

# One Hundred and fifth meeting of the Water Industry Commission for Scotland

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

on 7 December 2017

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

**In attendance:** Michelle Ashford, Chief Operating Officer  
Ian Tait, Director of Network Regulation  
Andrea Mancini, Head of Retail Competition, (Item 4)  
Donna Very, Head of Operations and Business Support

## Interim Chairman's opening remarks

The Chair opened the meeting by reflecting on the joint Board dinner with Scottish Water on 5 December 2017. The Commission had welcomed the opportunity to meet with the Board of Scottish Water and thanked the office for the excellent presentation on Scottish Water's performance and the challenges that lie ahead. It was noted that the Chief Executive of Scottish Water, Douglas Millican will attend the February Commission meeting.

The Chair welcomed Michelle Ashford, Chief Operating Officer to the meeting.

### 1. Apologies for absence

Apologies were received from Katherine Russell, Director of Hydro Nation and External Relations.

### 2. Minute of the last meeting and regular updates

#### 2.1 Declaration of conflicts of interest in relation to the Agenda

CP49/17 – Jo Armstrong commented that she no longer had any business involvement with John McLaren who had contributed to a Customer Forum paper.

CP54/17 – Jo Armstrong has a passive shareholding in a commercial property company. It was agreed that she was not conflicted in the later discussion of vacant property charging.

**2.2 Minute of last meeting (04/17)**

The Commission considered the minutes to be an accurate record of the October meeting.

**2.3 Summary of action points (AP05/17)**

The Commission noted the summary of action points.

**2.4 Members Update (Oral)**

Jo Armstrong and Libby Gawith provided an update on two recent events they had attended. Both events were hosted by Indepen. The first of these concerned Natural Capital and explored the approaches businesses were taking to include natural capital considerations and the implications of such approaches. The second event was “Damned if we do, damned if we don’t – why are regulated utilities so poor at explaining their value to society and the economy?” which debated renationalization of water and rail companies. Both events were very well attended.

Jo Armstrong had attended a Beesley lecture which set out Ofwat’s regulatory approach to the Water 2020 program.

The Chair provided an update on a recent Bank of England Report and a Fraser of Allendar event on the UK economy performance to date. He also attended an event organised by the Scottish Fiscal Commission.

**2.5 CEO Update (CP49/17)**

The Chief Executive provided an update on recent office activities.

SRC 21-27 project is considered to be progressing well and joint working with Scottish Water is underway. The office will continue to monitor closely those workstreams that are currently at amber.

The Chief Executive updated the Commission on the background to the Apptivism product and the role which it has played in engaging with consumers through social media platforms.

The Chief Executive also confirmed that EU funding for the Romanian project is still going through the processes of approval.

The Commission noted the progress report from the Customer Forum.

**3. Regular Business**

**3.1 Finance Update (CP50/17)**

The Commission noted this paper and discussed the reasons for the substantial underspend relative to budget.

### **3.2 Audit and Risk Committee Update (CP51/17)**

The Chair of the Audit and Risk Committee updated Commission members on recent activities of the Committee.

The Commission noted the Audit and Risk Committee update.

### **3.3 Risk Register Review (CP52/17)**

The Commission considered the risk register to be a very impressive and logical report. It asked for a glossary of terms used to be provided. The Chair of the Audit and Risk Committee (ARC) commented that the ARC would regularly review the risk register and continue to report to the Commission.

The Commission reviewed the risk register summary and detailed reports.

### **3.4 Internal Audit Update (CP53/17)**

The Chair of the Audit and Risk Committee (ARC) provided an update on the work of the internal auditors. The internal auditor will deliver the workplan outlined in CP51/17 for this financial year and carry out the necessary work for the office to obtain an audit certificate for Audit Scotland.

The Commission noted that a tender seeking a new internal auditor should be sought at the end of this financial year.

## **4. Hydro-Nation, Retail and Innovation**

### **4.1 Competition Update (CP54/17)**

The Commission agreed to revoke the general water and sewerage licence of Suez Industrial Water Ltd. It was noted that Suez had never been active in the market.

The Commission noted that a final version of the Scheme of Charges will be circulated to them in December.

Andrea Mancini, Head of Retail Competition, provided the Commission with an overview on vacant charging for non-household for water and waste water services. In 2014, the Scottish Government decided that the owners of vacant non-household properties should be liable for water charges. The total revenue projected to be raised from this change was £15 million a year and this was included in the Strategic Review of Charges for the period 2015-2021. In April 2017, owners of vacant properties, after nearly three years of notice, became liable for water, sewerage and drainage charges. Licensed Providers (LPs) should have identified and traced the owner of vacant properties. There are currently approximately 22700 vacant premises in the market. Business Stream has some 16850 vacant supply points.

The slow progress with bringing vacant premises into charge was discussed and it was noted that concerns have been raised on several occasions with a Licensed Provider about their performance in this area.

The office is working closely with Shepherd and Wedderburn to review the drafting of the Disconnection Document and Market Codes, and update the disconnection offering. The Commission noted this update and looked forward to being able to approve the revised market documents.

#### **4.2 CMA Update (CP55/17)**

The Commission noted this update.

#### **5. Horizon Scanning discussion**

The Commission would like a financial tramlines paper brought to the January meeting.

The Commission discussed Natural Capital and thought it would be useful for SEPA to attend a future Commission discussion on this topic.

#### **6. Meetings**

##### **6.1 Schedule for future Commission Meetings (CP56/17)**

The Commission noted the schedule of future Commission meetings.

##### **6.2 Other Meetings list (CP57/17)**

The Commission noted the schedule of future meeting and events. Commission members expressed interest in specific areas and information will be shared with them.

#### **7. AOB**

There was no further business and the Chair thanked everyone for attending.

**The next Commission Meeting will be 25 January 2018.**