

Centre City Tower, 7 Hill Street, Birmingham B5 4UA
Ofwat, 11 Westferry Circus, Canary Wharf, London E14 4HD

By email – EFRA Committee <EFRACOM@parliament.uk>

Rt. Hon Alistair Carmichael MP
Chair, Environment, Food and Rural Affairs Committee
House of Commons
London, SW1A 1AA

25 March 2025

Dear Mr Carmichael,

Ofwat investigations

Thank you for your letter dated 11 March regarding Ofwat's investigations since 2015. I have set out our approach to enforcement along with the resourcing for our cases in this letter. Attached as an annex is a complete list of investigations and a summary of outcomes of those investigations which have concluded since 2015.

Approach to enforcement

Where Ofwat is satisfied that a company is breaching or is likely to breach an obligation in its licence or a statutory obligation Ofwat is responsible for enforcing, and unless specific exceptions apply, Ofwat has a duty (under section 18 of the Water Industry Act 1991 (WIA91)) to issue an enforcement order to secure the company's future compliance. Section 19 WIA91 sets out limited exceptions to this duty including where the company has given and is complying with an undertaking to take all appropriate steps for the time being to secure or facilitate compliance.

Typically, we conclude cases through to a formal, public decision on the matter either issuing an enforcement order; or reaching settlement with the company often in conjunction with an undertaking. Where we propose an enforcement order, and/or impose a fine, we are legally obliged to consult for 21 days, before reaching a final decision. We are currently consulting on our approach to enforcement [guidance](#) which sets this out in more detail.

Resourcing our investigations

As you can see from the table in the annex we have 13 open cases. Cases typically take between 1-2 years to complete. This is comparable to the time taken by other regulators and reflects the aim set out in the HMT KPI for Ofwat completing enforcement cases which is 24 months. We note that there are currently nine open strategic cases into the wastewater companies, five of which are outside this KPI due to their complexity. We expect to conclude these cases in the coming months. We published the outcome of our first wastewater case, against [Yorkshire Water](#) with a £40 million enforcement package on 20 March 2025.

Since May 2023, we have tripled our enforcement capacity to meet the commitment made to HMT on receipt of extra funding. In that time, the number of open cases has increased fourfold, and we are monitoring more undertakings than previously as a result of the cases that we have concluded in that time. Currently, the core enforcement team has 17 FTE staff with additional legal, economic, financial and engineering support.

Each case is resourced with a case lead and case support plus support from a lawyer, case director and legal director. Some cases also require technical engineering or expert financial services input and we engage with relevant experts as necessary. Decisions on strategic cases¹, such as the current wastewater cases, are made by a Casework Committee, with delegated authority from the Ofwat Board. The decision-maker on non-strategic cases is Lynn Parker, Senior Director, Enforcement.

We have bolstered our enforcement capability to respond to the fourfold increase in enforcement cases. As part of this recruitment, we focused on capability, not just capacity – ensuring we recruit people with the right level of skills and delivering a learning and development programme to ensure all case leads have the tools to deliver cases at pace, while maintaining rigour and quality of outputs.

¹ Cases of strategic significance are formally labelled as strategic by the Executive, in consultation with the Ofwat Board Chair.

I hope that you and the Committee find this information useful. Please do let me know if you have any further questions on this subject – additionally we would also be happy to arrange a briefing on Ofwat's approach to enforcement should the Committee find this helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Black', is positioned above the printed name and title.

David Black
Chief Executive

Annex 1 – cases opened since 2015

Company	Status	Summary of Issue(s)	Penalty	Compensation	Investment	Outcome / actions
Thames Water	Opened Jun-17 Closed Aug-18	* Failure to meet leakage performance commitments. * Failings in design and implementation of contractual arrangements for reducing leakage. * Insufficient Board oversight and control of leakage performance.	£1 (Reduced from £25.3m – 3% of relevant turnover – in light of undertakings)	£120 million: * £46m reduction in AMP7 revenue. * £55m customer bill rebates to reflect ODI penalties for 2016-22. * £7m bill rebate to reflect governance failings. * £12m from removal of ODI penalty collar on leakage reduction.	None	s19 undertakings * Plan to reduce leakage by 50% from 2016-17 levels in AMP7. - Meet 2019-20 leakage performance commitment. * Publish monthly leakage performance reports. - Appoint independent monitor to certify accuracy of leakage reports. * Carry out governance review. * Maintain sufficient management control over delivery of core operational functions.

Company	Status	Summary of Issue(s)	Penalty	Compensation	Investment	Outcome / actions
Southern Water	Opened Jun-17 Closed Oct-19	* Misreporting of information about WWTW performance. * Failure to effectually operate its WWTW and deal with sewer contents. * Failings in systems of planning and internal control.	£3 million. (Reduced from £37.7m – 6.7% of relevant turnover – as a result of undertakings)	£123 million in customer bill rebates for 2020-21.	Provide budget to identify and correct permit compliance risks (£26 million already provided).	s19 undertakings * Inspect and audit all WWTW for permit compliance. * Implement measures to support management of compliance issues. * Embed improvements to effluent sampling. * Roll-out compliance training to all employees. * Implement organisational cultural changes. * Publish information on environmental performance.
Thames Water	Opened Jun-19 Closed Nov-20	Credit limit terms for non-primary services contravened wholesale retail code.	None	None	None	TMS made revisions to its terms and conditions to address our concerns.

Company	Status	Summary of Issue(s)	Penalty	Compensation	Investment	Outcome / actions
Wessex Water	Opened Feb-20 Closed Jun-21	Transfer prices for biogas supply to associate company.	None	None	None	* Transfer prices to be set in a way that ensures the appointed business pays and/or receives a fair price for services and products. * Increases share of income allocated to it from sale of biosolids. * Consent to licence modification to include requirement to have adequate systems of planning and internal control in place.
Thames Water	Opened Jul-19 Closed Dec-21	* Accuracy of customer data made available at time of market opening. * Existence of appropriate management resources and systems of planning and internal control.	£1 (Starting penalty of 1% but no alternative penalty level identified due to undertakings)	£13.3 million. Comprised of: * £11.3m refunds to retailers. * £2m written off in amounts undercharged.	None	s19 undertakings * Correction of data errors and refund of amounts overcharged. * Improvement of governance arrangements for escalation and management of complaints. * Improve robustness of

Company	Status	Summary of Issue(s)	Penalty	Compensation	Investment	Outcome / actions
						planning, processes and controls for data management and project delivery. * Audit of project governance arrangements. Improve accuracy of certain market data.
Thames Water	Opened Jul-19 Closed Mar-22	Approach to installation of digital smart meters and access to the data from them.	None	Free upgrade of smart meter where logging equipment previously removed. Payment of claims for damaged or lost logging equipment.	None	s31A CA98 commitments * Improvement of customer engagement to ensure it understands and addresses their needs in a timely manner. * Improvement of governance processes with respect to markets. Implement technology changes to enable introduction of loggable digital smart meters. * Improve case management and performance capability for digital data services.

Company	Status	Summary of Issue(s)	Penalty	Compensation	Investment	Outcome / actions
						* Review charging structure and only charge set-up costs for digital data services.
Yorkshire Water	Opened May-22 Closed Oct-22	Failure to comply with licence requirements regarding inter-company loans	None	None	£100 million investment to reduce storm overflow spills	s19 undertakings *Repayment plan for staged repayment of £940m of inter-company loans. At least £300m by end June 2023, a further £200m by end March 2025 and remainder by end March 2027.

Company	Status	Summary of Issue(s)	Penalty	Compensation	Investment	Outcome / actions
Tideway	Opened Mar-23 Closed Apr-23	Failure to submit audited Annual Performance Report by deadline.	None	None	None	s19 undertakings Provide unaudited APR by deadline of 15 July 2023. Provide audited APR by extended deadline of 22 September 2023.
Olympos Water	Opened Oct-23 Closed Nov-23	Secure compliance with Water Supply and Sewerage Licence Standard Conditions (the SLCs), Part A, Condition 4 - requiring a Certificate of Adequacy on an annual basis	None	None	None	Ofwat revoked Olympos' licence on 13 December 2024.
Welsh Water	Opened May-23	Leakage and PCC misreporting	£1 (Reduced from	£39.4 million. Comprised of:	£59m (£54m into leakage and £5m	s19 undertakings

Company	Status	Summary of Issue(s)	Penalty	Compensation	Investment	Outcome / actions
	Closed May-24		£15.2m – 4.5% of relevant turnover – as a result of undertakings)	£15m customer rebates £15m overspend to be covered by WSH rather than customers £9.4m in ODI underperformance payments	into PCC management)	Case closed and ongoing monitoring of compliance with undertakings, reporting and keeping an eye on leakage performance.
Thames Water	Opened July-24 Closed Aug-24	Failure to maintain two issuer credit ratings	None	None	None	s19 undertakings TMS committed to develop and implement a revised business plan to meet its statutory and wider regulatory obligations and to use all reasonable endeavours to raise substantial equity investment into its business. An independent monitor will be appointed to monitor and review TMS's progress and

Company	Status	Summary of Issue(s)	Penalty	Compensation	Investment	Outcome / actions
						report to Ofwat on a monthly basis.
Yorkshire Water	Opened Mar-22 Closed Mar-25	Failure to design, construct, operate and maintain wastewater treatment works in accordance with legal and regulatory requirements	None	None	£40m (£36.6m to improving storm overflows and £3.4m to Great Yorkshire Rivers partnership to help improve river quality) Significant further investment will be required to carry out the actions required by	s19 undertakings YKY committed to developing and agreeing with us a series of action plans to bring itself back into compliance with its legal and regulatory obligations. YKY will then be required to follow those actions plans and meet the deadlines within them. It will report on progress every six months and we will monitor compliance with the plans.

Company	Status	Summary of Issue(s)	Penalty	Compensation	Investment	Outcome / actions
					the undertaking s.	
Thames Water	Opened Mar-22 Closed TBC	Failure to design, construct, operate and maintain wastewater treatment works in accordance with legal and regulatory requirements				
Northumbrian Water	Opened Mar-22 Closed TBC	Failure to design, construct, operate and maintain wastewater treatment works in accordance with legal and regulatory requirements				
Wessex Water	Opened Mar-22 Closed TBC	Failure to design, construct, operate and maintain wastewater treatment works in accordance with legal and regulatory requirements				

Company	Status	Summary of Issue(s)	Penalty	Compensation	Investment	Outcome / actions
Anglian Water	Opened Mar-22 Closed TBC	Failure to design, construct, operate and maintain wastewater treatment works in accordance with legal and regulatory requirements				
South West Water	Opened Mar-22 Closed TBC	Failure to design, construct, operate and maintain wastewater treatment works in accordance with legal and regulatory requirements				
South West Water	Opened Mar-23 Closed TBC	Accuracy of leakage and per capita consumption performance (section 18 WIA91)				
South East Water	Opened Nov-23 Closed TBC	Whether there is sufficient supply resilience and systems of planning and control to meet its general duty to maintain its water supply system				

Company	Status	Summary of Issue(s)	Penalty	Compensation	Investment	Outcome / actions
Thames Water	Opened Dec-23 Closed TBC	Compliance with rules on dividend payments				
Severn Trent	Opened Jul-24 Closed TBC	Failure to design, construct, operate and maintain wastewater treatment works in accordance with legal and regulatory requirements				
United Utilities	Opened Jul-24 Closed TBC	Failure to design, construct, operate and maintain wastewater treatment works in accordance with legal and regulatory requirements				
Welsh Water	Opened Jul-24 Closed TBC	Failure to design, construct, operate and maintain wastewater treatment works in accordance with legal and regulatory requirements				

Company	Status	Summary of Issue(s)	Penalty	Compensation	Investment	Outcome / actions
Hafren Dyfrdwy	Opened Jul-24 Closed TBC	Failure to design, construct, operate and maintain wastewater treatment works in accordance with legal and regulatory requirements				
Thames Water	Opened Feb-25 Closed TBC	Compliance with WINEP environmental improvement schemes				