



**OFWAT BOARD**  
**Meeting held on Monday 12 December 2005**

**Members**

**Director General:**

Philip Fletcher

**Non-Executive Advisory Directors:**

Roger Munson

John Baker

Jane May

Martin Cave

**Executive Directors:**

Keith Mason

Roger Dunshea

**In attendance:**

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)

**Apologies:**

None

**1. Agree minutes of last meeting**

The Board agreed the minutes of the previous meeting held on 14 November 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 discussed the half-year company results announced so far, progress on the Severn Trent Whistleblower investigation, and the Southern Water investigation.

The board noted the following points:

- The announcement by South West to give £20 flat rebate to its customers following a share buy back.
- That the outcome of the scenario modelling of the Water Industry Forward look will be presented at the Board meeting of 9 January 2006.

The board noted:

- The drought situation in southern England and security of supply.
- The Water Framework Directive including issues with the timetable for PR09.

- The Thames Tideway Strategic Study report and the Jacobs Babbie study, now in the public domain.
- The sustainable development workshop on 24 November which was well received by all participants.
- Our concern about the implications of transferring responsibility for private sewers to sewerage undertakers.
- The launch of the new competition regime on 1 December.

### **3. Longer Term Issues Ofwat and WSRA**

Philip Fletcher introduced a paper on the interactions of certain longer-term issues set out following policy papers that were being developed.

- Financeability and the cost of capital
- Length of PR09
- Price or revenue caps

The Board agreed that progress on these issues should not be delayed by the transition from the Director General to the WSRA. However, it would be for the new Authority to reach conclusions.

### **4. Financeability and the Cost of Capital**

The Board discussed the initial report of the study on financeability which is being undertaken with Ofgem. Comments from the Board and our consultant will be included. It was agreed that the study should be published before the WSRA is formed.

### **5. Length of PR09**

A draft consultation paper on the length of the period between price reviews was presented to the Board. The Board discussed the various options and suggested that respondents to the consultation should be asked to think about the advantages and disadvantages of their choice of review period. The consultation would go out in January 2006.

### **6. Price or revenue caps**

An exploratory paper on the relative advantages and disadvantages of price or revenue caps was discussed. It was agreed to do further work in preparation for a discussion with the WSRA.

### **7. Budget report to October 2005**

The Board received an update on Ofwat's financial performance against the budget up to the end of October 2005. Following last month's Board meeting the budget for 2006-07 has been increased slightly to allow for contingencies.

## **8. Agenda Items for future Ofwat board meetings**

The board reviewed items to be discussed at the next meeting on 9 January 2006. JB gave his apologies for the next meeting.

## **9. AOB**

None

**Louise Craig**