

Meeting held on Thursday 28 November 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
Christine Farnish	Non-Executive Director
Alison Munro	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	
Lisa Commane	Senior Director, Business Improvement
Claire Forbes	Senior Director, Corporate Communications
Emma Kelso	Senior Director, Customers and Casework
Alena Kozakova	Chief Economist
Keith Mason	Senior Director, Thames Tideway Tunnel
Andrew Chesworth	Director, PR19
Alison Cullen	Associate Director, PR19
Alison Fergusson	Associate Director, PR19
Andy Duff	Associate Director, PR19
Ynon Gablinger	Director, PR19
Kay Greenbank	Associate Director, PR19
Tim Griffiths	Director, PR19
Angela Maher	Principal, Corporate Communications
Anita Payne	Director, PR19

Bart Schoonbaert	Director, PR19
Sophie Shaw	Director, Legal, PR19
Stephen StPier	Director, PR19
Andy Titchen	Principal, PR19
Jamie Tunnicliffe	Director, Investor Relations
Juliet Young	Director of Economics

*Martin Lawrence joined the Board meeting from the USA.

1. Opening Items and Declarations

- 1.1. The minutes of the Board meeting held on 7 November 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 Executive gave an update on the following matters:
 - The Board considered the recommendation and approved the issue of an invoice to appointed water companies for an additional fee and delegated to the Chief Executive the precise level of additional fee to call upon in Q4 2019/20.
 - The Board noted the discussion of the water sector and regulated utilities in party manifestos.
 - The Board noted developments in Ofwat's casework relating to two water companies.
 - The Board noted the recent publications, and sector as well as wider engagement on company purpose and the resonance of this work with Ofwat's strategy.

3. PR19

Overview

- 3.1. The Executive presented an overview summarising key issues with respect to company final determinations to be discussed in more detail at the meeting. In particular, the Board noted the overall impacts on company final determinations of changes arising from decisions at previous Board meetings since the draft determinations in relation to outcomes, cost efficiency, risk and return and other matters.
- 3.2. The Board noted the balance that it had to strike in reaching final determinations in light of its statutory duties and considered the key risks and safeguards for companies under the regulatory settlement. The Board also considered the final outturn for fast track companies in the round.
- 3.3. The Board also noted the high quality of the papers and information presented and thanked the teams for their commitment in meeting challenging deadlines.

Cross cutting issues

- 3.4. The Board discussed a number of cross-cutting issues arising from the Executive's analysis or which had been raised in representations on draft determinations.
- 3.5. The Board considered and agreed the proposal to set explicit expectations as to when we might allow companies to defer certain outcome delivery incentive reconciliation adjustments to subsequent years in the 2020-25 period. The Board noted and confirmed the Executive's approach to taking into account customer research in the context of setting outcome delivery incentives. The Board also considered how it was proposed to address company positions on performance related executive pay policy, and considered how resilience spend relating to flooding had been incorporated in expenditure allowances.

Communications and engagement: final determinations

- 3.6. The Executive presented the proposed approach to PR19 communications and stakeholder engagement for the final determinations. Board discussed the overall communications strategy, approach and high-level messages across England and Wales.

- 3.7 The Board noted the timeline of planned activities.

Financeability

- 3.8 The Executive presented the results of the financial modelling for the final assessment of financeability for the final determinations for all companies, noting that all companies are financeable on the basis of the notional structure that underpins Ofwat's allowed return on capital.
- 3.9 The Board considered the proposal to give effect to a full CPIH transition in the case of United Utilities using Regulatory Capital Value (RCV) run-off revenue to replicate full CPIH transition.
- 3.10 The Board discussed and considered the notional company financial ratios and implied credit ratings. The Board agreed with the assessment of company financeability on a notional basis.

Thames Water

- 3.11 The Board received further details (as requested at its previous meeting) on the Ofwat proposal to allow Thames Water an additional allowance to improve the performance of its water network to protect the customer interest and promote long term asset health. The Board noted the key risks and the proposed approach to mitigating these, including the contingent nature of the funding.

Company final determinations

- 3.12 The Executive presented the proposed final determinations for each company for decision on the allowed revenues in light of the overall package (subject to completion by the Executive in line with the Board's decisions), highlighting outstanding decisions on changes from the draft determinations and focusing on high value and strategically significant issues.
- 3.13 The Board carefully considered all relevant aspects highlighted for each company and authorised the Executive to finalise and publish the final determinations based on the Board's decisions.
- 3.14 The Board noted that the intended date of publication of the final determinations had been moved to 16 December 2019, given the general election on 12 December 2019.

4 AOB

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

Jenny Block

Board Secretary

28 November 2019