



OFWAT BOARD

Meeting held on Monday 13 February 2006

Members

Director General:

Philip Fletcher

Non-Executive Advisory Directors:

Roger Munson (via telephone for papers 3&4)
Martin Cave
Jane May
John Baker

Executive Directors:

Keith Mason
Melinda Acutt
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)
Item 4 - Ian Stephens (Comparative Efficiency Team)

Apologies:

None.

The Board congratulated Philip Fletcher on his recent appointment to the post of Chairman designate of the WSRA

1. Agree minutes of last meeting

The Board agreed slight changes to be made to the minutes of the previous meeting held on 9 January 2006. 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 that:

- The financeability paper was published on 8 February just ahead of the City Briefing.
- The City Briefing was well received with a large turn out. PR09, financeability and the proposed sale of TMS were discussed.

- The rebate South West Water proposed to give its customers did not stimulate much national media comment.
- The water industry forward look modelling numbers for the industry would be published on the website in March.
- Our interim report into the Severn Trent whistleblower had been shown to Severn Trent plc for confirmation of its factual accuracy prior to publication.
- We are pulling together comments on the report by the independent review of PR04. These will be published in a RD letter in March.
- We have published a consultation paper on the length of the next periodic review period.
- We are continuing to respond to government consultations that we felt were appropriate.
- A Defra led working group was looking at the relationship between the Thames Tideway Strategic Study and the Olympic Games.
- There have been no recent applications on Supply licensing. A seminar for undertakers was held on 3 February to disseminate key messages.

3. WSRA Big Decisions

The Board discussed principles for the Rules of Procedure for the WSRA Board, in particular which powers the Board should reserve for itself and which decisions it should delegate. Philip Fletcher said that the full membership of the Board of the Authority was unlikely to be complete when it was established on 1 April 2006. It was agreed that a draft set of Rules of Procedure should be agreed by the 'shadow' board before 1 April 2006. These could then be discussed and amended by the full WSRA Board when it was in place.

4. Leakage

The progress that Thames and other companies are making on reducing levels of leakage was discussed. Thames Water faces a stiff challenge to achieve the target for 2005-06.

5. Southern Water

The Board discussed the progress of the current investigation into the payment of GSS. The SFO had not yet decided whether to launch an investigation itself. If it did, that would affect handling and timetable of the Ofwat investigation.

6. Budget report to December 2005

The Board received an update on Ofwat's financial performance against the budget up to the end of December 2005. The draft 2006/07 budget was discussed. The Board agreed that RD should issue a letter in February 2006 to companies explaining the uncertainties affecting the 2006/07 budget and possible implications.

7. Agenda Items for the final Ofwat Board meeting

The Board reviewed items to be discussed at their final meeting on 21 March 2006. It was agreed to invite the non-executive directors of the WSRA to the meeting if their appointments had been announced.

8. AOB

None

Louise Craig