



Ofwat Board

Meeting held on Thursday 16 June 2011 in Birmingham

Members in attendance

Chairman:

Philip Fletcher

Non-Executive Directors:

Penny Boys

Mike Brooker

Peter Bucks

Jane May

Gill Owen

Chief Executive:

Regina Finn

Executive Directors:

Keith Mason

Cathryn Ross

In attendance:

Huw Brooker	(Director of Legal Services and Board Secretary)
Amanda Borrmann	(Assistant Board Secretary – minutes)
Marian Spain	(Director of Policy and Communications) all items
George Day	(Director of Future Water Charging) item 3 and 4
Paul Hope	(Head of Supply/Demand balance) item 3
Simon Smith	(Head of Charging Reform) item 4
Clair Daniel	(Head of Retail Market Development) item 4
Noel Wheatley	(Head of Environment and Water Quality) item 5
Kalpesh Brahmhatt	(Director of Casework) item 6
Mark Worsfold	(Head of Asset Strategy) item 6
Fernando Dominguez	(Senior Economist) item 6

1. Declarations of interest

1.1 None.

2. Minutes and actions arising

2.1 The Board approved minutes of the meeting of 12 May 2011. The minutes would be published on the Ofwat website.

3. Response to the Welsh Government's Walker review consultation, and policy engagement on 'Walker review' issues

3.1 The Executive presented the proposed key messages for Ofwat's response to the Welsh Government's Walker review consultation.

3.2 The Board discussed the use of targets for water efficiency, how metering and cost-reflective charges link to the level of water consumption and issues associated with assessing affordability. The Board highlighted the importance of behavioural economics in influencing consumer preferences.

3.3 The Board agreed the key messages and delegated final sign off of the document to Regina Finn.

4. Future charging governance

4.1 The Executive presented a framework for future charging governance. The presentation covered the legal, institutional and process framework within which charges are set and assessed for their acceptability.

4.2 The Board then discussed the principles that could underpin the future arrangements for the governance of charging and emphasised the need for clarity in the approach to tariffs. The proposed principles discussed were developed based on a variety of sources. These included:

- Lessons from other regulated sectors;
- Ofwat's statutory duties; and
- The BIS Principles for Economic Regulation.

4.3 The Board discussed the timings for engagement with stakeholders including an event in the summer.

5. Update on Catchment Management

5.1 The Executive updated the Board on catchment management and the outcomes of the Natural Environment White Paper. The update on catchment management included:

- How the sectors could assess and understand the impact and success, or not, of schemes in relation to the benefits for water customers; and
- Ofwat's approach to both existing company catchment management schemes and proposals for any new schemes at the next price review.

5.2 The Board discussed Ofwat's role in developing framework(s) for evaluating and assessing catchment management schemes. They noted that it is important that any framework is consistent with an outcome-focused approach being proposed as part of the Future Price Limits project.

5.3 The Board noted the update and commented on the potential risks and opportunities.

6. Progress with the OFT market study on sludge and organic waste treatment

6.1 The Executive updated the Board on progress with the OFT market study on sludge and organic waste treatment. The study is considering whether economic regulation might be changed to improve the pursuit of wider policy goals in relation to the efficient functioning of markets for the benefit of consumers, the safe treatment and disposal of sewage sludge and the promotion of sources of low-carbon energy.

6.2 The Board noted that the OFT are currently preparing their recommendations from the study and these will be discussed by Board in early autumn.

6.3 The Board discussed the timetable and process for making decisions on the recommendations from the study. Ofwat will respond to the study's findings and will decide on the economic regulatory action (if any) to be taken within the sewerage sector as part of the Future Price Limits work.

7. Chief Executive's report

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

- Companies' preliminary financial results for 2010-11;
- Companies' leakage results provided in the June Return submissions;
- The Water White Paper; and
- The Joint Regulators Group meeting on joint working.

8. Any other business

8.1 The Board discussed internal operational issues including the progress of the Ofwat reorganisation and its resilience to changing demands.

Amanda Borrman

16 June 2011