

SCOTTISH WATER

Minutes of the Special Board Meeting 12.30pm, 13th September 2005

Lauriston Room, Castle House, Dunfermline

Present:	Professor Alan Alexander	Chair
	Mr Bill Cameron	Board Member
	Mr Graeme Crombie	Board Member
	Professor Paul Jowitt	Board Member
	Mr Pat Kelly	Board Member
	Mr Ian McMillan	Board Member
	Mrs Rita Theil	Board Member
	Dr Jon Hargreaves	CEO
	Mr Douglas Millican	Finance Director
	Mrs Cheryl Black	Customer Service Director
	Mr Geoff Aitkenhead	Asset Management Director
	Mr Chris Banks	Commercial Director
	In attendance:	Mr Mark Adderley
	Mr Tom Axford	Corporate Secretary

PART I

1. APOLOGIES

Apologies were received from Mr David Gray.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

There were no interests which required to be declared or registered.

PART II – Confidential Items

3. DRAFT DETERMINATION RESPONSE – EXECUTIVE SUMMARY

Mr Millican introduced the draft Executive Summary circulated with the papers and reminded Board members that this was the final substantial opportunity for comments to be made in relation to the submission. He advised the full report was available for comment and as background information for Members he explained to the Board the key changes from the previous drafts were as follows:-

- (i) OPA
The previous approach had been to propose an OPA target which was appropriate and achievable in light of Ministerial objectives. Following discussion with WCCP and SE it was considered that the OPA target methodology which had been adopted in England and Wales had not formally been consulted upon in Scotland and that the response had been amended to indicate that it was Scottish Water's view that this methodology needed to be subject to formal consultation and that it appeared that there was support for this from both WCCP and SE.

- (ii) The Way Forward
Mr Millican explained the final part of the Executive Summary addressed issues surrounding phasing of UID investment and re-phasing Ministerial objectives.

The Board raised the following observations on the current draft:-

- (i) It was considered the document still did not emphasise Scottish Water's vision of developing an industry funded at affordable levels and subject to stable and sustainable pricing. The Board considered the draft should be more upfront in indicating that a change in Ministerial objectives and phasing can and would assist substantially in managing pricing issues.
- (ii) The current draft wanted more emphasis on customer preferences and focus and considered the tone of the report should be amended to reiterate Scottish Water's customer focus and commitment.
- (iii) The Board expressed concern the current draft did not adequately indicate Scottish water's desired output. It was explained that the complexities of the legal framework and the lack of flexibility on managing Ministerial objectives meant this was difficult to achieve but it was agreed the draft would attempt to be more prescriptive

4. FABER MAUNSELL

Mr Axford tabled legal advice in relation to scope and validity of assumptions adopted by Faber Maunsell in their report to the WIC. After considering the options the Board agreed a strategy in relation to this matter.

5. NEXT MEETING

21st September 2005 at Inverness