



OFWAT BOARD

Meeting held on Friday 28 March 2014

Members in attendance

Chairman:

Jonson Cox

Non-Executive Directors:

Penny Boys
Chris Burchell
Martin Lawrence
Robin Paynter Bryant
Catherine Waddams
Wendy Barnes
Christine Farnish

Executive Directors:

Cathryn Ross
Keith Mason
Sonia Brown

Apologies:

Richard Khaldi

In attendance:

Noel Beale	(Director of Legal Services)
Dan Mason	(Assistant Board Secretary)
Antony Cook	(PwC) – items 2 to 5
Stuart Cook	(PwC) – items 2 to 5
David Lancefield	(PwC) – items 2 to 5
Bill Easton	(PA Consulting) – item 3
David Black	(Director of Economics) – item 3
Giles Stevens	(Delivery Director) – item 3
Georgina Mills	(Associate Director) – item 3
Claire Forbes	(Senior Director of Corporate Communications)
Claire Simpson	(Strategic Adviser to the Chief Regulation Officer) – items 2 to 5
Kalpesh Brahmhatt	(Director of Casework) – item 6
Ricardo Araujo	(Principal Case Officer) – item 6
Mandy Taylor	(Principal Legal Advisor) – item 7
Kate Haycock	(Project Manager) – item 7
Sam Bache	(Head of Finance) – items 8 and 9
Andrew Beaver	(Director of Strategy) – item 9
Ronan Palmer	(Environment Director) – item 9

1. Declarations of interest

1.1 None.

2. Minutes

2.1 With minor amendments, the Board agreed the minutes of the meetings held on 6 February, 5 March and 7 March 2014. The minutes would be published onto the Ofwat website.

2. PR14 – communications and stakeholder response to the pre-qualification announcement

2.1 The Executive updated Board on the media and stakeholder reaction to the pre-qualification announcement made on 10 March 2014.

2.2 Board noted the update.

3. PR14 – endorse recommendations for pre-qualification to enhanced business plans

3.1 Further to the announcement on 10 March 2014, the Executive provided Board with recommendations on the two pre-qualifying companies' business plans following an assessment of responses against both the risk and reward guidance and outstanding actions from the risk based review tests.

3.2 The Executive informed Board that both companies had accepted Ofwat's risk and reward guidance.

3.3 In relation to South West Water, Board agreed to the Executive's recommendation that the company's business plan be categorised as enhanced subject to the satisfactory resolution of one outstanding issue regarding the company's Average Cost to Serve. Board agreed to delegate authority to Cathryn Ross and Sonia Brown to resolve this issue with the company ahead of the 4 April announcement.

3.4 In relation to Affinity Water, Board agreed to the Executive's recommendation that the company's business plan be categorised as enhanced subject to the satisfactory resolution of one outstanding issue regarding retail cost allocation. The Executive highlighted to Board that Affinity Water has until 11 April to satisfactorily address this issue, and the announcement on 4 April will therefore emphasise that the enhanced categorisation is subject to this issue being resolved. Board agreed to delegate authority to Cathryn Ross and Sonia Brown to decide whether Affinity Water have satisfactorily addressed this issue.

3.5 It was agreed that the Executive would share both companies' draft determinations with Board Members for information.

4. PR14 – policy and process update

4.1 The Executive set out to Board its proposed approach to addressing matters of process and general policy. In particular, the Executive highlighted the proposed process for non pre-qualified companies and the associated timescales.

4.2 The Board noted the proposed approach and delegated authority to Sonia Brown to define the relevant processes.

5. PR14 – programme update

5.1 The Executive provided an update to Board on the PR14 programme.

5.2 Board noted the update.

6. Thames Water sewer flooding case

6.1 The Executive updated Board on the case against Thames Water for breaching its licence obligations in relation to the reporting of sewer flooding information.

6.2 In particular, the Executive proposed to Board that, based on the facts of the case and analysis undertaken, that Ofwat issues a draft penalty notice under section 22A of the Water Industry Act 1991. The Executive highlighted the importance of Board Members, when making decisions of this nature, being familiar with the information provided by the Executive.

6.3 Board Members noted the need to satisfy themselves that they have had regard to all relevant information, and on that basis, agreed in principle to Ofwat issuing a draft penalty notice to Thames Water.

6.4 The Board delegated authority to Cathryn Ross to engage with Thames Water regarding a possible early resolution of the case, and agreed the relevant parameters within which the Chief Executive may agree early resolution or revert back to Board for agreement. In the event that an early resolution is not a viable option, the Board agreed to delegate authority to the Chief Executive to publish the draft penalty notice and seek to remedy consumer harm via the PR14 process.

7. Thames Tideway tunnel licence issues

- 7.1 The Executive explained to Board the proposed approach in drafting the Infrastructure Provider's licence and the consequential amendments to Thames Water's conditions of appointment. The Executive also set out the timescales associated with consulting on the draft licence.
- 7.2 The Board clarified a number of issues, in particular in relation to dispute resolution and whether the licence would be project specific.
- 7.3 The Board agreed to the proposed approach and delegated authority to Cathryn Ross and Keith Mason to finalise the relevant licences for consultation.

8. Budget – monthly update

- 8.1 The Executive provided the Board with its monthly update on the organisation's financial position as at the end of February. The Executive also sought approval for four contract awards.
- 8.2 The Board noted the update and approved the relevant contracts.

9. Ofwat strategy and Strategic Business Plan 2014-15 to 2016-17

- 9.1 The Executive updated Board on the ongoing work with regards to the development of Ofwat's revised strategy ahead of further discussions at the April Board meeting. In particular, the Executive provided Board with feedback from the ongoing discussions with stakeholders.
- 9.2 Board noted the update, and provided a range of comments on what Board Members in particular would like to discuss at the April meeting.
- 9.3 The Executive presented Ofwat's strategic business plan for the next three years to the Board (Board refreshes that plan each year on a rolling basis). The Board supported the strategic business plan.

10. Chief Executive's Report

- 10.1 The Board received an update on key issues. These included:
- Stakeholder communications;
 - An update on the Water Bill; and
 - The Business Transformation Programme

11. Board Committee update

- 11.1 The Board agreed to changes to the Audit and Risk Assurance Committee's terms of reference.

11.2 As Chair of the Audit and Risk Assurance Committee, Wendy Barnes provided Board with an update from the Audit and Risk Assurance Committee on its recent meeting.

12. Board evaluation

12.1 The Board discussed the process by which it would evaluate its performance and effectiveness.

13. Any Other Business

13.1 As this was her last Board meeting, the Board thanked Penny Boys for her valuable work during her time as a member of the Board.

13.2 The Board also noted its thanks to Sonia Brown and all those involved with the delivery of PR14 for their hard work on the price review to date.

Dan Mason
2 April 2014