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To All Interested Parties

## **Water retail businesses in financial distress: information for company advisors and administrators**

Following reviews of previous cases of retailers experiencing financial distress, we have considered ways in which we can improve processes to ensure all parties are able to make better informed decisions. One improvement that we have identified is to enable easier access to information for those appointed to advise retailers in financial distress, which may include potential administrators. This letter provides important information and links to help advisors understand the rules that apply in the event of a retailer entering administration, the role of Ofwat as regulator and of MOSL as market operator.

Ofwat is the Water Services Regulation Authority. We are responsible, amongst other things, for the granting of [Water Supply and Sewerage Licences \(WSSL\)](#). Any party wishing to provide water and/or sewerage retail services to customers in the [business retail market](#) must hold such a licence. WSSL licences are not transferable.

Should a retailer operating in the business retail market become financially distressed, its directors may consider placing the business into administration. In such circumstances **we strongly advise the directors of the business, as well as parties that they are minded to appoint as administrators, to contact Ofwat as soon as possible**, prior to the business entering administration. Enquiries should be directed to [Ofwat enquiries](#). In the text of the enquiry please mark for the attention of me, Emma Kelso, and mark the message as “urgent – interim supply”.

We can provide information and answer queries in relation to relevant rules and processes. Our principal concern is to ensure continuity of retail services for affected customers and we will work with the affected business, its advisors and (if relevant) the appointed administrator to achieve this.

If a market-based solution such as a trade sale to a party holding a WSSL licence cannot be achieved, we have, under the [Interim Supply Code](#), the power to remove the affected customers from a retail business that has entered administration and to

transfer them to another retailer. In such circumstances there would be no financial compensation due to the retailer in administration for the removal of its customers.

Retailers are subject to the terms of their licence and are party to a number of [market codes and industry agreements](#). These govern how market participants receive and pay for services, and set out obligations they have to each other and their customers. In addition to any bilateral agreements or contracts they may have, retailers are subject to the [Interim Supply Code](#), the [Wholesale Retail Code](#), the [Market Arrangements Code](#), the [Retail Exit Code](#), and the [Customer Protection Code of Practice](#). We have various roles in relation to these codes and can take enforcement action and issue financial penalties against parties for non-compliance. The market operator, MOSL, has a role in reallocating affected customers and liaising with affected parties. It provides [further information on its website](#).

Yours faithfully

**Emma Kelso**  
**Senior Director, Markets and Enforcement**