



Rachel Fletcher
Ofwat
City Centre Tower
7 Hill Street
Birmingham
B5 4UA

Name Steve Robertson
E-Mail [REDACTED]

8 June 2018

Dear Rachel

Change of control – consultation on changes to Thames Water’s Instrument of Appointment

Thank you for the opportunity to comment on your Change of Control policy and the specific changes proposed to Condition F and Condition P of our Instrument of Appointment. I can confirm that our Board accepts the proposed licence modifications based on the understanding that:

- the assurances we received from Ofwat in June 2007 continue to stand and that Ofwat will continue to interpret “Issuer Credit Rating” in accordance with the approach it set out in Keith Mason’s letter to Simon Batey dated 27 June 2007; and
- as per the Company Monitoring Framework assessment, we are meeting Ofwat’s expectations in terms of compliance with the Board Leadership and Governance Principles.

In relation to the definition of Issuer Credit Rating, we have suggested minor drafting amendments to the definition of Issuer Credit Rating and Condition P to reflect how Ofwat interprets the definition in practice. Please see Appendix A for our proposed changes.

With regard to the wider proposals on your Change of Control policy, we are keen to engage with you and will respond separately to the questions posed in your consultation document.

Yours sincerely,

A handwritten signature in black ink, appearing to be "S. Robertson".

Steve Robertson
Chief Executive Officer

Appendix A: Proposed amendment to Credit Ratings and “Cash Lock-Up” provisions

Condition A

“Issuer Credit Rating” means, (a) for so long as the Appointee is a member of the corporate group that has been assigned a Corporate Family Rating by a Credit Rating Agency, such Corporate Family Rating; or (b), where the Appointee is not a member of a corporate group that has been assigned such a Corporate Family Rating, the credit rating assigned by a Credit Rating Agency to the debt ranked as senior issued or guaranteed (as the case may be) by the Appointee.

“Corporate Family Rating” means a credit rating issued by a Credit Rating Agency to all classes of debt issued by companies that are members and/ or affiliates of the same corporate group where the “corporate group” is as determined by the relevant Credit Rating Agency for such purpose.

Condition P

7.3: The “Cash Lock-Up” provisions set out in paragraph 7.4 apply in any circumstances where:...

(b) the Appointee holds an Issuer Credit Rating that is not an Investment Grade Rating.