

Meeting held on Thursday 26 May 2016
 Venue: 21 Bloomsbury Street, London WC1B 3HF

Members in attendance

Board attendees	
Jonson Cox	Non-executive Director, Chairman
Christine Farnish	Non-executive Director
Martin Lawrence	Non-executive Director
Catherine Waddams	Non-executive Director
Alison Munro	Non-executive Director
Tim Waggott	Non-executive Director
Mark Bayley	Non-executive Director
Cathryn Ross	Chief Executive
Aileen Armstrong	Executive Director
Richard Khaldi	Executive Director
Rachel Wright	Board Secretary
Other attendees	
Keith Mason	Senior Director, Thames Tideway Tunnel
David Black	Senior Director, Water 2020
Bev Messinger	Senior Director, Business Improvement
Rob Powell	Director, Operations
Giles Stevens	Director, Analytics
Andrew Boardman	Director, Analytics
Alex Whitmarsh	Principal, Analytics
Ian McNicol	Principal, Analytics
Adam Cooper	Director, Retail Market Opening
Tim Griffiths	Director, Analytics
Iain McGuffog	Director, Strategy and Planning
Michael Deakin	Principal, Casework

1. Opening Items and Declarations

- 1.1. The minutes of the previous Board meeting were agreed, subject to minor comments.
- 1.2. Catherine Waddams noted her role in an advisory capacity for Cornwall Energy, as part of a Knowledge Transfer Partnership between Cornwall Energy and the Centre for Competition Policy, University of East Anglia in relation to energy sector.

2. Chief Executive Report

- 2.1. The Chief Executive gave an update on the internal and external environments, highlighting:
 - The reactions from companies, investors and wider stakeholders to the Water 2020 documents which were published on 25 May 2016;
 - The Government review of flood resilience which is being undertaken by the Cabinet Office;
 - Listed water company (Severn Trent, United Utilities and Penon) financial results and the market reactions to them;
 - People changes in stakeholders, including the new Welsh Government Cabinet Secretary for the Environment and Rural Affairs (Lesley Griffiths), the new Thames Water Chief Executive Officer (Steve Robertson) and the departure of John Kingman as Second Permanent Secretary, HM Treasury in July 2016.
 - Further information on the sector dashboard which is being developed by Water UK;
 - An recent information security incident would be reported to the Audit and Risk Assurance Committee;
 - Potential changes in the industry (non Board members were not present for this item).

3. Water 2020

Residential Retail Review

- 3.1 The Executive gave an update on progress being made on the review of the costs and benefits of introducing retail competition to residential customers in England, which was initiated by HM Treasury in its 'A Better Deal' publication in December 2015.
- 3.2 The Executive set out examples of issues and opportunities to service and costs of introducing competition to residential customers, informed by experiences in other sectors including energy and rail.
- 3.3 The Board discussed how the value of innovation, facilitated by technological developments, could be considered under different models for competition compared with the counterfactual (regulatory price setting for retail activities).
- 3.4 The Board also considered the benefits to the sector of retailers putting pressure on wholesale activities to drive efficiencies and improvements in service and resilience for customers.
- 3.5 The Board noted the importance of good information on the costs associated with rolling out business competition to the residential sector.
- 3.6 The Executive confirmed that the emerging findings from the cost benefit analysis would be discussed further with the Board at its next meeting in June prior to publication in July.

Charging

- 3.7 The Executive set out Ofwat's role in setting company charging rules, recapping the regulatory framework and interaction with companies to develop the charging scheme rules, which Ofwat issued last year.
- 3.8 The Executive proposed an approach for setting wholesale and new connection charging rules this year.
- 3.9 The Executive gave an overview of the wholesale charging rules, and how they aligned with Defra's four key objectives as set out in their charging guidance.

- 3.10 The Executive confirmed that it would carry out a consultation in summer 2016 on the charging rules and would return to the Board in September 2016 with the responses to the consultation and proposed final charging rules.
- 3.11 The Board considered the impact of changes in the approach to charges on Ofwat's casework programme.
- 3.12 The Board discussed the degree of cost reflectively that was desirable, as well as Ofwat's role in driving charging structures and standardization.
- 3.13 The Board also discussed the role of companies and the merits of bill stability.
- 3.14 The Board agreed to the proposed approach to setting company charging rules.

4. Retail Market Opening

- 4.1 The Executive presented an update on the Retail Market Opening programme.
- 4.2 The Executive provided the background to the second independent review of the programme which was completed in April.
- 4.3 The Board discussed the findings and recommendations from the independent review.
- 4.4 The Board considered the different sources of assurance across the wider programme.
- 4.5 The Board noted the review recommendations and responses from relevant parties to those recommendations.

5. Alternative Delivery Model

- 5.1. The Executive gave an overview of its work to explore scope for alternative models of providing corporate services for Ofwat, seeking a steer from Board as to the Executive's input into the review being undertaken by Ofwat, CAA, Ofgem and ORR looking at scope for shared services across regulators.
- 5.2. The Executive highlighted the wider context in which this review was being carried out.

5.3. The Board considered what lessons could be learnt from shared services experiences across other organisations, and how service expertise and resilience could be increased.

5.4. The Board supported the considerations of the Executive in the work of this project.

6. Ofwat Annual Report and Accounts 2015-16

6.1. The Executive presented the draft Annual Report and Accounts for 2015-16.

6.2. The Board discussed the key messages of the draft report.

6.3. The Board delegated to the Audit and Risk Assurance Committee at its 8 June meeting the decision to recommend sign off of the Annual Report and Accounts by the Accounting Officer, subject to no material change.

7. Casework quarterly update

7.1. The Executive gave an update on the Casework programme, and the forward approach to identifying strategic cases to support delivery of Ofwat's strategy.

7.2. The Board discussed the lessons that could be learnt from cases, and how these could be communicated to the sector to increase trust and confidence in the services the sector provides and to help proactively manage Ofwat's caseload.

7.3. The Board noted the update.

8. Thames Tideway Tunnel Committee

8.1. Jonson Cox, as Chair of the Thames Tideway Tunnel Committee, gave an update on the Committee's previous meeting on 4 May 2016.

Rachel Wright
Board Secretary
26 May 2016