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To all Chief Executives - via email

19 March 2020

Dear Chief Executives

COVID-19: WATER INDUSTRY RESPONSE

It is clear from conversations over recent days that all water companies are working extremely hard at the absolutely critical work of providing customers with reliable water and waste services, while protecting their employees' welfare as the UK contends with the effects of COVID-19. I have been really impressed by the professionalism and collaborative spirit the sector has shown in establishing sector-wide incident management processes to confront common problems and drive coordination between companies where possible. Ofwat has a clear role in supporting the sector-wide response, alongside the other regulators and government, with whom we are working closely to ensure a coordinated and coherent approach.

I am writing to set out some expectations for how your companies should support vulnerable customers and assist retailers facing immediate cash flow constraints, as well as to set out some principles which will guide our response to these unprecedented challenges.

Support for vulnerable customers

Many families and individuals are now facing uncertain futures, and the number of customers in vulnerable situations or facing severe problems meeting their financial obligations can be expected to increase significantly in the coming months. The industry has an opportunity to demonstrate its commitment to its public purpose by all companies providing effective support, compassionate treatment and clear advice to customers at this time.

In the coming days and weeks I would like to see companies across the sector learning lessons from each other and seeking to drive up the standard of support to those unable to pay their bills. I would also like to see all companies consider whether they can go further to ease the financial burden on households, including by considering opportunities to increase financial assistance and by adopting suitably supportive and flexible payment and debt collections practices.

It is vital that customers of all companies have easy access to information on the support available. I note that some companies have made real efforts in recent days to bring all relevant information together for their customers via their websites and social media. I encourage companies to share best practice in communicating with customers, and for all companies to consider what more they can do to ensure they are communicating as clearly as possible with all their customers at this difficult time.

Company obligations and regulatory flexibility

I recognise that the sector is likely to face significant staff shortages and limitations to its ability to undertake some routine work because of social distancing requirements. This may make it difficult for every company to meet some of the performance commitments in the regulatory settlement. In planning for these constraints, companies are rightly looking to prioritise meeting their core service obligations.

In this situation and for the avoidance of doubt, incentives and penalties in our regulatory regime should not get in the way of effective prioritisation in the interests of customers. We do not expect as a matter of course to provide assurance to companies on a case by case basis, or for companies to wait for our approval before implementing prioritised working arrangements. Please be assured that we will consider the need for any ex post adjustments to our regulatory system following an in-the-round assessment as part of our normal reconciliation process. This will require that companies can demonstrate how their operations have been impacted by COVID-19 and how they made their decisions.

Business Retail Market

The business retail market in England will inevitably be impacted, both through businesses closing and as social distancing affects retailer operations. We have identified a number of measures to minimise the disruption on the market, its customers and the trading parties who are operating within it. We are working very closely with MOSL on a package of initiatives, some of which will be implemented as a matter of urgency.

We expect water wholesalers to play a key role in ensuring this disruption is kept to a minimum, including adopting a reasonable and pragmatic approach to the collection of wholesale charges from retailers who may be facing difficulties in obtaining payment from their customers. We also expect wholesalers to consider their approach where they receive requests from retailers to disconnect customers for non-payment – we would not expect to see customers disconnected for non-payment where the delay in payment is caused by factors relating to coronavirus. Before the end of this week, trading parties in the business retail market will receive further details on the action Ofwat and MOSL will take to protect customers' interests.

Effective joint working

In the coming weeks we will need to establish effective channels to permit clear communication on evolving issues between Ofwat and all companies. I am also conscious that you will be having ongoing discussions with the Drinking Water Inspectorate, the Environment Agency, Natural Resources Wales and the Consumer Council for Water and others regarding how you work most effectively with them. Ofwat is also fully involved in relevant cross-government processes. If there are further queries about Ofwat's regulatory arrangements, where possible, companies should approach Ofwat collectively, and we are considering the most effective channels for those discussions.

Under the normal course of business, our regulation inevitably imposes burdens on companies including as companies participate in the policy development process and respond to information requests and consultations. Given the current pressure on companies' operations, we will carefully consider how Ofwat can minimise that burden while continuing to deliver its regulatory functions and advance delivery of its strategy.

I am copying this letter to Rebecca Pow MP, Lesley Griffiths AM, Sir James Bevan at the Environment Agency, Clare Pilman at Natural Resources Wales, Marcus Rink at the Drinking Water Inspectorate, Sarah McMath at MOSL and Tony Smith at the Consumer Council for Water.

Yours sincerely,

Rachel Fletcher
Chief Executive