



OFWAT BOARD

Meeting held on Monday 8 May 2006

Members

Chairman & Acting Chief Executive:

Philip Fletcher

Non-Executive Directors:

Penny Boys

Peter Bucks

Jane May

Lord Whitty

Executive Directors:

Keith Mason

Melinda Acutt

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)

Mark Hann (Head of Comparative Efficiency Team) item 5

Tracey Anderson (Head of Regulatory Accounts) item 6

Sheila Miller (Acting Head of Service and Performance) item 6

Helen Twelves (Head of Supply Demand Balance Team) item 7

Ian Hulme (Competition policy team) item 7

Apologies:

None.

1. Minutes and actions arising.

The Board approved the minutes of the previous meeting held on 3 April 2006. The minutes will be published on the Ofwat website.

2. Chairman's report and industry update.

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

- Relationship with stakeholders. A stakeholder contact plan would be produced to allow the non-executive directors to meet with key stakeholders. This would include visits to some water companies and meetings with other stakeholders.
- Issues for discussion at a Board away day.
- The drought, weather prospects for the summer and Ofwat's role in protecting customers' interests. We are working closely with Defra, EA and companies.
- The discussions with the Welsh Assembly Government about affordability.

- Progress in competition in the water industry and the delays experienced by potential new entrants.

3. Rules of procedure and reserved powers.

The draft rules of procedure were reviewed. The Board agreed to make some further changes to the document which would be agreed via correspondence. These rules would be put on the website and reviewed when the Chief Executive is in place.

4. Membership of Audit and Remuneration Committee.

The Board agreed that Jane May, Penny Boys and Philip Fletcher would be appointed to the Remuneration Committee and that Jane would be Chairman. Larry Whitty and Peter Bucks would be appointed to the Audit Committee and Peter would be Chairman. It was also agreed to consider the appointment of an independent member to the Audit Committee.

5. Leakage.

The Board discussed Thames Water's prospective performance against their leakage target and options for enforcement if it became necessary. The Board gave a clear steer that in principle persistent and serious failure to meet leakage targets pointed to a breach of the section 37 WIA91 duty. It was agreed that a committee of the Board comprising Melinda Acutt, Philip Fletcher and at least one non-executive director would be set up to take decisions if necessary.

6. Special investigations.

The Board was updated on progress with the on-going investigations. The Board agreed that the June returns for 05/06 would need intensive scrutiny. A paper would be brought to the Board to update them on progress and lessons for the future.

7. Darwell bulk supply determination.

A paper was presented on the request to determine a bulk supply between South East Water and Southern Water. The Board agreed that it had jurisdiction to make a bulk supply order under section 40 of the Water Industry Act 1991. It agreed that the final order should include provision for control rules and that the review period should be at ten year intervals. A sub committee of the Board would be created to take the final decision on this bulk supply determination comprising Philip Fletcher, Melinda Acutt and Penny Boys.

8. Budget 2006-07.

The Board considered the budget for 2006-07. It was suggested that a ringfenced fund for litigation should be created to offset the risk associated with unpredictable litigation costs.

9. Financial out-turn 2005-06.

The Board received an update on Ofwat's financial performance against the budget for 2005-06.

10. Future Papers.

'Lessons from special investigations' was added to the agenda for the Board meeting on 24 July.

11. Board away day.

The content and date of the Board away day was discussed. The Board agreed to give the Board Secretariat their suggestions.

12. AOB.

The date of the next meeting would be 15 June.

Louise Craig.