



OFWAT BOARD
Meeting held on 30 April 2015

Members in attendance

Chairman:

Jonson Cox

Non-Executive Directors:

Chris Burchell
Martin Lawrence
Christine Farnish
Robin Paynter Bryant
Wendy Barnes

Executive Directors:

Cathryn Ross
Keith Mason
Richard Khaldi

General Counsel

Elizabeth Hillman

In attendance:

Rachel Wright	(Board Secretary)
Bev Messinger	(Senior Director, Operations)
Adam Cooper	(Director)
Tim Griffiths	(Principal)
Jenny Humble	(Principal)
David Black	(Director)
Shane Anderson	(Director)
Rob Powell	(Director)
Dylan Spedding	(Senior)

Apologies:

Catherine Waddams
Sonia Brown

1. Declarations of interest

1.1 None

2. Opening items including minutes

- 2.1 The Board agreed to the minutes of the March Board meeting. These are to be published on the website.

3. Chief Executive's Introduction

- 3.1 The Executive gave her introduction to the Board meeting. Key updates included:
- Pre-election period.
 - Thames Tideway Tunnel Committee (met on 29 April)
 - Staff changes
 - Armit Commission

The Board noted the updates.

4. Mergers and Acquisitions

- 4.1 The Executive presented the draft statement of methods that is required under the new mergers legislation as set out in the Water Act 2014.
- 4.2 The Board discussed the benefits and detriments (to both customers and the whole sector) that it considered could arise from a merger or acquisition using two detailed scenarios, with particular consideration as to whether the scenarios would prejudice Ofwat's ability to make comparisons across the sector.
- 4.3 The Board recognised the importance of effective use of comparators and considered what other means of comparisons there are beyond the number of companies in the sector.
- 4.4 The Board endorsed the draft statement of methods for consultation. It noted that Ofwat's Rules of Procedure state that mergers and acquisitions are a matter for the Executive. The Board also noted that it would expect any novel or sensitive issues to be brought to the Board by the Executive, in line with the Rules of Procedure.

5. Water 2020

- 5.1 The Executive took the Board through the scope of and priorities for its Water2020 programme. The Board noted that the strategic significance of this programme made it appropriate for it to consider these issues at this early stage.
- 5.2 The Board considered the drivers for change in the sector and how these have created opportunities to deliver value for stakeholders and customers. The Board discussed how our regulatory tools can be best used to create the greatest value.
- 5.3 The Board discussed the priority areas of work for the Water 2020 programme being mindful of the lessons learnt from the PR14 programme.
- 5.4 The Executive presented a timeline of work based on the priorities for the programme but noted the importance of being considerate of possible changes in the external environment which could influence the delivery of the programme.

6. Casework – quarterly update

- 6.1 The Executive gave an update on the Casework programme, noting decisions on 2 strategic cases had been made in Quarter 4. These were the Priors Hall bulk pricing dispute and the Bristol Water Competition Act investigation.
- 6.2 The Executive also presented an updated casework strategy. The strategy was previously discussed with the Board in January this year and the revised version incorporates the comments from the Board.
- 6.3 The Board discussed how Ofwat chooses our strategic cases to best support the strategy, recognising that decisions on cases can send strong signals to the sector.
- 6.4 The Board approved the changes to the casework strategy.

7. Ofwat's approach to annual report and accounts 2014-15

- 7.1 The Executive proposed an approach to preparing for the Annual Report and Accounts 2014-15 including engagement with the Board and with the Audit and Risk Assurance Committee.
- 7.2 The Executive confirmed that the Chief Executive, as Accounting Officer, is responsible for signing off the accounts.
- 7.3 The Board discussed the Open Water Markets Limited accounts being rolled into Ofwat's accounts.
- 7.4 The Board agreed to the approach subject to small changes.

8. Q4 Budget, performance summary and risk report

- 8.1 The Executive presented an update on the organisation's performance, programme status, budget and current position on strategic risks.
- 8.2 The Board noted the update.

9. Workshop on Retail Market Opening

- 9.1 The Board attended a workshop on retail market opening, focusing on what the market might look like post 1 April 2017.

Rachel Wright
30 April 2015