



Household Retail Project
Ofwat
21 Bloomsbury Street
London
WC1B 3HF

17 February 2016

Dear Sir/Madam,

Review of retail household markets in the water and wastewater sector: Call for evidence

We are pleased to respond to Ofwat's call for evidence in relation to its review of retail household markets in the water and wastewater sector. While Tideway will not be directly affected by changes in the retail market, we will be indirectly affected through the collection of our revenue by Thames Water. We offer the following views in response to Ofwat's specific questions about the advantages and disadvantages of competition and interactions with other markets.

Tideway has a relationship with Thames Water, which collects revenue on its behalf, as set out in the Revenue Agreement between the parties. Tideway's revenues are added to Thames Water's wastewater charges and billed to customers. Therefore, any changes to market arrangements may affect these mechanics, making it necessary to amend the Revenue Agreement to maintain the commercial arrangements intended during the procurement of Tideway.

As revenue received by Thames Water is passed through to Tideway on a "pay when paid" basis, changes in retail arrangements may also affect the speed at which Tideway's revenue is collected and passed through by Thames Water, and associated risks (e.g. in relation to retailer insolvency). Therefore, if retail competition for households were introduced, it would be necessary to consider the impact on Tideway (and potentially other future infrastructure providers).

While these impacts will be viewed in the context of the advantages and disadvantages of extending competition considered by Ofwat, it is important that all interactions are taken into account to ensure that Ofwat's review presents a robust and complete impact assessment.

We would be happy to engage further with Ofwat during its review.

Yours faithfully

Matt Parr

Head of Regulation and Business Planning

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