

One hundred and seventeenth meeting of the Water Industry Commission for Scotland

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

On 21 February 2019

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

In attendance: Ian Tait, Director of Network Regulation
Colin McNaughton, Assistant Director Network Regulation
David Satti, Head of Strategy
Shona Coan, Head of Finance, Governance and Risk,
Item 3 only
Rhona Harper, Secretary to the Commission

Chair's opening remarks

The Chair opened the 117th meeting of the Commission.

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 116th meeting 01/19

Min

The Commission **approved** the minutes of the 116th meeting.

2.3 Summary of action points

AP02/19

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

- The Chief Executive provided an update to Members on discussions with the EU who would be interested in continuing to engage WICS in projects following the success of the Romanian project. It was agreed that the Chief Executive would continue to discuss with the Scottish Government options to facilitate continued activity in the EU;
- Action points 7 and 8 would be merged.

2.4 Members Update

Oral

Jo Armstrong updated the Commission on the new Scottish Infrastructure Commission which has been established with a role to support sustainable economic growth in Scotland. Ian Russell is the Chair.

2.5 CEO Update

CP146/19

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

Strategic Review of Charges

The Commission Members discussed the recent Parliamentary Questions which related to the work of the Commission. The Director of Network Regulation provided some further background to the questions.

The Commission Secretary confirmed that the office had received an associated FOI request to which the Commission would respond timeously.

Co-creation of Scottish Water Strategic Business Plan Activity

The Chief Executive answered several questions around the co-creation process and the engagement of the various stakeholders. The Chief Executive noted that the Scottish Water Outline Strategic Plan contained a lot of detailed information, but it did not offer a clear vision of what kind of industry Scottish Water envisaged in the future. A clear vision would provide a framework for stakeholders to consider preferred options in terms of cost and service delivery.

Scottish Water have proposed a discussion at the next meeting of the Stakeholders Advisory Group to consider what sort of water industry stakeholders want to have in Scotland in 20- or 30-years' time and what a fit for purpose industry would look like.

The Chief Executive provided some reflections on the draft Decision Paper to be considered by the Commission at agenda item 4.2.

The Chief Executive noted that the co-creation process needs to be more iterative. Stakeholders must feel that they are 'co-creating' and not engaged in a consultation process. Scottish Water needs to be encouraged to be more aspirational and consider what they can achieve using the process.

The Director of Network Regulation added that the process is new to all and to some extent stakeholders are feeling their way. The stakeholders do see a value in the co-creation process as they are more involved in the process.

Libby Gawith noted that the Commission Decision Paper should do more to identify a spectrum of choices for stakeholders – within the space allowed for by the Objectives of the Scottish Ministers - to consider.

The draft Decision Paper reflects the current draft of the Scottish Ministers' Objectives for the next regulatory control period. If the Scottish Ministers were to change their Objectives materially, there may be a need to revisit the draft Decision Paper at a later date.

OFWAT

The Assistant Director responded to several questions on the OFWAT price setting process. He also confirmed that the Office planned further work on the expenditure of the companies in England. The office will update Commission Members in due course.

Consumer Scotland

The Commission Members noted the update. Jo Armstrong indicated that she was attending a meeting of the Ministerial Taskforce on Consumer Affairs in March and would provide an update at the next Commission meeting.

Ross Finnie requested clarification of the Stakeholder Advisory Group meeting note actions. It was agreed that the Behavioural Insights Stage 1 output and the Terms of Reference for Stage 2 would be shared with the Commission Members.

It was agreed that further clarity on action 03.02 would be provided.

It was agreed that the Office would share the OECD feedback once it was available.

3. Regular Business

3.1 Finance Update

CP147/19

The Head of Finance, Governance and Risk responded to several queries on the report. The Commission **noted** the report.

The Commission **approved** the terms of the revised Financial Policies and Guidance subject to several minor amendments. The Commission congratulated the Head of Finance, Governance and Risk on her hard work and for producing such a clearly worded document.

3.2 Audit and Risk Committee Update

CP148/19

The Chair of the Audit and Risk Committee provided a verbal overview of the report and responded to several questions.

The Commission **noted** the report.

4. Strategic Review

4.1 Financial Framework, asset replacement and prospects for pricing CP149/19

The Head of Strategy and the Assistant Director of Network Regulation presented the initial conclusions on the implications for prices of the Objectives of the Scottish Ministers.

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

The Commission **noted** the report.

5. Hydro Nation

5.1 Romanian Project Monthly Update CP150/19

The Commission **noted** the report.

6. Horizon Scanning Discussion

The Office would maintain a watching brief on the National Infrastructure Commissions review of regulation.

7. Meetings

7.1 Schedule of Meetings and Conferences CP151/19

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

8. AOB

The Chair outlined the proposed arrangements for rescheduling the joint Board meeting with Scottish Water. The Commission members noted the revised date.

There was no other business.

The meeting was formally closed.