

Meeting held on Thursday 25 January 2018
 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
Rachel Fletcher	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
Andrew Chesworth	Director, Water 2020
Jamie Tunnicliffe	Director, Water 2020
Elinor Mathieson	Principal, Water 2020
Sophie Shaw	Director, Legal, Water 2020
Patrick Ellis	Director, Alternative Delivery Model
Priya Sinha	Director of Market Outcomes, Market Outcomes and Enforcement

Juliet Young	Director of Economics, Market Outcomes and Enforcement
Mathew Stalker	Principal, Market Outcomes and Enforcement
Rebekah Eden	Director, Programmes and Project Management
Marc Hannis	Principal, Programmes and Project Management

1. Opening Items and Declarations

- 1.1. The minutes of the Board meeting held on 14 December were approved, subject to some minor amendments.
- 1.2. There were no conflicts of interest to declare by reference to the matters on the agenda.
- 1.3. The Board welcomed Rachel Fletcher who joined Ofwat as new Chief Executive on 8 January.

2. Chief Executive Report

- 2.1. The Chief Executive gave an update on the internal and external environments, highlighting the following:
 - Early reflections and priorities: the Chief Executive set out her mandate as one of continuity, to build on Ofwat's success in recent years, and to set the direction and strategy for post PR19. Having taken a 3 month "induction" period, she will set out her priorities and objectives in more detail.
 - Legitimacy debate: the Board considered the ongoing challenges to the sector's legitimacy, including as reflected by the Secretary of State. Companies had a responsibility to address the issues raised and Ofwat would continue to act to protect customers' interests. It was also important to recognise the positive behaviours of a number of companies in the sector.
 - Portfolio report – the Board noted the report, as well as the budget report considering Ofwat's financial performance in the year to date and the summary of the current levels of our strategic risks and opportunities across the portfolio.
 - Contract approval – the Board approved the award of a contract to create design content for use on multiple digital media channels.

3. Water 2020

Water 2020 overview

- 3.1 The Executive presented an overview of the plan for Water 2020/PR19 papers for Ofwat Board for the next two years which covered all elements of the price review.
- 3.2 The Board noted the proposed overall timeline for the production of the final determinations which is split into four phases; 1) preparation phase, 2) initial assessment of business plans, 3) draft determinations and 4) final determinations.
- 3.3 The Board discussed and agreed the proposed timeline and next steps set out in the paper.

Impact of PR19 methodology on credit ratings

- 3.4 The Executive provided a high level overview of the reactions from companies, investors and the credit rating agencies to the PR19 final methodology published in December 2017.
- 3.5 The Board noted the proposed next steps.

4. Fit for the Future

Alternative Delivery Model

- 4.1. The Board was presented with the outcome of the procurement process for the Alternative Delivery Model (ADM).
- 4.2. The Board discussed the recommendation and agreed to award the ADM contract to PwC and agreed to delegate authority to the Senior Director of Business Improvement to sign the contract and the Day 1 work packages following completion of the required standstill period.
- 4.3. The Board noted the importance of tracking the benefits to be derived from the agreement.

5. Market Outcomes and Enforcement

MOE quarterly update

- 5.1 The Board received for information an overview of work across the MOE programme.
- 5.2 The Board noted the developments within the Programme's activities during Q3 and Q4 including the proposed approach to launching a review of the Retail Exit Code, the update on price transparency and the developments with respect to casework within the programme. The Board also noted with concern the significant peak of complaints in relation to one entity following its introduction of new billing arrangements.

New appointments and variations (NAVs) Strategy

- 5.3 The Board considered and agreed the proposal to publish a draft strategy for consultation, setting out Ofwat's vision for NAVs and the benefits they can bring. This would give NAVs, incumbents and other interested stakeholders an opportunity to comment on Ofwat's vision for the sector and help the industry anticipate and prepare for the direction of future policy developments.
- 5.4 The Board recognised that although the Welsh Government does not support further competition, it does support the environmental and developer benefits that NAVs can bring.

6. Strategy and Planning

Draft Forward Programme 2018-19

- 6.1 The Board discussed the 2018-19 draft Forward Programme and agreed with the proposed change to its structure to include a foreword setting out Ofwat's key messages. The Board also agreed with the proposed minor changes to the articulation of Ofwat's strategic priorities. The Board suggested a number of other minor amendments to the draft for consultation.
- 6.2 The Board delegated authority to the Executive to sign off the publication of the final Forward Programme subject to no substantive changes being made following consultation.

7. Any Other Business

- 7.1. The Board considered and agreed final minor changes to the Board's Rules of Procedure.
- 7.2. There was no other business and the Chairman closed the meeting.

Jenny Block

Board Secretary

25 January 2018