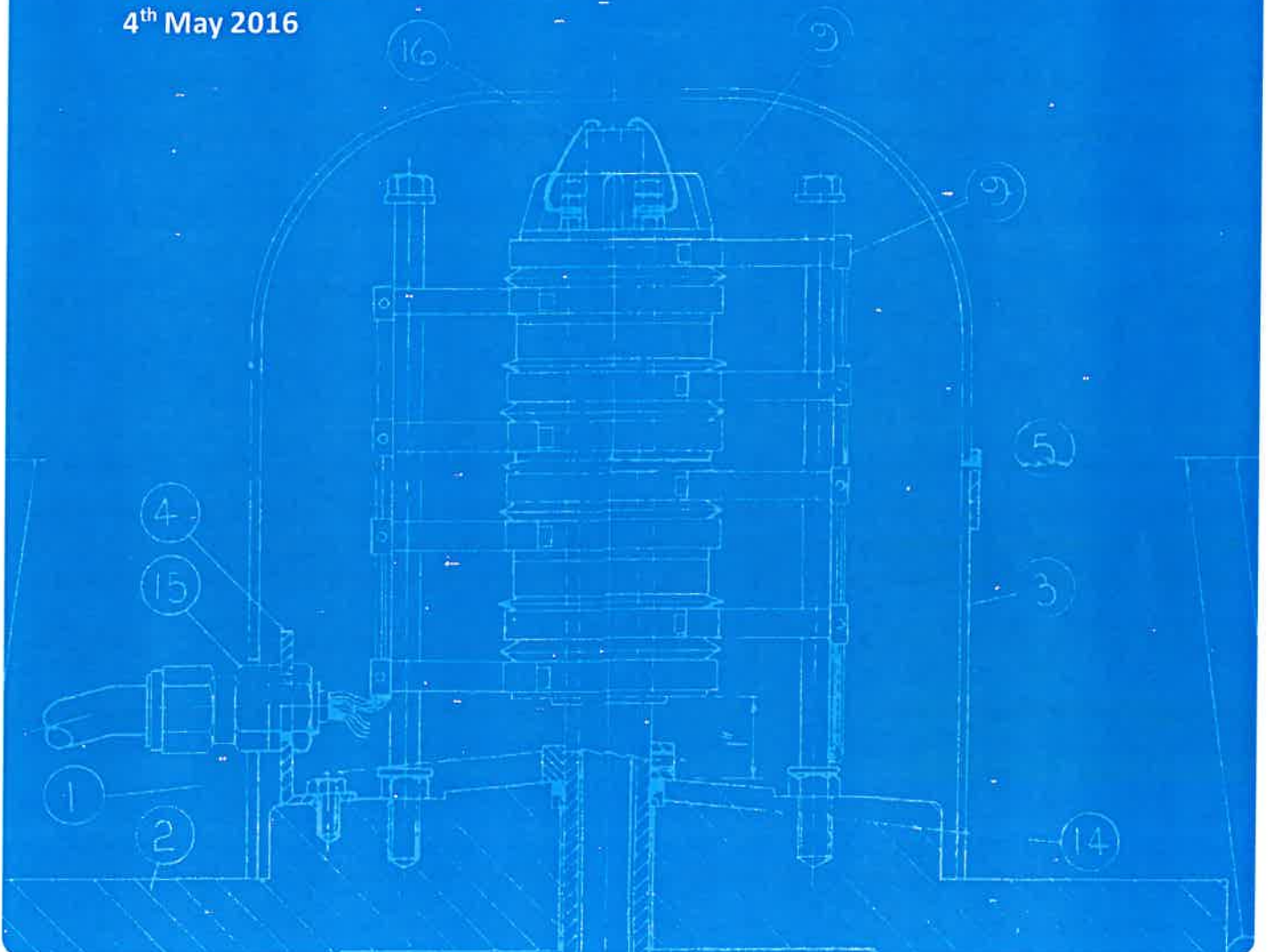


Ofwat's approach to enforcement

SVT Response

Sarah Stimpson

4th May 2016



Dear Sir

Consultation on Ofwat's approach to enforcement

Thank you for the opportunity to comment on your proposed revisions to your 'Approach to Enforcement' consultation.

Achieving and maintaining the trust of our customers is paramount both in terms of the information we provide and the actions we take when something goes wrong. We agree that the enforcement framework should have customers' interests at heart and focus on the things that really matter to them.

Do you think the proposed changes to our approach to enforcement are proportional and targeted?

When something goes wrong customers expect us to be readily accessible, honest in our engagements and to be open and transparent about the steps we are going to take to put things right. Similarly, we agree that companies should take both accountability and responsibility for their actions and to seek to provide remedies quickly and effectively without additional enforcement being required.

We support the principle of **no harm** and that any redress should restore customers back to the position they would have been in prior to the failure occurring. This could and should include settlement where appropriate. We do, however, accept that on occasions it may be necessary for regulatory intervention. We endorse the approach that any intervention that is required should be proportionate and targeted and in line with regulatory best practice principles.

We believe a more flexible approach to the use of enforcement tools is conducive to encouraging a culture of trust and confidence amongst regulated companies. Adopting a risk based approach to enforcement based on the customer impact; regulatory framework impact or as a means of changing companies' behaviour strikes the right balance between incentive and penalty. Where a company identifies a contravention or has wrongly benefited from an event or incident and subsequently makes an early intervention to fully redress customers, Ofwat should take this into account when considering the appropriate course of action.

Equally, there may be circumstances where the use of other regulatory tools such as financial penalties is appropriate - particularly where the contravention is deliberate or where it has caused significant harm to customers or prejudiced the integrity of the regulatory framework. The continued risk of such sanctions should act as an incentive for future compliance across the industry.

Which areas, if any, would you like Ofwat to focus on in any future review of our approach to enforcement?

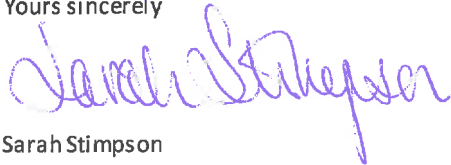
We endorse the move to a flexible, risk based approach to enforcement. However to instil and build trust and confidence for all participants we would like to see a greater emphasis on sharing of best practice and case studies.

We appreciate that it is not always possible to share details in every circumstance but would welcome the use of case studies to emphasise the 'what and how' and the consequential corrective action / enforcement action taken.

For companies to understand the cause and effect of scenarios and the manner in which Ofwat responds would encourage the trust and confidence of water companies in Ofwat's approach.

If I can be any further assistance in this matter please do not hesitate in contacting me further.

Yours sincerely



Sarah Stimpson
Head of Compliance