

One hundred and thirty eighth meeting of the Water Industry Commission for Scotland

By conference call on 6 May 2021

Present: Donald MacRae (Chair)
Alan Sutherland (Chief Executive)
Jo Armstrong
Robin McGill
Ann Allen (joined 9.50 am)

In attendance: Ian Tait, Deputy Chief Executive
Rhona Harper, Secretary to the Commission
Donna Very, Assistant Director
David Satti, Assistant Director
Andrea Mancini, Assistant Director
Colin McNaughton, Assistant Director
Michelle Ashford, Chief Operating Officer
Shona Coan, Head of Finance (item 3.2 only)

Chair's opening remarks

The Chair opened the 138th meeting of the Commission and welcomed Board members.

1. Apologies for absence

All Board members were present.

2. Minute of the last meeting and regular updates

2.1 Declaration of conflicts of interest in relation to the Agenda

No members declared any conflict of interest in relation to the agenda.

2.2 Minutes of the 137th meeting

Min03/21

The Commission **approved** the minutes of the 137th meeting.

2.3 Summary of action points

AP04/21

The Commission **noted** the summary of actions.

2.4 Non-Executive Members Update

Oral

The Chair reflected on several discussions that he had engaged with over the last month on the future of work and workplaces. Board members considered the themes in the context of WICS.

3. Business Updates

3.1 CEO Update

CP12/21

1. Supporting a water industry that is sustainable over the long term

Scottish Water Transformation Plan

The office provided further information about Scottish Water's ongoing transformation process and WICS support to that. The current focus of their work is looking at skills gaps. There are two areas which WICS would like to see reinforced in the Scottish Water transformation: the impact on its stakeholders of its transformation and the clarity of its communication of its investment needs.

2. Incentivising an efficient and effective Scottish Water

Scottish Water performance

The Deputy Chief Executive provided some additional information on the discussions with Scottish Water on what future reporting would look like. The current approach is based on the minimum information required to respond to a set of agreed measures. The new model will involve Scottish Water sharing information more regularly and pro-actively with WICS and other stakeholders.

Consideration is being given to the use of a portal that can be accessed to share a broader scope of information. A priority for WICS is its ability to maintain comparability over time in information.

The Board considered the implications of revising the collection of information from Scottish Water.

3. Ensuring that the retail market delivers maximum benefits for customers

Covid-19 support measures

The office provided some further information on the current consultation process. The consultation process closes this week. It was noted that discussions were ongoing around the impact of the new measures on the level playing field in the market. Due to the nature of the process and the engagement of the Licensed Providers through the working group, WICS expects Licensed Providers broadly to accept the proposals.

The Board discussed the role of the licensed providers that have joined together, chaired by CAS, to consider how best to offer support to non-household customers on a sustainable basis.

7. Acting as a cutting-edge regulator that supports Scotland as a Hydro Nation

International projects in delivery

Department of Internal Affairs (DIA) project

The office provided an update on the DIA project. The New Zealand Government currently expects to take the required political decisions to progress to the next stages of the water reform programme shortly.

Jo Armstrong asked what regulatory approach was being taken in New Zealand and whether it was too soon for EBP and R to form the basis of that approach. The Chief Executive confirmed he would share a paper that had been prepared for a RPI Australia and New Zealand conference that looked at the most appropriate approaches for water sector that were at different stages of evolution. _

Board members discussed the challenges for staff who were working across time zones and thanked them again for their hard work, which is delivering a good deal of success and continuing to enhance WICS reputation as a cutting-edge regulator that supports Scotland as Hydro Nation.

International projects in development

Relationship building

The Chief Executive is engaged in several virtual conferences in Australia during May. As a result of its approach to the last price setting, WICS currently has a high profile in Australia and New Zealand.

As a result of that we have been asked to provide input to a review by IPART, the water regulator for New South Wales, on the involvement of customers in price setting. The workshop will be delivered on 10 May.

8. Ensuring that the office operates as efficiently and effectively as possible.

IT and cyber resilience

Board members discussed the ongoing focus on robust Cyber Security. Jo Armstrong asked what Board members could be doing to support this.

It was agreed that Board members would undertake the Cyber Security training which is run by the Scottish Business Resilience Centre. Several of the WICS team have already undertaken this training and considered it to be useful.

The Board **noted** the CEO Update.

3.2 Finance Update

CP13/21

The Head of Finance joined the meeting and provided some additional information on the Finance Update.

Jo Armstrong sought some further information on the development of the annual report and the communication of the key issues in WICS 2020/21 accounts.

Board members discussed the potential impact of the pension revaluation on the accounts. It was agreed that the actuary would be invited to join a future Board meeting to provide Board members with an opportunity to understand the revaluation process and its impact.

The Board members noted that the presentation of key information in tables was helpful.

The Board **noted** the report.

4. Further information and decision papers

4.1 Update on CMA Final Determinations

CP14/21

The office delivered a presentation on the conclusion of the CMA redetermination process and the wider implications of the process. The Board discussed several issues arising from the presentation. Some additional background information will be uploaded to the Commission Members SharePoint site for reference.

The Board thanked the office for its presentation and **noted** the report.

4.2 Professional Services Contract Approval

CP15/21

The Board noted that the procurement process had been open and in line with Scottish Government guidance. The Board discussed the disappointing response from the market to the professional services contract. It was noted that WICS would need actively to manage the contract to ensure that we achieve the desired outcomes.

The Board identified several suggestions to consider in planning for the next contract.

The Board approved the professional service contract

5. AOB

There was no further business. The Chair thanked all for attending and closed the meeting.