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London area drinking water supply: failure in addressing leakages in drinking water supply system leads to severe penalty payments: 8.55 million GBP (≈ 9.75 million EUR)

The privatised water utility for the London and Thames Valley in the UK will be fined for (again) failing on its commitments to reduce leakages in its drinking water supply system.

Ofwat (the economic regulatory body for the privatised water industry in England and Wales) has issued the following statement on Thames Water¹ leakage commitments: Thames Water's Annual Report and Accounts 2016-17, published 7 June 2018, show that the company has failed to meet its commitments to reduce leakage in 2016-2017.

As a consequence of missing its commitment on leakage, Thames will be penalised £8.55million. This is the maximum automatic penalty under the performance commitment regime for missing this specific target. The penalty is borne by the company alone and cannot be passed on to customers.

In addition, Ofwat has opened an investigation to consider whether enforcement action is needed over and above this automatic penalty.

Responding to the announcement today by Thames Water, Ofwat Chief Executive Cathryn Ross said:

“The failure by Thames Water to meet the leakage commitments it has made to its customers is unacceptable. Our performance commitment regime imposes significant penalties for failure to deliver the levels of performance that customers have paid for and consequently, Thames Water will now face the maximum penalty. We take very seriously our responsibility to ensure that every water company is delivering for its customers and where they fall short, we do not hesitate to step in to protect customers' interests.”

¹ Comment by editor: Thames Water is the privatised water utility (drinking water and waste water) serving the London and Thames Valley area, with about 15 million customers

<https://corporate.thameswater.co.uk/About-us>

According to company figures published, its underlying operating profit for the financial year 2016/2017 was £605 million (2015/16: £742.2 million).

<https://corporate.thameswater.co.uk/Media/News-releases/Thames-Water-Utilities-Ltd-financial-results-for-2016-17>

Operating profit is an accounting figure that measures the profit earned from a company's ongoing core business operations, thus excluding deductions of interest and taxes. This value also does not include any profit earned from the firm's investments, such as earnings from firms in which the company has partial interest. https://www.investopedia.com/terms/o/operating_profit.asp