

Members in attendance

Board attendees	
Jonson Cox	Non-executive Director, chairman
Chris Burchell	Non-executive Director
Christine Farnish	Non-executive Director
Catherine Waddams	Non-executive Director
Wendy Barnes	Non-executive Director
Keith Mason	Executive Director
Richard Khaldi	Executive Director
Elizabeth Hillman	General Counsel
Rachel Wright	Board Secretary
Other attendees	
Nick Gamage	Interim Senior Director, Corporate Communications
David Black	Senior Director, Analytics
Ben Jeffs	External Guest, MOSL
Nicci Russell	Director, Strategy and Policy
Jamie Tunnicliffe	Director, Analytics
Andrew Beaver	Director, Strategy and Policy
Adam Cooper	Director, Retail Market Opening
Rowaa Mahmoud	Principal, Strategy and Policy
Yvette London	Interim Principal, Corporate Communications
Tim Griffiths	Director, Retail Market Opening
Giles Stevens	Director, Analytics
Iain McGuffog	Director, Strategy and Planning
Bart Schoonbaert	Principal, Analytics
Andrew Chesworth	Principal, Analytics
Andrew Walker	Director, Analytics
Peter Jordan	Principal, Analytics
Apologies	
Martin Lawrence	Non-executive Director
Cathryn Ross	Chief Executive

1. Opening Items and Declarations

- 1.1. The minutes were agreed subject to minor comments and will be published on the website subject to minor changes.

2. Chief Executive Report

- 2.1. The Board discussed the internal and external environments. This included:
 - The progress being made on the sector dashboard which is being led by WaterUK. The dashboard will enable the sector to understand how it is delivering its vision of trust and confidence in water and wastewater services. The Board welcomed the plan for the first version to be shared with the sector in June 2016.
 - An update following the Ofwat Star Chamber which the Chairman attended with the Chief Executive to discuss the Government's Competition Plan.
 - An update on the Sugar and Spice project.
- 2.2. The Executive presented a contract for the Customer Experience in the Water Sector - Annual Monitoring Survey (SIM). The Board approved the contract.

3. 2016-17 budget and licence fee

- 3.1. The Executive presented the final budget for 2016-17 and the associated licence fees for companies.
- 3.2. The Board discussed the new approach to managing contingency, which would see Ofwat holding back from collecting a portion of the budget which may not be required. Ofwat would instead draw this down by way of a special fee later in the year if it was required.
- 3.3. The Board noted the balance between programme demand and staff workloads and how this was factored into the budget.
- 3.4. The Board approved the 2016-17 budget and licence fees to be raised from the industry.
- 3.5. The Board agreed to delegate to the Chief Executive the budget allocation to each of Ofwat programmes, including staff time and any future decision about whether

to raise a special licence fee for un-invoiced contingency up to the full value of the approved budget.

4. Update on Welsh issues

- 4.1. The Executive presented an update on changes in Wales that may impact on the approach to how Ofwat seeks to deliver its strategy.
- 4.2. The Executive highlighted the similarities and differences in policies and policy processes between Welsh Government and Westminster.
- 4.3. The Board noted the upcoming Welsh Elections which will take place in May.
- 4.4. The Board discussed its future visit to Wales in June in which it will seek to understand in more detail the challenges and opportunities facing companies and customers in Wales.

5. Casework Programme quarterly update

- 5.1. The Executive presented the strategic approach to casework, setting out the benefits it is seeking to achieve through its approach to selecting and determining cases. This approach will support delivery of the organisation's strategy.
- 5.2. The strategic approach to casework includes increasing the support the casework programme offers to Retail Market Opening, in anticipation of a greater number of cases following the opening of the non-household retail market in April 2017.
- 5.3. The Executive also gave an update on the progress made by the sector in improving the levels of services that companies offer to developers. The Board agreed to discuss this in more detail at a future meeting.
- 5.4. The Board noted the approach going forward.

6. Water 2020

- 6.1. The Executive gave an update on the delivery of the Water 2020 programme and the responses received to the December consultation 'Water 2020 Regulatory Framework for Wholesale Markets in the 2019 price review'.
- 6.2. The Board discussed where there may be changes to the programme plan towards PR19, considering the known unknowns, and recognising that there are

also unknown unknowns. The Board agreed with the need for flexibility in the programme although stressed the importance of balancing this with providing certainty where possible.

- 6.3. The Board discussed the areas of concern and areas of support for the 2019 price review proposals which stakeholders had raised through the consultation on the December publication.
- 6.4. The Executive presented the PR16 review of retail default tariff price caps, providing the background and the approach to the review which seeks to avoid undue short term focus on intervention, whilst balancing short and medium term interests of customers and competition, essential in order to compliment the Retail Market Opening programme.
- 6.5. The Board discussed the engagement with the sector on the PR16 review, including business customers, specifically with Small and Medium Enterprises (SMEs). The Board noted the responses to the consultation on the review.
- 6.6. The Board agreed with the proposals for the retail default tariff price caps method which will be tested with stakeholders in March 2016, although noted the high bar to make any changes.
- 6.7. The Board had a discussion on moving from RPI to CPI indexation.
- 6.8. The Executive gave an update on the household review, including the responses that had been received to the Call for Evidence.
- 6.9. The Board considered the innovative opportunities for companies in this sector to supply other utilities if competition was introduced for households, for example telecommunications or electricity.

7. Retail Market Opening

- 7.1. The Executive gave an update on the non-household retail market programme, highlighting future decisions for the Board ahead of market opening in April 2017.
- 7.2. The Executive presented the final policy proposals for the Customer Protection Code of Practice for the non-household retail market.
- 7.3. The Executive presented the key issues for Board consideration for the Customer Protection Code of Practice.

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- 7.4. The Board agreed to limit back billing to one year for micro businesses only to encourage retailers to improve their accuracy and management of customer data and to protect customers from a potential area of detriment.
 - 7.5. Board determined that the back billing limit should not be subject to whether the customer was at fault and this restriction should not be included in the code. The Board agreed to explore the option of an industry led accreditation scheme for third party intermediaries. The Board agreed to focus customer protection on microbusinesses and to define microbusinesses based on employee count. The Board asked the executive to explore whether these could be termed small rather than microbusinesses (although the definition would be unchanged)
 - 7.6. Ofwat will publish its consultation on the Customer Protection Code of Practice in March. The final Code of Practice will be published in May.
 - 7.7. The Board agreed to delegate to Chief Executive, subject to no material change, the final Code of Practice to be published in May.
 - 7.8. The Executive presented a paper setting out the steps required to be taken by companies in the sector in order to be ready for market opening in April 2017. This includes a condition for companies to be ready which aims to provide a more legally enforceable obligation, supporting the programme requirements as well as the Open Water Assurance Framework.
 - 7.9. The Board previously endorsed a proposal to change the Water Supply Licences and the Instruments of Appointment to introduce the market readiness condition, at its October 2015 meeting.
 - 7.10. Executive presented the amendments made to the market readiness condition since the October version. These amendments had resulted from a soft consultation with the sector.
 - 7.11. The Board approved the amendments to the condition
 - 7.12. The Executive presented the use of Section 55 of the Water Act 2014 to make the required amendments to WSLs and Instruments of Appointments.
 - 7.13. The Board discussed the risks and other options for making the changes to the Water Supply Licences and the Instruments of Appointments.
 - 7.14. The Board approved the use of section 55 for implementation of the changes to the Water Supply Licences and the Instruments of Appointments.

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- 7.15. The Executive recommended removing the In Area Trading Ban using powers under Section 13 for Instruments of Appointments and Section 17 for Water Supply Licences.
 - 7.16. The Board agreed to this approach.
 - 7.17. Ofwat will formally consult on the removal of the in Area Trading Ban from the Water Supply Licences and the Instrument of Appointments in England and Wales using Section 13 and Section 17 processes.

8. Communications Opportunities

- 8.1. The Executive gave an overview of Ofwat's strategic communications and opportunities.
- 8.2. The Board commented the importance on stable, independent economic regulation to attract investment in the sector.

9. External guest – Ben Jeffs, Chief Executive, MOSL

- 9.1. Ben Jeffs, Chief Executive of MOSL provided an update on the progress being made towards the opening of the retail market opening in April 2017.
- 9.2. The Board thanked Ben for his time and insights.

10. AOB

- 10.1. The Chairman and Board gave thanks to Wendy Barnes for her time and input to Ofwat, as it was her last Board meeting.

Rachel Wright

Board Secretary

25 February 2016