



Ofwat Board

Meeting held on Thursday 22 September 2011 in London

Members in attendance

Chairman:

Philip Fletcher

Non-Executive Directors:

Penny Boys

Peter Bucks

Jane May

Gill Owen

Chief Executive:

Regina Finn

Executive Directors:

Keith Mason

Apologies:

Mike Brooker

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
Stuart Crawford	(Director of Corporate Services and Programme Management) all items
Sonya Branch	(OFT, Senior Director) item 3
Mark Worsfold	(Head of Asset Strategy) item 3
Fernando Dominguez	(Senior Economist) item 3
Ian Strawhorne	(Senior Analyst - Market Reform) item 3
Alison Fergusson	(Senior Analyst – Asset Strategy) item 3
Cathryn Ross	(External visitor) item 4
Chris Esslin-Peard	(Director of Future Price Limits) item 4
Tim Keyworth	(Chief Economist) item 4
Noel Wheatley	(Head of Environment and Water Quality) item 4
Tom Kiedrowski	(Director of Market Reform) item 4
Gordon Frazer	(Future Price Limits Project Manager) item 4
Ingrid Olsen	(Regulatory Compliance Project Manager) item 5
Andrew Beaver	(Associate Director) item 6

1. Declarations of interest

- 1.1 Jane May declared that she has accepted a role at the HM Treasury as an Independent Review Panel member for the Equitable Life Payment Scheme. Jane May's appointment would be recorded on the Register of Board Members' disclosable interests which is available on the Ofwat website.

2. Minutes and actions arising

- 2.1 The Board approved minutes of the meeting of 14 July 2011. The minutes would be published on the Ofwat website.

3. Recommendations of OFT study on sludge and organic treatment – our proposed approach

- 3.1 The Board received a presentation from Sonya Branch, Senior Director, Office of Fair Trading (OFT) on the organic waste market study. The market study was carried out by the OFT following a request from Ofwat and Ofwat has been closely involved in the project.
- 3.2 The Board discussed the value of the work in setting a precedent for joint working and building capability within both organisations. Board also recognised the importance of this in the light of the current wider debate about the reform of the competition regime, particularly in relation to concurrency of competition powers.
- 3.3 The market study found that even when there is the potential for competition in the treatment of sewage sludge and other organic wastes there are currently low levels of competition occurring for these services. The study identified a number of potential barriers and distortions to competition. These barriers included economic regulation, environmental regulation, planning regime, and corporate culture of risk aversion.
- 3.4 The Board welcomed the recommendations to Ofwat set out in the report and noted that these recommendations align closely with Ofwat's FPL and other future regulation work programme.
- 3.5 As the recommendations are taken forward, and greater scope for competition is created, the Board emphasised the need to monitor the developments in the market closely to identify any anticompetitive behaviour.

4. Consultation on the framework for setting future price limits

- 4.1 The Executive presented the forthcoming consultation on Future Price Limits. This formal consultation will describe, at a high level, an overarching preferred framework for setting price limits. The aim of the consultation is to seek comments and inform a final decision on the price review framework in spring 2012.
- 4.3 The key messages and proposals presented built upon responses and stakeholder engagement relating to a series of publications over the last 12 months, including the FPL preliminary model published in April 2011.
- 4.4 The proposed framework also took into account the various Board discussions on the topic including challenge sessions and workshops, particularly the most recent comprehensive workshop in July.
- 4.5 The Board endorsed the framework, agreed the key messages and delegated the final sign-off of the consultation to the Chairman and the Chief Executive.

5. Regulatory Compliance – our proposed approach

- 5.1 The Executive presented the consultation on the proposed approach to Regulatory Compliance.
- 5.2 The Board agreed the key changes to the system of regulatory reporting for inclusion in the consultation. This included the proposal that companies will no longer be required to submit the June Return. Instead Ofwat will place a requirement on companies to publish the following:
- A regulatory risk and compliance statement;
 - A set of performance indicators; and
 - Regulatory accounts.
- 5.3 The Board agreed the key messages and delegated the final sign off of the consultation document to the Chairman and the Chief Executive.

6. Review of Ofwat and CCW

- 6.1 The Board discussed the relevant recommendations from the Government's review of Ofwat and CCWater.
- 6.2 The Board considered the recommendations directed at the Ofwat Board and agreed that these should be brought to the attention of the Board again after membership has been refreshed.
- 6.3 The Executive updated the Board on how the remaining recommendations for Ofwat map against Ofwat's work programme that was established as part of the strategy published in 2010, and how those recommendations that are not already covered in the existing work programme will be addressed.
- 6.4 The Board agreed with the proposed response to the review and delegated sign off of the final response to the Chief Executive and the Chairman.

7. Chief Executive's report

- 7.1 The Board received an update on key issues. These included:
- The Water White Paper;
 - The transfer of private sewers; and
 - The Ofwat reorganisation.

8. Committee Effectiveness reports

- 8.1 The Board received oral updates on the effectiveness reviews of its Remuneration and New Company Appointment Committees. Both committees had completed self-assessment questionnaires and had a discussion at a committee meeting on the results of the questionnaires.
- 8.2 Jane May updated the Committee on the results for the Remuneration Committee and noted that following forthcoming appointments to the Board the results are to be considered by the Committee again, including learning points.

8.3 Philip Fletcher updated the Committee on the review of the New Company Appointment Committee effectiveness.

9. Any other business

9.1 At their last Board meeting, the Board thanked Peter Bucks and Jane May for their contribution as members of the Board and Chairs of the Audit and Remuneration Committee respectively. The Board also thanked Mike Brooker in his absence.

Amanda Borrmann

22 September 2011