

Members in attendance

Board attendees (call)	
Jonson Cox	Non-Executive Director, Chairman
Martin Lawrence	Non-Executive Director
Catherine Waddams	Non-Executive Director
Alison Munro	Non-Executive Director
Tim Waggott	Non-Executive Director
Christine Farnish	Non-Executive Director
Cathryn Ross	Chief Executive
Richard Khaldi	Executive Director
Aileen Armstrong	Executive Director
Rachel Wright	Board Secretary
Other attendees	
David Black	Senior Director, Water 2020
Andrew Walker	Director, Analytics
Giles Stevens	Director, Analytics
Iain McGuffog	Director, Analytics
Claire Forbes	Senior Director, Communications
Mark Anderson	Principal, Communications
Apologies	
Mark Bayley	Non-Executive Director
John Russell	Executive Director

1. Introduction

- 1.1. Jonson Cox, as Chairman, introduced the short meeting which was scheduled to specifically discuss two items which required decision.

2. PR16 draft determinations

- 2.1. The Executive provided an overview of the proposals set out by companies for PR16 including comments on Ofwat's approach and proposals for rebalancing.
- 2.2. The Executive presented the proposals for the draft determinations for PR16.
- 2.3. The Board discussed those companies which had proposed significant rebalancing of cost margins and the impact this would have on business customers.
- 2.4. The Board agreed to the calibration of uniform gross margin controls across companies and the supplementary cap which limits any price rises to close headroom to 1 per cent bill increases per year. This will help to mitigate the risk of small jumps in prices for business customers at retail market opening.
- 2.5. The Board agreed to delegate the sign off of the PR16 draft determinations to the Chairman and Chief Executive subject to there being any material changes.
- 2.6. The Board noted the next steps.

3. Residential Retail Review

- 3.1. The Executive gave an update on progress made on the residential retail market review, ahead of submitting its final report to government in September.
- 3.2. The Executive presented a summary of the responses and new evidence received to the Emerging Findings which were published in July 2016. The Executive highlighted areas which had changed within the cost benefit analysis as a result of new evidence provided by stakeholders and further research carried out.
- 3.3. The Board discussed the findings of the analysis.
- 3.4. The Board noted that the decision would be for government whether or not to proceed with residential competition.
- 3.5. The Board discussed the experience of other sectors and how this had been considered in the review.

- 3.6. The Board considered the need for further work to understand the distribution of costs and benefits, and the regulator's role in protecting customers, including those who choose not to participate in the market.
- 3.7. The Board discussed the regulatory tools that can be used as protections in markets, including legislative policy and regulatory design.
- 3.8. The Board requested that the report note the timing implications of any decision to implement residential retail competition, recognising timing would be a decision for government but would impact on the success of the market, and company business planning processes for PR19.
- 3.9. The Board discussed the overall assessment of the costs and benefits of residential retail competition, noting that there are upfront costs and benefits in the long term, including through innovation. It also noted that there are uncertainties and the benefit values are low for customers.
- 3.10. The Board agreed the key messages to be communicated in the overview document.
- 3.11. The Board agreed to review a final version of the overview document ahead of final sign off by the Chief Executive.

Rachel Wright
Board Secretary
18 August 2016