

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

Held 7 July in Stirling

Present:

Sir Ian Byatt (Chairman)
Professor David Simpson (Deputy Chairman)
Professor John Banyard (items 1-4 and 6 only)
Dr Michael Brooker
Mr Charles Coulthard
Mr Alan Sutherland (Chief Executive)

In attendance:

Mr Richard Khaldi (Competition – Analyst)
Dr Jeremy Atkinson (CEO – CMA) items 3.2/3.3
Ms Shona Coan (Financial Controller) item 4
Mr Ian Tait (Director of Investment) item 6
Mr John Simpson (Director of Analysis) item 7

Chairman's opening remarks

The Chairman welcomed everyone to the meeting and thanked them for attending.

1. Apologies for absence

Nil

2. Minute of previous meeting and review of action points

2.1 Declaration of conflicts of interest in relation to the Agenda

No conflicts of interest reported.

2.2 Minute of last meeting (04/09)

The Commission agreed that the minute was an accurate account of proceedings.

2.3 Review of action points (AP04/09)

The Commission noted it was in a satisfactory position.

3. Update on current issues

3.1 Working with stakeholders and other current issues (CP80/09)

The Commission noted CP80/09, an update on the work of stakeholders and significant external events.

3.2 Oral update on CMA

3.3 Update from the CMA

Dr Atkinson reported that the CMA was keen to get customer names on the CMA database.

Dr Atkinson also confirmed that the CMA was ready for any additional switching that may occur following on from the publication of the final 2010-14 price review and that the market audit had shown that the CMA was complying with its obligations and was addressing the issues that had been raised.

It was agreed that Dr Atkinson would liaise with the Director of Corporate Affairs over a suitable date for a joint meeting with CMA Board.

The Commission also noted the written update provided by Dr Atkinson.

3.4 Update on CMA/Gemserv (CP81/09)

The Commission noted this paper.

4. Corporate Affairs

4.1 Update on the office workplan (CP82/09)

The Commission noted this paper.

4.2 Update on framework contracts (CP83/09)

The Commission noted this update and the actions taken in relation to 3 Monkeys.

4.3 Draft Corporate Plan (CP84/09)

The Commission noted this paper and delegated authority to the Chairman and Chief Executive to finalise the document in light of the comments provided by the Commission members.

4.4 Risk Register update (CP85/09)

The Chairman welcomed the Financial Controller's update and thanked her for the work that had been completed so far. Going forward the Risk Register would be revised to introduce both advice on unknown risks and the Commission's future strategy.

An oral update on progress would be provided to the September Commission meeting, with a final written update at the October meeting.

4.5 Record of discussion at stakeholder workshop (CP86/09)

The Commission noted this paper.

5. Competition

5.1 Oral update on licensees

The Chief Executive provided an oral update on licenced providers.

5.2 Update on communications (CP87/09)

The Commission noted this paper.

5.3 Update on IT Audit – Business Stream (CP88/09)

The Chief Executive reported that Business Stream wanted permission to stay on Scottish Water's IT infrastructure after leaving Fairmilehead. The office had engaged Grant Thornton to report on the suitability of the proposal and a number of issues had been highlighted.

The Commission agreed Grant Thornton's recommendations and that the Chief Executive be delegated to continue to review the situation to ensure satisfactory progress.

The Commission also noted that the final agreement between Scottish Water and Business Stream would be put to the Commission later in the year and then published.

5.4 Timeline for work on disaggregation (CP89/09)

The Commission noted the overall aims of the project.

5.5 Shepherd & Wedderburn paper on Competition Risks (CP90/09)

The Commission noted the paper and both the approach to the Scottish Government and the OFT.

5.6 Discussions with Business Stream on changes to pre-payment (CP91/09)

The Commission noted the update on Business Stream's request to move from monthly to daily payments of its wholesale charges to Scottish Water and requested an update at the next Commission meeting.

5.7 Update on draft statement of case (CP92/09)

The Commission considered the latest letter from Business Stream dated 6 July 2009 and agreed to close the case against Business Stream.

5.8 Update on Business Stream relocation (CP93/09)

The Commission noted this paper.

6. Investment

6.1 Oral update on investment delivery including overhang

6.2 Investment update (CP94/09)

The Director of Investment provided the Commission with an update on Scottish Water's progress with delivering its investment programme for 2006-10.

It was agreed that the Commission did not want to sign-off individual Scottish Water projects and that capital maintenance and future price limits was part of the draft 2010-14 price review. The Commission would keep a record of major projects going forward and consider a statistical study if Scottish Water puts forward further proposals.

6.3 Letter to Scottish Water regarding capital expenditure programme (CP95/09)

The Commission noted the letter and looked forward to Scottish Water's response. Further the Commission agreed that in light of the situation it would be necessary to continue to ask for monthly information from Scottish Water.

6.4 Letter to OMG regarding delivery progress (CP96/09)

The Commission noted the letter and looked forward to being updated at the next meeting.

7. Strategy

7.1 Reported increase in non-household customer numbers (CP97/09)

The Director of Analysis reported that the office had been provided with limited information on the reported increase in non-household customer numbers.

The Commission noted the paper and that further work would be carried out on the numbers of customers concerned and the implications.

7.2 Press commentary on Draft Determination CP98/09

An oral response was provided by the Chief Executive.

7.3 Plans to work with UNESCO (CP99/09)

The Commission noted this paper.