

## Minutes of the Joint Regulators' Group (JRG) meeting

Wednesday 30 June 2010 at 2.00pm at Ofgem

### Present:

Keith Mason	JRG Chair (Ofwat)
Peter Culham	(Ofcom)
Sarah Harrison	(Ofgem)
Paul McMahon	(ORR)
Jackie Holland	(OFT)
Tim Brown	(Postcomm)
Iain Osborne	(NIAUR)
Chris Hemsley	(CAA)

### 1. Minutes of previous meeting

The minutes of the meeting of 31 March 2010 were agreed (with minor amendments) and will be placed on the Ofwat website.

### 2. The Post-election landscape

The group discussed early thoughts on the new coalition government and any interactions with government departments since the election. The change in ministers was 'bedding in' but it appeared that the approaches adopted by Shadow government teams, prior to the election were being followed through now that they are in office.

The impact of the government being a coalition seemed to affect some departments more than others. Members discussed the extent to which they faced a debate about the divide between policy-making and regulation and how new duties could blur this distinction. A number of members commented on the likelihood of early government bills in their sector (Ofgem, CAA and Postcomm). Some new reviews were likely, Ofgem and some existing ones were continuing (CAA and ORR). Members discussed the implications of the recently announced constraints on recruitment and expenditure for their work programmes.

### 3. Feedback on ‘Incentivisation of ‘non-conventional’ companies’ seminar

The ORR reported on the recent seminar it had hosted. It had attracted a good attendance from a wide variety of regulators. The key issue from the seminar was the importance of the disciplines of capital market even in the absence of equity participation. ORR will circulate a note of the seminar to JRG members.

### 4. Feedback from the ‘Discount Rate and Cost Benefit Analysis’ forum

Ofcom hosted a technical forum following on from the discussion paper considered by JRG in March 2010. The forum had clarified the approaches taken by each regulator. Ofcom will be summarising these and have asked participants at the forum to complete a template for their own organisation. Ofcom will summarise these in a paper for JRG.

### 5. Update on the Concurrency Working Party

OFT presented on the work of the Concurrency Working Party (CWP). The CWP is chaired by OFT. OFT set out the aims of the CWP and the activities over the last year. It has tried to encourage senior level involvement from relevant regulators. It has also held ‘special sessions’ for economists and lawyers which it had found particularly useful.

Looking forward, it will hold ‘special sessions’ on economics and litigation; will consider the impact of changes in public sector expenditure on the UK competition regime and OFT will present on the drivers of compliance and its infrastructure stocktake project.

The group discussed the CWP in the context of the NAO’s review of the ‘consumer landscape’.

### 6. Tour de table

Ofgem: SH noted that the proposals for the ‘RPI-X@20’ project would be discussed at Ofgem’s Board meeting in July. One aspect of the proposed package would be a stimulus for low carbon innovation, building on Ofgem’s new Low Carbon Networks Fund.

The joint Ofgem/DECC prospectus on smart meters was on schedule for publication in July.

SH noted that Ofgem was seeking to reform its policy on network mergers moving away from the ‘flat tax’ approach to

reflect loss of value of comparators and aligning the arrangements with those that exist in water.

- ORR: PMc said ORR were beginning to think about its next price review that needs to be completed by 2013, particularly in the context of the outlook for government finances. PMc also noted the new consumer function at ORR.
- Ofcom: PC noted that Ofcom had two appeals on regulatory issues at the CAT. The first is on leased lines and the second is Local Loop Unbundling. The latter one is expected to be completed by mid-July.
- CAA: CH noted that the coalition government would not be going ahead with further runway development in the South East. Instead a task force will be set up.
- CH said that the NAT's price control had been recently published. The approach to NATs was distinctly different to that of the airport price reviews, particularly in respect of financing.
- CH noted that the CAA are still awaiting the Court of Appeal's judgement on the BAA market investigation.
- OFT: JH commented that OFT had a lot of appeals in the pipeline arising from its decisions on construction and tobacco issues.
- OFT's work on a stocktake of infrastructure ownership should be complete by the Autumn. A seminar on progress so far will be held in early July.
- Postcomm: TB commented that Postcomm were in the middle of its price review and were dealing with market reviews of upstream and downstream activities.
- Postcomm have recently set up a consumer forum (based on the Ofgem model).
- The pension liabilities of Royal Mail (£10<sup>1</sup>/<sub>2</sub>bn) remain a significant issue.
- Ofwat: KM noted the recently published provisional findings of the Competition Commission in the Bristol Water price referral case. Of particular interest are the CC's position on

incentives and the financial framework.

Ofwat would shortly be publishing a consultation paper on the possibility of market reform in the upstream activities of water companies and a high level paper on the objectives and framework of price controls.

**7. Any other business**

There was no other business. The next meeting will be on Wednesday 22 September at Postcomm, Hercules House at 2pm.