

Ninety Ninth meeting of the Water Industry Commission for Scotland

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

on 2 February 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)

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 and welcomed Ann Bishop 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 (05/16)

The Commission noted and agreed it was an accurate record of the 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 (AP06/16)

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

training provided to Commission members and staff on Regulation, outcomes and incentives.

3. Regular business

3.1 CMA Scotland Update (CP01/17)

The Commission noted the update.

3.2 Finance update (CP02/17)

The Commission noted the update and asked for clarification about the rural provision project, and the cost of the MBA retention incentive for experienced analysts.

4. Hydro Nation

4.1 Hydro Nation update (CP03/17)

The Commission asked for clarification about the proposed split in the Hydro Nation budget, and about the source of the budget for the pro-bono activities. Katherine Russell replied that the pro-bono activities would likely come out of the Commission budget, but that these would be small. The Commission agreed that they did not want to sign-off on every item of Hydro Nation expenditure; and that all of the Hydro Nation activities detailed in the paper should not be considered as separate headings but subheadings of the same item.

The Commission also discussed the recently circulated OECD proposal. The Commission agreed to continue with points A and C, review of the price review and sharing perspectives on capital maintenance. For point B – behavioural research into customer engagement - the Commission will commit to an initial set of 3-5 experiments, however the remaining experiments will subject to further approval as to whether these experiments are worth continuing.

5. Strategic Review

5.1 Structure and key issues for the SRC methodology (CP04/17)

The Commission welcomed the paper, and will give more detailed comments on specific sections by email. The Executive will seek to send a draft of the methodology to the Commission by the first week of March.

5.2 Key variables that influence prices and implications (CP05/17)

The Commission welcomed the paper.

5.3 Prospects for prices in England and Wales and implications (CP06/17)

The Commission noted the paper.

5.4 Tri-partite agreement with SW and Citizens Advice Scotland (CP07/17)

The Commission agreed to go forward with the Tri-partite agreement, and would like the Commissioning letter to spell out more clearly the process and role of the Customer Forum that was outlined in the meeting. The Commission agrees with the proposed time commitment and remuneration for the members.

5.5 Schedule of meetings and key decisions (CP08/17)

The Commission agreed that issues that are outside the control of the Commission, or that are not material to the outcome should be delegated to the Executive. They will continue with Option 2, with 6 formal meetings complemented by informal events such as meetings with Scottish Water, visits, or topic seminars. The Commission requested that events are put in the diary every month even if these are subsequently cancelled.

6. Competition

6.1 Retail update (Scotland) (CP09/17)

The Commission noted the paper and agreed to implement the changes to the Licence application process.

6.2 The Water Retail Company – License application (CP10/17)

The Commission discussed the application, and are minded to accept it.

7. Investment

7.1 OMG update (CP11/17)

The Commission noted the update, and asked for clarification and re-assurance about the continuing completion programme.