

Eighty eighth meeting of the Water Industry Commission for Scotland

Held at WICS offices, Stirling on 08 April 2015

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

In attendance: Ian Tait – Director of Investment
Katherine Russell – Director of Corporate Affairs and Strategy
Donna Very – Office Manager

Chairman's opening remarks

The Chairman welcomed everyone to the 88th meeting of the Commission.

1. Apologies for absence

No apologies were received

2. Minute of the last meeting and regular updates

2.1 Declaration of conflicts of interest in relation to the Agenda

2.1 There were no declared conflicts of interest.

2.2 Minute of last meeting (02/15)

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

2.3 Summary of action points (AP02/15)

The Commission noted the summary of action points.

2.4 Chief Executive's report (CP01/15)

The Commission were updated on recent activities of the office.

The CEO updated the Commission on the work that has now begun on wholesale cost allocation.

The Director of Corporate Affairs and Strategy provided the Commission with an update on the international work of the office and the recent activities of WAREG. There is a WAREG

Assembly scheduled to take place in Edinburgh during the International Water Conference being held in May. The Director of Corporate Affairs and Strategy also reported that the Irish Regulator had contacted the office to discuss the possibility of providing training and assistance to their staff.

The Commission discussed the role of the Customer Forum and the process going forward. The CEO updated the Commission on a recent meeting with the Scottish Government on the devolved customer representation powers as a result of the Smith Commission. The Commission would like a further discussion on the role of the Customer Forum and the extent of any impact on the statutory responsibilities of the Commission.

The CEO updated the Commission on the recent tender activity of the office and the award of Regulatory Reporting, Stakeholder Engagement and Legal, Economic and Financial Services framework contracts.

3. Regular business

3.1 CMA update (CP14/15)

The Commission noted the updated paper from the CMA.

3.2 Financial and contracts update (CP15/15)

The Commission approved the proposed budget and noted the large cash balance. The Commission noted that there was a proposal to utilise a proportion of this for a study to identify potential ways in which rural water and wastewater services could be improved. The Commission noted that the Scottish Government had approved the Corporate Plan for the next regulatory period 2015-21.

3.3 Audit Committee update (CP16/15)

The Audit Committee

The Audit Committee Chair updated the Commission on the recent activities of the Audit Committee. The Commission noted that Robin McNaught and Marian Glen had been reappointed as members of the Audit Committee for a further 3 years. The Audit Committee had extended the internal contract with Price Waterhouse Cooper for a further year and will continue to monitor performance. The Commission noted that the Audit Committee had participated in some risk training.

4. Future planning

4.1 Update on Scottish Water's resilience draft proposals (CP17/15)

The Commission discussed the work Scottish Water had carried out on a pilot study on resilience of the water network which identified risks that Scottish Water assessed as

requiring to be addressed as soon as possible. The Commission expressed concern that this request had come so soon after the conclusion of the SRC and that this had not been identified during the process. The Commission considered the proposals outlined by Scottish Water and agreed that an independent team of experts carry out an assurance study of Scottish Water's proposals without impacting on the timescales to mitigate these risks.

5. Investment

5.1 Investment update (CP18/15)

The Director of Investment provided the Commission with an update on Scottish Water's output delivery position as of the end of quarter 3. The Commission were concerned to note that there is further slippage in the delivery of the remaining outputs from the 2010-15 period. It was agreed that a letter should be written to Scottish Water requesting improvements to the monitoring mechanisms going forward.

6. Competition

6.1 Retail Update (Scotland) (CP19/15)

The Commission noted the update on retail competition in Scotland and the position of the Scottish Procurement tender for the national water and wastewater contract for the Public Sector.

6.2 Retail Update (England) (CP20/15)

The Commission noted this update.

6.3 Oral update on OW/MOSL and WICS

The Commission discussed the recent letter from Cathryn Ross, CEO of OFWAT and its implications. The Commission do not want to hinder the process in any way and are keen to work with OFWAT to ensure that there are no delays. The Commission agreed that the Chairman should speak to the OFWAT and Open Water Chairs to discuss the best way forward.

6.4 Business Stream Contracts (CP21/15)

The Commission approved the extension to SLA agreement between Business Stream and Scottish Water Horizons for meter reading services.

The Commission approved the extension to the IT Services agreement between Business Stream and Scottish Water for Oracles licences.

Closing remarks

The Chairman thanked everyone for attending and confirmed the next date of the Commission as 4 June 2015.