



The voice for water consumers
Y corff sy'n rhoi llais i ddefnyddwyr dŵr

CCW's response to Consultation under section 13 of the Water Industry Act 1991 on proposed modification to the largest undertakers' licences for ring-fencing

1. Introduction

- 1.1 CCW is the statutory consumer organisation representing water and sewerage consumers in England and Wales.
- 1.2 We welcome the opportunity to respond to Ofwat’s consultation on strengthening companies’ licences to ensure ring-fencing provisions are consistent between companies regardless of ownership structure.

2. Our response

- 2.1 We support moves to consistently apply ring fencing arrangements so that all customers receive the same level of protection, regardless of the individual ownership structure of the company that serves them. We think that this consistency could help to improve trust in the sector with all companies being subject to the same set of rules. This is the position we set out in our responses to Ofwat’s consultations on “Change of control – general policy and its application to Thames Water”¹ and “Strengthening the regulatory ring-fencing arrangements”².
- 2.2 **Notification of change of control** – we agree that the licence should require companies to advise if the change of control could mean a change in the Ultimate Controller of the company. We also agree that companies should, at Ofwat’s direction, enforce its Ultimate Controller undertakings. As the consultation indicates, this strengthens the shield the appointee has from Ultimate Controller influence which may prejudice the appointee’s compliance with its licence.
- 2.3 **Credit ratings** – we support the standardisation that companies must ensure that an investment grade credit rating is maintained at all times. This would avoid the subjectivity that could arise if the “reasonable endeavours” wording persisted. We also support the clarification of “Issuer Credit Rating” to cover the company or a financing subsidiary where that company issues publicly listed financial instruments.
- 2.4 **Cash lock-up** – we agree that cash lock-up provisions should be added to the licences of Bristol Water, Dwr Cymru and Wessex Water. We also support the minor clarification so that one scenario where the cash lock-up may arise is where neither the company, nor an Associated Company which issues corporate debt on the appointee’s behalf, holds an issuer credit rating that is investment grade.
- 2.5 **Ring-fencing certificates** – we agree with the simplification to require one ring-fence certificate that covers both financial and non-financial resources. In our response to “Strengthening the regulatory ring-fencing arrangements”³ we suggested that Ofwat should aim for further standardisation of certificates either through guidance or explicit in the licence specifically about the form and consistency of information provided in the certificates. We welcome the minimum set of factors that companies need to consider

¹ <https://www.ccwater.org.uk/wp-content/uploads/2018/06/Ofwats-consultation-on-change-of-control-general-policy-and-its-application-to-Thames-Water-June-2018.pdf>

² <https://www.ccwater.org.uk/wp-content/uploads/2019/01/Ofwat-consultation-on-strengthening-the-regulatory-ringfencing-January-2019.pdf>

³ <https://www.ccwater.org.uk/wp-content/uploads/2019/01/Ofwat-consultation-on-strengthening-the-regulatory-ringfencing-January-2019.pdf>

when putting together their ring-fencing certificates that Ofwat published in Information Note 20/01.

- 2.6 **General** – we support the proposals to update for style and language to make all licences consistent.

Enquiries

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