water Resource Economics) item 6

Apologies: None

The Board welcomed Ofwat's future Director of Markets, Cathryn Ross, to the meeting. Cathryn attended the meeting as an observer before she formally took up her post in September.

1. Declarations of interest

None

2. Minutes and actions arising

The Board approved the minutes of the meetings of 19 June and 10 July 2008. The minutes would be published on the Ofwat website.

3. Regulatory action against Tendring Hundred Water Ltd for its contravention of its regulatory reporting requirements

The Board discussed potential regulatory action against Tendring Hundred Water Ltd for contravention of its regulatory reporting requirements. The Board agreed that a fine was appropriate in this case and agreed the proposed level of the penalty. The Board delegated authority to Regina Finn and Keith Mason to finalise and publish the notice.

4. Defending a potential appeal brought by Severn Trent Water Ltd against the penalties imposed on 1 July 2008

On 1 July 2008 Ofwat imposed penalties on Severn Trent Water for its contravention of licence conditions J and/or M and for failing to meet the standards prescribed by the Guaranteed Standards Scheme. The company had 42 days (until 12 August 2008) in which to appeal Ofwat's decision which would have to be based on a specific set of grounds. Ofwat's "Rules of procedure for the Water Services Regulation Authority" states that any decision to commence or defend significant legislation, including defending any litigation in respect of a penalty, is a matter reserved for the Board. The Board agreed that any appeal in this case should be defended. The Executive should revert to the Board if unforeseen issues arise.

5. Ofwat's future strategy for customer charges for water and sewerage services: the response to the consultation

At its June meeting the Board considered the responses to Ofwat's consultation paper "Ofwat's future strategy for customer charges for water and sewerage services: a consultation". Following that meeting a response paper which took into account the Board's comments was drafted and presented to the Board. The Board provided further comments on the draft and delegated sign off of the final document to Regina Finn and Andrew Dunn. The response paper would be published on Ofwat's website at the end of August.

6. Key messages from the June returns

Every year the appointed water companies provide an annual return (known as the June return) to Ofwat to enable monitoring and comparison of performance between companies. The Board was presented with the key messages from the first stage analysis from the June returns for 2007-08. Areas of concern were highlighted and follow up actions noted.

7. Memoranda of Understanding with Department for Environment, Food and Rural Affairs (Defra) and Drinking Water Inspectorate (DWI)

The Water Industry Act 1991 as amended by the Water Act 2003 requires Ofwat to agree Memoranda of Understanding with the Department for Environment, Food and Rural Affairs (Defra), Environment Agency (EA), Welsh Assembly Government (WAG), Drinking Water Inspectorate (DWI) and Consumer Council for Water. Ofwat had so far agreed Memoranda of Understanding with the EA and CCWater.

At this meeting the Board was presented with and approved Memoranda of Understanding with Defra and DWI and agreed that Regina Finn would formally sign the documents

8. Ofwat's five-year strategic business plan 2008-09 to 2012-13

The Executive presented to the Board Ofwat's five-year business plan from 2008-09 to 2012-13. The plan set out the outputs, projects and work streams required to deliver Ofwat's strategy. It also identifies resource requirements and provides an estimate of financial costs. The Board accepted the plan presented to them, noting that the Executive would take forward comments made. The business plan would be reviewed for 2009-10 onwards and presented to the Board again in October and thereafter be reviewed annually.

9. Quarter one performance report June-August 2008-09

In March 2008 Ofwat published its strategy "Ofwat's strategy - taking a forward look". The Board was presented with a performance report which detailed progress on delivering the strategy for quarter one of 2008 and a year-to-date finance report. The Board noted progress made and the budget position.

10. Risk management report

The Board was given an update on and noted the risk management report.

11. Feedback from the Audit Committee meeting of 2 July 2008 and Audit Committee annual report

The Chairman of the Audit Committee presented the Committee's annual report to the Board. The Board thanked the Audit Committee for its work and noted its findings for 2007-08. The Board also provided comments on the Audit Committee's objectives for 2008-09.

12. Chief Executive's report

The Board received an update on key issues. These included:

- The outcome of the recent Environment Agency v Thames Water Utilities Ltd (Bromley Magistrates Court) court case on environmental protection and sewage leaks.
- Ofwat's duty under the Regulatory and Enforcement Act not to impose or maintain unnecessary burdens on the water and sewerage companies. Ofwat will report on its action in carrying out this duty in future annual reports.

13. Any other business

The Board congratulated Fiona Pethick on her appointment as Director of Regulation for the Office of Qualifications and Examinations Regulator (Ofqual).

The Board was given an update from the Chairman of the Remuneration Committee on two recent meetings that took place in July. The Board noted the key outcomes from the meetings and thanked the Committee.

Sarah Johnson
28 July 2008

