

Eighty fifth meeting of the Water Industry Commission for Scotland

Held at WICS offices, Stirling on 9 September 2014

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

In attendance: Ian Tait
Donna Very

Chairman's opening remarks

The Chairman welcomed everyone to the 85th meeting of Commission.

1. Apologies for absence

Apologies were received from Libby Gawith.

2. Minute of previous meeting and regular updates

2.1 There were no declared conflicts of interest.

2.3 Minute of last meeting (04/14)

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

2.4 Summary of action points (AP04/14)

The Commission noted the summary of action points.

The Commission requested that a discussion paper providing an update on the Customer Forum and its future role, be added to the action point summary for the November meeting.

2.5 Chief Executive's report (CP39/14)

The Chief Executive updated members on recent activities of the office.

The Commission discussed the catchment management study work. The Chief Executive explained the format for the study and the involvement of the office. The Commission agreed that it could be beneficial to organize a workshop, bringing in experts on the economics of catchment managements to share their experiences with those involved in the programme of work. The Chairman agreed to discuss the proposal with John Sawkins.

3. Regular business

3.1 CMA update

The Commission noted the paper.

3.2 Financial Statements 2013-14 (CP40/14)

The Commission discussed the paper, including the role of the Industry Assuror. The Chief Executive explained that the role of the Industry Assuror would become part of the consultancy support provided under the proposed framework contracts.

3.3 Audit Committee update (CP41/14)

The Audit Committee Chair updated members on the recent Audit Committee meeting. KPMG had recently carried out the annual audit and had commented that the standard of working papers provided by the Finance Manager had been of high quality. The Chair thanked the Finance Manager for all her hard work in this area.

The Commission noted that Ross McNaught (Audit Committee member) had been reappointed for a 3 year term.

3.4 Business Continuity Plan – update (CP42/14)

The Commission noted the update and the outcomes from the recent test exercises and training. The Commission noted the office will research alternative email provision options to ensure continuity of service in the event of a disaster.

3.5 UKRN update (CP43/14)

The Commission noted that all projects were at an early stage.

4. Strategic Review of Charges

4.1 Final Determination (CP44/14)

The Commission noted that there had been a delay in the finalisation of the Ministerial Objectives and Principles of Charging for 2015-21. This was primarily due to the Scottish Government's process for finalising arrangements for the Exemption Scheme for charities. This will impact on the timing for issuing the Final Determination. The Commission agreed to review the Final Determination in draft prior to the next Commission meeting with the aim of formally approving at the meeting on 11 November. The Commission agreed that the Final Determination will be published in the latter half of November.

The Commission noted this update on the Strategic Review process and agreed the proposed approach to the Final Determination.

4.2 Principles of Charging and Ministerial Objectives (CP45/14)

The Commission noted this update.

4.2 Exemption scheme update (CP46/14)

The Commission noted the update on the Scottish Government's decision regarding the charges exemption scheme for charities and amateur sports clubs.

5. Corporate Reporting

5.1 Annual Report (CP47/14)

The Commission noted the format for this year's annual report. The Chair will prepare the foreword and send to the office for insertion.

5.2 Corporate Plan (CP48/14)

The Commission discussed the Corporate Plan and suggested some improvements and amendments to its layout. The Commission agreed that it would be beneficial to have an interim review of the plan, in line with IR18, after 3 years given that it is a 6 year plan.

The Commission discussed the split of levies between licensed providers and Scottish Water. It was agreed that the Commission would formally approve any future repayments of unused levy at Commission meetings.

The Commission approved the report subject to some additional amendments and asked that the final version be circulated to Commission members prior to publication.

5.3 Performance Report (CP49/14)

The Commission noted and approved the Performance Report.

6. Future Planning

6.1 Combined Regulator (CP50/14)

The Commission noted the update paper on Scottish Government's proposal for a combined economic regulator.

6.2 Hydro Nation (CP51/14)

The Chief Executive provided an update on the work the office has done in this area, outlining the work relating to the Greek visit and the visit by the Abu Dhabi representative from the Regulation and Supervision bureau. It was also noted that there was a forthcoming visit from a delegation from Oman.

7. Investment

7.1 Liaison meetings update – SEPA/DWQR (CP52/14)

The Director of Investment provided an update on his latest liaison meetings with SEPA and DWQR. SEPA's concerns with regard to the Glasgow Drainage project were noted. The Commission requested that Scottish Water be asked to provide an update on progress with regard to the Glasgow project.

The Commission noted the update on meetings held with SEPA and DWQR.

7.2 Dashboard update (CP53/14)

The Commission noted the latest dashboard from Scottish Water on their quarterly performance.

8. Competition

8.1 Retail Update (Scotland) (CP54/14)

The Commission noted the update on the Scottish non-household retail market.

8.2 Retail Update (England) (CP55/14)

The Chief Executive updated the Commission on the work of Open Water Market Limited and the role that office is playing in assisting with the creation of the English retail market. The non-household retail market is scheduled to open in April 2017.

The Chair provided an update on his recent conversation with Peter Bucks, Chair of OWML and that he expected to receive in the imminent future a letter which would

formalise the role the office would play going forward in implementing an Anglo-Scottish retail market.

The Commission recognised that going forward there would be a substantial commitment from the office to progress the English retail market to the proposed timeline. The Chief Executive gave assurance to the Commission that the workplan of the office would remain on track and that suitable arrangements would be put in place.

8.3 Ondo application (CP56/14)

The Commission agreed that it was minded to propose to grant water and sewerage licenses to Ondo Industrial Solutions Limited, subject to any representations from third parties.

8.3 Wholesale costs update (CP56/14)

The Commission noted the proposal to review wholesale costs in the water industry.

Chairman's closing remarks

The Chairman closed the meeting, thanking attendees and noting that the next meeting will take place in Stirling on Tuesday 11 November 2014.