



OFWAT BOARD

Meeting held on Friday 7 March 2014

Members in attendance

Chairman:

Jonson Cox

Non-Executive Directors:

Penny Boys
Chris Burchell
Martin Lawrence (by telephone)
Robin Paynter Bryant
Catherine Waddams
Wendy Barnes
Christine Farnish

Executive Directors:

Cathryn Ross (by telephone)
Keith Mason
Sonia Brown
Richard Khaldi

In attendance:

Noel Beale	(Director of Legal Services)
Dan Mason	(Assistant Board Secretary)
Antony Cook	(PwC)
Stuart Cook	(PwC)
David Lancefield	(PwC)
Andrew Walker	(Delivery Director)
Andrew Beaver	(Director of Strategy)
David Black	(Director of Economics)
Bill Easton	(PA Consulting)
Mark Worsfold	(Chief Engineer)
Giles Stevens	(Delivery Director)
Graham Taylor	(City Adviser)
Shane Anderson	(Associate Director)
Georgina Mills	(Associate Director)
Claire Forbes	(Director of Corporate Communications)
Claire Simpson	(Strategic Adviser to the Chief Regulation Officer)

1. Update on actions arising from 5 March

- 1.1 The Executive updated Board on various points arising from the meeting held on 5 March. These included updates on the risk based review timeline and proposed changes to the internal methodology on Board Assurance.

1.2 The Board agreed to the relevant changes to the internal methodology on Board Assurance.

2. PR14 – company recommendations

2.1 For the purposes of this discussion, it was agreed that Sonia Brown would not be regarded as a decision making Board member, given her involvement in the categorisation of companies' risk based review.

2.2 The Executive provided Board with a recommendation on Northumbrian Water's business plan. The recommendation was that Northumbrian Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Northumbrian Water's business plan scores and agreed to the recommendation.

2.3 The Executive provided Board with a recommendation on Yorkshire Water's business plan. The recommendation was that Yorkshire Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Yorkshire Water's business plan scores and agreed to the recommendation.

2.4 The Executive provided Board with a recommendation on Wessex Water's business plan. The recommendation was that Wessex Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Wessex Water's business plan scores and agreed to the recommendation.

2.5 The Executive provided Board with a recommendation on Anglian Water's business plan. The recommendation was that Anglian Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Anglian Water's business plan scores and agreed to the recommendation.

2.6 The Executive provided Board with a recommendation on Severn Trent Water's business plan. The recommendation was that Severn Trent Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Severn Trent Water's business plan scores and agreed to the recommendation.

2.7 The Executive provided Board with a recommendation on Dwr Cymru (Welsh Water)'s business plan. The recommendation was that Welsh Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Welsh Water's business plan scores and agreed to the recommendation.

- 2.8 The Executive provided Board with a recommendation on South Staffordshire Water's business plan. The recommendation was that South Staffordshire Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of South Staffordshire Water's business plan scores and agreed to the recommendation.
- 2.9 The Executive provided Board with a recommendation on Sembcorp Bournemouth Water's business plan. The recommendation was that Sembcorp Bournemouth Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Sembcorp Bournemouth Water's business plan scores and agreed to the recommendation.
- 2.10 The Executive provided Board with a recommendation on South East Water's business plan. The recommendation was that South East Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of South East Water's business plan scores and agreed to the recommendation.
- 2.11 The Executive provided Board with a recommendation on Sutton and East Surrey Water's business plan. The recommendation was that Sutton and East Surrey Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Sutton and East Surrey Water's business plan scores and agreed to the recommendation.
- 2.12 The Executive provided Board with a recommendation on Thames Water's business plan. The recommendation was that Thames Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Thames Water's business plan scores and agreed to the recommendation.
- 2.13 The Executive provided Board with a recommendation on Southern Water's business plan. The recommendation was that Southern Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Southern Water's business plan scores and agreed to the recommendation.
- 2.14 The Executive provided Board with a recommendation on United Utilities' business plan. The recommendation was that United Utilities' business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of United Utilities' business plan scores and agreed to the recommendation.

- 2.15 The Executive provided Board with a recommendation on Bristol Water's business plan. The recommendation was that Bristol Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Bristol Water's business plan scores and agreed to the recommendation.
- 2.16 The Executive provided Board with a recommendation on Dee Valley Water's business plan. The recommendation was that Dee Valley Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Dee Valley Water's business plan scores and agreed to the recommendation.
- 2.17 Following discussion at the 5 March Board meeting, the Executive provided Board with a recommendation on Portsmouth Water's business plan. The recommendation was that Portsmouth Water's business plan be categorised as not pre-qualified for enhanced. The Board discussed all aspects of Portsmouth Water's business plan scores and agreed to the recommendation.
- 2.18 Following discussion at the 5 March Board meeting, the Executive provided Board with a recommendation on Affinity Water's business plan. The recommendation was that Affinity Water's business plan be categorised as pre-qualified for enhanced, owing to the high quality of its plan. The Board discussed all aspects of Affinity Water's business plan scores and agreed to the recommendation.

3. PR14 – prize for enhancement

- 3.1 The Executive set out to Board the proposed prize for enhanced business plans that would be applicable to pre-qualified companies. The Executive explained to Board the structure of the enhanced menu as well as the size of the prize for the pre-qualified companies.
- 3.2 The Board discussed and challenged the proposal. In particular, the Board discussed the value of including an up-front financial reward and noted that the reward would only be available if a prequalifying company accepts the risk and reward package, other conditions, and is successfully accepted as an enhanced company. The Board also considered that the company should be given the flexibility to determine how the reward should be distributed over the short and longer term.
- 3.3 The Executive agreed to revise the enhanced package and this would be circulated and agreed with Board via correspondence before 10 March.

4. PR14 – ‘the do no harm’ rule

4.1 The Executive set out to Board a summary of key recommendations in relation to the ‘do no harm’ rule for pre-qualified companies.

4.2 The Board agreed to the Executive’s recommendations.

5. PR14 - additional checks for prequalified companies

5.1 The Executive set out to the Board the additional checks that will be carried out on pre-qualified companies prior to being awarded enhanced status.

5.2 The Board noted the relevant checks.

6. PR14 communications

6.1 The Executive set out the key messages that will need to be communicated within, and following, the announcement on 10 March.

6.2 The Board provided comments on the proposed communications.

6.3 The Board agreed to delegate authority to sign off documentation to be published on 10 March to Cathryn Ross and Sonia Brown.

Dan Mason

8 March 2014