

[REDACTED]  
[REDACTED]  
10th August 2015

Jonson Cox,  
Chairman, Water Services Regulatory Authority  
Centre City Tower,  
Hurst Street, Birmingham B5 4UA

Dear Jonson,

### **Bazalgette Water**

I understand that the Authority is consulting on **whether Bazalgette Tunnel Limited is a fit and proper entity to be licensed as infrastructure provider.**<sup>1</sup> On the basis of the information so far provided, I do not believe that it is.

First, there has been public criticism concerning both the governance and the lack of customer focus of private equity, concerns which I believe you yourself have articulated. How does the proposed licence reflect these concerns and, more importantly what assurances has Bazalgette Tunnel given Ofwat, i.e. assurances that the Authority considers satisfactory?

Secondly, there is the issue of the NAO Report, which draws attention to the special risks involved in this project. What assurances have Bazalgette Tunnel given to Ofwat concerning the management of such risks, in order to minimise the costs to customers?

Thirdly, Ofwat has been concerned about this project for a decade; your predecessor wrote to Ministers querying its value for money for customers. Subsequent work, notably by Chris Binnie<sup>2</sup>, has reinforced this position. Customers, having already spent a considerable amount

---

<sup>1</sup> Keith Mason's letter to Emily Shirley 8th August 2015

<sup>2</sup> notably Chris Binnie *Thames Tideway Measures to protect the river environment from the adverse effects of waste water discharges with Addenda 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 & 11.* 23rd March 2014

of money, through their bills, on improving water quality in the lower Thames, are now being asked to pay again, at considerable cost, for very little, if any, additional benefit.

Fourthly, as the means of delivery of this project has been mandated by Ministers, it should be financed through the public sector. Recent events, documented in the material released by the Bank last week, have revealed a continuing low cost for UK sovereign debt; what equity and corporate bond risk premia are the Authority minded to use, so that customers can see the difference?<sup>3</sup>

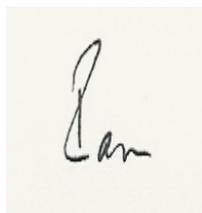
All four points concern charges to customers, whom the Authority has a statutory duty to protect. What, please has the Authority done to deal with them? What discussions have taken place with Bazalgette Tunnel and what assurances have been received?

When this information has been received, it will be possible to make an informed decision on the question of **whether Bazalgette Tunnel Limited is a fit and proper entity to be licensed as infrastructure provider.**

I trust that this letter will be shown to the Authority before it makes its decision. I have kept it succinct while trying to make it comprehensive. When, please, will the Authority be able to reply?

I copy to the Chairman of CCWater, who also has statutory duties.

Yours ever,

A handwritten signature in black ink on a light-colored rectangular background. The signature is cursive and appears to read 'Ian'.

Sir Ian Byatt

---

<sup>3</sup> The recommendations of the Walker Report on the desirable transparency of environmental projects are not being followed.