

One Hundred and First meeting of the Water Industry Commission for Scotland

At the office of the Water Industry Commission for Scotland, Stirling

on 1 June 2017

Present: Donald MacRae (Interim Chair)
Alan Sutherland (Chief Executive)
Ross Finnie
Libby Gawith
Jo Armstrong

In attendance: Katherine Russell, Director of Hydro Nation, Retail and Innovation
Ian Tait, Director of Network Regulation
Ann Bishop (Indepen)
Charles Yates, Head of Competition (item 4)
Andrea Mancini, Head of Hydro-Nation, Retail and Innovation (item 4)
Ellen Millar, Secretary

Interim Chairman's opening remarks

The Interim Chairman thanked Commission members and the office for the support he has received since his appointment. He also thanked the Commission members for their input to the Board Review being carried out by Indepen. The Interim Chair welcomed Ann Bishop from Indepen to the meeting.

1. Apologies for absence

No apologies.

2. Minute of the last meeting and regular updates

2.1 Declaration of conflicts of interest in relation to the Agenda

None

2.2 Minute of last meeting (01/17)

The Commission noted and agreed that the minute was an accurate record of the April meeting.

The Audit Committee Chairman updated the Commission on the Internal Assurances required for the External Audit currently being carried out by Audit Scotland. The Commission looked forward to an update at the next meeting.

2.3 Summary of action points

(AP02/17)

The Commission noted the summary of action points and requested that future reports should be numbered accordingly. The Commission wanted to thank Oxera for the bespoke training provided to Commission members and staff on regulation, outcomes and incentives.

2.4 CEO Update

(CP18/17)

The Chief Executive provided an update to the Commission on the work of the office and interactions with external stakeholders.

The Commission requested more clarity on the engagement activities between the office and Scottish Water. The Commission were advised that Scottish Water will be attending the August Commission meeting and would provide an update.

The Chief Executive spoke at an Indepen Forum event on 25 May on Capital Maintenance. The Commission congratulated the Chief Executive on his pioneering work on the development of capital maintenance.

3. Strategic Review

3.1 Initial Decision Papers for the SRC 2021-27

(CP19/17)

The Commission discussed the Initial Decision Papers for the Strategic Review of Charges 2021-27. The papers had been further developed following a Commission teleconference call on 11 May 2017.

Initial Decision Paper 1- What impacts prices?

The Commission approved Paper 1 subject to minor amendments to, Page 3, 3rd para, “We have developed a Ready Reckoner...” becomes “We have developed the Ready Reckoner...”

Page 3 ,5th para “...but will mean higher bills...” becomes “...but lead to higher bills...”

Page 4 asterix footnote “* Real terms (12-13 prices)” change to “*Real terms (12-13 prices). We have used 2012-13 prices at this stage to allow comparison with the previous regulatory period. This will be updated later in the SRC process.”

Initial Decision Paper 2 – Prospects for prices

The Commission approved Paper 2 subject to minor amendments to, Page 1. Last sentence. Change to “At this early stage”, it would appear that price increases could be limited to no more than....”

Page 2, Para 8, remove space between waste and water so it becomes “...large wastewater treatment sites”

Initial Decision Paper 3 – The role of the financial tramlines

The Commission approved Paper 3 subject to a minor change in Figure 1: Financial Tramlines.

Initial Decision Paper 4 – Overall size of the Capital Programme

The Commission approved Paper 4 subject to minor amendments to, Page1, 5th para, move sentence starting ‘Future Initial Decision Papers....’ to Page 3 after “...effective and efficient way”

Initial Decision Paper 5 – Communicating output and cost effectiveness

The Commission approved Paper 5 with no changes.

The Commission thanked the office for the excellent work that went in to producing these papers. The Commission confirmed the initial decisions set out in these 5 initial decision papers. It expressed the hope that stakeholders would find this clarity useful as the SRC progresses.

3.2 Update on SRC21-27 (CP20/17)

The Commission noted the update on the project management approach for the Strategic Review of Charges 2021-27 and the progress which had been made to date.

3.3 Customer Forum Commissioning Letter (CP24/17)

The Commission approved the Commissioning Letter for the Customer Forum SRC 2021-27 subject to some minor amendments.

4. Retail Competition

4.1 Update on Retail Competition (CP21/17)

The Commission noted the update on the non-household retail market activities since the last Commission meeting.

The Commission discussed options to protect customers' prepayments in the non-household market.

The Commission have asked to look at how customers could be better informed about the risks they are facing and how a cap on new customers' prepayments could be implemented effectively.

The Commission noted the letter from Ben Jeffs, Chief Executive of MOSL to Alan Sutherland, Chief Executive, thanking him for his input over the last two years to establish the introduction of competition into the English market. MOSL would like to invite the Chief Executive to share some of the lessons learned from the opening and operation of the Scottish market.

4.2 CMA update

(CP22/17)

The Commission noted this update.

4.3 Appointment of CMA Chairman

(CP23/17)

The Commission approved the appointment of David Sigsworth as the Chair of CMA in accordance with regulation 9.1 of the CMA's Articles of Association.

5. AOB

The Commission agreed that dates for future Commission meetings will be circulated in due course.

The next Commission meeting will be 3 August 2017.