

## **Undertaking for the purpose of section 19 of the Water Industry Act 1991, as has effect under the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013**

This undertaking is given by Bazalgette Tunnel Limited ("**the Company**") to the Water Services Regulation Authority ("**Ofwat**") pursuant to section 19(1)(b) of the Water Industry Act 1991 ("**the Act**"), as has effect under the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013 ("**the SIP Regulations**").

### **Part 1: Contraventions to which the undertaking relates**

1. Pursuant to the powers conferred by Regulation 8(1) of the SIP Regulations, Ofwat by notice dated 13 August 2015, designated Bazalgette Tunnel Limited as an infrastructure provider to be wholly responsible for the design, construction, financing, testing, commissioning, operations and maintenance of the Thames Tideway Tunnel. Ofwat, in exercise of the powers conferred on it by section 17FA of the Act (as has effect under the SIP Regulations), granted a Project Licence to the Company ("**Licence**").
2. Paragraph F6 of Condition F of the Licence requires the Company to comply with Ofwat's Regulatory Accounting Guidelines ("**RAGs**"). In turn, the RAGs require the Company to submit its annual performance report ("**APR**") by 15 July each year. The APR must be accompanied by an auditor's report on the tables in sections 1 and 2 of the regulatory accounts.
3. The Company notified Ofwat that it would be unable to provide an auditor's report by 15 July 2023 in contravention of paragraph F6 of Condition F ("**the contravention**"). This is because its current auditor notified the Company in 2022 that it would not be able to provide audit services for the 2022-23 annual report and accounts and annual performance report on a timetable that would allow the Company to meet its Licence requirements. The Company also provided Ofwat with details of its efforts to avoid the contravention.
4. The Company has agreed to take the steps specified in Part 2 below ("**the undertaking**") for the purpose of securing and facilitating compliance with paragraph F6 of Condition F in respect of the contravention.
5. Ofwat considers that, to the extent the Company complies with this undertaking, it is not required to make an enforcement order under section 18 of the Act, as has effect under the SIP Regulations, in respect of the contravention.

## **Part 2: The undertaking**

### **Measures**

1. The Company accepts and will implement the following measures:
  - a. By 15 July 2023, the Company will provide Ofwat with unaudited information approved by its Board and summarised in Appendix A of this Undertaking.
  - b. By 22 September 2023, the Company will publish and provide to Ofwat all documents required by the RAGs.

By signing this undertaking the Company agrees to be bound by it.

Signed on behalf of the Company by:

Chief Executive Officer:

Bazalgette Tunnel Limited

Dated: 27/04/23



**APPENDIX A: Indicative scope for unaudited performance information to be provided to Ofwat by 15 July 2023**

The Company will submit the following to Ofwat by 15 July 2023:

- A full, unaudited APR. This will be very similar in form and content to the 2021/22 APR,<sup>1</sup> with reporting on swaps and embedded greenhouse gas emissions updated in line with the requirements of RAG 4.11. This document to comprise the requirements listed in the first column of the table below;
- A completed version of the Ofwat APR table template in Excel form (as applicable to the Company), reflecting the unaudited regulatory accounting statements in the APR. This file will also include the Company’s bespoke reporting tables TTTA-TTTC;
- A document containing extracts from the unaudited Annual Report and Accounts (ARA), which fulfil regulatory requirements on the Company that are not addressed within the APR. The requirements listed in the second column in the table below to be included in this document; and
- An extract from the Company’s draft Sustainability Report containing a SWOT analysis of embedded greenhouse gas emissions.

Requirements that will comprise unaudited APR	Requirements to be included in extract from unaudited ARA
<ul style="list-style-type: none"> <li>• Regulatory accounting statements</li> <li>• Statement on differences between statutory and RAG definitions</li> <li>• Reporting on embedded greenhouse gas emissions (table 11A)</li> <li>• Information related to Financing Cost Adjustment [if relevant: approach to be agreed with Ofwat]</li> <li>• Transfer pricing information</li> <li>• Interest analysis</li> <li>• Risk and compliance statement</li> <li>• Statement on sufficiency of non-financial resources</li> <li>• Statement on sufficiency of resources and facilities (‘Condition K certificate’)</li> <li>• Board statement on accuracy and completeness of data and information [caveated for status of auditor’s work]</li> </ul>	<ul style="list-style-type: none"> <li>• Statement on executive pay and performance</li> <li>• An effective, accessible and clear explanation of how the Company is meeting the objectives on Board leadership, transparency and governance (BLTG) set out in its licence</li> <li>• Tax strategy</li> <li>• Long-Term Viability Statement</li> <li>• Statement on dividend policy for the appointed business [reflecting that the Company does not pay dividends during construction]</li> <li>• Note on capitalisation policy</li> <li>• Note on bad debt policy</li> </ul>

<sup>1</sup> <https://www.tideway.london/media/5662/tideway-annual-performance-report-2021-22.pdf>