

# Various Rating Actions Taken On Eight U.K. Water Companies On Potential Revision To Regulatory Framework Support

November 12, 2024

## Overview

- We think that operating and financing conditions over the next regulatory asset management period 8 (AMP8) from April 2025 to March 2030 could be more challenging for almost all the U.K. water utilities that we rate.
- While the whole sector is exposed to the potential weakening of the regulatory framework, we think that these risks are more pronounced for selected companies and could lead to differentiated ratings.
- We have therefore taken various ratings actions on eight U.K. water utilities.

LONDON (S&P Global Ratings) Nov. 12, 2024--S&P Global Ratings today took rating actions on the following U.K. water utilities (for full details, please see the ratings list below):

- We placed the issuer credit ratings on Sutton and East Surrey Water PLC, and our issue ratings on the debt instruments issued by Dwr Cymru (Financing) UK PLC, Yorkshire Water Services Finance Ltd., Affinity Water Finance PLC, and South East Water (Finance) Ltd. on CreditWatch with negative implications, signaling that the ratings could be lowered by one or more notches in the next few months.
- We affirmed our 'BBB' long-term issuer credit (ICR) rating on United Utilities PLC and 'BBB+' long-term ICR on United Utilities Water Ltd. and revised the outlooks to negative from stable.
- We affirmed our 'BBB' long-term ICR on Severn Trent PLC and 'BBB+' long-term ICR on Severn Trent Water Ltd. with stable outlooks.
- We affirmed our 'BBB-' long-term ICR on South Staffordshire PLC, 'BBB' long-term ICR on SSW Finance Ltd., and 'BBB+' long-term ICR on South Staffordshire Water PLC with negative outlooks.
- We affirmed our 'AA' issue credit ratings on the senior secured debt guaranteed by Assured Guaranty UK Ltd. (AA/Stable/--). The outlook on this debt is stable.
- We are monitoring the sector's ability to refinance at attractive rates and maintain adequate liquidity.
- We plan to review all water companies and resolve the CreditWatch placements after the

## PRIMARY CREDIT ANALYSTS

**Julien Bernu**  
London  
+ 442071767137  
Julien.Bernu@spglobal.com

**Andres Dascoli**  
London  
+44 2071766753  
andres.dascoli@spglobal.com

**Gustav B Rydevik**  
London  
+ 44 20 7176 1282  
gustav.rydevik@spglobal.com

## SECONDARY CONTACTS

**Eileen X Zhang, CFA**  
London  
+ 44 20 7176 7105  
eileen.zhang@spglobal.com

**Emmanuel Dubois-Pelerin**  
Paris  
+ 33 14 420 6673  
emmanuel.dubois-pelerin@spglobal.com

**Claire Mauduit-Le Clercq**  
Paris  
+ 33 14 420 7201  
claire.mauduit@spglobal.com

See complete contact list at end of article.

publication of the final determination (FD) and considering the companies' strategic decisions for the next regulatory period.

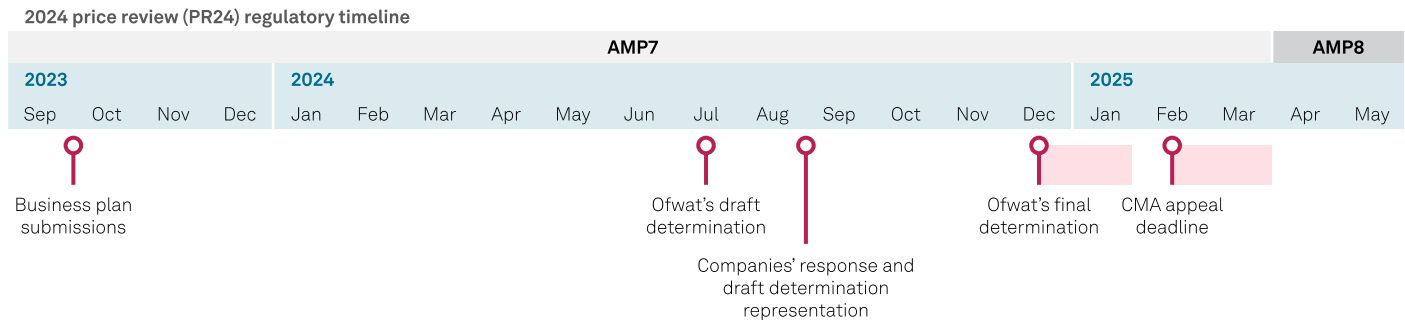
- These rating actions follow our recent downgrade of the debt issued by Southern Water Services Ltd.'s financing vehicle, which remains on CreditWatch with negative implications (see "Southern Water Services Ltd.'s Debt Downgraded To 'BBB-' On Challenging Financing Conditions, Remains On Watch Negative", published on Oct. 31, 2024); and the CreditWatch negative placement of the debt issued by Anglian Water Services Financing PLC (see "Anglian Water Services Debt Ratings Placed On CreditWatch Negative On Potential Revision To Regulatory Framework Support", published on Nov. 6, 2024).

## A High Regulatory Reset Risk For The Sector

U.K. water companies could potentially face higher business risks in the next regulatory period, after some came under strain in the current regulatory period. The ongoing price review process (PR24) for the next regulatory period (AMP8), is in the final stages, with companies waiting for information on their operating conditions starting April 2025. Companies submitted updated business plans (draft determination [DD] representations) as of the end of August 2024, following the publication of the regulator's DD in July 2024.

Chart 1

### U.K. water: A high regulatory reset risk for the sector



AMP--Asset management period. CMA--Competition and Markets Authority. Source: S&P Global Ratings. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

In our view, water companies in the U.K. will likely face significant operational and financial challenges to execute their business plans for AMP8 based on the Water Services Regulation Authority (Ofwat)'s published DDs.

This view reflects:

- Significant cuts to submitted total expenditures (totex), compared to initially submitted business plans, leaving the sector with about £15 billion of unfunded totex for the upcoming regulatory period;
- Average annual household bills (before inflation) 9% lower than under companies' proposed plans;
- An allowed return on capital of 3.72% (in real terms adjusted by consumer price index including owner occupiers' housing costs [CPIH] terms), which compares less favorably to S&P Global Ratings' rated companies' representations ranging from 3.72%-4.85%.

- An outcome delivery incentive (ODI) regime that the sector considers to be unbalanced, with stretching targets and providing more (financial) risk than opportunity, which is likely to generate more penalties than rewards.

## **We could lower our assessment of the regulatory framework for U.K. water companies**

Based on the DD, we think that we could, at the time of the FD, revise down to strong/adequate our assessment of the U.K. water regulatory framework from the current strong level. We consider that the regulatory advantage for the U.K. water sector could be less supportive, based on the features of the DD. This is a key pillar of our assessment of U.K. water companies' business risk profiles.

A weaker assessment of the regulatory advantage could have a two-notch rating effect on certain entities that we rate, since it could weaken our view of both of their business risks, and it would also affect the debt amount they can carry at a given rating level. We could tighten our credit metrics guidance for some entities, even if affirmed.

We think that some companies, absent a significant improvement in operating conditions in the FD compared with the draft would be unlikely to meet existing thresholds at the current rating level.

We could differentiate the credit effect across companies based on more or less supportive company-specific FDs. Differentiation could also result from a revision to strong/adequate of our regulatory framework assessment to reflect their operational and financial ability to manage regulatory outcomes favorably.

## **What could change between DD and FD?**

For the FD, we will assess the implementation of operational penalty-and-reward schemes that lead to ongoing penalties for many operators. We will also evaluate return levels and how attractive they are to new debt and equity investments in a sector that has requested roughly £108 billion of totex for the next five-year period.

Additional elements could affect the FD outcome for companies, relative to the DD position such as updated data points for existing parameters, all else being equal, and potential methodological changes from Ofwat, the regulator having consulted with the sector on various changes to the current regulatory framework since the publication of the DD.

Importantly, the FD outcome does not factor in any potential remedy measures from the companies that would improve their financial flexibility over the next regulatory period. We expect that companies will likely wait for visibility on their FD packages before taking any strategic decisions.

## **This regulatory reset risk comes with additional environmental challenges for WASCs**

The ongoing wastewater investigations from Ofwat and the Environment Agency (EA) into how the companies manage their wastewater treatment works and networks highlight overhanging medium-term environmental challenges that water and sewerage companies (WASCs) face that could further weaken our view of their business risk profiles.

For the seven WASCs that we rate, we monitor these ongoing investigations. The outcomes of these could have significant negative financial and reputational effects on the groups linked to these investigations. Ofwat has proposed fines to three of the companies that it is investigating, Thames Water, Yorkshire Water, and Northumbrian Water, for a total £168 million. Ofwat has stated that this investigation is a priority, and it will work as quickly as possible on the remaining cases, however, it has not given an exact timeline for the outcomes. The EA has yet to conclude any of its ongoing investigations.

### **We are monitoring the sector's ability to refinance at attractive rates and maintain adequate liquidity**

We anticipate the water sector will require significant new financing in the upcoming regulatory period with totex currently estimated at about £108 billion for the sector over the April 2025-March 2030 period as per the sector business plan representation from August 2024. While we expect that most of this amount will be financed through bill increases, we also expect water companies will raise new capital via a combination of debt and equity. We have seen some equity raised since the initial business plan presentation but expect that most of the future new equity will be conditional to the FD outcome for the upcoming regulatory period.

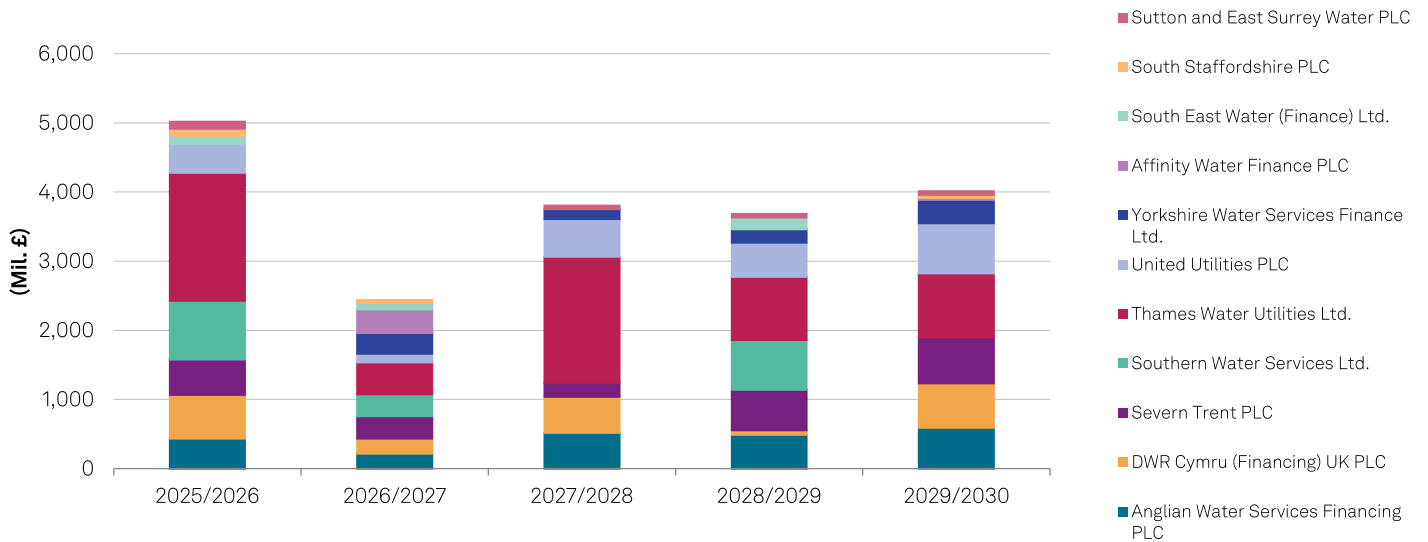
As per debt funding, we project that the almost doubling of investments for the upcoming regulatory period--relative to the current one--will further depress already-negative free operating cash flows. These investments, while boosting regulatory capital values, which benefits credit metrics after a lag, constrain metrics' improvement across the upcoming regulatory period.

In addition, ahead of raising new financing for a significant amount of capital to deploy, the sector will have to carefully manage large refinancing needs in the next regulatory period, which will start to accumulate from April 2025. We consider that the sector has generally good access to the market and well-spread maturities. We currently assess, on average, the sector's liquidity as adequate or strong since 2025 maturities are currently covered by liquidity sources for most of the sector.

We consider that refinancing risks are diverging in the sector, incorporating factors such as current standing on capital markets, frequency of access to capital markets, and level of concentration of debt maturity profile. For instance, we note that South East Water's current liquidity position will be under pressure as soon as December 2024, ahead of the maturity of a loan facility due in December 2025. We observed significant liquidity stress for Thames Water Utilities Ltd., the biggest U.K. WASC, which is expected to undertake a debt restructuring next month. Our ratings on Thames Water Utilities Ltd.'s senior secured debt are currently at 'CC' and on its subordinated debt are at 'C'.

Chart 2

**Maturities schedule for the U.K. water sector during AMP8**



Source: S&P Global Ratings, U.K. water companies.  
 Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Table 1

**Percentage of Total Debt maturing in AMP8 (%)\***

Anglian Water Services Financing PLC	28
Dwr Cymru (Financing) UK PLC	44
Severn Trent PLC	28
Southern Water Services Ltd.	38
Thames Water Utilities Ltd.	34
United Utilities PLC	23
Yorkshire Water Services Finance Ltd.	17
Affinity Water Finance PLC	28
South East Water (Finance) Ltd.	28
South Staffordshire PLC	45
Sutton and East Surrey Water PLC	63

\*reported debt as of end of March 2024.

We note that most of the water companies have been able to raise new financing since the publication of the DD in anticipation of future large capital programs in AMP8 and incoming refinancing needs, which bolsters their liquidity positions. Companies have also used tap issuances as much as possible when available. That said, companies have obtained new financing at prices currently above Ofwat's assumed cost of new debt for the next regulatory period (Ofwat at 3.36% on a real CPIH basis or about 5.4% in nominal terms, compared with the sector at or above 6.0% in nominal terms on new debt issuance as of September 2024). We acknowledge

however, that a more favorable FD could improve water companies' access to funding.

While not in our base case, the FD could be published in January 2025 as per Ofwat's recent license condition modification. If a company requests the regulator to refer its FD to the Competition and Markets Authority, companies might only know their final operating conditions as late as March 2026. Against this backdrop, prudent liquidity management, which we consider as a prerequisite for an investment-grade rating, would, in our view, be consistent with companies anticipating refinancing and capital requirements at least 12 months in advance.

## **S&P Global Ratings' Liquidity Assessment**

Liquidity is an important component of financial risk across the entire rating spectrum (see "Corporate Methodology" published on Jan. 7, 2024). Unlike most other rating factors within an issuer's risk profile, a lack of liquidity could precipitate the default of an otherwise healthy entity. Accordingly, liquidity is an independent characteristic of a company, measured on an absolute basis, and the assessment is not relative to industry peers or other companies in the same rating category.

Our "Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers" criteria (published on Dec. 16, 2014) indicates the sources and uses incorporated in our assessment of a company's liquidity position. Our key quantitative liquidity measures for an adequate assessment generally focus on liquidity sources and uses over a prospective 12-month horizon, in addition to qualitative liquidity factors, such as a company's ability to withstand high-impact, low-probability events; its relationships with banks; standing in credit markets; and general risk management. The quantitative and qualitative factors are meant to complement each other and produce a more comprehensive view of a company's future liquidity position.

For regulated utilities that enjoy a relatively certain financial performance under predictable regulatory monopoly frameworks, this typically makes them more attractive to investors, even in times of economic stress and market turbulence, than conventional industrials. Also, recognizing the cash flow stability of regulated utilities, we allow more discretion when calculating covenant headroom. When determining whether utilities with at least satisfactory business risk profiles meet our definition of adequate liquidity, we use slightly lower thresholds than for other corporates.

- A ratio of sources to uses higher than 1.1x (compared with the standard 1.2x);
- Positive sources over uses even if forecast EBITDA declines by 10% (compared with a 15% decline for corporate issuers); and
- No covenant breach even if forecast EBITDA declines by 10% (compared with a 15% decline for corporate issuers).

Table 2

### **Liquidity position --Sources over uses (x)\***

	<b>12 months</b>
Anglian Water Services Financing PLC	2.3
Dwr Cymru (Financing) UK PLC	2.1
Severn Trent PLC	1.7
Southern Water Services Ltd.	1.2
United Utilities PLC	2.0

Table 2

**Liquidity position --Sources over uses (x)\*  
(cont.)**

	12 months
Yorkshire Water Services Finance Ltd.	2.2
Affinity Water Finance PLC	1.4
South East Water (Finance) Ltd.	1.3
South Staffordshire PLC	1.3
Sutton and East Surrey Water PLC	1.3

\*As of end September 2024. Sources exclude any issuance since September 2024.

**Outlooks/CreditWatches**

**Anglian Water Services Financing PLC**

Primary analyst: Andres Dascoli

**CreditWatch**

The CreditWatch negative placement reflects our view that we would likely lower the rating on the debt issued by Anglian Water Services Financing PLC by one or two notches, depending on Ofwat's FD--currently scheduled for Dec. 19, 2024--and any potential mitigating measure. This is based on what we identify as significant operational and financial challenges the group could face to execute its business plan for AMP8 considering its DD. This downside risk also highlights a potential change in our perception of the supportiveness of the regulatory framework for U.K. regulatory water companies.

For more information, please refer to: "Research Update: Anglian Water Services Debt Ratings Placed On CreditWatch Negative On Potential Revision To Regulatory Framework Support" published on Nov. 6, 2024

**Dwr Cymru (Financing) UK PLC**

Primary analyst: Gustav Rydevik

**CreditWatch**

The negative CreditWatch placement reflects the risk that we could lower our ratings on Dwr Cymru (Financing) UK PLC (Dwr Cymru)'s class B and class C debt, by up to one notch, after Ofwat publishes its FD--currently scheduled for Dec. 19, 2024.

This downside risk highlights a potential change in our perception of the supportiveness of the

regulatory framework for U.K. regulatory water companies. If we were to change our view of the regulation, we could guide for Dwr Cymru to improve its credit metrics for the same rating level. This downside pressure could be mitigated through a more favorable FD, or credit remedy measures that the group would implement to sustain its balance sheet.

## Severn Trent PLC

Primary analyst: Julien Bernu

### Outlook

The stable outlook is based on Severn Trent Water Ltd.'s excellent operational record and its relatively low-risk, regulated U.K. water and wastewater operations, which deliver relatively stable and predictable operating and financial performance. Although we currently anticipate some efficiency challenges for the group based on the comparison with its DD and its submitted business plan, we think that even in these conditions, the group will be able to maintain its credit metrics at a level we see commensurate with the current 'BBB+' long-term issuer credit rating on Severn Trent Water Ltd., with FFO to debt averaging above 9% and debt to EBITDA below 9.0x for the next regulatory period.

While we could revise downward our perception of the supportiveness of the regulatory framework for U.K. water companies, we expect the effect to be broadly neutral for our rating on Severn Trent. This is because our base case assumes that the group can still create a sustainable competitive advantage compared to the rest of the sector, through the delivery of its business plan and its track-record of excellent operational performance, along with above average financial flexibility owing to a below average gearing level.

**Downside scenario:** We could lower the rating on Severn Trent if we were to consider that the group's FD provides greater efficiency challenges for the delivery of its AMP8 business plan compared with the DD. This could be to the point that we anticipate its FFO-to-debt adjusted metrics could not remain sustainably above a 9% average over the next regulatory period even after any mitigating actions, or that our perception of the group's ability to take advantage of its regulatory settlement has weakened compared to the rest of the sector.

A negative rating action could also be linked to a significant negative financial or reputational effect on the group linked to the ongoing investigation from Ofwat and the EA into how the company manages its wastewater treatment works and networks.

**Upside scenario** While we see a relatively limited upside on the rating for the upcoming regulatory period based on the inputs from the company's DD, we would consider raising the ratings if Severn Trent's adjusted FFO to debt exceeded 11%, debt to EBITDA was below 7.0x on a sustainable basis, and the group demonstrated sector-leading operational performance during the current regulatory period while committing to a higher rating. In our view, this would indicate that the group has benefited from a favorable FD.

## SW (Finance) I PLC

Primary analyst: Julien Bernu



## CreditWatch

The CreditWatch negative placement reflects that we could lower our ratings on SW (Finance) I PLC's debt, by one or two notches, after Ofwat publishes its FD--currently scheduled for Dec. 19, 2024. This is based on what we identify as significant operational and financial challenges the group would face to execute its business plan for AMP8 considering its DD and representation. This downside risk also highlights a potential change in our perception of the supportiveness of the regulatory framework for U.K. regulatory water companies.

For more information, please refer to: "Research Update: Southern Water Services Ltd.'s Debt Downgraded To 'BBB-' On Challenging Financing Conditions, Remains On Watch Negative" published on Oct. 31, 2024

## United Utilities PLC

Primary analyst: Gustav Rydevik

We affirmed United Utilities PLC and United Utilities Water Ltd. with a negative outlook, reflecting our view that, with the upcoming FD, by the end of the AMP at the latest United Utilities could reach FFO to debt in line with our 9% minimum expectation, but that there are risks to this pathway. Notably, we currently anticipate that the company's FFO to debt will average below 9% based on the threshold given the company's current standing under the DD. In addition to expecting a significant positive shift between the DD and FD, we acknowledge that the company may take certain mitigating actions such as raising equity and/or adjustments to the group's dividend policy. In its business plan submission, United Utilities included £1,350 million of new common equity to United Utilities Water Ltd., however, as we rate the company on a consolidated basis this would not affect our adjusted metrics. We do not expect United Utilities to provide clarity on any potential plans for the group's capital structure until after the FD.

Although the DD provides only 5% less base expenditures than the company requested at the DD representations, there remains a deficit of 27% in the enhancement expenditures and a totex gap of 17% overall. The regulatory DD also exposes United Utilities to potential ongoing ODI penalties. United Utilities estimates these on a basis of at least 50% probability at roughly £36 million per year, and potentially as much as £177 million in a bad year. Ofwat has acknowledged the negative skew of the sector, and we expect changes to the regime in the FD.

Relative to the rest of the sector, we view the company's operating performance in respect of regulatory targets during the current regulatory period as a business strength, and we expect to maintain an excellent business risk profile view.

## Outlook

The negative outlook reflects the risk that, due to the challenging operating conditions we expect during AMP8, United Utilities could continue to operate below our 9% minimum expectation for FFO to debt and 9.0x debt to EBITDA. The negative outlook also reflects risks related to the ongoing investigation from Ofwat and the EA into how the company manages its wastewater treatment works and networks.

**Upside scenario** We could revise the outlook to stable after the publication of the FD if we think that United Utilities could sustainably, and from March 2026, operate with FFO to debt consistently above 9% and debt to EBITDA consistently below 9.0x. We think this could be achieved if there is a favorable outcome for the company at the FD or the company implements various mitigating measures to shore up its financial resilience.

**Downside scenario** We could downgrade United Utilities if, following the outcome of the FD and disclose of the company's updated business plan for AMP 8, we no longer believe that United Utilities would be able to consistently operate with FFO to debt above 9% and debt to EBITDA below 9.0x.

A negative rating action could also be linked to a significant negative financial or reputational effect on the group linked to the ongoing investigation from Ofwat and the EA into how the company manages its wastewater treatment works and networks.

## Yorkshire Water Services (Finance)

Primary analyst: Gustav Rydevik

### CreditWatch

The negative CreditWatch placement reflects our view that we would likely lower the rating on the class A and class B debt issued by Yorkshire Water Services (Finance) by one or two notches, depending on Ofwat's FD--currently scheduled for Dec. 19, 2024--and absent any potential mitigating measure implemented by the group. This is based on what we identify as potential operational and financial challenges the group could face to execute its business plan for AMP8 considering its DD.

This downside risk also highlights a potential change in our perception of the supportiveness of the regulatory framework for U.K. regulatory water companies, which could lead us to tighten our guidance on credit metrics.

## Affinity Water Finance PLC

Primary analyst: Julien Bernu

### CreditWatch

The negative CreditWatch placement reflects our view that we would likely lower the rating on the debt issued by Affinity Water Finance PLC by one or two notches, depending on Ofwat's FD--currently scheduled for Dec. 19, 2024--and absent any potential mitigating measure implemented by the group. This is based on what we identify as potential operational and financial challenges the group could face to execute its business plan for AMP8 considering its DD.

This downside risk also highlights a potential change in our perception of the supportiveness of the regulatory framework for U.K. regulatory water companies, which could lead us to tighten our guidance on credit metrics.

## South East Water (Finance) Ltd.

Primary analyst: Andres Dascoli

### CreditWatch

The CreditWatch negative placement reflects our view that South East Water might not maintain adequate liquidity. This is based on the pressure the group's liquidity position faces to remain above our 1.1x sources-to-uses threshold for an adequate liquidity assessment, ahead of the £120 million loan facility due in December 2025. We could likely lower the rating on the debt issued by South East Water (Finance) Ltd., its financing vehicle, by one notch within the following weeks in the absence of a financing plan that would allow the group to maintain adequate liquidity for the next 12 months. The company's liquidity calculation excludes £76 million of undrawn debt service reserve and operation and maintenance reserve liquidity facilities, which can only be drawn in limited circumstances.

We anticipate that South East Water (Finance) Ltd. will face the same challenges as the rest of the sector. We identify significant financial and operational challenges that the group would face to execute its business plan for AMP8, considering its DD and representations. This downside risk highlights a potential change in our perception of the supportiveness of the regulatory framework for U.K. water companies, which could lead to us tightening our guidance on the group's credit metrics. This scenario could lead to a further one or two notches downgrade after Ofwat publishes its FD--currently scheduled for Dec. 19, 2024. In the case liquidity challenges are resolved, we would still maintain the CreditWatch with negative implications to reflect the above-mentioned sector challenges.

## South Staffordshire Water PLC

Primary analyst: Gustav Rydevik

The 'BBB-' rating affirmation with a negative outlook reflects our view that, with the upcoming FD, South Staffordshire PLC (SSPLC) (and South Staffordshire Water PLC [SSW]) could improve its credit metrics and achieve FFO to debt above the 10% threshold during the next regulatory period. However, we currently project the company's metrics to remain below our guidance, based on the operational and financing conditions embedded in the DD. Depending on the outcome of the FD from Ofwat, we think that the company may need to take certain mitigating actions to maintain the current ratings. In the company's original business plan submission there was a proposed equity injection of £35 million.

We also note that SSPLC's inflation-linked financing instruments account for about 43% of total financing instruments, and the operating company SSW's instruments account for 75%. This is higher than the sector average of 50%. We expect inflation to decrease for the rest of the regulatory period to the end of March 2025 and, therefore, credit metrics to recover toward the end of the current period.

### Outlook

The negative outlook reflects the risk that, due to the challenging operating and financing conditions expected during AMP8, SSPLC and SSW could continue to operate with FFO to debt below our current 10% guidance for the rating level of 'BBB+'.

**Downside scenario** We could downgrade SSPLC and SSW if, following the outcome of the FD and the disclosure of the company's business plan for AMP 8, we no longer think that both companies would be able to consistently and sustainably operate with FFO to debt above 10%.

**Upside scenario** We could revise the outlooks to stable after the publication of the FD if we think that SSPLC and SSW could operate with FFO to debt consistently above 10%. We think that this could be achieved if there is a favorable outcome for the company at the FD or the company takes sufficient mitigating actions.

## Sutton and East Surrey Water PLC

Primary analyst: Andres Dascoli

### CreditWatch

The negative CreditWatch placement reflects our view that we would likely lower the rating on Sutton and East Surrey PLC by one or two notches, depending on Ofwat's FD--currently scheduled for Dec. 19, 2024--and any potential mitigating measure. This is based on what we identify as significant operational and financial challenges the group could face to execute its business plan for AMP8 considering its DD.

This downside risk also highlights a potential change in our perception of the supportiveness of the regulatory framework for U.K. water companies, which could lead us to tighten our guidance on credit metrics.

### Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Corporates | Utilities: Rating Structurally Enhanced Debt Issued By Regulated Utilities

And Transportation Infrastructure Businesses, Feb. 24, 2016

- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

## Related Research

- Research Update: Anglian Water Services Debt Ratings Placed On CreditWatch Negative On Potential Revision To Regulatory Framework Support, Nov. 6, 2024
- Research Update: Southern Water Services Ltd.'s Debt Downgraded To 'BBB-' On Challenging Financing Conditions, Remains On Watch Negative, Oct. 31, 2024
- Research Update: Thames Water Utilities Finance PLC's Class A Debt Rating Lowered To 'CC', Class B To 'C' On Proposed Restructuring, Oct. 28, 2024
- Research Update: Thames Water Class A Debt Lowered To 'CCC+' And Class B Debt To 'CCC-' On Near-Term Liquidity Stress, Sept. 25, 2024
- U.K. Economic Outlook Q4 2024: Disinflation And Rate Cuts Will Stimulate Growth, Sept. 23, 2024
- Research Update: Southern Water Services Ltd.'s Debt Ratings Placed On Watch Negative On Unfavorable Draft Regulatory Settlement, Aug. 23, 2024
- Industry Credit Outlook Update Europe: Utilities, July 18, 2024
- U.K. Utilities Outlook 2024: Cloudy With Sunny Spells, Jan. 30, 2024
- Industry Credit Outlook 2024: EMEA Utilities, Jan. 9, 2024
- Water Investments In England And Wales Poised To Nearly Double Over 2025-2030, Oct. 5, 2023

## Ratings List

### Dwr Cymru (Financing) UK PLC

	To	From
Senior Secured Debt*	AA/Stable	AA/Stable
Senior Secured Debt	A-/Watch Neg	A-/Negative
Subordinated Debt	BBB/Watch Neg	BBB/Negative

### Severn Trent Water Ltd.

	To	From
Issuer Credit Rating	BBB+/Stable/A-2	BBB+/Stable/A-2
Senior Unsecured	BBB+	BBB+

## Various Rating Actions Taken On Eight U.K. Water Companies On Potential Revision To Regulatory Framework Support

### United Utilities Water Ltd.

	To	From
Issuer Credit Rating	BBB+/Negative/--	BBB+/Stable
Senior Unsecured	BBB+	BBB+

### Yorkshire Water Services Ltd.

	To	From
Senior Secured Debt*	AA/Stable	AA/Stable
Senior Secured Debt	A-/Watch Neg	A-/Negative
Subordinated Debt	BBB/Watch Neg	BBB/Negative

### Affinity Water Finance PLC

	To	From
Senior Secured Debt	BBB+/Watch Neg	BBB+/Negative
Subordinated Debt	BBB-/Watch Neg	BBB-/Negative

### South East Water (Finance) Ltd.

	To	From
Senior Secured Debt	BBB/Watch Neg	BBB/Negative

### South Staffordshire Water PLC

	To	From
Issuer Credit Rating	BBB+/Negative/A-2	BBB+/Negative/A-2

### Sutton and East Surrey Water PLC

	To	From
Issuer Credit Rating	BBB/Watch Neg/--	BBB/Stable
Senior Secured Debt*	AA/Stable	AA/Stable

Note: This list does not include all the ratings affected.

\*Guaranteed by Assured Guaranty.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceld/504352>. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings). Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

## Contact List

### PRIMARY CREDIT ANALYST

**Julien Bernu**  
London  
+ 442071767137  
Julien.Bernu@spglobal.com

### PRIMARY CREDIT ANALYST

**Andres Dascoli**  
London  
+44 2071766753  
andres.dascoli@spglobal.com

### PRIMARY CREDIT ANALYST

**Gustav B Rydevik**  
London  
+ 44 20 7176 1282  
gustav.rydevik@spglobal.com

### SECONDARY CONTACT

**Eileen X Zhang, CFA**  
London  
+ 44 20 7176 7105  
eileen.zhang@spglobal.com

### SECONDARY CONTACT

**Emmanuel Dubois-Pelerin**  
Paris  
+ 33 14 420 6673  
emmanuel.dubois-pelerin@spglobal.com

### SECONDARY CONTACT

**Claire Mauduit-Le Clercq**  
Paris  
+ 33 14 420 7201  
claire.mauduit@spglobal.com

### SECONDARY CONTACT

**Svetlana Ashchepkova**  
London  
+ 02073040798  
svetlana.ashchepkova@spglobal.com

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.spglobal.com/usratingsfees](http://www.spglobal.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.