

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

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

On 24 January 2019

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

In attendance: Ian Tait, Director of Network Regulation
Michelle Ashford, Chief Operating Officer
Colin McNaughton, Assistant Director Network Regulation
David Satti, Head of Strategy
Katherine Russell, Director of Hydro Nation and External Affairs, Item 4 only
Laima Andrejevaite, Analyst, Item 4 only
Shona Coan, Head of Finance, Governance and Risk, Item 5 only
Andrea Mancini, Head of Hydro Nation, Retail and Innovation, Item 6 onwards
Rhona Harper, Secretary to the Commission

Chair's opening remarks

The Chair opened the meeting.

1 Apologies for absence

All members were present.

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 115th meeting

Min 10/18

The Commission **approved** the minutes of the 115th meeting.

2.3 Summary of action points

AP01/19

The Commission **noted** the summary of actions. The following points were arising:

- Item 1, the Commission Members welcomed the engagement of Sam Ghibaldan who is known to several the Commission Members;
- Item 4, the Chair asked that this point be a standing item for the time being;
- Item 5, it was agreed that the report back would be targeted for July rather than June;
- Item 7, it was noted that Professor Colin Mayer would be approached to address the Joint board meeting of Scottish Water and WICS scheduled for March;
- Item 11, the Commission Secretary noted that the Commission enjoys a wide discretion in the exercise of its functions - subject to any Directions from the Scottish Ministers. This would extend to a power to enter into the consultancy and secondment arrangements used to support the delivery of the Hydro Nation activity; and
- Item 12, the Commission Secretary noted that, whilst the financial detail and schedule of work for the EU contract had been shared with the Commission and approved by them the detailed contract terms of the EU contract had not been shared. The Commission asked to see any future such contracts.

2.4 Members Update

Oral

Libby Gawith attended an Indepen session in London on 27 November 2018. The session focused on defining the social contract for water companies in England and Wales.

The Chair updated Commission Members on recent correspondence received from OFWAT.

2.5 CEO Update

CP138/19

The Commission **noted** the CEO Update paper.

OECD

The Chief Executive responded to a question about the EBR support group, its terms of reference and scope of work. It was agreed that Jo Armstrong would be invited to meet with the EBR Support Group.

Scottish Water Performance

The Director of Network Regulation responded to a question about Scottish Waters performance report. He indicated that Scottish Water were performing well in terms of the regulatory contract which remains a positive position. There remains a significant period of the regulatory contract to be completed and the Office will continue to monitor Scottish Water's performance.

SEPA

The Chief Executive confirmed that the Office will respond to the SEPA consultation on their Water Supply and Waste Water Sector Plan. The consultation closes on 15 February 2019.

Business Stream

The Chief Executive confirmed Business Streams acquisition of the non-domestic customers of Kelda Water which was announced today.

SRC 21-27

The Director of Network Regulation provided an update on a letter that had been sent to the Customer Forum confirming the co-creation plan for 2019 and the implications of this process for the role of the Forum.

The Chief Executive and Director of Network Regulation provided an insight into Scottish Water's draft Outline Strategic Plan and the Stakeholder response to it.

3. Strategic Review

3.1 Presentation by Scottish Water on Outline Strategic Plan

Oral

Douglas Millican, Simon Parsons and Tom Harvie Clark from Scottish Water were welcomed to the meeting.

Scottish Water delivered a presentation on the development of the draft Outline Strategic Plan and their reflections on the SRC 21-27 process to date. The Scottish Water team answered several questions raised by the Commission Members.

3.2 Financial Framework, asset replacement and prospects for pricing

Oral

The Head of Strategy and the Assistant Director of Network Regulation delivered a presentation on the initial assumptions for long term modelling and the key factors influencing prices for the SRC 21-27 process. The Commission **noted** the report.

The Chief Executive, Director of Network Regulation, the Assistant Director of Network Regulation and the Head of Strategy answered several questions from the Commission Members.

4. Hydro Nation

4.1 Romanian Project Monthly Update

CP139/19

The Director of Hydro Nation and External Relations and Laima Andrejevaite joined the meeting by phone from Bucharest. The work in Romania remains on track to finish the contract activity by 29 March 2019. The final workshop for the project is planned for late March. The senior management teams of each of the pilot companies will be in Scotland in the middle of February to meet with Scottish Water.

The SEPA workshops with Romanian Waters have now been completed and were extremely well attended and received sessions. There was a very high level of interactive discussion and sharing of experience and good practice.

The Commission **noted** the report.

4.2 Romanian Project – Third Quarterly Report

CP140/19

The Commission **noted** the report.

5. Regular Business

5.1 Finance Update

CP141/19

The Head of Finance, Governance and Risk responded to several questions on the report and provided some additional information on the new accounting software and its capability.

The Commission **noted** the report.

5.2 Audit and Risk Committee Update – agenda for 29 January

Oral

The Commission **noted** the agenda.

6. Retail

6.1 Retail Update

CP142/19

The Head of Hydro Nation, Retail and Innovation responded to several questions from Commission Members. The Commission will consider all the conclusions of the review of the market arrangements at the conclusion of the market review.

The Commission **noted** the report.

6.2 Scottish Water Charges Scheme

CP143/19

The Commission **noted** the report and **delegated authority** to the Chief Executive to make any further and final decisions regarding the approval of the Scottish Water Scheme of Charges.

7. Horizon Scanning Discussion

The Commission asked that the office provide an update on the OFWAT Initial Assessment the of water company PR19 business plans which is due to be published on 31 January.

8. Meetings

8.1 Schedule of Meetings and Conferences

CP144/19

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

8.2 Other Meetings

CP145/19

The Commission **noted** the schedule of Commission Meeting dates for 2020.

9 AOB

There was no other business.

The meeting was formally closed.