

# Eighty ninth meeting of the Water Industry Commission for Scotland

Held at WICS offices, Stirling on 4 June 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  
Luis Correia da Silva, Oxera (items 6 only)  
Gordon Downie, Shepherd and Wedderburn (items 6 only)  
Laurie Macfarlane – Head of Analysis (items 6 only)  
Andrea Mancini – Analyst (items 6 only)  
Martin Namor – Analyst (items 6 only)  
Tom Sharples – Analyst (items 6 only)  
Erik Igelstrom – Analyst (items 6 only)  
Donna Very – Office Manager

## Chairman's opening remarks

The Chairman welcomed everyone to the 89<sup>th</sup> 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 (03/15)

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

#### 2.3 Summary of action points (AP03/15)

The Commission noted the summary of action points. Additional points were requested to be added.

## **2.4 Chief Executive's report**

**(CP22/15)**

The CEO provided an update on the recent World Water Congress (WWC) held in Edinburgh week beginning 25 May. The WWC was considered to have been a great success. The office hosted the 4<sup>th</sup> Assembly meeting of WAREG (the European Water Regulator Group) and Katherine Russell, Director of Corporate Affairs and Strategy was elected Vice-President of the group. The Commission offered congratulations to Ms. Russell on her new role and looked forward to future updates on the work of WAREG. Due to the nature of the office's involvement in international work, the CEO reported that the Scottish Government are looking at the remit of the Commission's statutory duty to see if any amendment is required.

The Commission discussed the government's consultation document which proposes to introduce water, sewerage and drainage charges for vacant non-household properties. Costs for vacant non-household properties are currently met by other customers and the government proposes to eliminate this cross subsidy to ensure that owners of non-household vacant properties are charged. The Commission expressed some concern that some owners may not pay.

## **3. Regular business**

### **3.1 CMA update**

**(CP23/15)**

The Commission noted that the project being carried out by the assessors was bringing more SPIDs into the system.

The Commission noted this update.

### **3.2 Financial and contracts update**

**(CP24/15)**

The Commission noted this paper and the update on VAT.

### **3.3 Audit Committee update**

**(CP25/15)**

The Audit Committee Chair updated the Commission on the recent activities of the Audit Committee. The Commission noted the internal audit year-end report.

## **4. Investment**

### **4.1 Investment update**

**(CP26/15)**

The Commission noted the recent correspondence between the office and Scottish Water which highlighted the Commission's concern about the delivery of investment outputs and sought an improvement in the monitoring and reporting of the investment programme. The Commission were pleased to note that Scottish Water acknowledged the need for further work in this area.

## **5 Competition**

### **5.1 Retail Update (Scotland) (CP27/15)**

The Commission discussed the current position regarding the Scottish Procurement tender for the national water and wastewater contract for the Public Sector and noted that the current contract with Business Stream has been extended to 30 June 2015.

### **5.2 Service Level Agreement (CP28/15)**

The Commission approved the extension until 31 March 2016 for the Service Level Agreement between Business Stream and Scottish Water Horizons for meter reading services.

### **5.3 Pure (CGV) application for retail licenses (CP29/15)**

The Commission delegated authority to the Chief Executive to approve any complete and proper applications for water and sewerage services licenses made by Pure (CGV) Limited (prior to the next Commission meeting) and issue a "Minded to Grant" letter.

The Commission also approved delegated authority for the Chief Executive to determine whether an Ordinary Licence Condition of Pure's application will be to fund and maintain an escrow account for the purposes of paying wholesale charges.

This delegated authority will be subject to Commission Members being provided with the opportunity to raise objections to the application prior to the delegated authority being exercised.

### **5.4 Retail Update (England) (CP30/15)**

The Chief Executive provided the Commission with an oral update on the current situation regarding Open Water. The Commission discussed the Gateway Review and the considerable resources the office has supplied to ensure that the non-household retail market opens in April 2017. The Commission agreed that it would step back fully from the project unless involvement could be clearly defined as being in Scottish interests. The Commission considered it very important that the Scottish Government provide clear written guidance on this matter before any future interactions with Ofwat/Defra/Open Water or MOSL.

The Commission noted the update.

## **6. Future planning**

### **6.1 Legal, economic and accounting contract**

The Chair welcomed Gordon Downie, (Shepherd and Wedderburn) and Luis Correia da Silva, (Oxera) to the meeting. Oxera and Shepherd and Wedderburn had recently been awarded the contract to provide regulatory legal, economic and financial advice

to the Commission. Mr. Downie and Mr. Correia da Silva outlined the scope of the framework and the methodologies that would be applied to ensure a seamless delivery of work to the Commission. The Commission agreed that it would be helpful if they could attend some advisory panel meetings and agreed these panels were a good platform for discussion. The Commission recommended that Mr. Downie/Mr. Correia da Silva attend future Commission meetings regularly to discuss work areas.

**6.2 Priority analytical work areas (CP31/15)**

The Commission discussed the priority analytical work areas of the office and considered linked very well to the work outlined by Mr Downie and Mr Correia da Silva.

**6.3 Hydro Nation (CP32/15)**

The Commission noted the update on Hydro Nation.

**Closing remarks**

The Chairman thanked everyone for attending and confirmed the next date of the Commission as 6 August 2015