

Meeting held on Thursday 24 January 2019
 Venue: Bloomsbury House, 21 Bloomsbury Street, London WC1B 3HF

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
Aileen Armstrong	Executive Director
David Black	Executive Director
John Russell	Executive Director
Jenny Block	General Counsel and Board Secretary
Other attendees	
Claire Forbes	Senior Director, Corporate Communications
Emma Kelso	Senior Director, Customers and Casework
Alena Kozakova	Chief Economist
Keith Mason	Senior Director, Thames Tideway Tunnel
Dena Barasi	Associate Director, PR19
Andrew Chesworth	Director, PR19
Alison Cullen	Associate Director, PR19
Tim Griffiths	Director, PR19
Angela Maher	Principal, PR19 (Corporate Communications)
Georgina Mills	Director, PR19
Jasminder Oberoi	Principal, PR19
Anita Payne	Director, PR19
Jonathan Read	Director, PR19
Bart Schoonbaert	Associate Director, PR19

Sophie Shaw	Director, Legal, PR19
Stephen St Pier	Director, PR19
Jamie Tunnicliffe	Director, PR19 (Investor Relations)
Apologies	
Lisa Commane	Senior Director, Business Improvement

*Martin Lawrence joined the Board meeting by conference call from the USA.

1. Opening Items and Declarations

- 1.1. The minutes of the Board meeting held on 10 January 2019 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.

2. Chief Executive's Report

- 2.1. The Chief Executive gave an update on the internal and external environments highlighting the following:
 - Plans and key priorities for the year ahead: the Board noted progress on shaping Ofwat's vision and strategy to enable a seamless transition to 2020 and beyond. The Board also noted that we are already laying some foundations for future work on water resources, for example, and developing thinking on the regulatory framework for inter-company or regional transfers. On the operational side, the Board noted the early preparations for the next spending review, considering how Ofwat can best shape its operating model to allow delivery of the strategy in the most effective way. The Board recognised the need for Ofwat to be agile given the inherent uncertainties in the year ahead and the various opportunities that this presented as our thinking developed.
 - Quarterly Portfolio Report: the Board considered the Q3 portfolio report and discussed Ofwat's financial position approaching the end of the financial year.

3. PR19

Overview

- 3.1. The Executive presented an overview of the PR19 programme and the particular focus of the meeting, which was for the Board to confirm decisions on company categorisations for the initial assessment of business plans (IAP).
- 3.2. The Board discussed expected next steps following publication of the IAP decisions at the end of January.

Initial assessment of company plans

- 3.3. The Executive presented an update following the previous Board meeting where provisional decisions on company categorisations were reached.
- 3.4. The Board considered carefully the deliverability of the plans before them, in particular those on the fast-track, and the key issues and themes that had emerged from the detailed review undertaken.
- 3.5. The Board agreed the Executive's recommendations and confirmed the results of the IAP assessment.

Initial assessment of company plans: communications

- 3.6. The Executive presented the proposed approach to communication of the results of the IAP assessment, highlighting the main messages and narrative proposed and the approach to engaging key stakeholders.
- 3.7. The Board noted the high level timeline of communications activities, including through to early draft determinations for fast-track companies.

C-MeX and D-MeX: update on strategic issues

- 3.8. The Executive presented an update on progress since December 2017 on the two new customer experience incentives: C-MeX (the Customer Measure of Experience, which will replace the Service Incentive Mechanism) and D-MeX (the Developer Services Measure of Experience). These will sit alongside common and bespoke performance commitments that cover key service metrics such as supply interruptions, leakage and sewer flooding.

- 3.9. The Board considered and provided a steer on the strategic issues associated with the design of C-MeX and D-MeX incentives which included ensuring the incentives are stretching yet meaningful. Final recommendations for testing these incentives during a shadow year (2019-20) will be discussed at the February Board meeting.

4. Strategy Hub

Resilience strategy – asset health

- 4.1. The Executive presented a paper on options to further promote asset health within the sector, addressing points and concerns previously raised by the Board.
- 4.2. The Board considered the importance of asset health in helping to underpin the resilience of water company networks and noted that a good understanding of asset condition and resilience helps companies better target their maintenance and replacement activity. The Board noted the clear long-term pressures on these networks for a range of reasons, including factors such as climate change and population growth.
- 4.3. The Board considered that while asset health measures are already part of our outcomes framework and an important part of Ofwat's approach in PR19, recent trends on some metrics suggested that there was more that could be done to deepen understanding in certain areas in order to secure a long-term resilient service.
- 4.4. The Board agreed that some further, targeted exploratory work be undertaken to assess current and planned asset health maturity and performance, to sit alongside work in PR19 and broader work to promote innovation across the sector.

5. Update from Committee Chairs

Thames Tideway Tunnel Committee

- 5.1. The Chair of the Committee reported on the meeting held on 10 January at which the Committee received an update on the Tideway project from Sir Neville Simms (Chairman), Andy Mitchell (CEO) and Mathew Parr (Head of Strategy and Regulation), followed by an open discussion with Tideway. The engagement between the Committee and Tideway was found very useful.

6. Any Other Business

6.1. There was no other business and the Chairman closed the meeting.

Jenny Block

Board Secretary

24 January 2019