



Ofwat Board

Meeting held on Thursday 21 March 2013

Members in attendance

Chairman:

Jonson Cox

Non-Executive Directors:

Penny Boys

Robin Paynter Bryant

Wendy Barnes

Chief Executive:

Regina Finn

Executive Directors:

Sonia Brown

Keith Mason

In attendance:

Robert Beasley

(Director of Corporate Affairs) – all items

Huw Brooker

(Director of Legal Services and Board Secretary) – all items

Dan Mason

(Assistant Board Secretary) – minutes

Andrew Beaver

(Director of Strategy) – item 3

Rob Powell

(Delivery Director) – item 4

Stephen St Pier

(Head of Transfer Pricing) – items 4 and 5

Heather Clayton

(Delivery Director) – item 5

Simon Less

(Project Director) – item 5

Kalpesh Brahmhatt

(Director of Casework) – items 6 and 13

David Black

(Director of Economics) – items 6 and 13

Dorcas Batstone

(Project Director) – item 7

John Parsonage

(Market Reform Policy Adviser) – item 7

Ruth Gibson

(Casework Programme Manager) – item 7

Louise Bickley

(Head of Publications and Digital Media) – item 8

Dylan Spedding

(Content Editor) – item 8

Stephen Walker

(Head of Thames Tideway Project) – item 9

Ian Strawhorne

(Principal Case Officer) – item 13

Jill Marsal

(Principal Legal Adviser) – item 13

1. Declarations of interest

1.1 None.

2. Minutes and actions arising

2.1 The Board approved the minutes of the meeting held on 7 February 2013. The minutes would be published on the Ofwat website.

3. Chairman's lecture – alignment with strategy

3.1 Andrew Beaver presented the Board with a high level qualitative assessment of how the new Chairman's personal observations as presented in a recent lecture, fitted with the existing Ofwat strategy. Board had an initial discussion on the alignment between the observations and the current strategy.

3.2 The Board considered that all of the issues that had been identified by the Chairman were important and that there should be alignment to our strategy. In some areas further work and development of proposals was required to help inform the full Board strategy refresh discussion which was scheduled for April/May.

3.3 Having noted the areas where existing work was already underway, or new work would be undertaken to inform the strategy refresh, the Board also agreed that some strands of work from the observations should be taken forward in any event, including work around increasing transparency and improving governance.

4. Non-Executive Director engagement in PR14

4.1 The Executive provided Board with a proposal for Non-Executive Director engagement in the PR14 process.

4.2 The Board commented on the proposed approach. The Board noted that the relevant rules of engagement were informal, and also noted that this might need to be revisited following the appointment of new Non-Executive Directors to the Board in the near future. Subject to the Board's comments, it agreed with the relevant recommendations.

5. Business plan review process

- 5.1 The Executive presented a paper to the Board that outlined the proposed approach to reviewing companies' Business Plans, which will be the subject of a forthcoming consultation. The Executive also set out the proposed timescales associated with the Business plan review process.
- 5.2 The Board decided that the proposed approach in the draft consultation paper was the Board's strongly preferred approach, subject to the outcome of the consultation. The Board considered that it was important that companies compete to cross the high bar of being fast-tracked and that there were consequences for those companies that produced poor business plans.
- 5.3 The Board also made a number of drafting comments and, subject to those comments, delegated the final sign-off of the consultation document to the Chief Executive and Senior Director of Markets and Economics.

6. Policy framework for price determinations

- 6.1 The Executive presented to the Board a proposed policy framework for certain price determination cases, including the current suite of relevant cases Ofwat was in the process of determining, which would address potential inconsistencies between Ofwat's current approach to pricing and Ofwat's future approach in the context of an evolving policy environment linked to the Water Bill.
- 6.2 The Board endorsed the approach set out in the paper and agreed that the policy statement should be published.

7. Choice and Trading arrangements: A discussion document on level playing field

- 7.1 The Executive presented to the Board a draft discussion document designed to engage stakeholders on the establishment of a level playing field.
- 7.2 The Board provided drafting comments on the discussion document. In particular, Board underlined the importance of recognising the policy steer given by Government in the Enterprise and Regulatory Reform Bill about the use of Ofwat's concurrent competition powers.

7.3 Subject to the comments provided, Board agreed delegated sign-off of the discussion document to the Chief Executive and Senior Director of Markets and Economics.

8. Final forward programme 2013-14 to 2015-16

8.1 The Executive presented to the Board the final forward programme.

8.2 The Board noted that text should be included to reflect the fact that the forward work program might change following the forthcoming strategy review by the Board.

8.3 Subject to the comments provided, Board approved the publication of the final forward programme.

9. Thames Tideway Tunnel

9.1 Keith Mason provided an update to the Board on Ofwat's approach to the assurance process around the project.

9.2 The Board welcomed the update, noting the significance and scale of the project, its importance for Ofwat and that the Board would be revisiting the project to make various decisions in the future.

10. Board Committee membership

10.1 Jonson Cox presented a paper on membership of Board's Committees, given that current appointments (bar one) were due to expire at the end of March.

10.2 Board agreed that the appointments of members of both the Audit Committee and the Remuneration Committee which were due to expire in March should be extended until 30 June. The Board also asked for a proposal on the creation of a Nominations Committee to be tabled at the next Board meeting.

11. CEO report

11.1 The Board received an update on the draft Water Bill.

12. Any other business

12.1 Board received a brief update from the Audit Committee on its recent meeting.

13. Fairfields Competition Act 1998 investigation

13.1 Jonson Cox left the room for the purposes of this discussion.

13.2 The Executive presented and discussed with Board some key aspects of the analysis in the case. This was important as the approach (if used in any decision making) would create an important precedent for Ofwat.

13.3 The Board provided comments and supported the approach taken to the analysis. A further discussion with the Board will take place prior to any decision point being reached by the Chief Executive.

Dan Mason
21 March 2013