

Minutes of Board meeting

Meeting held on Thursday, 24 November 2022 (in person)
Westferry House, 11 Westferry Circus, Canary Wharf, London E14 4HD

Board members / standing attendees

Iain Coucher	Chair
Alison Munro	Non-executive Director
Mark Bayley	Non-executive Director
Nicola Bruce	Non-executive Director
David Jones	Non-executive Director
Jonathan Kini	Non-executive Director
Seema Kennedy	Non-executive Director
David Black	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
Keith Mason*	Senior Director
Emma Kelso	Senior Director
Paul Hickey	Managing Director, RAPID
Gwen Roberts	Director of Wales
Anita Payne	Director, Insight and Impact
Amit Kamal*	Principal, Strategy Development
Elinor Mathieson	Director, Financial Resilience, Policy and Outcomes
Heather Katsonga-Woodward*	Principal, Financial Resilience, Policy and Outcomes
Georgina Mills	Director, Business Retail Market, Policy and Outcomes
Shaun Kent	Principal, Business Retail Market, Policy and Outcomes
Sean Mills*	Senior Associate Economist, Business Retail Market, Policy and Outcomes
Stephen Humphreys	Principal, Head of Regulatory Communications and Planning
Jamie Tunnicliffe*	Director, Investor Relations

Basil Scarsella	Chief Executive, UK Power Networks
Suleman Alli	Director of Customer Services, Strategy, Regulation and Information Systems - UK Power Networks

* Joined the meeting virtually.

1. Opening Items and Declarations

- 1.1 The minutes of the Board meeting held on 20 October were approved subject to minor amendments.
- 1.2 There were no interests to declare by reference to the matters for discussion at the meeting.

2. Chief Executive's Report

- 2.1 The contents of the Chief Executive's report were noted and discussed. The Board received updates on the following:
 - The drought situation;
 - The Government's Autumn statement;
 - Recent meetings with Natural Resources Wales; and
 - Cyber security following a water company cyber incident which resulted in a personal data breach.

Update from Committee chairs

People Committee

- 2.2 The Chair of the People Committee reported on the meeting held on 20 October at which the Committee received updates on: progress on delivering our People Strategy; key updates in relation to our pay and reward project; responses to our health & wellbeing survey; talent management and the HR transformation programme; and Ofwat's support in the context of the cost of living crisis.

Major Projects Committee

- 2.3 The Chair of the Major Projects Committee reported on the meeting held on 25 October at which the Committee received updates on: the progress of the HARP project, Welsh Water's Cwm Taf project, and Southern Water's Water for Life project. The Committee discussed the approach to the Cost Adjustment Mechanism in relation to the Havant Thicket Project.

Casework Committee

- 2.4 The Chair of the Casework Committee reported on the meeting held on 2 November at which the Committee received an update on the progress made on the wastewater treatment works investigations.

3. Strategy development and company performance insights

Strategy development overview

- 3.1 The Executive provided an update to the Board on the progress made on strategy development.
- 3.2 The Board discussed the proposed approach to refresh Ofwat's strategy and noted the key areas that will be developed. The Board noted the next steps for a Board discussion on wastewater coordination at the December Board.

Company performance insights

- 3.3 The Executive presented a paper setting out proposals for how we can improve our understanding of company performance, in turn improving our ability to take more targeted action to improve performance across the sector.
- 3.4 The Board discussed and agreed the overall approach set out in the paper.

4. Board session with UK Power Networks

- 4.1 The Chair welcomed Basil Scarsella (Chief Executive) and Suleman Alli (Director of Customer Services) to the Board meeting to discuss their customer service transformation, how they achieved this turnaround, and whether there were any lessons for the water industry, and our approach to regulation, that could facilitate a similar transformation for the water sector.
- 4.2 Basil provided an overview of the transformation of UKPN's customer service highlighting the key elements they focused on that led UKPN from lagging sector performer to be ranked no 1 on the UK Customer Satisfaction Index. Basil emphasised the importance of the right culture being embedded throughout the organisation, straightforward incentives and effective stakeholder engagement and management.

- 4.3 The Chair thanked Basil and Suleman for taking the time to meet with the Ofwat Board and for sharing their insights.

5. Financial resilience – proposed licence modifications

- 5.1 The Executive provided an overview of the responses received to our July 2022 consultation on our financial resilience proposals to modify the licences of the principal water companies in order to strengthen the backstop protections for customers, and to ensure we have formal power to intervene where necessary. The Executive highlighted the key issues raised by respondents.
- 5.2 The Board discussed the points raised by respondents and reflected on the underlying drivers for the proposed approach. The Board agreed with the approach set out in the paper.

6. Business Retail price caps

- 6.1 The Executive provided the Board with an update on responses received to our September 2022 consultation proposals to amend the business retail price caps. The Executive also outlined the proposed approach to the final decision on specific adjustments to the business retail price caps.
- 6.2 The Board noted the proposed approach to reflect stakeholders' feedback from the September 2022 consultation and the likely impact of the proposed decisions on retail allowances and average indicative bills.
- 6.3 The Board endorsed the recommended approach to amend business retail price caps and delegated the authority to the Executive to make final adjustments as set out in the paper.
- 6.4 The Board noted the next steps, including the intention to publish our final decision in December 2022 with a view to implementation from April 2023.

7. PR24 Final Methodology – communications and engagement

- 7.1 The Executive presented a paper outlining the draft Executive Summary to accompany the final methodology in December, placing PR24 in the wider context of work underway across Ofwat. The paper also set out our proposed approach to communications for the Final Methodology due to be published on 13 December 2022 and to our engagement with stakeholders in 2023.
- 7.2 The Board reviewed and provided feedback on the draft Executive Summary.

7.3 The Board discussed and agreed the overall proposed approach to communications for the PR24 Final Methodology and stakeholder engagement.

8. AOB

8.1 The Board noted the forward plan for Board meetings.

8.2 The Board was pleased to note that we have been allocated an apprentice under the Boardroom Apprentice Scheme who will join us in the new year.

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

Kamlesh Mahey

(on behalf of the Board Secretary)

24 November 2022