

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

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

On 4 October 2018

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

In attendance: Michelle Ashford, Chief Operating Officer
Ian Tait, Director of Network Regulation
Katherine Russell, Director of Hydro Nation and External Relations (by phone)
Colin McNaughton, Assistant Director Network Regulation
Rhona Harper, Secretary to the Commission
Shona Coan, Head of Finance, Governance and Risk, Item 3
David Satti, Head of Strategy
Andrea Mancini, Head of Hydro Nation, Retail and Innovation, Item 5 onwards

Chairman's opening remarks

The Chair opened the meeting. The Chair explained that all future Commission meetings would now start at 9.30am.

1 Apologies for absence

Libby Gawith sent apologies.

2 Minute of the last meeting and regular updates

2.1 Declaration of conflicts of interest in relation to the Agenda

No members declared any conflict of interest in relation to the agenda.

2.2 Minutes of the 112th and 113th meetings

Min 07 and 08/18

The Commission **approved** the minutes of the 112th and 113th meetings.

2.2.1 Summary of action points

AP09/18

The Commission **noted** the summary of actions.

2.3 Members Update

Oral

The Chair attended a conference entitled Regulation, Scrutiny and Accountability in Scotland on 4 September 2018, which discussed future developments in regulation in Scotland. The Chair provided an overview of the presentations.

Jo Armstrong explained that the Scottish Government Consumer Affairs and Markets Taskforce is now meeting quarterly. The group is currently considering its response to the Scottish Government Consultation on the proposed Scottish National Investment Bank.

Ross Finnie provided a summary of how regulation may develop for Food Standards Scotland.

2.4 CEO Update

CP118/18

The Commission noted the CEO Update paper.

Strategic Review of Charges 2021-27

The SRC21-27 process is on track. The Office expects to meet all its publication deadlines. Commission Members received copies of the typeset and published 2018 Decision Papers 4 and 5.

The Chief Executive briefed the Commission on the latest stakeholder meetings. The transition to a framework based on EBR principles is continuing.

Scottish Government

The Commission noted the Office responses to the Scottish Government consultations on the establishment of Consumer Scotland and the Ministerial Objectives and Principles of Charging for the coming regulatory control period. The Chief Executive explained his understanding of the role of the proposed Consumer Scotland body. The Commission noted Jo Armstrong's role on the Scottish Government Consumer Affairs and Markets Taskforce.

Investment Planning and Prioritisation

The Office will circulate the most recent Scottish Water presentation which provides an update on the Investment Planning and Prioritisation Framework (IPPF) for information.

Performance Reporting

The Director of Network Regulation reported that Scottish Water's reported performance for Q1 2018/19 was on track. He explained that Scottish Water still faced a significant challenge to deliver the remainder of the capital expenditure programme.

3 Regular Business

3.1 Finance Update

CP119/18

The Commission **noted** the report.

The Head of Finance confirmed that the accountable officer had signed the final accounts for 2017/18 and submitted them to Audit Scotland and the Scottish Government. The office currently expects the accounts to be laid before Parliament in October. The office has agreed with Audit Scotland how the office should account for the pension liabilities revaluation. Audit Scotland has agreed that there should be no amendment to the accounts because the change in the valuation was below the materiality threshold. Audit Scotland have added an extra note in their report on the accounts.

3.2 Audit and Risk Committee Update

Oral

The Chair of the Audit and Risk Committee (“ARC”) provided an oral update on the latest ARC meeting (held on 25 September 2018).

The Commission noted the appointment of three new members to the ARC. The terms of appointment of the two external members of the ARC had come to an end. These new appointments were confirmed through a written approval process. The new members have attended their first meeting. The office is organizing an induction and internal audit training.

The Chair of the ARC noted that the review of the Commission’s Governance Framework to reflect the Scottish Government revised Framework Document had not been completed. The Secretary noted that this work was ongoing.

The ARC had asked for assurance that the office was actively managing the risks of delivering the Romanian Project. In particular, the ARC sought confirmation that the office was meeting the terms of the agreement. The Chair of the ARC wanted Commission Members to be advised of this request and to have sight of the response. Post meeting note: Paper CP135/18 on the agenda addresses this issue.

3.3 GDPR Update

CP120/18

The Commission **noted** the report.

4 Strategic Review

4.1 Methodology clarifications and refinements for SRC21-27

CP121/18

The Commission discussed the key issues in the clarifications and refinements to the methodology. The Commission **noted** the work done to date with Stakeholders. The Commission **noted** the timeline and activity for 2019.

5 Retail

5.1 Retail Update

CP122/18

The Commission **noted** the report.

5.2 Licence Application Smarta Water

CP123/18

The Commission **confirmed** that it is minded, subject to any representations received from third parties, to grant to Smarta Water Limited 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 Retail Market Activity and Trends

CP124/18

The Commission **noted** the report. The Commission confirmed that the revised structure and content of this report was helpful. The Commission asked for future updates to be provided every six months in the same format.

6. Hydro Nation

6.1 Romanian Project Update

CP125/18

The Director of Hydro Nation and External Relations (DHNER) explained the current status of the Romanian project. She explained that the different work streams were either ahead of schedule or on track. She also explained that the second Quarterly meeting with the Structural Reform Support Service of the European Union and with ANRSC (the Romanian regulator) would take place the next week in Bucharest. The Office was finalising its quarterly report.

DHNER undertook to provide members with a copy of the quarterly report in the papers for the next meeting.

The Chief Executive explained some of the policy issues facing the Romanian government and the EU. The Chief Executive undertook to share this paper with Commission Members.

6 PR19 Water Company Business Plans

CP126/18

The Commission noted the paper. The office would arrange a conference call to allow members to ask any questions and discuss the paper.

7 Horizon Scanning Discussion

8 Meetings

8.1 Other Meetings

CP127/18

The Commission **noted** the schedule of future meetings and events.

9 AOB

There was no other business.

CLOSE