

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

Held on 11 June 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)

Mr Richard Khaldi (Head of Competition)

Mrs Claire Nichols (Head of Communications)

Mrs Donna Very (PA)

Chairman's opening remarks

The Chairman welcomed everyone to the 77th 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 Commission was updated on action points from the previous meeting.

The Chief Executive noted that he has had constructive discussions with the Scottish Government on staff remuneration and retention issues. He noted that it was important to develop a framework that would work in the longer term.

Mr Khaldi explained that the office-wide Disaster Recovery exercise had gone well, with all staff able to access information and send/receive emails as usual.

2.4 Oral update on current issues

The Chief Executive reported that Regina Finn, Ofwat's Chief Executive, is to stand down from November. He also explained that the office had been in correspondence with the Ofwat on a variety of matters, including market reform.

3. Strategic Review of Charges

3.1 Strategic Review of Charges 2015-21 timeline (CP26/13)

The Commission noted the paper, which outlined the main SRC interactions involving the Commission, Scottish Water and other stakeholders in the run up to the final determination.

The Commission agreed that it would be helpful to have more frequent meetings until April 2014. The Commission also agreed to invite Scottish Water to present its business plan to the Commission at the December 2013 meeting.

3.2 Capital Maintenance (CP27/13)

The Commission noted the information contained within Customer Forum Note 10. It was agreed that Scottish Water should remain focussed on the outcomes for customers and the environment of proposed expenditure.

3.3 Opex (CP28/13)

The Chief Executive provided some contextual information about trends in operating expenditure and the likely range for such expenditure during the regulatory control period 2015-21. The Commission noted the paper.

3.4 Range for tramlines (CP29/13)

The Chief Executive introduced the range for tramlines paper. The Commission discussed Scottish Water's financial strength going forward. The Commission agreed the range for tramlines as set out in the paper.

It was agreed that a small amendment would be made to the text in the methodology document, 'Innovation and Choice', to clarify the role the tramlines play in avoiding systematic risk.

3.5 Prospects for Prices (CP30/13)

The Chief Executive presented the Prospects for Prices paper outlining key assumptions for the next regulatory control period. The Commission noted this paper and agreed that the proposals appeared to be financially robust.

4.1 CMA update

The Commission noted this paper.

4.2 Audit Committee update (CP31/13)

The Audit Committee Chairman reported that the external audit will take place in July. The Commission noted this paper.

5.1 Competition update (CP32/13)

The Commission noted this paper.

5.2 Non-household data (CP33/13)

The Commission noted this paper. It was also noted that an amendment to the figure for SME Commercial (revenue) was required.

5.3 CMA board (CP34/13)

The Commission noted the paper, and agreed that it wishes to discuss the issues again early in 2014.

5.4 Escrow arrangements (CP35/13)

The Commission agreed that it would revisit this issue if there is evidence that the mechanism acts as a barrier to entry to new entrants.

6.1 Scottish Water's dashboard (CP36/13)

The Commission noted this paper.

6.2 Measuring leakage (CP37/13)

The Commission discussed the different approaches outlined in the paper. It was agreed that it is important to measure leakage using a range of techniques, and that leakage forms one element of the wider sustainable use of resources.

7.1 Competition and Markets Authority.

The Commission noted this paper.

Chairman's closing remarks

The Chairman closed the meeting, thanking attendees and noting that the next meeting was scheduled for 13 August 2013.