



OFWAT BOARD
Meeting held on Monday 9 May 2005

Members

Director General:

Philip Fletcher

Non-Executive Advisory Directors:

Jane May
Martin Cave
Roger Munson
John Baker

Executive Directors:

Bill Emery
Keith Mason
Roger Dunshea
Tony Smith

In attendance:

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

Anna Whittington (Minute Secretary)

and

Item 3 – Tracey Anderson (Head of Regulatory Accounts) and Sophie Shaw (Legal Division)

Item 4 – Mark Hann (Head of Comparative Efficiency), Helen Twelves (Comparative Efficiency Team) and Emma Cochrane (Head of Corporate Finance)

Item 5 – Roy Wardle (Head of Consumer Representation) and Clive Ralph (Head of Disputes and Complaints Team)

Apologies:

Huw Brooker (Head of Legal Services)

1. Agree minutes of last meeting

The Board agreed the minutes of the previous meeting held on 11 April 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 also discussed the long-term developments in the water industry and the implications of the new sustainability duty. The Board noted the following points:

- Ofwat is working jointly with Ofgem on a study for HMT and DTI on financial issues.
- Ofwat will consult on the length of the review process and the continued use of the Retail Price Index for price setting towards the end of the year. The final decision will be for the Water Services Regulation Authority.

- Ofwat is awaiting an update on the leakage position in the Thames Water region.

John Baker, Chair of the Review of PR04 Steering Group, provided an update on progress with the Review of PR04 project. The appointed research company will shortly be undertaking follow-up interviews with a cross section of stakeholders that have completed the phase one questionnaire. The Steering Group expects to finalise its report including recommendations to the Ofwat Board around the end of July.

3. Whistleblower

The Board discussed progress on the Severn Trent Whistleblower investigation.

4. Comparative Efficiency Team - developments in comparative competition

The Board discussed Ofwat's approach to valuing the loss of a potential leading comparator.

The Board agreed that the process for valuing the loss of a leading comparator remained worthwhile and would provide useful evidence to set against claims for merger benefits. However, Board was interested in how sensitive the results were to the assumptions used and asked for some of these to be tested.

The Board noted that convergence in relative efficiency across the industry should lead to lower valuations for the loss of a leading comparator, particularly when there were several companies at or near to the benchmark. The Board asked Ofwat to consider how this would affect our approach to potential mergers in the water industry.

5. NAO Study Citizen redress assessing to what extent Ofwat/WaterVoice complaint handling complies with NAO Report's recommendations

The Board discussed Ofwat and WaterVoice's handling of complaints following the NAO's Report on Citizen Redress. The Board made the following points:

- It is important to review the causes of complaints as well as performance in handling complaints.
- Ofwat should ensure that a consistent approach is adopted in recording complaints across the organisation.
- Ofwat should include a reference in its annual report to the availability of its complaint procedure on the Ofwat website.
- Ofwat will review with the shadow Consumer Council for Water the arrangements for complaint handling following the establishment of the Consumer Council for Water.
- It would be useful to check whether Ofwat's targets for dealing with complaints is comparable with similar organisations. Ofwat could also ask customers for their views on acceptable time periods for responding to complaints. WaterVoice have previously undertaken some similar research.

6. Agenda items for future Ofwat Board meetings

The Board reviewed the items to be discussed at future Board meetings.

Philip Fletcher will invite Dame Yve Buckland and Maurice Terry to meet the Ofwat Board.

Anna Whittington