



OFWAT BOARD

Meeting held on Monday 11 December 2006

Members

Chairman:

Philip Fletcher

Chief Executive:

Regina Finn

Non-Executive Directors:

Jane May

Peter Bucks

Penny Boys

Executive Directors:

Keith Mason

Melinda Acutt

In attendance:

Roger Dunshea (Director of Operations) item 8 onwards

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

Sue Cox (Acting Head of Consumer Affairs)

Huw Brooker (Head of Legal Services)

Louise Craig (Minute Secretary)

Phillip Dixon (Head of Competition) item 4

Paul Morris (Competition policy manager) item 4

Christopher Pepper (Business analyst – Transfer pricing) item 5

Helen Twelves (Head of supply demand balance) item 7

Andrew Day (Supply demand analyst) item 7

Ingrid Olsen (Competition Commission Reference Team Leader) item 8

Mark Hann (Head of comparative efficiency team) item 8

Jennifer Ager (Comparative efficiency analyst) item 8

1. Welcome and apologies for absence.

There were no apologies for absence.

2. Declarations of interest.

No declarations of interest were made.

3. Minutes and actions arising.

The Board approved the minutes of the previous meeting of 13 November 2006. The minutes will be published on the Ofwat website.

4. Approach to market competition.

The Board discussed Ofwat's review of market competition and noted Regina Finn's letter to Ian Pearson of 28 November seeking to work with Defra to identify any barriers or obstacles to competition and how those might be addressed. The Ofwat review will be split into two phases. The Board approved the plan for phase one of the review. Phase one will take six to eight weeks and help to scope the work required in phase two.

5. Transfer pricing.

The Board discussed their next steps on regulatory action on transfer pricing issues for United Utilities.

6. Stakeholder engagement strategy.

The Board discussed Ofwat's approach to stakeholder engagement. The Board agreed that:

- It should review stakeholder relationships and strategy annually.
- Ofwat should undertake independent stakeholder research to assess whether it is meeting expectations of key stakeholders.
- Ofwat would consider communication issues at all stages of policy making.

7. Update on the drought.

The Board was updated on Ofwat's work during the drought and how the process can be improved. The Board endorsed the proposal for Ofwat to develop a more proactive approach to ensure that the companies are protecting customers in future droughts.

8. Competition Commission update and loss of a comparator.

The Board was informed of the timetable for the Competition Commission hearing. They were told about Ofwat's work on the effect of the loss of a comparator. The Board noted with approval the action so far taken and sought more information on the qualitative assessment of the effect of mergers between companies.

9. Financial report April to October 2006.

The Board received and accepted an update on Ofwat's financial performance for April to October 2006. The 2007-08 budget would be presented to the February Board meeting.

10. Chief Executive's report.

Regina Finn presented her Chief Executive's report. The following issues were discussed:

- The draft NAO report on water management which was received by Ofwat on 8 December. It will be published in mid January 2007. The Board was informed

that the report would include comments on Ofwat's approach to water efficiency, demand and leakage issues.

- The Government's consultation on responsibility for private sewers. On a contingency basis the Board discussed the implications of a possible transfer of private sewers to WaSCs and the ways in which such a transfer might be implemented including the cost implications.
- The initial results of the survey into willingness to pay for the proposed Thames Tideway interceptor sewer scheme.
- Companies' half year results.
- Progress on investigations into the integrity of data supplied by particular companies to Ofwat.

11. Future papers.

The Board discussed the programme of papers for future Board meetings, and arrangements for its away day in February 2007.

12. AOB.

Peter Bucks gave an update from the Audit Committee meeting on 8 December 2006. The Audit Committee had considered the NAO's management letter and its recommendations and noted progress with its implementation. KPMG had presented their internal audit plan and findings from their sickness monitoring review. The 2006-07 audit strategy for resource accounts had been approved.

Louise Craig.