

## **Eighty fourth meeting of the Water Industry Commission for Scotland**

**Held at WICS offices, Stirling on 8 July 2014**

---

**Present:** Professor Gordon Hughes (Chairman)  
Alan Sutherland (Chief Executive)  
Ross Finnie  
Libby Gawith

**In attendance:** Ian Tait  
Katherine Russell  
Shona Coan  
Freddie Pryde

### **Chairman's opening remarks**

The Chairman welcomed everyone to the 84<sup>th</sup> meeting of Commission.

#### **1. Apologies for absence**

There were no apologies for absence.

#### **2. Minute of previous meeting and regular updates**

2.1 There were no declared conflicts of interest.

2.2 It was confirmed that Mr John Reynolds' resignation has been completed and the process of appointing a successor will begin.

#### **2.3 Minute of last meeting (CP03/14)**

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

#### **2.4 Summary of action points (AP03/14)**

The Commission noted the summary of action points.

It was discussed if the standing item on escrow arrangements (CP35/13) was still needed. The Commission agreed that it could be removed from the action points.

It was agreed that the proposed Audit Committee terms of reference would be circulated to Commission members (CP 22/14).

## **2.5 Chief Executive's report (CP27/14)**

The Chief Executive provided an update on the progress of the new corporate plan. It was noted that Government Officials had approved the pay grading for analysts and Directors and corporate pay grading would be aligned with the Scottish Government. The next step is to be finalizing the pay remit. The Commission will be updated on further progress.

The Commission discussed the international work conducted by WICS and it was clarified that the expenses involved are not excessive. As demonstrated through its engagement with WAREG the Commission recognises the importance of the Scottish Government's Hydro Nation initiative and the benefits of sharing best practice.

The Chairman requested a Briefing note on the work conducted through the UK Regulators' Network.

## **3. Regular business**

### **3.1 CMA update**

The Commission noted the paper.

The Commission discussed the proposed changes to the CMA's constitution. It was suggested that the constitution should reflect Scottish Government policy, recognise the CMA's right to have commercial relationships and recognize the coming Anglo-Scottish single market. The Commission stated that it agrees with the intentions of the changes, subject to detailed drafting amendments.

### **3.2 Financial Statements 2013-14 (CP 28/14)**

The Commission discussed the paper, including pension liabilities and reporting procedures. Shona Coan agreed to confirm the correct title for the "Director's report".

The Commission approved the financial statements, subject to detailed amendments and the external auditor's report.

### **3.3 Audit Committee update (CP30/14)**

The Commission discussed the Charter for the Audit Committee and noted the minutes of the Audit Committee meeting.

## **4. Strategic Review of Charges**

### **4.1 Responses to the Draft Determination (CP31/14)**

The Commission noted the responses to the draft determination. Comments concerning default tariffs were acknowledged but it was clarified that decisions on them are not a part of the draft determination and should be considered separately.

#### 4.2 Extended Measures of Customer Service Implementation (CP32/14)

The Commission discussed the extended measures and highlighted their desire for further updates. It was suggested that a representative of Scottish Water explain the measures in detail to the Commission at a meeting.

### 5. Future Planning

#### 5.1 Implications of Principles of Charging (CP34/14)

Ian Tait updated the Commission on the discussions around the format of the Scottish Government's Principles of Charging and Objectives for Scottish Water. The Commission discussed the paper and highlighted the importance of ensuring that the documents are well and clearly drafted.

### 6. Investment

#### 6.1 Investment Update (CP35/14)

The Commission noted Scottish Water's performance detailed in the Outputs Monitoring Group's report. The overall improvement in performance was welcomed yet the need to strengthen commitments to respond to and make missed targets was reiterated.

#### 6.2 OPA end of year position (CP36/14)

The Commission noted the paper. The improvement in Scottish Water's OPA score was welcomed and hope was expressed that the score is maintained.

### 7. Competition

#### 7.1 Blue Business Water Limited – Licence Application (CP37/14)

The Commission agreed that it was minded to propose to grant water and sewerage licenses to Blue Business Water Ltd, subject to any representations from third parties.

#### 7.2 Northumbrian Water Group Business Ltd – Licence Application (CP38/14)

The Commission agreed to grant delegated authority to the Chief Executive to review the application, subject to circulation of NWG Business Group's application to Commission members.

### 8. Future Workplan (CP33/14)

#### 8.1 The Customer Forum

The Commission discussed its developing role and it was agreed they would be provided with a formal update on the proposals for the Customer Forum going forward. The roles of the Commission and the Customer Forum as customer representatives were also discussed.

## 8.2 Monitoring

It was agreed that the work on extended measures of customer service would be identified in the monitoring section of the workplan.

## 8.3 Innovation, risk and reward

The Commission discussed the aims of the catchment management project in the context of risk and reward, including reputational risk.

## 8.4 Wholesale cost allocation

The Commission discussed the purpose of the proposed project in wholesale cost allocation, as well as its resourcing and time requirements.

## 8.5 Hydro Nation

The Commission discussed the details of a formal WAREG conference provisionally to be hosted by the Scottish Government in May 2015.

### **Chairman's Closing Remarks**

The Chairman closed the meeting, thanked attendees and noted that the next meeting will take place in Stirling on Tuesday 9<sup>th</sup> September 2014.