



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

**Members**

**Director General:**

Philip Fletcher

**Non-Executive Advisory Directors:**

Jane May  
Martin Cave  
Roger Munson

**Executive Directors:**

Bill Emery  
Keith Mason  
Roger Dunshea

**In attendance:**

Huw Brooker (Head of Legal Services)

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

Anna Whittington (Minute Secretary)

and

Item 3 – Tracey Anderson (Head of Regulatory Accounts) and Mark Hann (Head of Comparative Efficiency)

Item 4 – Beryl Brown (Head of Competition Policy) and Philip Dixon (Competition Team)

Item 5 – Paul Hope (Head of Tariffs) and Sue Cox (Head of Service and Performance)

**Apologies:**

John Baker (Non-Executive Advisory Director)

Tony Smith (Executive Director)

**1. Agree minutes of last meeting**

The Board agreed the minutes of the previous meeting held on 14 March 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 noted the following points:

- East Surrey Holdings is subject to a bid from Terra Firma.
- The Review of PR04 Steering Group has sent the postal questionnaire to external stakeholders asking for their views on the 2004 periodic review. The Steering Group is also meeting with some key stakeholders. The Steering Group will report its findings in July.

- The initial surge in telephone calls and correspondence concerning the increase in bills for 2005-06 is slowing. However, Ofwat expects to continue to receive some calls as metered customers receive their bills throughout the year. Ofwat could also have similar issues next year as some customers will see a further stepped change in their bills.
- Ofwat is following up issues with a few companies before publishing summaries of companies' monitoring plans on the Ofwat website.
- Sutton and East Surrey's unattended hosepipe/sprinkler ban will shortly come into force.
- Ofwat has issued guidance to all staff on appropriate conduct during an election.

### **3. Whistleblower**

The Board discussed progress on the Severn Trent Whistleblower investigation.

### **4. Competition strategy**

The Board discussed Ofwat's new competition duty and its strategic proposals on how to fulfil it.

- Water supply licensing - Ofwat will act as a catalyst by highlighting the availability and operation of the water supply licensing regime from August 2005. Ofwat will consider the costs and benefits of seeking more disaggregated information from companies to improve transparency for new entrants.

Ofwat will review the success of water supply licensing through a range of measures although it will not set quantitative targets for numbers of supply licenses or customers changing supplier. Ofwat plans to undertake a project review in 2006.

- Inset appointments - Ofwat will continue with its current approach to inset appointments.
- Self lay - Ofwat will do more to inform stakeholders about self-lay and multi-lay opportunities.
- CA98 cases - Ofwat will focus its administrative resources on those complaints relating to CA98 which raise important issues for the water and sewerage industry or where there is clear evidence of serious abuse. Ofwat will also consider expanding the annual CA98 report to cover all aspects of competition complaints.

### **5. Tariff issues**

The Board discussed Ofwat's contribution to the Defra review of charging mechanisms.

Ofwat will discuss with Defra emerging work on social tariffs. Ofwat continues to support the Government's position as set out in *A Fair Deal for Consumers*:

“If the Government concludes that its social policy and environmental policy objectives require action which would have significant financial implications for consumers or for the regulated companies, such action should be taken forward by means of new specific provision in primary or secondary legislation rather than through guidance to the regulators.”

Ofwat will work with companies to improve the understanding of the relationship between household income, rateable values and water use. This could help inform any review by the Government of the current rateable value based charging system, in particular the likely winners and losers from a change in approach.

The Board endorsed the continued promotion of the free meter option to low income households where they would benefit.

Ofwat will continue to examine options made possible by metering, including rising block and seasonal tariffs.

The Board also discussed disparities in charges between and within companies. As a general rule, where companies have different charges in different areas of their region, they should look to harmonise charges unless these differences can be justified on cost reflectiveness grounds.

## **6. Human resources management issues 2005-06**

The Board discussed proposals for adjusting to the post periodic review workload and flexible approaches to resourcing project work.

## **7. Agenda items for future Ofwat Board meetings**

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

**Anna Whittington**