

Minutes of Board meeting

Meeting held on Thursday 23 September 2021 (hybrid meeting)
Venue: Centre City Tower, 7 Hill Street, Birmingham B5 4UA

Board members / standing attendees

Jonson Cox	Non-executive Director, Chairman
Mark Bayley	Non-executive Director
Nicola Bruce	Non-executive Director
David Jones	Non-executive Director
Seema Kennedy	Non-executive Director
Jonathan Kini	Non-executive Director
Alison Munro	Non-executive Director
David Black	Interim Chief Executive
Aileen Armstrong	Executive Director
John Russell	Executive Director
Lisa Commane	Executive Director
Jenny Block	General Counsel and Board Secretary

Other attendees

Claire Forbes	Senior Director
Alena Kozakova	Chief Economist
Emma Kelso	Senior Director
Tim Griffiths	Director, Company Performance and Price Reviews
Juliet Young	Director, Company Performance and Price Reviews
William Godfrey	Director, Company Performance and Price Reviews
Stephen St Pier	Director, Company Performance and Price Reviews
Simon Harrow	Principal, RAPID and Future Assets and Resources
Jennie Seymour	Principal, Company Performance and Price Reviews
Enrico Russo	Principal, Company Performance and Price Reviews
Gemma Rosenblatt	Head of Customer Insights
Nathan Warren	Senior Associate, Company Performance and Price Reviews
Jamie Tunnicliffe	Director, Investor Relations
Sophie Shaw	Director, Legal
Georgina Mills	Director, Markets and Charging, Policy and Outcomes
Dan Mason	Associate Director, Business Retail, Policy and Outcomes

Anne Heal	Chair, MOSL
Sarah McMath	Chief Executive, MOSL

Apologies

Keith Mason	Senior Director
Paul Hickey	Managing Director, RAPID

1. Opening Items and Declarations

- 1.1 The minutes of the Board meeting held on 23 July were approved.
- 1.2 There were no interests to declare by reference to the matters for discussion at the meeting.
- 1.3 These minutes also record the Board's agreement (at a Board call on 6 September) to the approach to Ofwat's submission to the government's Comprehensive Spending Review, and delegated authority to the Interim Chief Executive to proceed on that basis. The submission was made on 13 September.

2. Interim Chief Executive's Report

- 2.1 The contents of the Interim Chief Executive's report were noted and discussed. The Board received updates on the following:
 - Supply chain resilience;
 - Water Breakthrough Challenge – the Board received an update on the winning entries that will be funded in this round;
 - Initiatives on regulatory reform;
 - In-period ODIs – the Board discussed the Executive's approach to the draft decisions to be issued in the coming weeks, following receipt of company performance information in July;
 - Ofwat's submission to the Comprehensive Spending Review; and
 - Recent meetings with the Interim Office for Environmental Protection.

3. Shaping the price review

- 3.1 The Executive presented a paper to prompt further discussion on the short and long term challenges affecting the water sector in England and Wales and recognised in the UK Government's draft strategic policy statement for Ofwat and our ongoing discussions with the Welsh Government on their equivalent statement. These include

the management of storm overflows, flood resilience, the supply/demand balance, moving to net zero, and improving river water quality.

- 3.2 The Board discussed companies' responses to the May 2021 discussion document and provided its views on how we can involve water companies in tackling these challenges and identifying the right balanced approach, bearing in mind the increased costs that customers are likely to face.
- 3.3 The Board discussed the importance of early engagement with companies as they develop their plans, encouraging company ownership of these issues, requiring them to consider prioritisation and ensuring affordability is robustly addressed.
- 3.4 The Board also discussed the proposed approach to working with the Board in the development of the PR24 draft methodology.

4. Drainage and Wastewater Management Plans

- 4.1 The Executive presented the proposed approach to drainage and wastewater management plans (DWMPs). This will require companies to work with local authorities and other risk management authorities (RMAs) to target long-term investment more effectively.
- 4.2 The Board discussed the key risks and opportunities for PR24 and longer term plans, and the engagement required to support and influence the process going forward. The Board also discussed the proposed approach to managing linkages with storm overflows and surface water flooding. The Board considered the existing engagement Ofwat is involved in and how best to contribute.

5. PR24: Customer Engagement

- 5.1 The Executive presented an overview of the proposed approach to customer engagement for PR24, including a proposal for collaborative research involving Ofwat, CCW and the water companies. This research would be focused on issues which were common to all companies with a view to improving the overall consistency and comparability of customer research to inform common areas of business plans and Ofwat's final determinations.
- 5.2 The Board was supportive of the proposed approach and Ofwat's contribution to the research and the proposed governance arrangements. The Board also discussed how to optimise the proposed collaborative solution.
- 5.3 The Board noted the next steps to publish a position paper in the coming months to provide greater clarity to water companies and other stakeholders on our plans and

expectations for PR24, and allowing companies to develop their additional customer engagement proposals accordingly.

6. Approach to PR24 in Wales

- 6.1 The Executive outlined the proposal to implement a distinct approach to PR24 in Wales and sought comments from the Board. The aim is to work in a different way with Welsh Government (WG) and other key Welsh stakeholders and companies to help identify long-term outcomes that the sector should seek to deliver, and the most appropriate path to achieving these outcomes. This will build on WG's strategic policy statement which will set out their priorities for how we regulate the sector in Wales. This will also sit alongside our new approach to customer research, which will apply across both England and Wales at PR24.
- 6.2 The Board discussed the proposed approach and noted that Ofwat will continue to retain responsibility for setting final price control determinations for companies wholly or mainly in Wales. The Board noted stakeholders' views and considered the issues that might arise with this different approach and how they might be managed and addressed.

7. Company performance

- 7.1 The Executive presented a paper highlighting further analysis of the common metrics we intend to include in the service delivery report this year, subject to some additional analysis, and our decisions with respect to in-period outcome delivery incentive payments. We expect to highlight best practice as well as key challenges both across the sector and for individual companies.
- 7.2 The Board noted the key sector metrics and overall assessment, and discussed the insights and particular concerns we took from the data and companies' performance. The Board agreed with the proposed approach to targeted engagement with companies as appropriate, and with the sector in relation to common themes.

8. Market Operator Services Limited (MOSL)

- 8.1 The Chair welcomed Sarah McMath (Chief Executive) and Anne Heal (Chair) to the Board meeting. Anne provided an overview of the business retail market, MOSL's role, key priorities for the market, the current challenges and how these are being addressed, which the Board discussed.
- 8.2 The Board discussed how open data might contribute to problem solving in the market, and barriers to innovation. The Board agreed that ongoing collaboration

between Ofwat and MOSL remains important to the development of an effective business retail market, including to address existing market frictions.

9. Updates from Committee chairs

Audit and Risk Assurance Committee

9.1 The Chair of the Audit and Risk Assurance Committee reported on the meeting held in September which included discussion of the following:

- strategic risks and assurance with a more detailed discussion of the RAPID approach to risk management;
- Project Ocean (the replacement of Ofwat's current regulatory data platform) with details of the governance arrangements and assurance plan for the discovery phase;
- Ofwat's security arrangements;
- Ofwat's Medium Term Financial planning;
- Standing items; and
- Cross-sector developments from both our internal and external auditors.

Major Projects Committee

9.2 The Chair of the Major Projects Committee reported on the recent meetings of the Committee at which the Committee:

- received updates on the interim determination in relation to Anglian Water's Elsham DPC project;
- received updates on the development of the HARP project and progress on ensuring an appropriate package of incentives for the water company and, where appropriate, the CAP, to ensure successful project delivery;
- discussed the potential for development of alternative financing approaches for DPC projects;
- discussed the proposed approach to assessing value for money of delivery via DPC as against in-house delivery at different phases of the DPC process; and
- received updates on developments with respect to the Thames Tideway Tunnel project and on the recent discussions with Tideway in relation to possible amendments to Tideway's licence and project documents having regard to the impacts of Covid-19.

10. AOB

10.1 The Board noted the forward plan for Board meetings.

10.2 There was no other business and the Chair closed the meeting.

Jenny Block

Board Secretary

23 September 2021