

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

Held on 7 June 2011 in Stirling

- Present:** Sir Ian Byatt (Chairman)
Professor David Simpson (Deputy Chairman)
Professor John Banyard
Dr Michael Brooker
Mr Charles Coulthard
Mr Alan Sutherland (Chief Executive)
- In attendance:** Mr Ian Tait (Director of Investment)
Mr John Simpson (Director of Analysis)
Mrs Katherine Russell (Director of Corporate Affairs)
Mrs Donna Very
Professor Gordon Hughes (Chairman-designate)

Chairman's opening remarks

The Chairman welcomed everyone to the 67th meeting of the Commission and introduced Professor Gordon Hughes as his successor and as an observer at this Commission meeting.

1. Apologies for absence

None

2. Minute of previous meeting and review of action points

2.1 Declaration of conflicts of interest in relation to the Agenda

None

2.2 Minutes of last meeting (04/11)

The Commission agreed that the minute was an accurate record of the meeting subject to one minor amendment.

2.3 Summary of action points (AP05/11)

The Commission reviewed the action points from the previous meeting and noted that this list was in a satisfactory position. The Commission congratulated the office for all its work on the ready-reckoner.

3. Information papers 1 – Standing items

3.1 Update from CMA

The Commission noted the written update provided by the CMA and welcomed the progress that continues to be made.

3.2 Update on current issues (CP52/11)

The Commission noted this very useful paper on external events.

3.3 Finance and contracts paper (CP53/11)

The Commission noted this paper.

3.4 Update on communications (CP54/11)

The Commission noted this paper and welcomed the evidence of an increasingly good relationship between the office and other key stakeholders.

3.5 OMG activities (CP55/11)

The Commission noted with pleasure the performance on delivery by Scottish Water. They also noted that there was evidence of real improvement in the management of the capital programme. The Commission welcomed the way in which the sign off system has worked and the co-operation between regulators in delivering benefits to the environment.

4. Information papers 2 – Any other issues

4.1 Explanation of Council Tax banding process (CP56/11)

The Commission noted this paper.

4.2 Update on charges for emptying a private septic tank (CP57/11)

The Commission agreed that there was no sufficient evidence to warrant further investigation, and there had not been complaints from competitors. The Commission agreed that they would like to continue to review this annually.

4.3 MBA policy (CP58/11)

The Commission were grateful for this policy and believed it would be entirely defensible in the circumstances of needing to recruit and retain staff. Furthermore, the Commission noted that given the removal of bonuses for staff, it was critical that there should be such a policy in place in order to attract good analysts and ensure the continued good work of the Commission.

4.4 Update on web-based calculator (CP59/11)

The Commission are delighted that the ready-reckoner is now operational.

4.5 Scottish Water's dashboard (CP60/11)

The Commission noted the paper and welcomed the fact that the dashboard is showing green, but consider the format needs review. The dashboard is an important regulatory innovation and the Commission considered it important that the Board of Scottish Water receive the same information as the Commission in this regard.

5. Decision papers

5.1 Scottish Water's OPA (CP61/11)

The Commission accepted the reported OPA score and welcomed the continued progress and improvement of the score which is an indicator of performance to customers.

5.2 Service Level Agreements (CP62/11)

The Commission approved the recommendation set out in this paper.

6 Discussion papers

6.1 Update on costs of carbon (CP63/11)

The Commission welcomed the discussion paper which reports the progress on the impact of carbon reduction in the water sector. The Commission noted that there could well be a major effect on the price of water through RPI or K-factor. The Commission also noted that if Scottish Water were to become further involved in renewable energy it would have to be within the scope of the Hydro-nation framework and ring-fenced between Scottish Water core and non-core activities. There should be no detrimental effect to customers of Scottish Water.

The Commission will continue to monitor this situation.

6.2 Update on I³ (CP64/11)

The Commission welcomed the update provided on I³ and noted that Customer Involvement was progressing well.

On Incentives, the Commission were glad to note that positive discussions had taken place and that the nature of final incentives will depend on the financing of Scottish Water.

Innovation – the Commission welcomed that discussions had taken place but emphasised that innovation did not just relate to technology, but involves better business practice, and the value of which should be tested against benefits to the environment, customer and business. It is important to provide appropriate guidance on this to Scottish Water. The Commission would welcome an update at the October meeting.

6.3 Update on Communications – description of categories (CP65/11)

The Commission agreed the Communications strategy subject to minor amendment/additions.

Closing remarks

Members of the Commission thanked the Chairman for his leadership over the last six years and stated that the significant improvement in Scottish Water's performance would not have been possible without Sir Ian's strong leadership of the Commission.