

Meeting held on Thursday 23 November 2017
 Venue: Bloomsbury House, 21 Bloomsbury Street, London WC1B 3HF

Members in attendance

Board attendees	
Jonson Cox	Non-Executive Director, Chairman
Martin Lawrence*	Non-Executive Director
Tim Waggott	Non-Executive Director
Mark Bayley	Non-Executive Director
Catherine Waddams	Non-Executive Director
Alison Munro	Non-Executive Director
Christine Farnish	Non-Executive Director
Cathryn Ross	Chief Executive
John Russell	Executive Director
David Black	Executive Director
Aileen Armstrong	Executive Director
Jenny Block	General Counsel and Board Secretary
Other attendees	
Keith Mason	Senior Director, Thames Tideway Tunnel
Claire Forbes	Senior Director, Corporate Communications
Alena Kozakova	Chief Economist
Emma Kelso	Senior Director, Customers and Casework
Lisa Commene	Senior Director, Operations
Tim Griffiths	Director, Water 2020
Ynon Gablinger	Director, Water 2020
Colin Green	Director, Water 2020
Alison Fergusson	Principal, Water 2020
Bart Schoonbaert	Principal, Water 2020
Dena Barasi	Principal, Water 2020
Sophie Shaw	Director, Legal, Water 2020
Angela Maher	Principal, Corporate Communications, Water 2020

Patrick Ellis	Director, Alternative Delivery Model
Andy Duff	Director, Finance and Governance
Trevor Bishop	Director, Strategy and Planning
Rebekah Eden	Director, Programmes and Project Management
Carl Pheasey	Director, Strategy and Planning
External Attendees	
Baroness Brown	Chair of Adaptation Sub Committee on Climate Change

* Attended by phone

1. Opening Items and Declarations

- 1.1. The minutes of the Board meeting held on 26 October were approved subject to minor modifications.
- 1.2. There were no conflicts of interest to declare by reference to the matters on the agenda.

2. Chief Executive Report

- 2.1. The Chief Executive gave an update on the internal and external environments, highlighting the following:
 - recent meetings with the Secretary of State and the Water Minister at which a range of matters was discussed, including resilience;
 - the ongoing challenge to the sector in terms of legitimacy and the steps that companies needed to take to address these, and Ofwat's important role in this context;
 - the entry into force of the UK Government's strategic policy statement for Ofwat and the laying before the Welsh Assembly of the equivalent statement;
 - company interim results that had so far been published;
 - a proposed new approach to publication of the Board's and the Executive team's expenses; and
 - progress in relation to business planning for the next financial year.

3. Water 2020

Water 2020 overview

- 3.1 The Executive provided an overview on the other packs for Board and provided an update on the wastewater resilience metric intended to be incorporated in the methodology.
- 3.2 The Board welcomed the update and noted the timeline following publication of the methodology in December and a forward plan of what is expected to come to Board over the next 9 months.

Assessment of high value investments

- 3.3 The Executive presented the proposed approach to assessing significant proposals for large investments expected to be put forward by companies in PR19.
- 3.4 The Board noted the proposal and discussed a number of aspects, including how this would work alongside the assessment of Water Resource Management Plans. Ofwat is a statutory consultee and will be responding to the draft plans when they are published for consultation.
- 3.5 The Board noted the importance of companies considering a range of issues and options when putting forward plans for investment in specific schemes, including demand management and, where appropriate, water trading.

Initial Assessment – early certainty principle

- 3.6 The Executive presented proposals on the degree to which Ofwat should provide early certainty for companies with early draft determinations, i.e. those companies with fast track and exceptional status under the process for Initial Assessment of Plans.
- 3.7 The Board considered and agreed the recommendation for providing early certainty within a narrow scope.

Final methodology communications handling

- 3.8 The Board received for information an outline of the overall approach to communications and engagement for the final PR19 methodology. The Board

welcomed the comprehensive approach being taken to engagement to meet the needs of the full range of stakeholders.

PR19 Delivery Partner contract

- 3.9 The Executive presented the proposed approach to the procurement of the delivery partner and the steps that had been taken to date.
- 3.10 The Board discussed and agreed the proposed approach to use a single delivery partner based on a consortium of companies instead of multiple delivery partners. The Board noted how it was intended to encourage participation by a range of suppliers and that smaller suppliers would be able to participate in more than one bid.
- 3.11 The Board noted the value of having a delivery partner in terms of flexibility and additional support and the valuable role the partner could play in providing additional assurance. The Board noted the emphasis on partnership working.
- 3.12 The Board recognised the importance of effective management of conflicts of interest and supported the proposed approach to contract management.

4. Fit for the Future

Alternative Delivery Model

- 4.1. The Board received an update on the procurement activity to secure a strategic partner to support the in-house provision of our support functions (known as the 'Alternative Delivery Model', or ADM).
- 4.2. The Board discussed the initial work packages that were to be procured and the approach to delivery of additional support under the framework in the future. The Board noted the overall benefits that we expected to achieve, including in terms of resilience and innovation in support services as well as efficiency savings.

5. Finance and Governance

Severn Trent Water / Dee Valley Water NAV applications

- 5.1. The Executive presented the proposed recommendation to consult on the applications by Severn Trent Water and Dee Valley Water to change the

boundaries of their respective areas of appointment following the merger approved by the Competition and Markets Authority in December last year. Under the proposal, the boundaries for each company would align with the English/Welsh border.

- 5.2. The Board discussed the principles underpinning the approach to testing the robustness of the applications and, subject to receipt of additional satisfactory clarifications, agreed the recommendation to consult on the basis that Ofwat was 'minded to accept' these applications. The Board agreed to delegate the final decision to Aileen Armstrong.

6. Strategic Conversations

Baroness Brown of Cambridge, Chair of Adaptation Sub-Committee

- 6.1 The Board was pleased to welcome Baroness Brown of Cambridge, Chair of the Adaptation Sub-Committee and Deputy Chair of the Committee on Climate Change.
- 6.2 The Board was keen to work towards a shared understanding of the climate change risks relating to clean water and wastewater services, and discussed with Baroness Brown a number of areas of common interest, for example on resilience and water efficiency. The discussion focussed on progress on work on adaptation and resilience; innovation, particularly in the use of integrated catchment management approaches; Ofwat's work on outcomes and resilience metrics; and the importance of dealing more effectively with surface water flooding.

Exit from the EU

- 6.3 The Board received an update on how exit from the EU could impact the sector and customers as well as the potential opportunities that may arise. These related principally to: environmental policy and close links with agricultural policy after exit; the investment climate; social and economic impacts on customers; and anticipated changes to elements of the underlying regulatory regime impacting on water companies, for example, the impact of repatriation of certain powers to UK regulators and the CMA.
- 6.4 The Board noted the importance of managing the potential risks and capitalising on the opportunities that EU exit may bring, including working closely with the UKRN and the UKCN on preparations for exit, ensuring Ofwat understood the

complex interactions of the many different changes in prospect, and maintaining effective engagement with all its stakeholders.

7. Update from Committee Chair

Thames Tideway Tunnel Committee

- 7.1 The Chair of the Committee reported on the November meeting at which the Committee discussed two issues 1) a further request from Tideway for a waiver of its procurement obligations in respect of a contract with Thames Clippers, and 2) a request from Tideway to be granted a further general waiver from its procurement obligations. Both matters were the subject of ongoing consultations.

8. Any Other Business

- 8.1. There was no other business and the Chairman closed the meeting.

Jenny Block

Board Secretary

23 November 2017