

Eighty first meeting of the Water Industry Commission for Scotland

Held in Stirling on 11 February 2014

- Present:** Professor Gordon Hughes (Chairman)
Mr. Alan Sutherland (Chief Executive)
Mr. Ross Finnie
Mrs. Libby Gawith
Mr. John Reynolds
- In attendance:** Mrs. Claire Nichols (Consultant)
Mr. David Walters (Analyst; for item 4)
Mrs. Shona Coan (Financial Controller; for item 3.2)

Chairman's opening remarks

The Chairman welcomed everyone to the 81st meeting of the Commission.

1. Apologies for absence

Katherine Russell and Ian Tait.

2. Minute of previous meeting and regular updates

2.1 Declaration of conflicts of interest in relation to the agenda

No conflicts of interest were reported.

2.2 Minute of last meeting (05/13)

The Commission agreed that the minute was an accurate record of the last meeting.

2.3 Summary of action points

The Commission discussed the use of escrow arrangements and requested further information outlining when current escrows had been or were likely to be removed.

2.4 Chief Executive's report (01/14)

The Chief Executive reported that discussions were ongoing in relation to the Commission's financial contribution to the UKRN.

The Commission discussed the Water Bill and its progression through the House of Commons and House of Lords. The Commission's remit in commenting on provisions within the Bill is to provide support and information, based on our own experience of having opened a market in 2008, in order to ensure a seamless and effective Anglo-Scottish market that brings benefits to all customers and the environment.

The Commission noted proposals for Open Water Markets Ltd and agreed that it represented a sensible approach in order to progress implementation of the retail market.

The Commission thanked the Chief Executive for providing a useful paper and oral update.

3. Regular Business

3.1 CMA update (02/14)

The Commission noted the paper.

3.2 Finance and contracts update (03/14)

The Commission noted the paper. The Chief Executive updated Commission members on the work of Judith Hardy in relation to the office structure and pay and progression for analysts.

3.3 Investment update (04/14)

Commission members asked for further information in relation to the number of improved wastewater discharges, which is currently behind target. The Commission also discussed the position in relation to the works associated with the Commonwealth Games.

4. Competition

4.1 Gap site process (05/14)

The Commission noted the paper and asked to be updated once the process outlined in the paper was fully in operation.

4.2 Source for Business licence application (06/14)

The licence application was approved subject to receipt of a letter from a representative from South West Water's board, confirming the guarantees as set out in section 12 of the application.

The Commission also requested that the application process is amended so that it requires written confirmation from a parent company of any commitments that are put forward as part of the application.

5. Strategic Review of Charges

5.1 Scottish Water/Customer Forum agreement (07/14)

The Commission discussed the process that had been followed by Commission members, Scottish Water and the Customer Forum in reaching this stage of the price review. It was confirmed that the agreement fell within the parameters that the Commission had previously set in relation to the main elements of the price review (which include the appropriate levels of operating costs, inflation rates for costs, the financial tramlines, the size of the capital programme and the prospects for prices).

Commission members discussed the remaining stages and checks that were necessary before the draft determination could be published (including in relation to the draft Business Plan). The Commission also agreed the format for the draft determination and a timescale for its preparation and approval by Commission members. The document would include an outline of the process to date, the key decisions and changes made during that process, the Customer Agreement, and the Commission's formal draft decision.

5.2 Approach to opex efficiency (08/14)

The Commission noted the paper.

5.3 Service improvements and the efficiency challenge (09/14)

The Commission noted the paper.

5.4 Charges update (10/14)

The Commission agreed to a nominal freeze in default wholesale tariffs from 2014-15.