

# Meeting note

Tuesday 28 June 2016  
 Centre City Tower, 7 Hill Street, Birmingham B5 4UA  
 10.00 am to 3.45 pm

## Water resources working group meeting – First meeting

Attendees	
Tim Charlesworth - Affinity Water	Jerry Bryan - Albion Water
Jean Spencer - Anglian Water	Polly Chancellor - The Environment Agency
Patric Bulmer - Bristol Water	Darren Leftley - Canal and River Trust
Liz Franks - Dee Valley Water	Caroline Harris - Natural Resources Wales
Crawford Winton - Northumbrian Water	Peter Hetherington – Ofwat
Frank Grimshaw - United Utilities	Mat Stalker (Item 7) – Ofwat
Steve Morley - Portsmouth Water	Hanif Jetha – Ofwat
Tracey Legg - South West Water / Bournemouth Water	David Young (Item 6) – Ofwat
Lester Sonden - Sutton and East Surrey Water	Rob Lee (Item 6) – Ofwat
Meyrick Gough - Southern Water	Andrew Chesworth (Item 3) – Ofwat
Nagi Suzuki - South Staffs Water	Jacob Wood (Item 4 only) – Ofwat
William Mackveley - Severn Trent Water	Andrew Boardman (Item 6) – Ofwat
Phillip Dixon - Thames Water	Ian Pemberton- Ofwat
Luke Devial - Wessex Water	Rob Cunningham- Ofwat
Sean Larkin - Welsh Water	
David Darley - Yorkshire Water	

## Meeting purpose

Several areas were covered at the meeting:

- the context for setting up the working group;
- the terms of reference for the working group;

- our proposals set out in '[Water 2020: our regulatory approach for water and wastewater services in England and Wales](#)', Ofwat, May 2016 and their rationale;
- the work required to progress access pricing for a bilateral market in England;
- the issues relating to the water resources boundary for price control purposes; and
- areas for discussion at future meetings.

Action	By Whom	Deadline
<b>Minutes and terms of reference:</b> Ofwat to circulate these to group members for comment (to be finalised at next working group). Comments should be sent to <a href="#">Hanif Jetha</a> .	Ofwat, Group members	8 July for comments from group members
<b>Boundary of the price control:</b> Companies to report any unclear or “tricky” scenarios which do not easily follow the proposed approach. Evidence should be sent to <a href="#">Ian Pemberton</a> and <a href="#">David Young</a> .	Incumbent companies	13 July
<b>Boundary of the price control:</b> Ofwat will host a conference call in July to discuss the evidence provided by companies regarding the water resources boundary. If you want to be involved in this call please contact <a href="#">Ian Pemberton</a> .	Ofwat, Group members	12 July (call is due to be held on 14 July)
<b>Access prices for bilateral water resources providers in England:</b> Ofwat has asked for volunteers to work as part of a sub working group on access pricing issues. Interested parties should e-mail <a href="#">Mathew Stalker</a> who will set up the first meeting.	Group members	8 July
<b>Market Information platform:</b> Please can you come prepared for our next meeting with ideas on <ul style="list-style-type: none"> <li>• What WRMP information would be most useful to present to potential bidders and how might it be simplified?</li> <li>• What contextual information might be useful?</li> <li>• At what scale should information be presented</li> </ul> If you want to discuss this before the meeting please contact <a href="#">Ian Pemberton</a> and <a href="#">Peter Hetherington</a> .	Group members	25 July
<b>Presentations for future working groups:</b> Ofwat is looking for volunteers to present at future working groups, topics available at the next working group (25 July) are the market information platform and form of control. Future topics will be set out at the next meeting. If you are interested in this please contact <a href="#">Peter Hetherington</a> .	Group members	8 July

## **Note of the meeting**

### **Terms of reference**

The terms of reference were summarised at a high level. The group is intended to be a discussion forum to help implement Ofwat's decisions from the May document. It is open to all parties and will operate as a collaborative group with work being carried out by all members. The group will operate until Spring 2017 and all material will be published on the Ofwat website. The full draft of the terms of reference will be circulated for comment from participants and finalised at the next meeting.

### **Water resources: May document summary**

This section set out the context for Ofwat's decisions in set out in May 2016. Key discussion points raised include:

- The potential scope of brokers in the bidding market for water resources and what regulation would apply to them.
- Whether legislative change would be required to support third party entry since some powers, such as pipelaying, are only available to incumbents.
- The use of demand side schemes and whether these would get the same prominence as supply side schemes. It was clarified that the bidding market is as relevant to both demand and supply side schemes.
- Outperformance and how third party schemes would be reflected in the price control.
- The adjustment factor for bilateral market entry in the price control in particular how it would work in practice, the scope for unintended consequences and the potential for a positive adjustment. Ofwat noted that is an area of future work.
- Utilisation risk for market wide demand, in particular the scope for unintended consequences, the difficulty in forecasting, especially under the new WRMP approaches, and the interaction with resilience. Ofwat noted that this issue is out for consultation with responses due 20 July.

### **Direct procurement for customers and its implications for water resources**

Ofwat set out its direct procurement for customers decisions and its implications for water resources. The group discussion was mostly around clarification about how Ofwat envisions direct procurement working. There was discussion around the potential impact on financing costs, market risk and the role of contract between the incumbent and third parties. The potential for the alliance approach was discussed

and it was noted that this would not be excluded from consideration by our direct procurement policy.

### **Boundary of the water resource price control**

Ofwat discussed the position put forward in the May document on the boundary between water resources and network plus. This was informed by the CEPA review. The group discussed a number of specific real life examples which may not fit the boundaries as set out by Ofwat. Given the short timeline for this work Ofwat asked for further issues to be sent directly for consideration and will arrange a conference call in July. At the next working group the conclusions of the work will be presented.

### **Access pricing for bilateral markets in England**

Ofwat summarised the position in the May document and set out the areas that will require further work. There was an interactive session where issues to be addressed were discussed. Ofwat asked for volunteers to be a part of a sub working group and to help work through some of the issues. This sub-group will meet in early July and feedback to the next working group on the work that is due to be carried out over the summer.

### **Forward planning, actions and agenda for next meeting**

This was an interactive session to explore what areas of policy should be a priority for the working group. The outputs of this session are being incorporated in the Ofwat level 2 plan for water resources and the working group. Feedback on this will be provided at the next working group.