

Clarification to our Water Supply and Sewerage Licence (WSSL) application guidance

The impacts of Covid-19 are being felt across the whole of the UK economy. Understandably, this is a time of considerable uncertainty for all market participants and Ofwat has to ensure that it continues to protect the interests of customers in the business retail market. Within this context, Ofwat has to ensure prospective licensees provide robust evidence and assurance of their financial stability. We are publishing this clarification to [our guidance for Water Supply and Sewerage Licence \(WSSL\)](#) applications (**'our guidance'**) to set out our expectations.

[Our guidance](#) sets out that we may suspend the WSSL application process under certain circumstances. Where we suspend the processing of an application, we will set out our reasoning for this and provide the applicant with the opportunity to address the concerns we have raised. If we are satisfied that the applicant has responded fully and satisfactorily, the application and timetable will resume from the point at which the application process was suspended. We may also refuse to progress a WSSL application if, for any reason, the applicant has not provided sufficient evidence to demonstrate that it is suitable to be granted a WSSL, including where the applicant has not submitted a viable business plan.

Given the challenges posed by Covid-19 and the potential impact of adverse economic conditions on the business retail market, we will apply our guidance to only grant licences where applicants provide compelling evidence of robust capitalisation and strong financial resilience. This should be demonstrated by substantial shareholder investment that is clearly ring-fenced for that applicant with no recourse to [market liquidity support measures](#).

Ofwat will only progress applications where applicants provide sufficient evidence to demonstrate they have taken into account the impacts of Covid-19 on their business plans. This should include impacts on financial projections and evidence of testing against a number of scenarios (such as a possible reduction in customer numbers and/or adverse customer growth). We also expect applicants to evidence that they are keeping up to date with developments in the business retail market.

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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