

**Eightieth meeting of the Water Industry Commission for Scotland  
Held in Edinburgh on 03 December 2013**

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- Present:** Professor Gordon Hughes (Chairman)  
Mr. Alan Sutherland (Chief Executive) – pm discussions only  
Mr. Ross Finnie  
Mrs. Libby Gawith  
Mr. John Reynolds
- In attendance:** Mr. Ian Tait (Director of Investment)  
Mr David Walters (Analyst – Competition)  
Mr. Laurie Macfarlane (Analyst)  
Mrs Claire Nichols (Consultant) – pm discussions only  
Mr Bob Irvine (Scottish Government) – pm discussions only  
Mr Jon Rathjen (Scottish Government) – pm discussions only  
Mrs Donna Very (PA)

**Chairman’s opening remarks**

The Chairman welcomed everyone to the 80th meeting of the Commission.

**1. Apologies for absence**

Katherine Russell.

It was noted that Alan Sutherland would join the Commission in its discussions later in the day as he had been invited by the House of Commons Public Bill Committee to give evidence on the Water Bill.

**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 (04/13)

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

## 2.3 Summary of action points

The action points were noted, with an update on staffing being given within the oral update.

## 2.4 Oral update on current issues

Ian Tait updated the Commission on the recent activities of the office.

Scottish Water had published its draft business plan for the period 2015-21 on 30 October and the office was currently analysing the numbers in it. To assist the Customer Forum in its discussions with Scottish Water and other key stakeholders, and in line with the Strategic Review of Charges timeline, the office had recently published five information notes (four more would follow). Mr Tait thanked Commission members for their helpful contributions to these notes.

A quintipartite meeting with the Customer Forum, Scottish Water, DWQR and SEPA had been arranged for 13 December.

Richard Khaldi, Head of Competition, has resigned to take up an appointment in January 2014 with Ofwat as Senior Director of Customers and Casework.

The office continues to work closely with Judith Hardy who is carrying out an independent staff review.

Members from the office had attended the Scottish Business Exhibition, at the SECC, to promote the new Scotland on Tap website and inform business customers of the competitive market. Hits on the website have gone up by 10% since the new website was launched.

The David Hume Institute and WICS had hosted a joint roundtable event on customer involvement in regulation. Professor Stephen Littlechild and Peter Peacock spoke at this event.

## 3. Regular business

### 3.1 CMA update

The CMA provided a written update on activities over the last period. The Commission noted this update.

The Commission discussed the issue of gap sites, noting that slow progress was being made.

### 3.2 Update from Audit Committee (CP52/13)

John Reynolds, Chairman of the Audit Committee, updated the Commission on the Committee's work. As part of a rolling programme of audit, Price Waterhouse Cooper (PWC) had carried out two audits (IT Systems and Business Continuity, and Financial Planning Arrangements). The Commission noted the risks outlined in PWC's reports and the actions being taken to address these.

The Commission discussed corporate governance. The Commission will review the Audit Committee's terms of reference at its next meeting to ensure that the terms are compliant with the governance code. The Commission asked the Chairman of the Audit Committee to suggest some applicable codes of governance.

The Commission noted the new format for the Risk Register and suggested some minor amendments.

The Commission noted the updated expenses policy.

### 3.3 Finance and contracts update (CP53/13)

The Commission noted the financial results for the first half of 2013-14 and will continue to monitor the underspend.

## 4. Competition

### 4.1 Competition update (CP54/13)

The Commission noted the paper.

### 4.2 Charges update (CP55/13)

David Walters provided the Commission with an update on default tariffs. Subject to an amendment to remove references to 2014-15, the Commission agreed a draft letter seeking the licensed providers' views on the default tariff proposals for 2015-21.

The Commission noted that the Scottish Government had published a consultation on the Charges Exemption Scheme for Charities which will close on 14 February 2014.

The Commission noted that the Scottish Government had determined that from April 2015 all full-time students at a Scottish University or College will be exempt from water and wastewater charges, regardless of the type of accommodation they occupy.

### **Break for lunch**

The Commission welcomed Bob Irvine and Jon Rathjen from Scottish Government. Alan Sutherland and Claire Nichols joined the meeting.

## **5. Strategic Review of Charges**

### **5.1 Scottish Water's draft business plan**

The Chairman noted that Scottish Water had given a presentation to the Commission on its draft business plan on 2 December. The Commission had a useful exchange with Scottish Water following the presentation.

Alan Sutherland provided a presentation of the analysis of the draft business plan that had been carried out by the office to date. It was agreed that Scottish Water's draft plan was broadly in line with expectations.

The Commission discussed a number of issues that members had noted in the information provided.

The Commission requested that a meeting should be set up with the Customer Forum to discuss the draft business plan.

#### **Chairman's closing remarks**

The Chairman closed the meeting, thanking attendees and noting that the next meeting was scheduled for 11 February 2014.