



Reasons for designating Bazalgette Tunnel Limited as an infrastructure provider responsible for delivering the Thames Tideway Tunnel

1. Introduction

On 13 August 2015, Ofwat designated Bazalgette Tunnel Limited as an infrastructure provider (IP) responsible for the delivery of the Thames Tideway Tunnel project (the Project), and that designation became effective on 14 August 2015. [The designation notice is available on the Ofwat website](#). The designation notice was issued subject to the condition that a project licence will be awarded to Bazalgette Tunnel Limited within 12 months of the date of the designation notice. If a project licence is not awarded, then the designation notice will cease to have effect.

2. Background

Under regulation 8 of the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013 (the [Regulations](#)), either Ofwat or the Secretary of State may, by notice, designate as an “infrastructure provider” (IP) a company which appears to Ofwat or the Secretary of State to be wholly or partly responsible for a specified infrastructure project that was put out to tender in accordance with the Regulations. A designation notice may be subject to such conditions as Ofwat or the Secretary of State considers appropriate.

In March 2015, following consultation, Ofwat published guidance setting out the factors Ofwat will take into account before designating a company as an IP (see paragraph 5 of Ofwat guidance: [Criteria for selecting specified infrastructure projects](#)).

On 4 June 2014, the Secretary of State specified the Thames Tideway Tunnel Project (the Project) under the Regulations. The [Project Specification Notice](#) became effective on 5 June 2014. The issue of the Specification Notice meant that Thames Water (as the incumbent undertaker) was required to put the Project out to tender. It did this on 10 June 2014, placing a contract notice in the Official Journal of the

European Union ('OJEU')¹ in relation to the procurement of an IP to deliver the design, construction, ownership, financing and operation of the Project.

On 14 July 2015 Thames Water announced **Bazalgette Tunnel Limited** as the preferred bidder to be appointed as the IP to deliver the Project.

In accordance with section 195A of the Water Industry Act 1991 (as applied by the Regulations), this document sets out the reasons for our decision to designate **Bazalgette Tunnel Limited** as the IP for the Project.

3. Reasons for designating Bazalgette Tunnel Limited as the IP for the Thames Tideway Tunnel Project

Designation is required in order to bring a company within the regulatory net of the Water Industry Act 1991 and the Regulations. In particular, Ofwat can only issue a project licence to a company that has been designated as an IP and it can only take enforcement action against a company once it has been designated.

Ofwat considers that in order to protect customers, the IP that will deliver the Project should be a regulated entity subject to a licence. This will give us the power to monitor the costs of the Project; to require the IP to report regularly to us on its costs and its progress in completing the Project; and it will enable us to take enforcement action against the IP if it fails to deliver the Project as required by its licence.

Before designating a company as an IP, we must be satisfied that the Project was:

- specified under the SIP Regulations; and
- put out to tender in accordance with the SIP Regulations.

We must also be satisfied that the company that we designate as an IP:

- will be wholly or partly responsible for the specified infrastructure project;
- is not an associated company of the incumbent undertaker save where it has been given consent by us or the Secretary of State to bid in the tender process; and
- is registered in England and Wales or Scotland and is limited by shares or guarantee.

¹ Reference 2014/S 113-199543

Wholly responsible for the TTT Project

The Project Specification Notice sets out the scope of the Project and this includes:

- the design, construction, testing and commissioning of the Thames Tideway Tunnel and associated infrastructure; and
- once constructed and accepted by Thames Water, the operation and maintenance of certain infrastructure provider-owned structures.

The project, as tendered reflects this scope and Bazalgette Tunnel Limited, as the successful tenderer, will, once a project licence is issued, be obliged to deliver the whole of this scope.

Not an associated company of Thames Water

The preferred bidder is a consortium of Allianz Infrastructure Luxembourg I S.a.r.l., Bazalgette (Investments) Limited, IPP (Bazalgette) Limited, Dalmore Capital 14 GP Limited (in its capacity as general partner of Dalmore Infrastructure Investments LP) and DIF Bid Co Limited, none of which are associated companies of Thames Water.

Registered in England and Wales or Scotland and limited by shares or guarantee

Bazalgette Tunnel Limited, Bazalgette Holdings Limited and Bazalgette Equity Limited are UK registered and resident in the UK for tax purposes. The IP FinCo, when formed, will also be UK registered and a UK tax resident. The owners of Bazalgette Tunnel Limited and their respective participations are as set out below:

Allianz Infrastructure Luxembourg 1 S.a.r.l	34.26%
Dalmore Infrastructure Investments LP	33.76%
IPP (Bazalgette) Limited	15.99%
DIF Bid Co Limited	10.66%
Bazalgette (Investments) Limited	5.33%
	100%