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Centre City Tower, 7 Hill Street, Birmingham B5 4UA  
21 Bloomsbury Street, London WC1B 3HF  
www.ofwat.gov.uk

**By email**

To Company Secretary  
Southern Water Services Limited  
Southern House  
Yeoman Road  
Worthing  
West Sussex  
BN13 3NX

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 18 September 2019 you confirmed that Southern Water Services Limited or its financing company, Southern Water Services Finance Ltd, holds the following credit ratings from Fitch Ratings, Moody’s and Standards & Poor’s:

<b>AGENCY</b>	<b>TYPE</b>
<b>Fitch Ratings</b>	Class A debt rating
<b>Moody's</b>	Class A debt rating
<b>Standard &amp; Poor's</b>	Class A debt rating

### **Credit ratings that fall under limb (a)**

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

### **Credit ratings assessed under limb (b)**

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

### **Credit ratings assessed 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 Southern Water Services 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.
- Fitch Class A Debt Rating – provided that Southern Water Services Limited (or any Associated Company) does not obtain an alternative rating from Fitch 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 Southern Water Services Limited (or any Associated Company) does not obtain an alternative rating from Moody's that falls under limb (a) or (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**