

10 June 2016

Trust in water

Sludge technical working group terms of reference

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1. Background

On 10 December 2015 Ofwat published its consultation 'Water 2020: Regulatory framework for wholesale markets and the 2019 price review'. As part of this consultation we set out our preferred design option for promoting greater use of markets within sludge treatment, recycling and disposal. The main design features of our proposal include the following.

- Separate binding price control for WaSC sludge (treatment, transport, recycling and disposal). Under the existing framework, there is a degree of cost allocation (and estimation) between the different wastewater wholesale activities costs, and particularly between sludge and sewage treatment.
- The development of a centralised information platform, managed by a third party (potentially Ofwat) which would publish relevant information on sludge treatment, recycling and disposal to facilitate greater use of markets.
- Guidelines on how 'bids' from third parties should be assessed by incumbents, in order to help mitigate potential discrimination concerns. Companies would be required to report trading activities and demonstrate due process when assessing any proposed bids from third parties.

2. Role of the Technical Working Group

The primary role of the Technical Working Group (TWG) is to engage on the design and implementation on the Sludge Market mechanism. Its remit will be to discuss detailed aspects of the main design features, particularly those listed in item 1 above. **It is not a decision-making body.** The working group is intended to be an open forum to enable constructive discussion.

[Please note that as proposals are yet to be finalised, aspects of the design may be amended.]

3. Membership

Membership is open and will remain open to all interested parties. Set out below is the provisional list of key contacts from member organisations. Members may nominate other people to attend any meeting as a replacement to themselves. However, members where possible, should notify Ofwat prior to a meeting of any changes in attendance, including nonattendance. In addition to the regular members of the group additional expertise may be invited to inform discussions on aspects of the design features.

Table 1: Provisional List of Members (key contacts)

Member	Organisation
Andrew Snelson	Anglian Water
Mat Davis	Environment Agency
Bill Lilly	Intervate
Julie Tate	Natural Resources Wales
James MacLean	Northumbrian Water
Neil Corrigall	Severn Trent Water
Peter Cramp	Sludgetek
Nikki Deeley	Southern Water
Mark Worsfold	South West Water
Peter Trafford	Thames Water
Jon Latore	United Utilities
Adrian Mercer	Veolia
Daniel Davies	Welsh Water
Matt Wheeldon	Wessex Water
Dave Musco	Yorkshire Water
Alison Fergusson	Ofwat
Brian Caire	Ofwat
Jacob Wood	Ofwat
Jill Marshall	Ofwat
Justine Dade	Ofwat

4. Meeting details

Ofwat shall consider the best method for conducting a meeting, whether it be through media (e.g. telephone conference) or in person. When meetings are held in person, they can be held at Ofwat offices in **Birmingham** or **London** and no more frequently than on a **monthly basis**. We are open to other members hosting the meetings provided the proposed location is fairly central and easily accessible by public transport. We also note members' preferences are to have longer and less frequent meetings covering more material.

Ofwat will provide secretariat support including preparation of agenda, brief notes of meetings and monitor actions arising from the meetings. It is expected that the group will conclude its meetings in autumn 2016.

5. Theme of meetings

Each meeting will centre around a particular theme of the design of the sludge mechanism. This is to allow member organisations to identify the right delegate from their organisation to attend each meeting. A provisional timetable of the themes is set out in Table 2 below. Any changes or updates to the timetable will be circulated to key contacts and published on Ofwat's website.

Table 2: Timetable of meetings and provisional topics

Meeting Date	Provisional Topics to be Covered
2 March	Defining the boundary between sewage treatment and sludge Benefits, Costs and barriers of the policy options RCV allocation for sludge control
11 April	Information platform: data requirements Information platform: governance
Late May	Price controls Valuing sludge assets
Early July	Assessing bids to undertake sludge services and form of contract.
Mid-September	Revisiting the information platform
Late October	To be confirmed

6. Communication

The minutes of meetings and records of all correspondence and reports will be kept by Ofwat and circulated to the members of the TWG by email for comment before finalising. The minutes of all meetings will be prepared by Ofwat and include:

- a list of the members in attendance and apologies, and
- a brief account of the proceedings under each agenda item, including the key points raised, as well as any actions and resolutions.

Communication to stakeholders will be facilitated through the dissemination of meeting minutes, reports and other relevant information to members.

In the interest of transparency, Ofwat will publish material from the working groups on its website. This will include minutes of the meeting (having regard to comments from members) and any other material, as Ofwat considers appropriate, that is produced as part of the sludge working group, for instance PowerPoint slides.