

**Minute of the seventeenth meeting of the Water Industry Commission
for Scotland
Held on 4 July 2006 in Stirling**

Present:

Sir Ian Byatt (Chairman)
Professor David Simpson (Deputy Chairman)
Professor John Banyard
Dr Michael Brooker
Mr Charles Coulthard
Mr Alan Sutherland (Chief Executive)

In attendance:

Mrs Katherine Russell (Director of Corporate
Affairs and Secretary to the Commission)
Miss Harriet Towler (Corporate Affairs Manager)
Dr John Simpson (Director of Analysis) for item 6.
Mr Craig Mackenzie (Analyst) for item 6 (CP107-
06, CP108-06).
Mr James Fennessey (Seconded) for item 6
(CP105-06)
Mr Cesar Raffo (Analyst) for item 6 (CP110-06)

Chairman's opening remarks

The Chairman welcomed everyone to the meeting and thanked them for attending.

1. Apologies for absence

None.

2. Minute of previous meeting and review of action points

The Commission agreed that the minute was an accurate account of proceedings.

The Commission were updated on actions from the previous meeting and noted it was a satisfactory position.

3. Update on current issues

The Secretary to the Commission noted that a new Human Resources Manager would shortly be joining the office. The Commission requested that a

paper should be written for the October meeting updating them on the appraisal system. **Action**

Mr Coulthard, Chairman of the Audit Committee, reported that it had met on 29 June, and that the office had received a satisfactory report in its internal audit review. Minutes of this meeting would be circulated to the Commission for information. **Action**

Dr Brooker reported that he, Professor Simpson, the Chief Executive and the Secretary to the Commission had recently attended the Institute of Economic Affairs' Water 2006 conference.

Professor Banyard reported that he had been the keynote speaker at the Wastewater Planning Group's annual conference on 29 June.

The Chief Executive reported that he had attended a Scottish roundtable on water efficiency, convened by Waterwise and hosted by Sarah Boyack MSP. He had also attended a meeting of the joint regulators' group.

The Chairman reported that he had recently held a series of meetings with representatives from the National Farmers' Union, the Institute of Directors, the Scottish Chambers of Commerce, the Convention of Scottish Local Authorities, and Scottish Universities.

The Chairman also reported that he had given a presentation at a Water UK conference on sustainability. The Chief Executive and Secretary to the Commission had also attended the event.

The Commission's Annual Report had been launched on 21 June, and was followed by an MSP briefing at the Parliament. The Chairman noted he was pleased with the outcome of both events.

4. Corporate Affairs

The Commission noted the update on the office workplan (CP103-06) and welcomed the recent work undertaken to review the Commission's publications.

5. Investment

The Chief Executive updated the Commission on the Output Monitoring Group (OMG) meeting of 26 June. He noted that this had been a well attended meeting, and that a reporting format to monitor progress had been agreed. The Commission requested that this format be circulated to them for information. **Action**

The Commission also discussed the process for Quality and Standards IIIb (Q&SIIIb). They understood that in order to define Q&SIIIb for the purposes of price setting, it was possible that a different process to that used for Q&SIIIa would be employed. However, this new process had yet to be determined.

The Commission welcomed a proposal to update them on this issue at the September meeting. **Action**

The Commission noted the analysis of projects included in the Q&SII overhang (CP104-06). They noted that the overhang should not only be considered in financial terms, but also take into account those outputs yet to be delivered. This should be communicated to the Scottish Executive. **Action**

6. Costs, performance and levels of service

The Commission considered the key messages for the upcoming Customer Service Report (CP105-06). The Commission noted that it was important that the key messages should be concise, and explain how the service delivered to customers had changed since 2003-04. A revised set of key messages would be circulated for approval. **Action**

The Commission noted the update on the review of regulatory information being carried out in the office (CP106-06). They would welcome a further update in September. **Action**

The Commission noted the update on the wholesale charges project (CP107-06). They noted that before a charges scheme could be signed off in 2007, the Scottish Executive would first need to carry out its planned consultation on the principles of charging. The Commission agreed that in any event, a wholesale charges scheme would need to be approved by May 2007 in anticipation of the retail market opening in the following January.

The Commission noted the update on the trade effluent consultation (CP108-06). They noted that there were a number of issues, which would affect trade effluent customers, and would welcome a further briefing on these issues and appropriate responses. **Action**

The Commission noted the update on the Annual Return (CP109-06) and looked forward to a further briefing in August. **Action**

The Commission discussed Scottish Water's financial performance in 2005-06, as indicated by the Resource Accounting and Budgeting returns of that year (CP110-06). The Commission noted that there were analytical issues regarding the treatment of depreciation and working capital, and that these would be raised with Scottish Water. **Action**

The Commission agreed that a paper detailing Scottish Water's financial performance for the regulatory period 2002-06 should be produced for the October meeting. **Action**

7. Licensing

The Commission noted the update on the Licensing Framework Implementation Group (LFIG) (CP111-06) and looked forward to approving

the Group's output. The Commission noted that future meetings would be chaired by Mr Clive Sparrow of Pareto Management Ltd.

The Commission noted the update on the wholesale services agreement and operational agreement (CP112-06). They noted their thanks to the team in the office who had worked on successfully delivering a version of both documents in time for the June consultation.

The Commission considered the action plan submitted by Scottish Water Business Stream (SWBS) for the separating of SWBS from Scottish Water (CP113-06). The Commission agreed that the plan satisfies this element of the Commission's requirement for the issue of a provisional licence to Scottish Water Business Stream. The Commission noted, however, that they would want to revisit the issue of the VAT registration of SWBS before they grant a permanent licence. A letter would be written to SWBS to that effect. **Action**

Minute approved on:

Minute authorised by: