



Board meeting held on Thursday 21 August 2014

Members in attendance

Chairman:

Jonson Cox

Chief Executive:

Cathryn Ross

Non-Executive Directors:

Chris Burchill

Robin Paynter Bryant

Martin Lawrence

Catherine Waddams

Wendy Barnes

Executive Directors:

Keith Mason

Sonia Brown

Richard Khaldi

General Counsel

Elizabeth Hillman

Apologies:

Christine Farnish

In attendance:

Rachel Wright

(Board Secretary)

Claire Forbes

(Senior Director of Corporate Communications)

Giles Stevens

(Delivery Director) Item 4

Shane Anderson

(Associate Director) Item 4

Hettie Farrell

(PwC Batch Lead) Item 4

Andrew Chesworth

(Principal Corporate Finance Adviser) Item 4

David Black

(Director of Economics) Item 4

Colin Sawyer

(PR14 Programme Director) Item 4

David Lancefield

(PwC) Item 4

Stuart Cook

(PwC) Item 4

Andrew Beaver

(Director of Strategy) Item 4

Mark Worsfold

(Chief Engineer) Item 4

Bill Easton

(PR14 Outcomes Lead) Item 4

Ian Alexander

(Cepa – Delivery Director Wholesale Costs) Item 4

Ben Woodside

(Strategic Advisor) Item 4

1. Declarations of interest

- 1.1. The Chairman noted a previously disclosed connection to Peel Holdings (the owner of Peel Water) through his role as Chairman of Coalfield Resources plc but confirmed no financial interest in the company.
- 1.2. Richard Khaldi notified the Board that in a he was now acting in a personal capacity as a member of the panel that would select the organization that would provide Alternative Dispute Resolution for the UK Water Industry Alternative Dispute Resolution Scheme.

2. Minutes

- 2.1. With minor amendments the Board agreed the minutes of the meeting held on 17 July. The minutes shall be published on the website.

3. PR14 delivery and company recommendations

- 3.1. The Executive gave an overview of the emerging story of the draft determinations, including a sector overview of outcomes, wholesale costs, retail costs, risk and reward, legacy and governance.
- 3.2. The Executive presented a preferred approach to the use of deadbands for those Outcome Delivery Incentives covered by horizontal checks. The Board agreed that for those incentives subject to horizontal checks, there was a requirement for companies to achieve upper quartile performance, and that there should be a deadband for years one and two of the control period. .

4. PR14: water company draft determinations

- 4.1. It was confirmed that for the purposes of all draft determination discussions, Sonia Brown would not be regarded as a decision making Board member, given her involvement in the assessment of companies' business plans.
- 4.2. The Executive provided Board with an assessment of Anglian Water's submitted business plan. In particular, the Executive highlighted the amendments made by Anglian Water to their original business plan that was submitted in December 2013.

The Board discussed Anglian Water's resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive proposed interventions on Anglian Water's plan to be included in its draft determination in order to protect the interests of customers.

The Board agreed to the draft determination including the recommended interventions for Anglian Water.

- 4.3. The Executive provided Board with an assessment of Southern Water's submitted business plan. In particular, the Executive highlighted the amendments made by Southern Water to their original business plan that was submitted in December 2013.

The Board discussed Southern Water's resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive proposed interventions on Southern Water's plan to be included in its draft determination in order to protect the interests of customers.

The Board agreed to the draft determination including the recommended interventions for Southern Water.

- 4.4. The Executive provided Board with an assessment of Wessex Water's submitted business plan. In particular, the Executive highlighted the amendments made by Wessex Water to their original business plan that was submitted in December 2013.

The Board discussed Wessex Water's resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive proposed interventions on Wessex Water's plan to be included in its draft determination in order to protect the interests of customers.

The Board agreed to the draft determination including the recommended interventions for Wessex Water.

- 4.5. The Executive provided Board with an assessment of Yorkshire Water's submitted business plan. In particular, the Executive highlighted the

amendments made by Yorkshire Water to their original business plan that was submitted in December 2013.

The Board discussed Yorkshire Water's resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive proposed interventions on Yorkshire Water's plan to be included in its draft determination in order to protect the interests of customers.

The Board agreed to the draft determination including the recommended interventions for Yorkshire Water.

- 4.6. The Executive provided Board with an assessment of Thames Water's submitted business plan. In particular, the Executive highlighted the amendments made by Thames Water to their original business plan that was submitted in December 2013.

The Board discussed Thames Water's resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive provided a summary of the announcement made to Thames Water on 6 August regarding its wastewater wholesale costs gap in the Thames Tideway price control.

The Executive proposed interventions on Thames Water's plan to be included in its draft determination in order to protect the interests of customers

The Board agreed to the draft determination including the recommended interventions for Thames Water.

- 4.7. The Executive provided Board with an assessment of United Utilities' submitted business plan. In particular, the Executive highlighted the amendments made by United Utilities' to their original business plan that was submitted in December 2013.

The Board discussed United Utilities' resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive provided a summary of the announcement made to United Utilities on 6 August regarding its wastewater wholesale costs gap.

The Executive proposed interventions on United Utilities' plan to be included in its draft determination in order to protect the interests of customers

The Board agreed to the draft determination including the recommended interventions for United Utilities.

- 4.8. The Executive provided Board with an assessment of Sembcorp Bournemouth Water's submitted business plan. In particular, the Executive highlighted the amendments made by Sembcorp Bournemouth Water's to their original business plan that was submitted in December 2013.

The Board discussed Sembcorp Bournemouth Water's resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive proposed interventions on Sembcorp Bournemouth Water's plan to be included in its draft determination in order to protect the interests of customers.

The Board agreed to the draft determination including the recommended interventions for Sembcorp Bournemouth Water.

- 4.9. The Executive provided Board with an assessment of Bristol Water's submitted business plan. In particular, the Executive highlighted the amendments made by Bristol Water's to their original business plan that was submitted in December 2013.

The Board discussed Bristol Water's resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive provided and a summary of the announcement made to Bristol Water on 6 August regarding its wastewater wholesale costs gap.

The Executive proposed interventions on Bristol Water's plan to be included in its draft determination in order to protect the interests of customers.

The Board agreed to the draft determination including the recommended interventions for Bristol Water.

- 4.10. The Executive provided Board with an assessment of Dee Valley Water's submitted business plan. In particular, the Executive highlighted the amendments made by Dee Valley Water's to their original business plan that was submitted in December 2013.

The Board discussed Dee Valley Water's resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive proposed interventions on Dee Valley Water's plan to be included in its draft determination in order to protect the interests of customers.

The Board agreed to the draft determination including the recommended interventions for Dee Valley Water.

- 4.11. The Executive provided Board with an assessment of Portsmouth Water's submitted business plan. In particular, the Executive highlighted the amendments made by Portsmouth Water's to their original business plan that was submitted in December 2013.

The Board discussed Portsmouth Water's resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive proposed interventions on Portsmouth Water's plan to be included in its draft determination in order to protect the interests of customers.

The Board agreed to the draft determination including the recommended interventions for Portsmouth Water.

- 4.12. The Executive provided Board with an assessment of South East Water's submitted business plan. In particular, the Executive highlighted the amendments made by South East Water's to their original business plan that was submitted in December 2013.

The Board discussed South East Water's resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive proposed interventions on South East Water's plan to be included in its draft determination in order to protect the interests of customers.

The Board agreed to the draft determination including the recommended interventions for South East Water.

- 4.13. The Executive provided Board with an assessment of South Staffordshire and Cambridge Water's submitted business plan. In particular, the Executive highlighted the amendments made by South Staffordshire and Cambridge Water's to their original business plan that was submitted in December 2013.

The Board discussed South Staffordshire and Cambridge Water's resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive proposed interventions on South Staffordshire and Cambridge Water's plan to be included in its draft determination in order to protect the interests of customers.

The Board agreed to the draft determination including the recommended interventions for South Staffordshire and Cambridge Water.

- 4.14. The Executive provided Board with an assessment of Sutton and East Surrey Water's submitted business plan. In particular, the Executive highlighted the amendments made by Sutton and East Surrey Water's to their original business plan that was submitted in December 2013.

The Board discussed Sutton and East Surrey Water's resubmitted plan, and in particular focused on areas of the plan that the company had issues to address.

The Executive proposed interventions on Sutton and East Surrey Water's plan to be included in its draft determination in order to protect the interests of customers.

The Board agreed to the draft determination including the recommended interventions for Sutton and East Surrey Water.

- 4.15. The Board noted that the companies that gained Enhanced status were protected by the absolute commitment and relative commitment of the 'do

no harm' principle. As such the determinations for Enhanced companies will not be adjusted to reflect Ofwat policy on the wholesale costs cap or ODI deadbands.

- 4.16. Those companies that received draft determinations in June are subject to the 'equivalence' rule and therefore Ofwat policy decisions made on the wholesale costs cap and ODI deadbands will be applied to those plans at Final Determination.
- 4.17. The Board agreed to delegate matters of no materiality that arise between the Board meeting and publication date to the CEO and CRO. However, for material matters the Board would be recalled.

5. PR14 communications

- 5.1. The Executive presented the hierarchy of messages to the media on publications of draft determinations.
- 5.2. The Board discussed the alignment between PR14 and the emerging strategy for Ofwat.

6. Any other business

- 6.1. Richard Khaldi sought the agreement of the Board to the appointment of John Swift QC to the Casework Committee. The Board agreed to this.

Rachel Wright
22 August 2014