



OFWAT BOARD
Meeting held on Thursday 8 November 2007

Members in attendance

Chairman:

Philip Fletcher

Chief Executive:

Regina Finn

Non-Executive Directors:

Jane May
Peter Bucks
Mike Brooker
Penny Boys
Gill Owen

Executive Directors:

Melinda Acutt
Keith Mason

In attendance:

Andrew Dunn (Director of Consumer Protection)
Fiona Pethick (Director of Corporate Affairs and Secretary to the Board)
Fiona Butcher (Interim Director of Legal Services)
Jonathan Hodgkin (Interim Director of Network Regulation)
Roger Dunshea (Director of Operations)
Sarah Johnson (Minute Secretary)
Mark Snow (Graduate Trainee - attended as an observer)
Ingrid Olsen (Head of Enforcement) item 4
Jill Marsal (Senior Legal Assistant) item 4
Nicola Taylor (Senior Service and Performance Analyst) item 4
Howard Perry (Graduate Trainee) item 4
Phillip Dixon (Head of Competition Policy Team) item 5
Clair Daniel (Competition Case Manager) item 5
Ian Hulme (Acting Head of Parliamentary and Public Affairs Team) item 7
Dylan Spedding (Public Affairs Analyst) item 7

1. Declarations of Interest

None

2. Minutes and actions arising

The Board approved the minutes of the meeting on 4 October 2007. The minutes would be published on the Ofwat website.

The Board discussed and updated the actions from previous meetings.

3. Chief Executive's report

Regina Finn presented key issues from her Chief Executive's report. The issues discussed included:

- Ofwat's draft decision on the Interim Determinations sought by Bristol Water and Dee Valley Water;
- action in respect of poor customer service by Southern Water and South East Water in 2006/07 following the introduction of new billing systems.
 - The causes of the Guaranteed Standards Scheme failures were not comparable with the failures which had led Ofwat to propose fines on companies in other cases; were not systemic or prolonged; and were in fact the result of one off actions designed to improve service;
 - Guaranteed Standards Scheme payments were made when due, and
 - The companies had resolved, or taken significant steps to resolve, the issues within the relevant period.
- An update on current litigation.
- The Regulatory, Enforcement and Sanctions bill. This is a Department for Business, Enterprise and Regulatory Reform sponsored Bill, which proposes a new power for Ministers to direct regulators to reduce regulatory burdens. The Executive outlined concerns that Ofwat and other economic regulators have on how the Bill could impact on the independence of regulators, and the steps Ofwat and other regulators are taking to address this.

4. Southern Water financial penalty

The Board discussed a paper on the potential fining of Southern Water for the contravention of licence condition J and/or M by misreporting customer service information and for the failure to meet standards of service prescribed by the Guaranteed Standards Scheme. The Board agreed that fines were appropriate in both cases and agreed the proposed levels of the fines. The Notices proposing penalties would be published on 14 November.

5. Competition review

In July 2007 Ofwat published a consultation paper on the development of competition in the water and sewerage industry. The consultation closed at the end of September. The Board was given an update on the outcome of the consultation and the planned next steps. Ofwat would publish a further consultation paper in December on proposals for changes to the current Water Supply Licensing regime.

6. Mid year financial report

The Board reviewed budget performance for the first half of the year and considered the expenditure forecast for the remainder of 2007-08. The Board was made aware of the cost pressures on the budget and agreed that an appropriate supplementary estimate should be tabled.

7. Forward programme 2008-09 to 2010-11

Ofwat has a statutory duty under the Water Act 2003 to publish a work plan for the coming financial year. The Board approved the high level simplified proposal put forward by the Executive. The draft forward programme would be published for consultation in early December.

Sarah Johnson
14 November 2007