



Ofwat Board

Meeting held on Thursday 19 June 2014

Members in attendance

Chairman:

Jonson Cox

Non-Executive Directors:

Chris Burchell

Martin Lawrence

Christine Farnish

Catherine Waddams

Wendy Barnes

Chief Executive:

Cathryn Ross

Executive Directors:

Keith Mason

Sonia Brown

Richard Khaldi

General Counsel

Elizabeth Hillman

Apologies

Robin Paynter Bryant

In attendance:

Rachel Wright

(Board Secretary)

Dan Mason

(Assistant Board Secretary)

Giles Stevens

(Delivery Director) – Item 2

Georgina Mills

(Associate Director) – Item 2

Shane Anderson

(Associate Director) – Item 2

David Lancefield

(PwC) – Item 2

Stuart Cook

(PwC) – Item 2

Claire Simpson

(Strategic Adviser to the Chief Regulation Officer)
– items 2 and 3

Andrew Beaver

(Director of Strategy) – Item 3

Mathew Stalker

(Principal Economist) – Item 3

Alan Sutherland

(Open Water) – Item 3

John Parsonage

(Open Water) – Item 3

Ronan Palmer

(Environment Director) – Item 4

Rob Powell

(Delivery Director) – Items 5 and 6

Claire Forbes

(Senior Director of Corporate Communications)

Bev Messinger

(Senior Director, Operations) – Item 6

1. Declarations of interest

- 1.1 Catherine Waddams informed the Board that she has accepted an offer to be an advisor to the UK Regulators Network.

2. Minutes

- 2.1 With minor amendments the Board agreed the minutes of the meeting held on 15 May. The minutes would be published on the website.

3. PR14 Delivery

- 3.1 The Executive provided an update on the delivery and forward plan of the PR14 programme. The Executive confirmed that there would be restricted communications with companies following the business plans submission deadline on 27 June. This will focus resource on the delivery of the remaining 14 companies' draft determinations for 29 August. The Board recognised and expressed support of this approach.
- 3.2 The Executive confirmed that it will focus Board time in July on key themes and material issues arising from the analysis of the business plans. The Executive invited Board members to join the PR14 Programme Board in August to discuss the plans in more detail ahead of the August Board meeting.
- 3.3 The Executive presented the emerging themes and key issues for August draft determinations after receiving all companies' gap analysis. It highlighted that the information was subject to change after sight of complete business plans on 27 June. The Board was invited to send through any comments to the Board Secretary.
- 3.4 The Board noted the importance of continued fairness and consistency in all decisions on the draft determinations. The Executive agreed to provide an overview of the assurance process around decision making by the Executive at the next Board meeting in July.
- 3.5 The Board discussed the impact on future customers in light of some companies adjusting pay as you go (PAYG) ratios. It noted that it is for the companies to determine what level it sets its PAYG. The Board agreed on the importance of the companies ensuring that they have clearly engaged with their customers on the likely impact on future bills, and agreed to consider this further at a later Board meeting.

- 3.6 The Board noted the importance of continued engagement with wider stakeholders throughout the programme.
- 3.7 The Board offered its continued support to the Executive and the programme. It congratulated the Ofwat team on the format and clarity of PR14 presentations.
- 3.8 The Chairman offered to circulate a copy of the letter sent to company Chairs sent on 5 June.

4. Choice and Trading Arrangements

- 4.1 The Executive presented an update on the Choice and Trading Arrangements programme. In particular, it highlighted the interactions between Choice and Trading Arrangements, PR14 and Open Water; and a proposed approach for addressing Level Playing Field issues.
- 4.2 The Board agreed to the Executive sending a mandate to Open Water Market Limited around what its responsibilities should be. Following issue of the mandate, the Executive agreed to return to Board in October with further details on the programme forward plan beyond delivery of PR14.
- 4.3 The Board discussed the requirement and role of a compliance officer to support effective governance of the non-household competitive market. The Board noted this was an option but agreed that is the responsibility of a company's Board to ensure it is compliant with its relevant responsibilities.
- 4.4 The Board endorsed the high level approach to level playing field presented by the Executive.
- 4.5 Alan Sutherland and John Parsonage from Open Water Market Limited presented the Market Architecture Plan to the Board for information. They highlighted the lessons learnt from Scottish market opening.
- 4.6 The Board thanked John Parsonage and Alan Sutherland for their ongoing work on the Open Water programme.
- 4.7 The Executive presented the proposed temporary licence condition for Open Water following consultation with the sector. The Executive sought endorsement from the Board to proceed with the licence amendment consultation. The Board discussed the possible impact on customers of

licence amendments. The Board agreed that the Executive should proceed with amendment to licence condition R1.

- 4.8 The Executive sought agreement from the Board to disband the Open Water Committee with immediate effect, pending the governance review. The Executive provided assurance that CTA Programme Board will continue to oversee the programme. The Board agreed to this closure.
- 4.9 The Board thanked and complimented the Ofwat team for the quality and clarity of the papers presented.

5. Strategy Update

- 5.1 The Executive presented the Board with an update on the Strategy following the 4 June stakeholder event in London and the Wales Water Industry Forum event in Wales on 16 June.
- 5.2 The Board noted the broad mix of stakeholders who attended the event from across the sector and that the initial feedback from the event was very useful in developing Ofwat's strategy.
- 5.3 The Executive committed to bringing a more detailed update on the development of the strategy to the July Board meeting.

6. PR14 Delivery Partner

- 6.1 The Executive provided the Board with an update on the PR14 Delivery Partner Contract. The Executive also presented a proposal for clarifying the assessment of the Delivery Partner Incentive Criteria.
- 6.2 The Board delegated authority to the Chief Executive and Chief Regulation Officer to pursue the proposed approach to clarifying the assessment of the Incentive Criteria.

7. Budget Monthly Update

- 7.1 The Executive provided an update to the Board on the budget position at the end of May 2014.
- 7.2 The Board noted that the costs associated with the Business Transformation Programme were lower than forecast because of the length of notice periods required for staff exiting the organisation on

Voluntary Exit and that there has been an impact on payroll costs associated with this.

8. Chief Executive's Report

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

- Thames Water sewer flooding case;
- Bristol Water Competition Act 1998 case;
- UKRN and UKCN; and
- Business Transformation Programme

8.2 The CEO thanked Board members who attended the Staff Event on 12 June.

9. Update from the Chair of the Audit and Risk Assurance Committee

9.1 As Chair of the Audit and Risk Assurance Committee (ARAC) , Wendy Barnes provided Board with an update on key points discussed by the ARAC at its 18 June meeting with particular reference to the presentations on Casework and Communication risks. The ARAC had asked that the Board discuss the resource pressures on the Casework area and the risk that this generated at a future Board meeting

9.2 Wendy Barnes informed the Board of the departure of Mark Babington, the NAO Director representative on the ARAC, and Ofwat's NAO Director, and noted on behalf of the Board her thanks for his role on the Committee. Wendy Barnes informed the Board that Mark Babington would be replaced by James Ferris

9.3 With the minor amendments, the Board approved the Annual Report.

10. Board Evaluation

10.1 The Board agreed to carry out a Board Evaluation and agreed the proposed approach. The results will be discussed in September.

11. Any Other Business

11.1 Jonson Cox gave his advanced apologies for the July PR14 Programme Board.

11.2 Christine Farnish gave her advanced apologies for the August Board meeting.

11.3 The Secretary confirmed that 2015 Board dates would be circulated imminently.

Rachel Wright
19 June 2014