

April 2024

Reasons for amending Thames Water's conditions of appointment

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1. About this document

On 20 January 2024, we commenced [a consultation](#) to amend the conditions of appointment of Thames Water Utilities Limited (Thames Water). The purpose of the amendments is to extend the separate price control for Thames Water's costs for delivering the Thames Tideway Tunnel. The consultation closed on 8 March 2024.

We had three responses to the consultation and all three responses supported the proposal to amend the licence conditions.

Accordingly, we have now amended the conditions of appointment of Thames Water. In accordance with section 12A(9) of the Water Industry Act 1991, this document:

- confirms the decision and sets out the modifications made;
- states the effect of the modifications;
- states how we have taken account of representations made;
- confirms that there are no differences between the modifications made and the modifications we consulted on.

2. Background

Background information on the Thames Tideway Tunnel (**TTT**) is set out in the consultation document.

In summary, the TTT is being constructed to capture, store and convey combined raw sewage and rainwater discharges that currently overflow into the river Thames. The TTT was [specified](#) for delivery under the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013 (SIPR).

Under SIPR, Thames Water was required to put the project out for tender. Bazalgette Tunnel Limited (trading as **Tideway**) was the successful bidder and now operates under a project licence issued by Ofwat. Tideway's sole function is the construction, delivery, and maintenance of the tunnel. The project is now in its final stages of construction and is expected to be commissioned for testing later in 2024.

Although the project is being delivered by Tideway, [a preparatory works notice](#) set out the work Thames Water was required or permitted to do in relation to the project. This included enabling works, interface works, obtaining and disposing of certain land rights and accepting and operating elements of the tunnel once completed.

3. The modifications

Given the scale of activities required for the TTT, Thames Water's costs in relation to the project have, since 2014, been dealt with in a separate price control. The purpose of the current [licence modifications](#) is to extend that separate price control so that it remains in place until 2030. The primary reason for introducing the separate price control was to increase transparency in respect of TTT costs.

The licence modifications were set out in an Annex to the consultation document. In summary, they extend the separate TTT price control for a further 5-year period (i.e. 2025 –2030). A more detailed description of the modifications is set out in the consultation document.

There are some minor changes to these final modifications and the modifications set out in the consultation document. These additional changes have been made to make it clearer that we are **substituting** some words for others.

For example, the consultation document said:

"In sub-paragraph 9.4(2), **for** "1 April 2020 to 31 March 2025" **insert** "1 April 2025 to 31 March 2030".

We considered it would be clearer for this to say:

"In sub-paragraph 9.4(2), **substitute** "1 April 2025 to 31 March 2030" **for** "1 April 2020 to 31 March 2025".

4. The effect of the modifications

The modifications will have the effect that Ofwat will determine Thames Water's costs on TTT separately from its other wastewater costs and Thames Water will report on its TTT costs separately from its other wastewater costs.

This is in general effected simply by substituting the date of 2025 with the date of 2030 (and replacing a reference to the 2020 – 2025 period with a reference to the 2025 – 2030 period) in the relevant provisions in Condition B of Thames Water's Licence.

The effect of the proposed modifications will also be that the TTT price control will be absorbed into the Network Plus Wastewater Activities price control from 1 April 2030, subject to any future licence modifications.

5. Responses to the consultation

We received three responses to the consultation all of which were supportive of extending the separate price control for a further five-year period. None of the responses suggested any changes to the proposed modifications.

Accordingly, there is no difference in the modifications set out in the consultation document, and the modifications that have been made.

The three responses were from: Thames Water, Tideway and the Consumer Council for Water.

6. When the modifications will come into effect

As set out in the consultation document, the modifications will come into effect on 7 May 2024.

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.**

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