



Demonstrating Financial Resilience Consultation Response
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4AU

25 February 2016

Dear Sir/Madam,

Consultation on how companies should demonstrate long term financial resilience

We are pleased to respond to Ofwat's consultation on how companies should demonstrate long term financial resilience. The financial resilience of companies plays an important role in ensuring the industry is well-equipped to meet the challenges it faces. The development of Ofwat's thinking in this area following its July 2015 consultation demonstrates the value of collaborative working in the industry. We set out our detailed comments on Ofwat's proposed approach in the remainder of this letter.

We agree that the approach proposed by Ofwat will provide an appropriate level of assurance for stakeholders, while recognising companies' confidentiality concerns. It is consistent with Ofwat's approach in other areas, with an increasing emphasis on companies taking greater ownership and being accountable to their stakeholders. We support Ofwat's proposal that companies' Boards select the sensitivities to be carried out, which will allow companies to provide the most useful resilience statement by tailoring the approach to their individual circumstances. We agree that companies are best placed to decide the appropriate approach to assurance their assessment.

We welcome Ofwat's intention to align its proposed approach with the requirements of the UK Corporate Governance Code and the existing analysis carried out by companies for credit rating agencies and investors. This allows the required level of assurance to be provided efficiently and facilitates comparison across industries for investors and other stakeholders.

To support financial resilience across the industry and help build trust and confidence, it is important that these requirements apply to all regulated companies within the industry (including retailers), and we would welcome Ofwat clarification on this point.

Please do not hesitate to contact me if you would like to discuss this response further.

Yours faithfully

Matt Parr

Head of Regulation and Business Planning

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