



OFWAT BOARD

Meeting held on Monday 10 October 2005

Members

Director General:

Philip Fletcher

Non-Executive Advisory Directors:

Roger Munson

Martin Cave

John Baker

Jane May

Executive Directors:

Tony Smith

Keith Mason

In attendance:

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

Huw Brooker (Head of Legal Services)

Sarah Johnson (Minute Secretary)

Apologies:

Roger Dunshea

1. Agree minutes of last meeting

The Board agreed the minutes of the previous meeting held on 12 September 2005. The minutes will be published on the Ofwat website.

It was noted that the meetings held so far with companies to follow up on the June returns had been well received, and it was agreed that these were a worthwhile exercise. The information from these meetings will be drawn together and presented at the next Board meeting.

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:

- Kellen Investments (Terra Firma) is seeking permission from the Takeover Panel to withdraw from the acquisition of East Surrey Holdings.
- The financeability study was discussed and the proposed timetable was noted.
- Philip Fletcher thanked John Baker and the project review team for their work on the independent review of PR04. We are currently considering how we will respond to the review findings.

- Philip Fletcher and Fiona Pethick will attend the first of a series of high level meetings to discuss water efficiency issues with Elliot Morley.
- We are currently assessing Folkestone and Dover Water's application for water scarce area status.
- It was proposed that we should publish position papers on our website to explain our views on key issues.
- The Thames Tideway strategic study was discussed. The draft report from consultants Jacobs Babtie contains many interesting propositions, which need to be considered.
- The Board offered its congratulations to Tony Smith on his appointment as the new Chief Executive of CCWater.
- Adverts for the Chair and Non-Executive Directors for WSRA have been published. Closing date for applications was the 7 October.
- A meeting between the Boards of Ofwat and CCWater is to be arranged for the New Year.
- We have received 3 Water Supply Licensing applications but are expecting more to arrive shortly.

3. Water Framework Directive

The Board discussed our strategy and involvement in the Water Framework Directive. This is a big project for which we only have limited resources. The Board agreed that our goal was to determine how we can best get our message across.

Currently Ofwat is a member of several working groups but concerns were raised as to the bigger picture and how all these small "building blocks" fit together. There is no easy answer to the issues raised other than to decide on our high level principles and ensuring that we play our part in getting our message across. The overall approach proposed was agreed.

4. Water Industry Forward Look

The Board discussed the latest progress on this project, the four scenarios put forward and how to disseminate the results. The Board were happy with the way that it was moving forward.

The suggested scenarios were seen as good examples as any extremes would produce inconsistent results and the study would lose credibility. The outcome of the study was expected to be shared with stakeholders in the new year. The Board was keen to see the results and asked the project team to ensure that they were available before the WSRA was set up.

5. Better Regulation

Our approach to better regulation initiatives was discussed and what more we should be doing in this area. Philip Fletcher welcomed ideas from the Board on this subject particularly with the formation of the WSRA to consider. Are there any areas for change?

We discussed the quantity of information that we ask for from companies, in particular how much of the information companies use for their own purposes.

6. Budget report to 31 August 2005

The Board received an update on Ofwat's financial performance against the budget up to the end of August 2005. The budget is on track.

7. Agenda items for future Ofwat Board meetings

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

Sarah Johnson