



OFWAT BOARD

Meeting held on Monday 11 September 2006

Members

Chairman & Acting Chief Executive:

Philip Fletcher

Non-Executive Directors:

Jane May

Peter Bucks

Executive Directors:

Keith Mason

Melinda Acutt – via telephone

In attendance:

Roger Dunshea (Director of Operations)

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)

Kieran Duffy (Head of Transfer Pricing) items 4 & 5

Ingrid Olsen (Head of Parliamentary and Public Affairs) item 5

Tracey Anderson (Head of Regulatory accounts) item 6

George Day (Head of Capital Maintenance) item 7

Apologies:

Penny Boys

1. Minutes and actions arising.

The Board approved the minutes of the previous meeting held on 24 July 2006. The minutes will be published on the Ofwat website.

The Board noted the following Board decisions that had been made since the Board meeting on 24 July.

Cash Lockup agreement

The Board had decided to introduce, when the occasion offered, a cash lock up provision in companies' licences where companies were obliged to maintain an investment grade credit rating.

House of Lords report on water management.

The Board had approved Ofwat's draft response to the House of Lords Science & Technology Committee's report on water management. The final response had been submitted on 6 September 2006.

2. Chief Executive's report.

Philip Fletcher provided an update on the latest developments in the water industry and at Ofwat. The following issues were discussed:

- progress on the sale of Thames Water.
- the drought and reports of a reduction in demand for water over the summer which was probably due in part to responsible use by customers which we welcomed and the change in the weather in August.
- the evidence Ofwat were to present to the planning inquiry into appeals by United Utilities regarding consents for intermittent discharges imposed by the Environment Agency.
- strategic risks to Ofwat which would be further explored by the executive.

3. Follow up to Board away day.

The Board received a paper on the progress of the actions from their away day, which was held on 2 and 3 August.

4. Transfer pricing.

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

5. Licence modifications for interim determinations.

The Board reviewed suggested approaches to take forward for PR09 on three areas of change to companies' licences on interim determinations. These were left outstanding from the last price review. The Board agreed with the suggestions and these will now be taken forward in discussion with appropriate stakeholders.

6. Special investigations.

The Board discussed progress so far and further actions identified from the special investigations. The way we approach our analysis of the June returns, our challenges to the quality of information, the usefulness of confidence grades, and the way the reporters and auditors work were areas identified for further action. A number of papers will be submitted to the Board on these issues over the coming months.

7. Process for assessing capital maintenance requirements.

Following our consultation on developing the process for capital maintenance planning the high level principles and the issues for our assessment process were agreed by the Board. This will be published.

8. Memorandum of Understanding (MoU) with CCWater.

The Board agreed the MoU with CCWater subject to further discussions on the sharing of data.

9. Update on June returns.

The Board received an update on our progress with assessing companies' June returns for 2006. Feedback letters will be sent to all companies during October.

10. Financial report April – July 2006.

The Board received and accepted an update on Ofwat's financial performance for April to July 2006. The Board was told that Treasury approval had been received for the pay remit.

11. AOB

The Board considered the draft advert and job description for a new Non-executive director to replace Lord Whitty. This advert should be published by the end of September.

Louise Craig.