



Rachel Fletcher  
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**Strategy & Regulation**

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21 June 2018

Dear Rachel

**Putting the sector back in balance: an alternative way forward?**

Following Ofwat's April consultation "Putting the Sector Back in Balance", a number of Regulation Directors have been working to develop alternatives to the specific proposals contained within that document. We have this week reached the point at which we wanted to share this work with you.

The attached document sets out what we hope is a constructive package of measures that would further the long term interests of customers and the environment. We believe these measures could address the principles set out by the Secretary of State for the Environment in his City Conference speech in March, and meet the suggested revised IAP tests we describe herein, but avoid much of the downside risks that we believe would be triggered if Ofwat's specific proposals on financing outperformance were implemented.

For the avoidance of doubt, these proposals are without prejudice to Thames Water's formal response to the April 2018 consultation paper.

We would of course be happy to meet to discuss further either bilaterally or as part of a wider group of companies.

Yours sincerely,

A handwritten signature in black ink that reads "Nick Fincham".

**Nick Fincham**  
**Director of Strategy & Regulation**

Copies to: Aileen Armstrong and David Black (Ofwat), Sebastian Catovsky (Defra) and Kirsty Innes (HMT)