

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

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

On 26 July 2018

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

In attendance: Michelle Ashford, Chief Operating Officer
Ian Tait, Director of Network Regulation
Colin McNaughton, Assistant Director
Rhona Harper, Secretary to the Commission
Shona Coan, Head of Finance, Governance and Risk, Item 3
David Satti, Head of Strategy, Item 4 onwards
David Innes, Competition Manager, Item 5 onwards

Chairman's opening remarks

The Chair opened the meeting and thanked members and other attendees for accommodating an early start.

1 Apologies for absence

There were no apologies for absence.

2 Minute of the last meeting and regular updates

2.1 Declaration of conflicts of interest in relation to the Agenda

There were no conflicts of interest.

2.2 Minute of last meeting

Min 06/18

The minute was **approved** by the Commission.

2.3 Summary of action points

AP07/18

The Commission **noted** the summary of actions and the additional points arising:

- The summer intern programme is progressing. The Office is pleased that we have been able to see potential graduates in action;
- The Chequers agreement and white paper makes a commitment to keeping high regulatory standards for the environment.

2.4 Members Update

Jo Armstrong confirmed her appointed as the Chair of hub West Scotland. The Chair congratulated her on this appointment.

2.5 CEO Update

Strategic Review of Charges 2021-27

CP106/1

The SRC21-27 process is on track against the work plan. Agenda item 4.2 sets out some potential changes to the methodology and timescales.

Scottish Government

The Commission noted the progress by the Scottish Government on their Consumer Scotland consultation. Commission Members asked to be updated on this as the consultation progresses.

Asset Replacement

The Chief Executive provided an update on the output of Professor Adey's work with Scottish Water and the implications for the SRC process. Commission Members asked to be updated on further developments with Scottish Water and the development of their ability to gather and use asset performance and condition information in a strategic way.

The Commission requested a more detailed overview of the outputs of the Customer Forum research into consumer views of the current SRC 21 – 27 proposals and developments on prospects for prices when appropriate.

OMG

The Commission noted details of the OMG report for Quarter 4. The Director of Network Regulation provided supplemental information in connection with the position at Portobello.

Hydro Nation

WAREG

The Chief Executive provided some additional information in connection with the event in Edinburgh on 29 June 2018. The Chair asked that the Director of Hydro Nation be congratulated on the event which she had organised and Chaired.

MOU Georgia

The Commission noted the signing of the MOU with Georgia. The Commission Secretary will provide a note on the governance process and due diligence undertaken in connection with States that we work with in future.

3 Regular Business

3.1 Finance Update CP107/18

The Head of Finance responded to a number of questions from Commission Members. The Commission **noted** the report.

3.2 Audit and Risk Committee Update Oral

The Chair of the Audit and Risk Committee (“ARC”) provided a verbal update on the ARC meeting that had been held on 24 July 2018 and the process of review that had been undertaken in respect of the 2017 annual accounts and supporting documentation. There are no adverse issues to report and the ARC will be recommending to the Commission that they approve the accounts in due course.

The Commission is scheduled to review and approve the annual accounts and report at 10 am on 24 August 2018.

The Chair of the ARC provided an update on the process to appoint new members to the ARC. The Commission Members agreed to use a written approval process for the appointment process to ensure that the new members are in place before the next ARC scheduled for 25 September 2018.

4 Strategic Review

4.1 Batch 2 – Final 2018 Decision Papers CP108/18

The Commission discussed the final versions of the second batch of 2018 Decision Papers. The Commission **approved** the second batch of two 2018 Decision Papers for publication, subject to incorporation of the agreed amendments.

4.2 Approach to remaining elements of SRC Process CP109/18

The Commission discussed the paper and discussed several issues arising. The Commission **noted** the direction of travel and approach set out in the paper. The Commission **noted** the proposed revision to the timescales and activity for 2019.

4.3 Batch 3 – Draft 2018 Decision Papers CP110/18

The Commission **discussed** the first drafts of the third batch of 2018 Decision Papers. The Office noted the issues raised which will be incorporated in the draft papers. The

third batch of papers is to be discussed with Stakeholders and will be brought to the Commission meeting in November for final approval.

5 Hydro Nation, Retail and Innovation

5.1 Retail Update **CP111/18**

The Commission **noted** the report.

5.2 Licence Application for Affinity Water (Retail) **CP112/18**

The Commission **confirmed** that it is minded, subject to any representations received from third parties, to grant to Affinity Water (Retail) water and sewerage services licences. The Commission **delegated** authority to the Chief Executive to make any further and final decisions concerning the grant of such licences and the issuing of any notices, related directions, waivers and consents.

5.3 CMA Report **CP113/18**

The Commission **noted** the report.

5.4 Romanian Project Update **CP114/18**

The Commission **noted** the report. The Commission requested a short update on the Romanian project at the November meeting.

The Commission asked that the Office consider lessons learned in respect of the delivery of the Romanian project to inform future activity.

6 Horizon Scanning discussion

The Commission discussed topics that might it be useful to develop into topics for external speakers moving forward. The following topics were identified:

- Giving a more detailed understanding of the Apptivism app and techniques in customer engagement;
- Preparing a short list of potential speakers who could give an authoritative alternative view of economic regulation;
- Considering the potential for engagement with the new Director of Energy and Climate Change at Scottish Government and Ofwat.

7 Meetings

7.1 Other Meetings **CP115/18**

The Commission noted the schedule of future meetings and events.

8 AOB

8.1 AOB

The Commission noted the revised date of 26 March 2019 for the joint Scottish Water/WICS Board meeting.

The meeting was formally closed.