

**Minute of the seventy-eighth meeting of the Water Industry Commission
for Scotland**

**Held on 8 August 2013 in
Stirling**

Present: Professor Gordon Hughes (Chairman)

Mr Alan Sutherland (Chief Executive)

Mr Ross Finnie

Mrs Libby Gawith

Mr John Reynolds

In attendance: Mr Ian Tait (Director of Investment)

Ms Katherine Russell (Director of Corporate Affairs)

Mrs Claire Nichols (Head of Communications)

Ms Shona Coan (Financial Controller, items 4.2 and 4.3)

Mr Richard Khaldi (Head of Competition, item 5)

Mr David Walters (Competition Analyst, item 5)

Chairman's opening remarks

The Chairman welcomed everyone to the 78th meeting of the Commission.

1. Apologies for absence

None

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 (02/13)

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

2.3 Summary of action points (AP03/13)

The Chief Executive provided an update on the business case proposal. It was agreed that it is key for WICS to have appropriate progression arrangements in place, and to train up graduates over time accepting that some may eventually leave.

2.4 Oral update on current issues

There was no update on current issues as all key issues are covered by agenda items.

3. Strategic Review of Charges

3.1 Capital Enhancement (CP39/13)

The Director of Investment outlined the current prospects for Scottish Water's capital enhancement investment requirements for 2015-21 and explained the approach that will be taken to assess the company's requirements in this area. He also provided more information about the Innovation Group and its role.

The Commission agreed the proposed framework for assessing capital enhancement investment. It also requested further information about the Innovation Group.

Regular Business

4.1 CMA update

The Commission noted this paper.

4.2 Finance and Contracts update (CP40/13)

The Commission noted this paper.

4.3 Financial Statements (CP41/13)

The Commission approved the financial statements and thanked the Financial Controller for her high-quality work in preparing the information. Commission members requested a copy of the auditor's representation letter once this was available.

Competition

5.1 Scottish Assessor's project (CP42/13)

The Commission agreed that the information about gap sites, identified through the Scottish Assessor's project, should be provided to the licensed providers and to Scottish Water at the same time.

Scottish Water will be advised that this is to take effect from 1 January 2014 and until that time Scottish Water will continue to receive the gap site information.

5.2 Licence Application – Real Water (Edinburgh) Limited (CP43/13)

The Commission confirmed that it was minded to propose water and sewerage licences to Real Water (Edinburgh) Limited, subject to any representations from third parties, and subject to further evidence from the company in relation to its directors' loan funding.

The Commission delegated authority to the Chief Executive to request and assess this evidence and, subject to satisfactory reassurances, to progress the licence application.

5.3 Licence Application by Commercial Water Solutions Limited (CP44/13)

The Commission confirmed that it is minded to propose water and sewerage licences to Commercial Water Solutions Limited, subject to any representations from third parties.

Investment

6.1 Investment update (CP45/13)

The Commission noted the update on Scottish Water's investment delivery position. It requested further information on the measure 'properties at risk of internal flooding'.

Information Paper

7.1 Annual Report (draft) (CP46/13)

The Commission noted the draft report, and suggested a number of minor edits.

Chairman's closing remarks

The Chairman closed the meeting, thanking attendees and noting that the next meeting was scheduled for 15 October.