



Ofwat Board

Meeting held on Thursday 3 March 2011 in Birmingham

Members in attendance

Chairman

Philip Fletcher

Non-Executive Directors:

Penny Boys
Mike Brooker
Peter Bucks
Jane May
Gill Owen

Executive Directors:

Keith Mason
Cathryn Ross

Apologies:

Regina Finn

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
Dylan Spedding	(Contents Editor) item 3
Louise Bickley	(Head of Publications and Digital Media) item 3
Chris Esslin-Peard	(Director of Future Price Limits) items 4 and 5
Andrew McGeoghan	(Head of Accounting Separation) item 4
Sue Cox	(Head of Consumer Policy) item 5
Ian Stephens	(Senior Analyst) item 5
Tom Kiedrowski	(Director of Market Reform) items 6 and 7
Clair Daniel	(Head of Retail Market Development) item 6
Jon Ashley	(Head of Wholesale Markets Development) item 7
George Day	(Director of Future Water Charging) item 8

1. Declarations of interest

1.1 None.

2. Minutes and actions arising

- 2.1 The Board approved minutes of the meeting of 3 February 2011. The minutes would be published on the Ofwat website.

3. Final Forward Programme

- 3.1 The Board discussed Ofwat's Final Forward Programme 2011-12 to 2013-14 following consultation. The Board delegated final sign off of the document for publication to Regina Finn.
- 3.2 The Forward Programme would be published by 31 March 2011.

4. Consultation on FPL preliminary model

- 4.1 The Executive updated the Board on the forthcoming consultation on the Future Price Limits preliminary model.
- 4.2 This informal consultation will consider, at a high level, the different parts of the water and sewerage supply chains and how Ofwat might improve the way it regulates them. The aims of the FPL consultation include:
- to clarify our thinking in response to stakeholder requests;
 - to make clear how and when we will be seeking stakeholder engagement to shape the formal PR14 consultation later in the year; and
 - to highlight those issues that will be similar as well as those issues where there may be change.
- 4.3 The paper is intended to prompt useful and constructive engagement before Ofwat consults formally on the high level framework for price setting in autumn 2011.
- 4.4 The Board agreed the key messages and delegated the final sign-off of the consultation for publication to Regina Finn and Philip Fletcher.

5. Customer engagement model for consultation

- 5.1 The Executive presented the key elements of a proposed forthcoming consultation on future approaches to customer engagement.
- 5.2 Following the consultation Ofwat aims to publish an approach in due course to provide companies with an early steer, recognising the long lead times this type of work requires.
- 5.3 The Board discussed and agreed the key elements including the importance of customer and stakeholder engagement; the need for companies to own the engagement process; and the need for appropriate challenge and assurance.

6. Section 66D determination - Principles

- 6.1 The Executive updated the Board on their thinking around principles for considering access pricing determinations under section 66D of the Water Industry Act 1991 (which contains the "costs principle"). The Board agreed that, subject to the terms of section 66D, Ofwat's recently published bulk supply pricing policy principles would be an appropriate starting point when considering Ofwat's approach to dealing with access pricing determinations under section 66D.

7. Network upstream water & upstream sewerage entrant licence definitions

- 7.1 The Executive presented preliminary views on the definitions of upstream entrant licences. The Board discussed how a proportionate risk based approach could apply to licensing and agreed with the direction of travel presented.

8. Government consultation on Walker review recommendations

- 8.1 The Executive updated the Board on the possible timings of any Walker review consultation by Government and the forthcoming Ofwat publications on the use of behavioural economics to improve water efficiency, affordability and debt and the cost benefit analysis of metering.

9. Chief Executive's report

- 9.1 The Board received an update on key issues. These included:
- Stakeholder meetings, including meetings with various water company CEOs regarding Ofwat's Future Price Limit and Market Reform projects; and
 - The reaction to customer bill levels for 2011-12.

10. Any other business

- 10.1 None.

Amanda Borrman
3 March 2011