



By email

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6 August 2020

Dear Ms Hillier,

As agreed during my appearance in front of the Public Accounts Committee on 22 July, I am writing to provide further details and clarifications on some of the issues that arose during the session.

CSOs

When I appeared before the Committee, I promised to provide a written answer to Questions 109 and 110 from James Wild MP on the subject of combined sewer outflows (CSOs). Mr Wild's first question asked 'how many CSOs you have and how many you have put that monitoring equipment into' and his second requested the information as a percentage.

These questions referred to a letter from the then Water Minister, Richard Benyon MP, to water companies in 2013. This letter instructed us to monitor the vast majority of our CSOs and said this should be linked to permitting. The 2015-2020 Water Industry National Environment Programme (WINEP) for Thames Water originally listed more than 600 sites needing an EDM. A detailed review identified the sites where a permit was not required (for instance where the discharge had been sealed off) which reduced the total to 462 permitted discharges. Each of these now has an Event Duration Monitor (EDM) installed. In addition, we have identified a further 10 permitted discharges that are not shown on the WINEP, but which we intend to monitor. So at present, we have achieved 98% coverage. These figures include discharges of settled storm sewage from treatment works and so go beyond the usual description of CSOs.

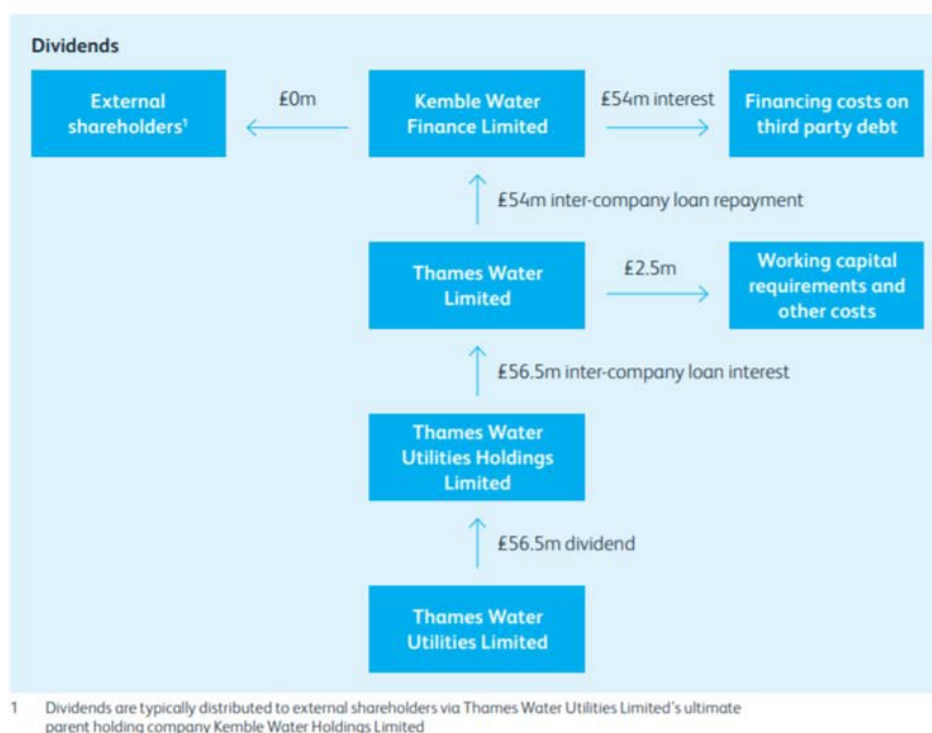
In my oral evidence I mentioned an additional '250' monitors that we will install over the next five years. I apologise that this number was not quite correct. The actual number planned is 238. I should add, for clarity, that these monitors will record information about the internal overflows within a treatment works. As such, they will provide additional management information but will not monitor discharges to the environment.

Finally, I should add that there is a wider programme ongoing to identify and address possible discharges to the environment from our network that is not currently permitted/monitored.

Dividends

I also committed to providing more information for Q174, asked by Mr Wild, who wanted reassurance that intercompany loans and payments were not being used to pay Thames Water's shareholders in the absence of dividends.

To clarify, 2019/20 was the third consecutive year in which we paid no dividends to our external shareholders. The only dividend payments made were applied towards servicing debt obligations and working capital requirements of other companies within the wider Kemble Water Group. For 2019/20, this was £56.5 million (2019: £60.0 million) and was paid to our immediate parent company, Thames Water Utilities Holdings Limited ("TWUHL") before flowing through the group as per the following diagram:



No distributions were paid by the Kemble Water Holdings Group to external shareholders for 2019/20, in line with our commitment to withhold paying an external dividend until 2020/21 at the earliest.

Our dividend policy is set out on p128 of our Annual Report, as follows:

The Company's dividend policy is to pay a progressive dividend commensurate with the long-term returns and performance of the business, after considering the business's current and expected regulatory and financial performance, regulatory restrictions, management of economic risks and debt covenants. Directors, in assessing the dividend to be paid, are required to ensure that:

- Payment of a proposed dividend should not impair short term liquidity or compliance with our covenants.
- Payment of a proposed dividend should not impair the longer-term financeability of the company's business.

- Assessment of the impact that payment of the dividend may have on all stakeholders including employees, pension members and customers.
- Our financial performance, that underpins the opportunity to pay the dividend, is as a result of operational performance that meets the level required of a supplier of essential services.
- If a net dividend is declared above Ofwat's 5% dividend yield guidance, applied to Ofwat's notional company, the Board will consider whether the additional returns result from performance (including progress towards degearing) that has benefited customers and may, therefore, be reasonably applied to finance a dividend.

Richmond burst

Ms Olney asked Q130-134 which concerned the events around a burst water pipe on Mount Ararat Road in her constituency. Unfortunately, this caused water to enter the Cadent gas network, and resulted in approximately 1000 properties having their gas supplies turned off whilst water was removed from the system. Ms Olney asked for an outline of the event, with timings, in Q130, which I am pleased to be able to provide (this was also summarised in an email to Ms Olney on 28 January).

Thames Water was first notified of a potential leak on Mount Ararat Road at 7:42am on Thursday 23 January. A Thames Water technician inspected the leak at 9am to determine the exact location of the burst and to make plans to repair it in the quickest and safest way possible. At this point, we were not aware of water entering the gas mains and had not received any reports from customers to advise that they were experiencing issues with their water supply.

At 6:30pm the same day, we were alerted by Cadent that residents were experiencing issues with their gas supplies as water from the earlier identified leak had entered the gas network. Once we were aware that this had occurred, we began working collaboratively with Cadent to support any customers impacted by this.

Our technicians worked throughout the Thursday night and Friday morning, completing the repair on the burst pipe by 12:30pm on Friday 24 January. This allowed Cadent to repair their gas pipe, which unfortunately meant that the gas supply to every property in the impacted area had to be turned off at the gas meter so that work could begin to restore supplies safely.

During this time, we worked hard to support both Cadent and our customers. A local control centre was set up, and customer representatives went door-knocking in the area to identify vulnerable customers and to provide additional support to those who needed it. While residents were without gas, Thames Water provided oil-fired radiators and electric heaters to residents, whilst Cadent supplied hot plates for heating food. We also offered hotel accommodation to the most impacted residents, and five families took up this offer. Once the repair was complete, all systems were purged and checked and left in full working order. Where boilers or gas fires had been damaged they were replaced in full.

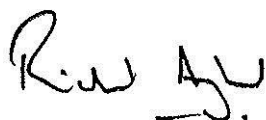
Finally, Ms Olney asked how much Thames Water paid out in liabilities last year, and how much we received in compensation from other contractors. The following table shows how much the Thames Water insurance team paid out, and how much they recovered, for the last three years:

Year	Total incurred	Third-party recoveries
2019/20	£50,164,427	£3,000,000
2018/19	£21,122,761	£2,600,000
2017/18	£16,526,874	£2,200,000

Please note that last year's expenditure was significantly higher than average due to two major bursts which significantly increased our total liabilities. The Mount Ararat Road burst which resulted in liabilities of £10.86 million and a major burst on Queens Drive in Finsbury Park which incurred liabilities of £22.46 million.

I do hope this is helpful, and if you would like any further information please let me know.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Aylard'.

Richard Aylard CVO

Sustainability Director