



OFWAT BOARD

Meeting held on Wednesday 14 March 2007

Members in attendance

Chairman:
Philip Fletcher

Chief Executive:
Regina Finn

Non-Executive Directors:
Jane May via telephone
Peter Bucks via telephone
Gill Owen via telephone

Executive Directors:
Keith Mason
Melinda Acutt via telephone

In attendance:

Ingrid Olsen (Competition Commission Reference Team Leader)
Adrian Yeo (Senior Legal Assistant)
Sally Birse (Graduate Trainee)
Louise Craig (Minute Secretary)

1. Welcome and apologies for absence.

Apologies for absence from Mike Brooker and Penny Boys.

2. Competition Commission's provisional findings.

The Board discussed the timetable and its response to the Competition Commission's provisional findings on the merger between Mid Kent Water and South East Water. There would be a hearing on 23 March and comments on the Competition Commission's findings were due by 29 March.

The Board discussed the Competition Commission's provisional findings relating to the four possible areas of prejudice to the system of comparative competition. Although the Competition Commission had concluded that prejudice was limited, this did not mean it was negligible. The potential benefits of the merger had not yet been assessed. Hastings had neither demonstrated benefits to customers nor security of supply improvements. The Board agreed that at the Competition Commission's hearing on 23 March Ofwat should argue that:

- the remedy ought in principle to protect all customers not just those of the companies involved in the merger;
- separate licences or datasets would not remedy the detriment identified by the Competition Commission;
- the structural remedy of divestiture would protect all customers but its proportionality should be considered.
- security of supply should be achievable without a merger.
- Hastings should be asked to demonstrate the benefits of the merger.
- Price cuts, while only benefiting the customers of the merging companies, could be considered proportionate if they had the potential to stimulate efficiency gains that would drive the merged company to the benchmark.

Louise Craig