

Minutes of Ofwat Board meeting

Meeting held on Thursday 29 October 2015

Members in attendance

Board attendees	
Jonson Cox	Non-executive Director, chairman
Wendy Barnes	Non-executive Director
Chris Burchell	Non-executive Director
Christine Farnish	Non-executive Director
Robin Paynter Bryant	Non-executive Director
Catherine Waddams	Non-executive Director
Martin Lawrence	Non-executive Director
Cathryn Ross	Executive Director
Keith Mason	Executive Director
Richard Khaldi	Executive Director
Elizabeth Hillman	General Counsel
Rachel Wright	Board Secretary
Other attendees	
Bev Messinger	Senior Director, Operations
Nick Gammage	Interim Senior Director, Corporate Communications
David Black	Senior Director of Economics
Rob Powell	Director, Operations
Nicci Russell	Director, Strategy and Planning
Jamie Tunnicliffe	Director, Analytics
Sophie Shaw	Director, Legal
Steve St Pier	Principal, Strategy and Planning
Georgina Mills	Director, Analytics
Jon Ashley	Principal, Analytics
Ruth Gibson	Principal, Casework
Adam Cooper	Director, Retail Market Opening
Michael Deakin	Senior Associate, Casework
Bill Easton	Interim Director, Retail Market Opening

Margareta Serfozo-Matharu	Principal, Strategy and Planning
Alison Ferguson	Principal, Analytics
Sam Williams	Interim Director, Analytics
Martin Coppack	Financial Conduct Authority
Apologies	
Sonia Brown	Executive Director

1. Declarations of interest

- 1.1. Robin Paytner Bryant confirmed his appointed as Director at Appointed as Director on 15 October 2015 of a FCA registered London Merchant Corporate Finance Ltd. which is a wholly-owned subsidiary of GRE Assets Ltd, a property development company.
- 1.2. Jonson Cox declared a new appointment, of which he had notified the Secretary of State.

2. Opening items including minutes

- 2.1. The minutes from the Board meeting on 24 September were agreed subject to minor changes and will be published on the website.

3. Chief Executive's Introduction

- 3.1. The Chief Executive gave her introduction to the Board meeting highlighting the internal and external risks and opportunities to delivering Ofwat's strategy, specifically:
 - Engagement with key stakeholders, including with colleagues within the Better Regulation Enterprise on the Enterprise Bill and with the Infrastructure Commission;
 - The recent cyber security attack on Talk Talk and the implications for Ofwat and this sector;
 - An update on the NAO report on economic regulation in the water sector, and the associated PAC hearing, scheduled for the 4 November;
 - The progress made on the merger of South West and Bournemouth Water.

4. Q2 Quarterly Portfolio Report

- 4.1. The Executive presented the Quarterly Portfolio Report which includes updates on performance, programme status, budget and strategic risks and opportunities for the organisation at the end of Quarter 2.
- 4.2. The Board discussed the key themes in the report: organisational capability; programme delivery and resources; external environment and stakeholder engagement; and, Ofwat's reputation and credibility.
- 4.3. The next update will be in January 2016.

5. Resilience: Task and Finish group

- 5.1. Jacob Tompkins, as Chair of the Task and Finish Group for Resilience presented an overview of the group, its aim and draft findings.
- 5.2. The Board discussed the draft findings and the implications for Ofwat and the sector. The Board also discussed how the draft recommendations align with Ofwat's strategy.
- 5.3. The Board noted the next steps for the Task and Finish group.

6. Water 2020

- 6.1. The Executive provided an overview of the Water 2020 programme and highlighted the different policy issues for Board to consider over the coming years in preparation for PR19.
- 6.2. The Executive highlighted the aims and objectives of the programme and how the December publication will help to achieve these.
- 6.3. The Executive presented the proposals for a market model and regulatory design for sludge activities in the wastewater sector in PR19.
- 6.4. The Board reviewed the costs and benefits of this proposal and the supporting evidence.
- 6.5. The Board discussed Ofwat's ability to deliver these changes and the impact on resources. The Executive confirmed that this was being considered and addressed through the workforce plan.

- 6.6. The Board agreed to the proposals for sludge activities in the wastewater sector for the December consultation.
- 6.7. The Executive presented proposals for the future regulation of water resources activities of the wholesale price control, highlighting the enabling factors that would be realized, and would help to deliver more informed discussions on water supplies in future.
- 6.8. The Board approved the proposals on water resources for the December consultation.
- 6.9. The Board noted the importance of continuing to seek opportunities to drive efficiencies within the wholesale value chain, beyond water resources and sludge activities.
- 6.10. The Board discussed, in principle, the need for licence changes to support some policy work and noted the importance of stakeholder engagement and clear communications in making any changes.
- 6.11. The Executive presented the options for customer engagement and outcomes to be included in the December Water 2020 consultation document.
- 6.12. The Board discussed how best to encourage, incentivise and enable good customer engagement as companies develop business plans and make decisions, including how best to reflect the needs of future customers.
- 6.13. The Board discussed the role of customer, companies, CCGs, Ofwat and other regulators going forward and how comparative information can be used to deliver the best outcomes for customers.
- 6.14. The Board agreed to the preferred options relating to future customer engagement and outcomes for the December consultation document.

7. Bristol CMA referral – Final Report

- 7.1. The Executive presented the CMA decision on the Bristol Water referral of price limits.
- 7.2. The Board discussed the implications of the findings and how they can inform Ofwat's work going forward.

- 7.3. The Board congratulated the team on the outcome of the Bristol CMA referral recognising that many of the endorsements support the work on Water2020 and Ofwat's strategy.

8. Retail Market Opening

- 8.1. The Executive presented a proposed set of standard conditions for the new retail supply licence ahead of them being handed over to Defra for statutory consultation.
- 8.2. The proposed changes to the retail licence conditions allow for Ofwat to deliver its policy objectives within the constraints of the overall programme timetable.
- 8.3. The Board discussed the programme timetable which would allow applications for the new retail licence to be made from April 2016. The Board noted the risks this may cause, and associated mitigations.
- 8.4. The Board agreed to the proposed conditions for the new retail supply licence, recognising the timetable and the need to balance companies' preparation and the ability for companies to exit if they wish to do so.
- 8.5. The Executive provided an overview of the Guaranteed Service Standards (GSS) which currently only customers of appointed companies are covered by. The Executive proposed to extend this to cover all WSSL retailers as well as appointed companies so that all customers remain protected.
- 8.6. The Executive also set out how it would work in practice to ensure customers continue to get the level of protection without creating undue burdens on new entrants or creating barriers to entry or innovation.
- 8.7. The Board endorsed the proposal to extend GSS to cover WSSL retailers.
- 8.8. The Executive presented proposed changes to the Water Supply Licences and Instruments of Appointment which would facilitate retail market opening through removal of the in-area trading plan and introduction of a Readiness Condition. This would ensure that companies make the necessary preparations for retail market opening.
- 8.9. The Executive provided a summary on responses received from the June consultation on the proposals to remove the in-area trading plan and introduction of a Readiness Condition.

- 8.10. The Board endorsed the proposed changes to the Water Supply Licences and Instruments of Appointment.

9. Update from Committee Chairs

- 9.1. Martin Lawrence gave an update, as Chair of the Remuneration and People Committee, on its meeting on 24 September 2015.

10. Board Evaluation

- 10.1. The Board agreed to complete an annual review of its performance, the results of which would be discussed early 2016.

11. AOB

- 11.1. There were no items of AOB.

12. Strategic conversation: customer vulnerability

- 12.1. Following the Board meeting, the Board held a strategic discussion on customer vulnerability.

Rachel Wright
29 October 2015

Ofwat Board – Actions log
Meeting held on 29 October 2015

Agenda Item	Action	Action Owner	Date action was placed	Action to be completed by (initially)	Update provided by action owner
Q2 update	Come back to Board in November with an update on organisational capability and how the recruitment process is being improved and made faster.	Bev Messinger	29 October	26 November	Included as agenda item 9.
Water 2020	Better articulation of why we are progressing with new market models is needed in the December consultation. What are the downside risks?	David Black	29 October	26 November	Noted for the development of the December consultation.
Water 2020	Share with the Board the impact assessments for water resources and sludge proposals.	David Black	29 October	26 November	Included in Board pack.
Water 2020	Include in Board slides for November a roadmap of decisions that are being made by Board, when and how.	David Black	29 October	26 November	Included in Board pack.
AOB	Include customer vulnerability item on November agenda to pick up from this meeting.	Rachel Wright	29 October	26 November	Included as agenda item 3.