

Centre City Tower, 7 Hill Street, Birmingham B5 4UA
21 Bloomsbury Street, London WC1B 3HF

By email

16th June 2017

Freedom of Information Act - Request For Information

Reference: FOI 39052017

Dear 

Thank you for your email in which you request information concerning Water Companies (WCs) and fines.

Ofwat confirms it does hold some of the information requested

Ofwat has a power under section 22A(1) WIA91, subject to certain conditions being met, to impose a penalty on a water and sewerage undertaker which Ofwat is satisfied has contravened or is contravening any Condition of its Appointment

How many water company fines there have been in the last 10 years?

6

Which water companies have been fined and how much? What were these fines for?

1. Thames Water: sewer flooding

Notice of Ofwat's imposition of a penalty on Thames Water Utilities Limited issued on 22 July 2014.

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We investigated Thames Water's recording of the number of properties at high risk of sewer flooding between 2005 and 2010, and found that it had misreported. After due consideration of all the points raised by Thames Water and all relevant matters, Ofwat was:

(a) Satisfied that Thames Water submitted unreliable and inaccurate information on 11 June 2010 in its June return and thereby contravened Condition J of its Conditions of Appointment;

(b) Satisfied that it would be appropriate to impose a penalty on Thames Water in respect of this contravention. However, following Ofwat's investigation into this issue, Thames Water has committed to a package of measures for its customers. Ofwat is satisfied that the measures pledged by Thames Water (together with a nominal penalty of £1) will be of greater benefit to customers than the penalty Ofwat had been minded to impose absent these measures. Thames Water has said it will:

- accept a £79 million (2012-13 prices) reduction by Ofwat to its regulated capital value (RCV), plus a financial adjustment to remove any benefit Thames Water received from this expenditure being included in its RCV during 2010 to 2015. This will result in lower bills for Thames Water's 14 million sewerage customers for years to come; and
- put an additional £2 million into its independently managed Thames Water Trust Fund, to assist customers who are having difficulty paying their bills; and
- invest £5 million to support additional community projects such as local programmes to better protect rivers and improve the natural environment

2. Veolia Water East (formerly Tendring Hundred Water): Investigation into reporting of accounting information

Imposition of financial penalty issued on 22 October 2008. Our investigation found that an accounting error had led to the company misreporting information in its June return 2006. We fined Tendring Hundred Water £42,000 (0.3% of its 2007-08 turnover). The company also returned money to its customers by reducing its bills in 2007-08.

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3. Severn Trent Water: customer service

Imposition of financial penalty for deliberate misreporting and GSS compliance issued on 2 July 2008.

Our investigation found that Severn Trent Water had deliberately misreported some of its customer service data. This damaged Ofwat's ability to regulate the water sector effectively and protect customers. Some customers also received a service that was below the statutory minimum standards specified in the Guaranteed Standards Scheme (GSS) Regulations. We fined Severn Trent Water a total of £35.8million:

- £34.7 million (2.9% of 2006-07 turnover) for deliberately misreporting information
- 1.1 million (0.1% of 2005-06 turnover) for providing sub-standard service to **customers**

4. Thames Water: customer services

Imposition of financial penalty for misreporting and GSS compliance issued on 16 April 2008.

Our investigation found that Thames Water had misreported some of its customer service information. This damaged the regulatory process. Thames Water had also delivered poor service to customers.

We fined Thames Water a total of £9.7 million:

- £8.3 million (0.6% of 2006-07 turnover) for misreporting information.
- £1.4 million (0.1% of 2005-06 turnover) for failing to meet minimum service standards.

5. Southern Water: customer service

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Imposition of financial penalty deliberate misreporting and GSS compliance issued on 7 February 2008.

Our investigation found that Southern Water had deliberately misreported some of its customer service data. This damaged Ofwat's ability to regulate the water sector effectively and protect customers. Some customers also received a service that was below the statutory minimum standards specified in the GSS Regulations.

We fined Southern Water a total of £20.3 million:

- £19.8 million (3.5% of 2006-07 turnover) for deliberate misreporting.
- 0.47 million (0.1% of 2004-2005 turnover) for providing sub-standard services to customers by failing to meet Guaranteed Standards of Service (GSS).

6. United Utilities: trade with associates

Imposition of financial penalty issued on 22 June 2007.

Our investigation found that United Utilities Water had breached rules governing trading arrangements with associate companies over the period October 2005 to March 2007.

We fined United Utilities Water £8.5 million (0.7% of 2005-06 turnover), and the company entered into a legal agreement to stop non-compliant trading arrangements with associate companies on or before 30 April 2007.

For your information the above information is set out on Ofwat's website with links below which list all of the enforcement and financial penalty action Ofwat has taken since 2006. Included in the notice are more than the 6 cases explained above, as some of the other cases did not involve levying a financial penalty. Instead these were cases where Ofwat took enforcement action or the company provided a commitment itself to do something.

<http://www.ofwat.gov.uk/regulated-companies/investigations/closed-cases/enforcement-cases/>

<http://webarchive.nationalarchives.gov.uk/20150624091829/https://www.ofwat.gov.uk/regulating/enforcement/enforcenotices/>

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Please be advised that these fines shown are only those imposed by Ofwat and no other stakeholders, for example the Environment Agency (EA) can and has fined companies for environmental failures which fall under its remit. This information would need to be sourced by the EA directly.

Where do the fines go? Who decided where the fines go?

Any financial penalty collected is not returned to customers but is paid into the Consolidated Fund operated by the Treasury. Section 22A(9) WIA91 provides that penalties imposed under section 22A WIA91 are paid into the Consolidated Fund. This is explained in our Statement of policy with respect to financial penalties which can be found at the following link:

http://www.ofwat.gov.uk/wp-content/uploads/2016/01/pap_pos_101124statementpenalties.pdf

Ofgem fines energy companies and then gets third parties such as Age Concern to deliver services to help customers - is there a similar scheme with you and if not why is that?

There is no formal scheme in place. However in cases where we find that a company has breached its license or a statutory obligation, we may consider not opening a formal enforcement case if the company satisfies us that a breach is not ongoing and the company has taken steps to provide appropriate redress to the customers. We may also start formal proceedings against a company, but agree to a reduced penalty, if that company puts in place measures to provide customers with appropriate redress. We refer to these type of arrangements as 'settlement'.

An example of where we have used settlement is in the Thames Water sewer flooding investigation listed above. In that case, although we did use our formal enforcement powers under the WIA91, we reduced the penalty we imposed because the company pledged to provide a package of measures for customers, which included putting an additional £2 million into its independently managed Thames Water Trust Fund, to assist customers who are having difficulty paying their bills; and investing £5 million to support additional community projects such as local programmes to better protect rivers and improve the natural environment

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The decision on whether to enter in to a settlement agreement will depend on:

- the facts of the case;
- the legal context; and
- whether we consider that a formal enforcement decision will establish an important and valuable precedent for the sector.

If you have any queries or concerns with regard to the content of this email please contact me at Foi@ofwat.gsi.gov.uk

Once an FOI request is answered, it is considered to be in the public domain. To promote transparency, Ofwat may publish the response and any material released on our website in the [FOI disclosure section](#). Any personal information in the letter will be removed before publishing. We will hold the information in accordance with Ofwat's [retention and disposal schedule](#) which can be found in our Publication Scheme on our website.

If you are unhappy with the service you have received in relation to your request and wish to make a complaint or request a review of the decision, please contact:

Programme and Project Management Office
Ofwat
Centre City Tower
7 Hill Street
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mailbox@ofwat.gsi.gov.uk

If you are not happy with the outcome of that review you can ask the Information Commissioner's Office to consider your complaint. Generally, the ICO will not make a decision unless you have exhausted Ofwat's complaints procedure. The ICO can be contacted at:

<https://ico.org.uk/>

or

Freedom of Information/EIR Provide the Information

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The Information Commissioner's Office

Wycliffe House

Water Lane

Wilmslow

Yours sincerely,

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Programme and Project Management

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