



Ofwat Board

Meeting held on Thursday 16 October 2014

Members in attendance

Chairman:

Jonson Cox

Chief Executive

Cathryn Ross

Non-Executive Directors:

Chris Burchell

Martin Lawrence

Christine Farnish

Catherine Waddams

Robin Paynter Bryant

Executive Directors:

Keith Mason

Sonia Brown

Richard Khaldi

Apologies

Wendy Barnes

General Counsel

Elizabeth Hillman

In attendance:

Rachel Wright

Claire Forbes

(Board Secretary)

(Senior Director of Corporate Communications) –
Item 4

Bev Messinger

(Senior Director, Operations)

Rob Powell

(Delivery Director) – Item 3 and Item 9

Ronan Palmer

(Delivery Director) – Item 3

Shane Anderson

(Delivery Director) – Item 5

Giles Stevens

(Delivery Director) – Item 5

David Black

(Director Director) – Item 5

Andrew Walker

(Director Director) – Item 5

David Lancefield

(PwC) – Item 5

Stuart Cook

(PwC) – Item 5

Hettie Farrell

(PwC) – Item 5

Andrew Beaver

(Delivery Director) – Item 6

Anthony Legg

(Interim Delivery Director) – Item 6

Ingrid Olsen

(Principal Analyst) – Item 8

1 Declarations of interest

- 1.1 None

2 Opening items including minutes

- 2.1 Wendy Barnes sent her apologies that she was unable to attend the meeting.
- 2.2 With minor amendments the Board agreed the minutes and actions of the meeting held on 18 September. The minutes will be published on the website.

3 Strategic risks and opportunities

- 3.1 The Executive presented the proposed strategic risks and opportunities framework.
- 3.2 The Board discussed the risk appetite of the organization, including the role of the Board in taking action to mitigate risks.
- 3.3 The Executive agreed to provide the Board with an update on the risk strategy in January 2016.

4 Approach to forward programme 2015-2016

- 4.1 The Executive provided an update on its approach to producing Ofwat's forward programme of work for 2015/16 and confirmed that this would be published for consultation in February.
- 4.2 The Board discussed the length of the consultation period.
- 4.3 The Board agreed to the overall approach.

5 PR14 delivery

- 5.1 The Executive presented an update on the PR14 programme, which included an overview of the representations made by companies on their draft determinations.

- 5.2 The Executive gave a sector overview of PR14, including the sector position on wholesale costs, retail costs, financeability, outcomes and company specific uplifts
- 5.3 The Board endorsed the recommendation by the Executive not to implement a general update the cost models or thresholds.
- 5.4 The Board endorsed the recommendation by the Executive to make certain company specific adjustments relating to the private sewer model.
- 5.5 The Executive presented the proposed engagement plan for the Board and PR14 Programme Board up to determining the Final Determinations. The Board agreed to the plan.
- 5.6 The Executive gave an update on Bristol Water's wholesale costs. The Board noted the update.
- 5.7 The Executive gave an update on the Thames Tideway Tunnel control. The Executive recommended to the Board that licence amendments be made to Thames Water's licence in order to introduce a separate Thames Tideway Tunnel price control in respect of the Thames Water work on the Thames Tideway Tunnel. This will cease to apply on 31 March 2020 but the Board's expectation was that this separate price control would be required for a longer period
- 5.8 The Board also agreed to introduce mechanisms that allow for an interim determination of K (the limit Ofwat sets on the increase in the overall average charge for each company for each year) that reflect the risks associated with the project and a sensible allocation of those risks.
- 5.9 The Board endorsed the Executive's proposal for the timing and delegated authority for issuance of that consultation.
- 5.10 The Executive presented to the Board the findings of the Delivery Partner interim quality review. The Board agreed with the Executive's assessment of the Delivery Partner for the review period.

6 Choice and trading – market operator options

- 6.1 The Executive presented the Board with the preferred approach for the procurement of the central systems to support the non-household retail

market opening, and noted that the approach had been jointly recommended by the Ofwat Executive and OWML Board.

- 6.2 The Board discussed the timescales of the delivery options and the impact on the programme.
- 6.3 The Board agreed to the Executive proposals for procurement of the central systems.
- 6.4 The Board agreed to the recommendation that Ofwat's Non-Executive member of the OWML Board (Sonia Brown) should resign, and Ofwat should resign as a regulatory member of OWML, to address concerns that the degree of regulator control over the entity meant that it should be designated as a public body.
- 6.5 The Board mandated that the Executive finalise arrangements to deliver and provide assurance in relation to the market architecture required for the opening of the non household retail market to competition in April 2017.

7 Thames Tideway Tunnel – Issuing of project licence

- 7.1 The Executive informed the Board of the process for issuing a project licence to the infrastructure provider that will be appointed to deliver the Thames Tideway Tunnel project in 2015.
- 7.2 The Board discussed the process and governance approach to licensing the infrastructure provider.

8 Special administration review

- 8.1 The Executive presented the plan for the review of special administration in 2015 including the use of a third party and budget.
- 8.2 The Board supported the proposed approach to running the review.

9 Quarterly performance, budget and risk report Q2 2014-15

- 9.1 The Executive presented the quarterly budget and risk report covering July – September 2014.

9.2 The Board request that casework risks should be reported to the board on a regular basis.

10 Chief Executive's report

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

- Update on issues arising from party conferences'
- Memorandum of Understanding between Open Water Markets Limited and Ofwat
- URKN progress
- Debt collection letters

10.2 The Board noted the ongoing discussions between Ofwat, Treasury and Cabinet Office to understand the options for the future of Open Water Markets Limited and procurement of the IT systems required to support market opening.

11 Board evaluation

11.1 The Chairman presented the Board with his Board evaluation report which detailed the findings from questionnaires completed by Board members covering the 2013-14 period.

11.2 It was agreed that this would inform the Board objectives for the next financial year and would be discussed at a later meeting.

12 Audit and Risk Assurance Committee update

12.1 The Board noted the Audit and Risk Assurance Committee Chair's update report.

13 Any Other Business

13.1 None

Rachel Wright
16 October 2014