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By email

To Company Secretary
South East Water Limited
Rocfort Rd
Snodland
ME6 5AH

12 August 2020

Water and Sewerage Appointees – Definition of “Issuer Credit Rating”

Dear Company Secretary,

On 14 July 2020, we published a formal [decision document](#) setting out the reasons for the licence modifications we have made as a result of the recent section 13 consultation on the ring-fencing provisions in companies’ licences. These modifications were made on 10 July 2020 and came into effect on 13 July 2020.

Under the updated licence wording, an “Issuer Credit Rating” is defined as:

- (a) an issuer credit rating assigned to the Appointee or any Associated Company which issues corporate debt on its behalf by a Credit Rating Agency;
- (b) a Corporate Family Rating assigned by a Credit Rating Agency to a corporate group of which the Appointee is a member and which has been approved for this purpose by Ofwat; or
- (c) a rating assigned by a Credit Rating Agency to the Appointee or any Associated Company, for so long as Ofwat has determined in writing that this rating sufficiently reflects the creditworthiness of the Appointee.

This letter confirms which of the company’s ratings fall under the licence definition and sets out the reasons for our decision to monitor ratings under limbs (b) and (c).

In an email dated 25 July 2019 you confirmed South East Water Limited or its financing company, South East Water (Finance) Limited, holds the following credit ratings from Moody’s and Standard & Poor’s:

AGENCY	TYPE
Moody's	Class A debt rating
Standard & Poor's	Class A debt rating

Credit ratings assessed under limb (a)

There are currently no ratings held by South East Water Limited, or its financing company, which meet the criteria set under limb (a).

Credit ratings that fall under limb (b)

There are currently no ratings held by South East Water Limited, or its financing company, which meet the criteria set under limb (b).

Credit ratings that fall under limb (c)

We have considered whether any of the company's ratings meet the requirements of limb (c). We have determined the following credit ratings to be sufficiently reflective of the entity's creditworthiness and therefore meets the definition as per limb (c):

- Standard & Poor's Class A Debt Rating – provided that South East Water Limited (or any Associated Company) does not obtain an alternative rating from Standard & Poor's that falls under limb (a) of the licence definition and provided there is no Class B subordinated debt.
- Moody's Class A Debt Rating – provided that South East Water Limited (or any Associated Company) does not obtain an alternative rating from Moody's that falls under limb (a) or limb (b) of the licence definition and provided there is no Class B subordinated debt.

Other clarifications

For the avoidance of doubt, Class B / subordinated debt ratings are not used as regulatory markers for cash lock-up or to assess compliance with the Appointee's obligation that it must ensure it maintains an appropriate investment grade credit rating at all times.

Please notify us as soon as possible if any additional credit ratings to those listed above are obtained, or if the withdrawal of any of the above credit ratings is requested.

Best regards,

Aileen Armstrong
Senior Director