

Ninety fifth meeting of the Water Industry Commission for Scotland

At the office of Shepherd and Wedderburn, Glasgow

On 25 May 2016

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

In attendance: Katherine Russell, Director of Corporate Affairs and Strategy
Ian Tait, Director of Investment
Charles Yates, Head of Competition
Andrea Mancini, Senior Analyst

Chairman's opening remarks

The Chairman welcomed everyone to the 95th meeting of the Commission.

1. Apologies for absence

No apologies.

2. Minute of the last meeting and regular updates

2.1 Declaration of conflicts of interest in relation to the Agenda

There were no declared conflicts of interest.

2.2 Minute of last meeting (02/16)

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

2.3 Summary of action points (AP02/16)

The Commission noted the summary of action points. The action regarding the Competition report has been rescheduled and a draft of the report will come to the October Commission meeting.

2.4 Chief Executive's report (CP24/16)

The CEO updated members on the recent work of the office.

The Commission discussed the pilot project for rural water and wastewater provision. The Commission agreed to support the project by providing intellectual input on the

design of the arrangements for rural provision and by assessing the outputs of the pilots. The Commission expressed concern about the ownership of the assets associated with the pilots and agreed that any related liabilities should not fall on the Commission.

3. Regular business

3.1 CMA Update (CP25/16)

The Commission noted this update.

3.2 Finance and contracts update (CP26/16)

The Commission noted this update.

Ross Finnie gave a brief update on Internal Audit work and the recent change in internal auditor. He noted that the Audit Committee had expressed its concerns on the overall quality of previous internal audit work but hoped to see a marked improvement going forward.

4. Strategic Review

4.1 Capital maintenance update (CP27/16)

The Commission discussed the approach to capital maintenance for the next price review. The Commission recognised the importance of improving understanding of long term capital maintenance requirements, with a view to ensuring both appropriate stewardship of assets and an appropriate sharing of costs between present and future customers.

The Commission agreed to seek information from Scottish Water regarding the forward asset maintenance plans for the transfer of the PPP wastewater assets.

4.2 Advisory Panel update (CP28/16)

The Commission noted this update.

The Commission agreed that it should be made clear that the papers for the Advisory Panel are designed to promote discussion and do not represent the final position of the Commission.

4.3 Hydro Nation update (CP29/16)

The Chairman welcomed progress and noted the benefits of supporting the Hydro Nation agenda for staff development.

5. Competition

5.1 Retail update (Scotland) (CP30/16)

The Commission noted this update.

The Commission discussed how the Market Audit will be conducted. The focus will be on assessing how retailers perform against their internal processes and policies, identifying examples of good and bad practice. The audit report will be published.

5.2 Vacant Site Incentive Scheme (CP31/16)

The Commission discussed the Vacant Site Incentive Scheme and approved proposed revisions to the Scheme.

The Commission delegated authority to the Chief Executive to make further and final decisions concerning the proposed revised Vacant Site Incentive Scheme.

5.3 Implementing the 12 November 2015 Open Letter (CP32/16)

The Commission noted this update.

The Commission discussed the implementation of some of the modifications to the Standard License Condition in relation to state aid and competition law. The changes to Business Stream's license conditions will follow as soon as its market share falls below 50%.

5.4 Scottish Water's Credit Terms (CP33/16)

The Commission discussed the risk of non-payment of water and sewerage wholesale charges and possible modifications of pre-payment arrangements.

The Commission, in line with its duty to ensure no detriment to Scottish Water, recognised the need to revise the pre-payment period that is required from retailers. The Commission discussed options and agreed to consult on proposals.

Next Meeting

The next meeting of the Commission is scheduled for 4 August.