



Meeting held on Thursday 13 March 2008

Members in attendance

Chairman:

Philip Fletcher

Chief Executive:

Regina Finn

Non-Executive Directors:

Jane May

Peter Bucks

Mike Brooker

Penny Boys

Gill Owen

Executive Directors:

Keith Mason

In attendance:

Huw Brooker (Director of Legal Services)

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

Sarah Johnson (Minute Secretary)

Howard Perry (Graduate Trainee attending as an observer)

Ingrid Olsen (Head of Enforcement Policy) item 3

Sophie Shaw (Deputy Director of Legal Services) item 3

Robert Wright (Legal Assistant) item 3

Mark Hann (PR09 Project Manager) item 4

Carolyn Baker (Senior Project Planner) item 4

Ian Hulme (Head of Parliamentary and Public Affairs) item 5

Dylan Spedding (Public Affairs Analyst) item 5

Phillip Dixon (Head of Competition Policy Team) item 6

Simon Less (Programme Manager Competition Review) item 6

Clair Daniel (Competition Case Manager) item 6

Andrew Dunn (Director of Consumer Protection) item 8 (Overall Performance Assessment)

Sue Cox (Head of Service and Performance Team) item 8 (Overall Performance Assessment)

Ian Richards (Acting Senior Analyst Service and Performance Team) item 8 (Overall Performance Assessment)

Paul Hope (Head of Water Resource Economics and Interim Director, Network Regulation) item 8 (water efficiency targets)

Daryl Fossick (Senior Analyst, Water Resource Economics team) item 8 (water efficiency targets)

1. Declarations of Interest

None

2. Minutes and actions arising

The Board approved the minutes of the meeting on 14 February 2008. The minutes would be published on the Ofwat website.

3. Severn Trent Water proposal to fine

The Board discussed the potential penalties to be imposed on Severn Trent Water for its contravention of licence conditions J and/or M and for failing to meet the standards prescribed by the Guaranteed Standards Scheme. The Board agreed that fines were appropriate for both contraventions and agreed the proposed levels of the penalties. The Board also delegated authority to Regina Finn and Keith Mason to finalise and publish the notices.

4. PR09 methodology paper

In October 2007 Ofwat published its draft Methodology Paper for PR09. The closing date for responses to the consultation was 24 January 2008. The Board had previously received a summary of the responses. The Board was given an update on changes to the paper resulting from consideration of those responses and further work by Ofwat. The Board approved the final version of the Methodology paper, subject to some final drafting changes. It delegated authority for the final approval of the document to Philip Fletcher, Regina Finn and Fiona Pethick. The document would be published electronically on the Ofwat website on 27 March 2008.

5. Board strategy and Ofwat's final Forward programme

Ofwat published its draft Forward Programme for consultation on 6 December 2007. The closing date for responses was 7 February 2008. 20 organisations responded.

In parallel to the draft forward programme the Board has been developing a new strategy for Ofwat. The Board agreed that the two work streams should be brought together to form one document which would set out Ofwat's strategic direction, incorporating Ofwat's strategic priorities over the coming years and how they would be delivered. The Board approved the draft document subject to final drafting points. The Board agreed that final sign off would be by Philip Fletcher, Regina Finn and Fiona Pethick.

6. Review of competition

In December 2007 Ofwat published "Market competition in the water and sewerage industries in England and Wales – part one" as part of an ongoing review of competition in those industries. It included a commitment to publish a further paper which would set out wider approaches to promoting competition beyond the Water Supply Licensing model. The Board had been given an initial presentation on the proposed issues to be included in this paper at its February meeting. The Board discussed an update on the proposed direction and content of the paper to be published in the spring. The Board would take the high level decisions for the paper at its April meeting with the final text then to be agreed in correspondence before publication.

7. Chief Executive's report

The Board received an update on key issues. These included:

- Recent stakeholder events which included:
 - All Party Parliamentary Water Group meetings
 - Water UK City conference
 - Adam Smith Institute conference
- An update on the current financial position to the end of February 2008.
- An overview of outcome of the recent Water UK Investors survey which included perceptions of PR09.

8. Any other business

Ofwat's review of the Overall Performance Assessment and regulation of service to consumers

The overall performance assessment (OPA) was introduced at the price review of 1999 and is a measure of performance which reflects the broad range of services that the water and sewerage companies provide to their customers. Ofwat is currently developing a review of the OPA and its approach to the regulation of services to customers. The Board received a paper which set out initial thinking and ideas for the review. The Board noted the work done and gave feedback on the proposals to be taken forward.

Water efficiency targets

In July 2007 the water companies were advised that voluntary water efficiency targets would be introduced for 2008-09 and 2009-10 with mandatory targets to be introduced at a later stage. An advisory group consisting of the Environment Agency and five water companies was set up to develop initial ideas for mandatory water efficiency targets. The Board was advised of the proposals that resulted from this work and noted the current position. More detailed proposals for water efficiency targets will now be taken forward which will take into account feedback from the Board. This work will include a public consultation later in 2008.

Sarah Johnson
17 March 2008