



Change in Ownership for South Staffordshire Water Plc- CCWater response to an Ofwat consultation

Introduction

1. The Consumer Council for Water (CCWater) is the statutory body representing water and sewerage customers in England and Wales. CWater has four regional committees in England and a committee for Wales.
2. We welcome the opportunity to respond to this Ofwat consultation on the change of ownership for South Staffordshire Water Plc. This follows the acquisition of a 75% equity stake in South Staffordshire Water Plc by Arjun Infrastructure Partners Ltd (AIP) from Kohlberg Kravis Roberts and Co.L.P (KKR) on 3 July 2018. AIP immediately sold a 19.9% equity stake on to Mitsubishi UFJ Lease and Finance Company (MUL). This now makes the current owners of South Staffordshire Water Plc AIP at 55.1%, MUL at 19.9% and Mitsubishi Corporation (MC) at 25%.
3. When there is a change in ownership for a water and/or sewerage company, CWater expects to see a clear balance in the interests of the company with those of its customers. During the current price review (PR19), which will determine companies' business plans for 2020-25, there has been a greater focus on shaping plans to deliver the priorities of customers at a price that is affordable to them. South Staffordshire Water has increased the level of its customer engagement at PR19 and has also committed to carry out customer research as business as usual. It is important to retain the momentum in customer engagement, and we will be pressing the water company and its new owners to achieve that.
4. In addition, during PR19 and beyond, companies must be encouraged to continue to make progress on addressing the needs of vulnerable customers and of future generations through investment in resilience. We note South Staffordshire Water's commitments on these important issues, which are set out in detail in its business plan for 2020-25.
5. The CWater Chair of the Central and Eastern region attends meetings of the South Staffordshire Water Plc Board on an annual basis. He will be attending the May 2019 meeting where he looks forward to meeting the new owners and will discuss with them their plans to meet customers' needs.

Response to consultation questions

Q1) Do you agree with our assessment of the incoming owners?

6. This consultation paper details the corporate structure and relationship with South Staffordshire Water Plc of AIP and MUL as incoming owners (and MU as the 'incumbent owner'). Ofwat's assessment includes investigation into their experience in water and the infrastructure sector and governance arrangements. The assessment appears thorough. Based on this and our discussions with South Staffordshire Water when the change in ownership happened in July 2018, we do not have any specific concerns about the assessment.

Q2) What are your views on the ability of the new owners to run a regulated water utility?

7. We note that, based on the information provided to Ofwat and through its own investigations, Ofwat has not found any issues associated with the new investors.

However, we do not feel it would be appropriate for us to comment on their ability to run a regulated water company.

Q3) Do you have any concerns with the new owners that might affect the ability of South Staffs Water to fulfil its statutory duties and obligations under its licence?

8. We note the experience of the new owners set out in this consultation paper, along with separate assurance provided to Ofwat that each owner will meet its obligations as an owner of an appointed water company. CCWater has not been provided with any information that would indicate concerns at this point in time, therefore, we cannot provide any further comments.
9. We acknowledge that in its Business Plan resubmission on 1 April 2019, South Staffordshire Water has provided Board assurance of the financeability of its plan and engagement with investors. This details the new owners and their involvement in the plan.
10. In addition, we saw no change in South Staffordshire Water's focus on shaping its business plan to deliver the priorities of its customers during, or following, last year when the change in ownership was happening.

Q4) What are your views on our identification of the Ultimate Controllers?

11. Ofwat has concluded that, based on its own due diligence of the new ownership structure of South Staffordshire Water, AIP Holdings Ltd is the ultimate controller. As Ofwat's assessment appears to have been applied methodically in line with the principles set out in its 2018 consultation proposals that apply to all companies, we have no further comments to add.

Enquiries

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