



**OFWAT BOARD**  
**Meeting held on Monday 11 July 2005**

**Members**

**Director General:**

Philip Fletcher

**Non-Executive Advisory Directors:**

Jane May

John Baker

Martin Cave

Roger Munson

**Executive Directors:**

Tony Smith

Keith Mason

Roger Dunshea

Bill Emery

**In attendance:**

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

Huw Brooker (Head of Legal Services)

Anna Whittington (Minute Secretary)

and

Item 3 – Dame Yve Buckland (Chair Designate Consumer Council for Water), Maurice Terry (Chairman WaterVoice Council) and Roy Wardle (Secretary to WaterVoice Council)

Item 4 – Rowena Tye (Head of Quality Enhancement) and Giordano Colarullo (Quality Enhancement Team)

**1. Agree minutes of last meeting**

The Board agreed the minutes of the previous meeting held on 13 June 2005. The minutes will be published on the Ofwat website.

**2. Industry update**

The Executive provided an update on the latest developments in the water industry and at Ofwat. The Board discussed progress on the Severn Trent Whistleblower investigation.

The Board noted the following points:

- WaterVoice Thames has called for customers of Sutton and East Surrey Water to be given a customer dividend of £40 if its parent company East Surrey Holdings plc is bought by Kellen Acquisitions Ltd. Ofwat can see no justification for such a demand.
- Ofwat will issue its press notice on leakage on 14 July, which will report that Thames Water and United Utilities Water have failed their leakage targets for 2004-05.

- Ofwat discussed with Defra possible implications for economic regulation of the draft Natural Environment and Rural Communities Bill, which gives the Secretary of State power to transfer her powers to third party bodies.
- The water supply licensing regime will go live on 1 December. Companies can apply for a licence from 1 August. Ofwat will publish on the Ofwat website its response to an open letter from three potential licensees criticising Ofwat's approach to calculating access prices.
- The Competition Appeal Tribunal has given Aqua Resources permission to withdraw its appeal.
- Ofwat will commission an external contractor to review the assumptions made at the outset of the Thames Tideway study to see if any realistic options for partial remedies were ruled out before being fully considered.
- Ofwat will shortly consult on the information requirements for the June Return 2005-10. Following comments from companies Ofwat will aim to strengthen the feedback that is given to companies on the June Return.
- Ofwat would be working to improve internal communications with all its staff.

John Baker provided an update on the Review of Periodic Review 2004 project, which he is chairing. The independent Steering Group has now completed its round of meetings with key stakeholders and has received an initial report on findings from its appointed external research contractor. The Steering Group is now in the stage of drafting its report and recommendations.

Roger Munson provided an update on the recent Audit Committee meeting. The National Audit Office has approved Ofwat's accounts. Ofwat's internal auditors, KPMG, also reported on its work over the past year and presented its work plan for the year ahead.

### **3. Consumer Council for Water (CCWater)**

Dame Yve Buckland, Maurice Terry and Roy Wardle joined the meeting to discuss how Ofwat and CWater can maintain and strengthen the relationship established between Ofwat and WaterVoice to the benefit of customers.

### **4. Water Framework Directive – implications and developments**

The Board discussed the implementation process for the Water Framework Directive (WFD) and the possible implications for the water industry. Although Ofwat does not have a formal role in the implementation of the Directive it has been assisting Defra with economic analysis relating to water companies in England and Wales.

Ofwat's aim is to ensure that decision-makers are fully informed and aware of the cost impacts when they make their decisions on the WFD. Ofwat should also ensure that those who are going to bear the costs of the Directive are fully informed in advance to avoid any surprises.

**5. Follow up on June Return actions**

Executive members of the Board provided an update on Ofwat's initial analysis of companies' June Returns. The Board will be given a final update later in the year following further analysis, correspondence and discussion with companies.

In the autumn, Ofwat wants to meet all water and sewerage companies individually to discuss the results of its analysis. Ofwat will also offer a meeting to each water only company.

**6. Agenda items for future Ofwat Board meetings**

The Board reviewed the items to be discussed at future Board meetings.

**Anna Whittington**