



Cathryn Ross
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Tuesday 18 November 2014

Dear Cathryn

Ofwat's consultation on the proposed modifications to condition B of Thames Water's licence under Section 13 of the Water Industry Act 1991

We welcome Ofwat's formal consultation on the proposed modifications to Thames Water's Licence to enable our activities in relation to the Thames Tideway Tunnel Project to be regulated under a separate price control. I can confirm that we support the proposed modifications, and in particular, we welcome Ofwat's decision for the separate price control to be time limited to the period 2015-2020.

Whilst we do not believe that further changes to the proposed modifications are necessary, there are a number of places where it would be possible to tighten the drafting and/or use clearer language without changing the meaning. We have, therefore, included in Annex 1 some drafting changes to the licence modifications which you may find helpful. I stress, however, that whilst we would be happy for Ofwat to adopt them if it wished to do so, they are minor and we do not see them as essential.

Yours sincerely

A handwritten signature in blue ink, appearing to read "M Baggs", written over a faint blue circular stamp.

Martin Baggs
Chief Executive Officer

cc Andrew Chesworth

Annex 1: Proposed licence modifications (section 3 and Appendix 1 of the Consultation)

Thames Water supports the rationale for the proposed modifications and makes the following comments to assist Ofwat in finalising the drafting:

- the inverted commas at the end of the definition of “SIP Regulations” are not required;
- the text in parentheses at the end of 9.4(1A) which introduces “TTT Allowed Revenue” as a defined term is not required (as that term is not used elsewhere in the draft modifications);
- query whether new sub-paragraph 9.4A(2) could be redrafted for additional clarity, as follows:
 - “(2) for the purposes of sub-paragraphs 14.1 and 14.2 of Condition B:
 - (a) a single reference may be made to adjust the value of Kt in respect of any number of Notified Items and Relevant Changes of Circumstances relevant to the Thames Tideway Tunnel Price Control;
 - (b) ~~For the purposes of sub-paragraph 14.2, no costs, receipts or savings reasonably attributable to the Sewerage Services for the Thames Tideway Tunnel Project may be included in any reference under sub-paragraph 14.1 of condition B which relates to a Price Control determined pursuant to sub-paragraph 9.3 or 9.4(1) of Condition B, and~~
 - (c) no costs, receipts or savings reasonable attributable to the Appointed Business' sewerage services other than Sewerage Services for the Thames Tideway Tunnel Project may be included in any reference under sub-paragraph 14.1 of condition B which relates to the Thames Tideway Tunnel Price Control.”;
- for consistency with new paragraphs 9.4(1A) and 9.6A, which together provide that the TTT Price Control will not continue to apply beyond AMP6, paragraph 9.7(2) could be amended to exclude Ofwat’s previous TTT Price Control determination (as this determination will not continue beyond AMP6 even where Ofwat is unable to conduct PR19 by 31 December 2019); and
- for completeness and clarity, the text in inverted commas in paragraph 9.6A should read “other than Sewerage Services for the Thames Tideway Tunnel Project in relation to the period from 1 April 2015 to 31 March 2020”.