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By email: Bethia.Thomas@whitehorsedc.gov.uk

Councillor Bethia Thomas
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OFFICIAL

Dear Councillor Bethia Thomas

Your letter to Ofwat – Ref: OFW-045304

Thank you for your letter dated 8 March 2024 and addressed to David Black. David has asked that I respond to you on his behalf.

I'm sorry to read of your concerns for the residents of the Vale of White Horse District Council and the increase of household water bills by Thames Water.

We understand that over the last few years the Covid-19 pandemic and cost of living crisis have had a significant impact on household finances across England and Wales and that these recent increases may be a cause of concern. As such, water companies must do all they can to protect those who are most in need of a helping hand.

In Ofwat's latest 'Cost of Living' research, we found that awareness of the support available, such as moving to a social tariff or on to a water meter, has continued to remain very low. We would encourage anyone who is worrying about how to pay a water bill to contact their water company and find out what schemes are on offer that could reduce bills, smooth payments, or help with debt. More information on the help and support available for bill payers can be found on our website here: [Cost of living – Ofwat](#).

CCW's [help with your water bill](#) page is also packed with advice and tools including its water meter calculator, Benefits Calculator and social tariff guide.

Ofwat's Role

As you may be aware most water and sewerage services in England and Wales are not provided in competitive markets. Most people receive their water and sewerage services from a licensed monopoly company. The water and sewerage areas within the country are divided by statutory appointments. Only business customers are able to choose their supplier. Because competition is limited, there is a risk that these companies will not deliver the services their customers want. They may also charge higher prices to increase their profits. This is why they need to be regulated. And it is why Ofwat was created when the water and sewerage sectors were privatised in 1989.

One of the ways we regulate is to set the price, investment and service package that customers receive. This includes controlling prices companies can charge their customers. When we do this, we must balance consumers' interests with the need to ensure the sectors are also able to finance the delivery of water and sewerage services. We also need to ensure they are able to meet their other legal obligations, including their environmental and social duties.

Through covid and the cost of living crisis, some water companies have consciously kept average bills lower than they would have been. Bills have remained below inflation easing the impact on customers, while continuing to invest in the network. This year, some of that previously withheld revenue has been added to bills.

Ofwat does not set or approve companies' charges. We set the total amount of revenue companies are allowed to recover over five years through the price control process. Water companies are required to set charges in a way best calculated to ensure that their revenues from charges do not exceed the revenues allowed under the revenue controls set by Ofwat. Companies are responsible for determining their charges. We set rules that companies must follow when developing their charging schemes.

Changes to customers' bills will vary according to which company supplies them. We must acknowledge a number of other Covid-19 related impacts, such as more people on social tariffs could increase the contributions made by other customers, less revenue collected from non-households may result in companies collecting a greater share of their revenue from households. Different companies would be impacted differently and could make different decisions on how they recover revenue, some could decide to collect over several years to avoid price shocks. For all of these issues Water companies are best placed to explain the key factors affecting its charges.

We hope that the information that we have provided you with today helps to resolve your query and provide a number of tools to manage your residents' water bills.

Dividends and remuneration packages

You've also commented on the dividends and remuneration packages paid to senior officers. Please note Ofwat has introduced new measures to ensure that executive bonuses and dividends are linked to delivering better outcomes for customers and the environment.

We will be consulting on extending our rules on executive bonuses later this year and will continue to develop our regulatory regime to drive transformative change in the water industry.

Please also see more information [here](#) on the changes we implemented in 2023.

I hope you've found the information above helpful. At Ofwat, we really value feedback from customers about the service they receive from their water company. This information helps us to work with water companies to improve their services, and ultimately deliver a better experience to customers as a whole.

Kind regards

V Willis

Victoria Willis ([she/her](#))
Senior Associate
Casework, Enforcement & Customers Directorate