



Official

Ref: [REDACTED]

Rob Lee

Principal Accountant

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By email: OfwatPandO@ofwat.gov.uk

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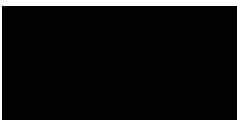
Dear Rob and colleagues,

**CONSULTATION ON REGULATORY REPORTING FOR THE 2020-21 REPORTING YEAR –
TIDEWAY RESPONSE**

Please see Tideway's response to this consultation in the annex to this letter.

We appreciate that many of the proposed changes were not designed with Tideway's circumstances in mind. Before the RAGs are finalised we would be keen to gain a better understanding of the impact (if any) of some of these changes on Tideway. In our response we note the areas where we would welcome a discussion with Ofwat. We will contact you soon to arrange a convenient time.

Yours sincerely



Mathew Duncan

CFO

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Annex: Tideway response to Ofwat consultation on regulatory reporting for the 2020-21 reporting year

Tideway has responded to a subset of the questions that are directly or indirectly relevant to our reporting. Areas where we would appreciate further discussion with and/or confirmation from Ofwat are underlined.

Question 1: What are your views on the proposed changes to the APR tables in Appendix 1?

Comments below relate to proposed changes to the tables and to narrative reporting requirements.

Table	Line	Issue
2L	All	Tideway does not currently complete table 2E, which contains the line for proceeds from disposals of protected land that is being split out into table 2L. While Condition L of our licence places requirements on Tideway in respect of disposals of protected land, our Property team's review of circumstances that may constitute disposals by Tideway has concluded that these will not generate any proceeds and are unlikely to have a value other than zero. <u>We would like to discuss with Ofwat whether it would be appropriate for Tideway to complete this table in 2020/21 and subsequent years (nil return).</u>
4B	All	We understand that this table is a direct copy of the 'App20' table that Tideway has completed previously and sent separately to Ofwat but that has not been published in our annual report. <u>We would welcome confirmation that the new table will still be submitted electronically to Ofwat but not published.</u>
9A	All	See our response to question 17.

- **Major project reporting (consultation section 2.3):** Tideway supports the collection of additional data to ensure appropriate funding is provided for future major projects. Given the diversity of major projects and the challenges they face, it may be difficult to collect comparable data, which Ofwat will need to consider in developing its requirements.
- **Board statement on accuracy and completeness of data and information (RAG 3.12 paragraph 4.14; consultation paragraph 2.8):** We recognise the importance of providing accurate information and explaining how the information has been assured, in order for our stakeholders to trust it. Tideway has an established data assurance methodology, consistent with its assurance policy, strategy and plan, and the outcome of this assurance is reported in the data assurance summary in our annual report.

We note Ofwat's intention to introduce a Board statement on accuracy and completeness of data and information, following the decision not to continue with the Company Monitoring Framework (CMF). We request Ofwat confirmation that this requirement will not apply to Tideway (as the CMF did not apply) and note that we will continue to publish the data assurance summary in our annual report. We are happy to discuss this further with Ofwat.

- **Executive pay and performance reporting (RAG 3.12 section 3.2):** As Tideway does not serve customers directly, we request Ofwat confirmation that the requirements on linking remuneration to customer service do not apply to Tideway, or apply in a modified form.

- **Dividend policy (RAG 3.12, section 3.4):** Tideway does not pay dividends during the construction period. In 2019/20 we explained this situation in our annual report and provided information on our distributions under shareholder loans. We would welcome confirmation from Ofwat on whether this approach remains appropriate for 2020/21.
- **Financial Derivatives (RAG 3.12, section 4.17):** Drafting of this section is unclear. We would welcome clarification of Ofwat's intent.

Questions 2-4: No response

Question 5: We are considering moving the 15 July deadline for the APR publication earlier in July so that we can more easily accommodate the in-period determinations. Would it be practical to implement such a change?

We would appreciate further information on the timing issues that Ofwat faces in relation to the in-period determinations. If the benefits to Ofwat of an earlier APR publication deadline are substantial, we are willing to consider a shift of up to a week, i.e. no earlier than 8 July. A deadline earlier than 8 July would represent a major decrease in the available headroom in Tideway's annual reporting processes, and an unacceptable increase in risk that external events (such as further COVID-19 linked lockdowns) could prevent us from meeting the revised deadline.

We note that early agreement on the form of audit opinion between Ofwat and accounting firms would help to reduce the risk that companies miss APR deadlines in 2021 and subsequent years.

Questions 6-16: No response

Question 17: We are introducing a new table 9A for the reporting of issues relating to the innovation competition. [...] Do the proposed new table, line definitions and commentary requirements capture the required information to support the reconciliation process? What additional information should we consider adding to this table?

It is currently unclear whether Tideway is eligible to take part in the innovation competition. We wrote to Ofwat on 24 July seeking to confirm our eligibility and look forward to your response.

Tideway supports measures to promote transparency on the use of innovation competition funding. Should Tideway receive such funding, we would welcome a discussion with Ofwat on whether the standard reporting requirements are appropriate to Tideway's circumstances or whether changes may be needed to reflect, for example, that we do not bill customers directly.

Questions 18-19: No response

Question 20: We highlight proposals for Greenhouse gas emission reporting in section 4 'Future developments in performance reporting'. To what extent do you agree or disagree with these proposals and why? Could companies publish annual gross and net greenhouse gas emissions (in tCO₂e) for both water and wastewater? Could this be done for both operational and embedded emissions?

We are supportive of greenhouse gas emissions reporting. Tideway is already reporting scope 1, 2 and 3 emissions; please see our [Sustainable Finance Report \(p27\)](#). We align ourselves to the World Resources Institute and the World Business Council for Sustainable Development definitions of Scope 2 and 3 emissions.

As an infrastructure provider, our performance is tracked against our anticipated construction carbon (CAPEX) footprint of $\leq 768,756$ t CO₂e. Embodied carbon within the construction materials makes up the highest proportion, equating to over 70% of the carbon associated with construction of the tunnel.

We are committed to ensuring that our climate change disclosures align with Task Force on Climate-related Financial Disclosures (TCFD) recommendations and plan to report accordingly from next year. We would encourage Ofwat to follow one of the existing disclosure frameworks in existence, and would be happy to discuss our reporting practices and potential industry-wide approaches with you.

Question 21: We highlight proposals for nature based solutions reporting in section 4 ‘Future developments in performance reporting’. To what extent do you agree or disagree with these proposals and why? Which type of nature based solutions do you think should be included in any reporting, and how could they be reported against? What work do you think is required to establish relevant baselines?

We are supportive of nature based solutions. The Thames Tideway Tunnel will prevent fish kills by reducing sewage from entering the River Thames which in turn will allow the river to sustain a rich, diverse array of wildlife. Tideway has part funded work with the Zoological Society London (ZSL) to undertake baseline surveys of breeding seals and larval and juvenile fish in the River Thames. These studies help to improve knowledge and understanding of the river ecosystem, and form part of a wider baseline against which improvements in water quality and biodiversity following construction of the tunnel can be measured.

We continue to look for opportunities to green our public spaces. This year our partnership with Trees for Cities included the installation of a 75-metre long living hoarding on our Kirtling Street site. The structure has been designed so that the vegetation and planters can be relocated to a local school once the site is demobilised. Our Main Works Contractors continue to develop designs to deliver our legacy commitment of planting at least two trees for every one that has to be removed during our works. Tideway is creating new areas of public realm to connect the capital’s residents and visitors with the river more closely than is currently possible. By the time the tunnel is built and in operation we will have created three acres of new public realm along the route of the River Thames at seven different locations. Parts of the new spaces at Victoria and Chelsea Embankments and at King Edward Memorial Park will be ‘floodable’ at high tides, giving Londoners a rare opportunity to dip their toe in what will be a cleaner River Thames. We will also be opening up sections of the Thames Path currently closed to the public and making improvements to the existing route where we can.

We appreciate that the range of nature based solutions adopted may differ considerably between an infrastructure project and a regional water and sewerage provider, and would be happy to discuss our approach with Ofwat.

Question 22: We highlight proposals for household bills reporting in section 4 ‘Household bills’. To what extent do you agree or disagree with these proposals and why? What additional information on household bills do you think should be included in the APR?

We welcome Ofwat’s proposal for the publication of additional information on household bills, in particular the provision of information on customers in arrears, which will aid Tideway’s understanding of the rate of collection of its Allowed Revenue (by Thames Water). We seek confirmation from Ofwat that the requirement will not apply to Tideway (as we do not bill customers directly).

In relation to “the full detail of the calculation of the average household bill” we would like to understand how Ofwat envisages this will be presented before fully endorsing this proposal. In particular, we are keen to understand how Tideway’s bill impact would be presented (as this is not currently identified separately on customer bills).

Other comments

Each year Tideway seeks Ofwat approval for our proposed departures from the standard reporting requirements. We have previously proposed to Ofwat (in our response to the 2018/19 annual reporting consultation) that this process could be explicitly mentioned within the RAGs, which would provide an additional layer of comfort to our auditors and stakeholders. We would be grateful if Ofwat could consider including text in line with that below within the modified RAGs, and are happy to discuss drafting.

“Due to the nature of its business and the different revenue arrangements applying during its construction period, not all requirements of the RAGs are relevant to Tideway. Each year, following publication of Ofwat’s annual reporting information notice and any modified RAGs, Tideway will formally write to Ofwat setting out the scope of the annual performance report that it expects to submit that year. Ofwat will confirm its agreement in writing by 1 May.”