

EXECUTION VERSION

Dated \_\_\_\_\_

**THAMES WATER UTILITIES LIMITED**  
**(“Thames Water”)**  
and  
**BAZALGETTE TUNNEL LIMITED**  
**(“Infrastructure Provider”)**

**REVENUE AGREEMENT**  
relating to the Thames Tideway Tunnel

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Ref L-186918

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**This Agreement** is made as a deed on the \_\_\_\_ day of \_\_\_\_\_ 2015 **between:**

- (1) **Thames Water Utilities Limited** (company number 02366661) with its registered office at Clearwater Court, Vastern Road, Reading, Berkshire RG1 8DB ("**Thames Water**"); and
- (2) **Bazalgette Tunnel Limited** (company number 9553573) with its registered office at The Point, 37 North Wharf Road, Paddington, London W2 1AF (the "**Infrastructure Provider**").

**Whereas:**

- (A) Thames Water is a water and sewerage undertaker appointed under the Instrument of Appointment.
- (B) Pursuant to Regulation 4(3) of the SIP Regulations, the Secretary of State is of the opinion that the Project is of such a size and complexity that it threatens Thames Water's ability to provide services for its Customers and that specifying the Project will result in better value for money than would be the case if the Project was not specified. The Secretary of State has therefore specified the Project pursuant to Regulation 4(1) of the SIP Regulations.
- (C) Following a tender process undertaken by Thames Water in accordance with the SIP Regulations, the Infrastructure Provider has been appointed to design, build, commission, complete, finance and maintain the Project in accordance with the terms and conditions more fully set out in the Project Documents and the Infrastructure Provider has accepted such appointment.
- (D) The Regulator has designated the Infrastructure Provider as an "infrastructure provider" under the SIP Regulations and granted the Infrastructure Provider a Project Licence in accordance with section 17FA of the Modified WIA as has effect under paragraph 3(2) of Schedule 1 to the SIP Regulations.
- (E) From Licence Award, the Parties have agreed that Thames Water will pay the Infrastructure Provider on the terms and conditions more fully set out herein.

**It is agreed** as follows:

## **1 Definitions and interpretation**

### **1.1 Definitions**

In this Agreement, except to the extent that the context requires otherwise, words and expressions shall have the following meanings assigned to them:

"**Affiliate**" means, in relation to any company, a holding company or subsidiary of that company or any subsidiary of such holding company, and "**holding company**" and "**subsidiary**" shall have the meaning given to them in section 1159 of the Companies Act 2006;

"**Agreement for Lease**" means the agreement for lease entered into on or around Licence Award between Thames Water and the Infrastructure Provider;

"**Alliance Agreement**" means the agreement of that name between, amongst others, the Infrastructure Provider and Thames Water, dated on or about Licence Award;

"**Allowed Revenue**" means the revenue for the Infrastructure Provider calculated in accordance with the Project Licence from time to time;

**“Annual Collection Statement”** means a statement prepared by Thames Water for a Charging Year which sets out in aggregate the information provided to the Infrastructure Provider by way of Final Monthly Collection Statements during that Charging Year;

**“Asset Protection Agreements”** means the asset protection agreements between the Infrastructure Provider and the parties listed in schedule 18 (*Existing Agreements*) of the Interface Agreement and the asset protection agreement between the Infrastructure Provider and Thames Water;

**“Available Amounts”** has the meaning given to it in clause 6.1.3;

**“Business Day”** means any day (other than a Saturday or Sunday) on which banks in London, England, are open for business;

**“Central Main Works Contract”** means the construction contract of that name to be entered into between the Infrastructure Provider and the Central Main Works Contractor for the central component of the Main Works;

**“Central Main Works Contractor”** means the construction contractor who is a party to the Central Main Works Contract;

**“Charges Scheme”** means the scheme made by Thames Water pursuant to section 143 of the Water Industry Act;

**“Charging Year”** means a calendar year commencing on 1 April of one calendar year and ending on 31 March of the immediately following calendar year, save that the first Charging Year will commence on Licence Award and end on the immediately following 31 March;

**“Collection Statement Meeting”** has the meaning given to it in Clause 6.5.1(ii);

**“Competent Authority”** means any statutory undertaker or any statutory public local or other authority or regulatory body or any court of law or government department or any of them or any of their duly authorised officers;

**“Confidential Information”** means all data and information either indicated or marked as such or being of a nature which it would be reasonable to assume is of a confidential quality, regardless of form or characteristic, and shall include drawings, files, tapes, specifications or related performance or design type documents, or commercial or price information or data of any kind, whether or not patentable, disclosed orally (if confirmed in writing by the originating party within 30 Business Days of disclosure as being confidential), in writing or howsoever by one party to another party or parties in connection with the Project or otherwise being acquired by or coming into the knowledge of such party or parties;

**“Connected Premises”** means any premises which are:

- (a) drained by a sewer or drain connecting, either directly or through an intermediate sewer or drain, with a public sewer provided by Thames Water for foul water or surface water or both; or
- (b) occupied by persons having the right to use facilities which drain to a sewer or drain so connecting;

**“Consequential Loss”** means:

- (a) any indirect or consequential loss;
- (b) any cost of interest or other financing charges; and

(c) any loss of production, loss of profit, loss of revenue, loss of contract or liability under other agreements,

in each case whether or not the Party knew, or ought to have known, that such loss would be likely to be suffered, but not including costs, losses or liabilities due to:

- (i) third party losses and/or damages (including for injury or death);
- (ii) losses or damages payable under the Asset Protection Agreements; and/or
- (iii) fines imposed on any party;

**“Contingent Equity Support Agreement”** means the contingent equity support agreement entered into between, amongst others, the Infrastructure Provider and the Secretary of State on or around Licence Award;

**“Customers”** means those customers within the Thames Sewerage Services Area (as it is delineated in the map accompanying the Instrument of Appointment);

**“DCA”** has the meaning given to it in paragraph 3.3.5 of Schedule 1 (*Summary of TWUL Billing Procedures*);

**“DCO”** or **“Development Consent Order”** means the Order as may be amended from time to time and any DCO Related Obligations;

**“DCO Powers Transfer”** means the instrument transferring powers arising under the DCO to the Infrastructure Provider pursuant to article 9(1) of the DCO in the form set out in schedule 5 (*DCO Powers Transfer*) to the Interface Agreement;

**“DCO Related Obligations”** means obligations pursuant to the Order including all those directly and indirectly referred to in the Order and all S. 106 Obligations save as may have been deleted or amended by any agreement listed in schedule 7 (*Necessary Consents*) to the Interface Agreement or schedule 8 (*Necessary Consents*) of the Operation and Maintenance Agreement;

**“Debtor Customers”** means Wastewater Customers who have outstanding accounts with Thames Water or its agents;

**“Defra”** means the Department for Environment, Food and Rural Affairs;

**“Discontinuation Agreement”** means the agreement between, amongst others, the Secretary of State and the Infrastructure Provider dated on or around Licence Award;

**“Discontinuation Notice”** means a notice issued or deemed to be issued by the Secretary of State under clause 4.1 of the Discontinuation Agreement;

**“Discontinued”** means the Secretary of State has issued or is deemed to have issued a Discontinuation Notice in accordance with clause 4.1 of the Discontinuation Agreement;

**“Dispute”** means in relation to a matter which has been referred pursuant to the Dispute Resolution Procedure;

**“Dispute Resolution Procedure”** means the procedure for resolution of Disputes set out in Clause 12 (*Dispute Resolution*);

**“Draft Monthly Collection Statement”** has the meaning given to it in Clause 6.5.1(i);

**“East Main Works Contract”** means the construction contract of that name to be entered into between the Infrastructure Provider and the East Main Works Contractor for the east component of the Main Works;

**“East Main Works Contractor”** means the construction contractor who is a party to the East Main Works Contract;

**“Expert”** has the meaning given to it in Clause 12.3.1 (*Expert Determination*);

**“Expert Determination”** has the meaning given to it in Clause 12.2.3 (*Escalation of Dispute*);

**“Final Monthly Collection Statement”** has the meaning given to it in Clause 6.5.1(iii);

**“First Charging Year”** means the Charging Year commencing on Licence Award and ending on the immediately following 31 March;

**“Good Faith”** means to act:

- (a) honestly;
- (b) reasonably, having regard to the terms of the Project Documents, the Project Licence and the Instrument of Appointment;
- (c) not arbitrarily or capriciously;
- (d) without intention to cause harm; and
- (e) with respect for the intention of the parties’ bargain as a matter of substance, and not only form;

**“Government Support Package”** means the:

- (a) Supplemental Compensation Agreement;
- (b) Market Disruption Facility Agreement;
- (c) Contingent Equity Support Agreement;
- (d) Discontinuation Agreement;
- (e) Special Administration Offer Agreement;
- (f) Shareholders Direct Agreement; and
- (g) each document that secures amounts due under the documents set out in (a) to (f) above;

**“Independent Technical Assessor Deed”** or **“ITA Deed”** means the agreement entered into on or about Licence Award between Thames Water, the Secretary of State, the Regulator, the Infrastructure Provider and the company appointed as independent technical assessor in accordance with the Liaison Agreement;

**“Instrument of Appointment”** means the instrument dated August 1989 issued by the Secretary of State pursuant to sections 6, 7, 11 and 12 of the Water Industry Act appointing Thames Water as a water undertaker and sewerage undertaker and the conditions of that appointment, as modified from time to time;

**“Interface Agreement”** means the agreement of that name between, *inter alia*, the Infrastructure Provider and Thames Water, dated on or about Licence Award;

**"IP Charge"** means the amount notified to Thames Water by the Infrastructure Provider in accordance with the Project Licence and billed to Wastewater Customers by Thames Water in accordance with Condition B of the Instrument of Appointment;

**"IP Charge Estimate"** means the Infrastructure Provider's current best estimate of the IP Charge for a particular Charging Year which it expects to include in its Revenue Statement for that Charging Year for approval by the Regulator;

**"IP Charge Notification"** has the meaning given to it in Clause 5.1.2;

**"IP Obtained Consents"** means all approvals, consents, permissions, licences, certificates and authorisations (whether statutory or otherwise) obtained or to be obtained by the Infrastructure Provider for the purposes of carrying out the Project, whether required in order to comply with any Law or as a result of the rights of any third party, including those listed in Part B of schedule 7 (*Necessary Consents*) of the Interface Agreement or Part B of schedule 8 (*Necessary Consents*) of the Operation and Maintenance Agreement;

**"IP Owned Structures"** has the meaning given to it in the Interface Agreement;

**"IP Proportion"** means, with respect to a Charging Year, the IP Charge for that Charging Year as set out in the relevant notification of the IP Charge in accordance with the Project Licence, expressed as a percentage of the sum of: (i) the TWUL Wastewater Charges and (ii) the IP Charge, for that Charging Year;

**"IP Revenue Payment"** has the meaning given to it in Clause 6.1.1;

**"IP Works"** means the design, construction and commissioning of the Project (including all necessary permanent and temporary works and the Screen Removal Works) and any other work carried out by the Infrastructure Provider in accordance with the Project Specification Notice and the Project Documents, excluding the TWUL Works (as defined in the Interface Agreement);

**"LAHA"** has the meaning given to it in paragraph 4.2 of Schedule 1 (*Summary of TWUL Billing Procedures*);

**"Law"** means any enactment or subordinate legislation, rule, regulation, order, directive or other provision including those of the European Union, which has, in each case, the force of law in the United Kingdom;

**"Lease"** means the lease to be entered into between Thames Water and the Infrastructure Provider in accordance with the Agreement for Lease;

**"Liaison Agreement"** means the agreement of that name between the Infrastructure Provider, Secretary of State and Thames Water entered into on or about Licence Award;

**"Licence Award"** means the date of this Agreement;

**"Main Works"** means the works and services to be undertaken by the Main Works Contractors pursuant to the Main Works Contracts and the System Integrator Contract;

**"Main Works Contractors"** means the Central Main Works Contractor, the East Main Works Contractor and the West Main Works Contractor and any replacement contractors approved by Thames Water in accordance with the terms of the Interface Agreement (such approval not to be unreasonably withheld or delayed);

**"Main Works Contracts"** means each of the engineering, procurement, construction and commissioning contracts between the Infrastructure Provider in its capacity as employer and

each of the Main Works Contractors in relation to each part of the Main Works within the relevant Main Works Contractor's scope as set out in the relevant Main Works Contract;

**"Market Disruption Facility Agreement"** means the market disruption liquidity facility entered into between the Secretary of State and the Infrastructure Provider on or around Licence Award;

**"Modified WIA"** means any provision of the Water Industry Act applied by the SIP Regulations with modifications (if any) or any of the provisions having effect as if inserted into the Water Industry Act by the SIP Regulations, in either case for the purposes of the regulation of the Project as a specified infrastructure project;

**"Necessary Consents"** means the IP Obtained Consents and the TWUL Obtained Consents;

**"Operation and Maintenance Agreement"** means the agreement of that name between the Infrastructure Provider and Thames Water, entered into on or about Licence Award;

**"Order"** means the Thames Water Utilities Limited (Thames Tideway Tunnel) Order 2014 (SI 2014/2384) as amended by the Thames Water Utilities Limited (Thames Tideway Tunnel) (Correction) Order (SI 2015/723) and the Notice of Variation No 1 to the Deemed Marine Licence (as defined in the Interface Agreement), and as may be amended from time to time;

**"OWC"** has the meaning given to it in paragraph 4.1 of Schedule 1 (*Summary of the TWUL Billing Procedures*);

**"Periodic Review"** means either:

- (a) a review of Thames Water's business carried out by the Regulator in accordance with Condition B of the Instrument of Appointment; or
- (b) a review of the Infrastructure Provider's business carried out by the Regulator in accordance with Condition B (*Allowed Revenue*) of the Project Licence;

**"Personal Data"** has the meaning given to it in the Data Protection Act 1998;

**"President"** has the meaning given to it in Clause 12.3.2;

**"Project"** means the project specified in the Project Specification Notice;

**"Project Documents"** means the:

- (a) Liaison Agreement;
- (b) Interface Agreement;
- (c) Alliance Agreement;
- (d) ITA Deed;
- (e) Operation and Maintenance Agreement;
- (f) Project Management Contract;
- (g) System Integrator Contract;
- (h) Main Works Contracts;
- (i) this Agreement; and
- (j) Property Documents;



**“Project Licence”** means the project licence granted at Licence Award to the Infrastructure Provider by the Regulator pursuant to section 17FA of the Modified WIA;

**“Project Management Contract”** means the agreement of that name between the Project Manager and the Infrastructure Provider entered into on or about Licence Award or as replaced from time to time;

**“Project Manager”** means the Person, acting in its role as Project manager under each of the Main Works Contracts or as service manager under the System Integrator Contract, appointed pursuant to the terms of the Project Management Contract;

**“Project Requirements”** means the project requirements set out in schedule 1 (*Project Requirements*) of the Interface Agreement;

**“Project Specification Notice”** means the notice issued by the Secretary of State in accordance with Regulation 4(1) of the SIP Regulations dated 4 June 2014 (as varied from time to time in accordance with Regulation 4(7) of the SIP Regulations) specifying the Project as a specified infrastructure project;

**“Property Documents”** means:

- (a) Agreement for Lease;
- (b) Lease (once entered into);
- (c) Asset Protection Agreements;
- (d) DCO Powers Transfer; and
- (e) S. 106 Agreements;

**“Quarterly Collection Forecast”** means a forecast prepared by Thames Water which includes, in respect of each of the remaining months in the current Charging Year, Thames Water’s projections of the data to be included in the Draft Monthly Collection Statements for those months pursuant to Clause 5.2.7;

**“Regulator”** means the Water Services Regulation Authority;

**“Relevant Bills”** means bills issued by or on behalf of Thames Water to Wastewater Customers following Licence Award which includes the IP Charge;

**“Retail Prices Index”** or **“RPI”** means the General Index of Retail Prices published by the Office for National Statistics each month in respect of all items or, (for the purposes of calculating the Allowed Revenue and/or the IP Charge only) if the said index for the month of November is not published by 20 December next following, such index for such month as the Regulator may not later than 22 December next following determine to be appropriate in the circumstances, after such consultation with the Infrastructure Provider as is reasonably practicable, and in such a case references to the Retail Prices Index shall be construed for the purpose of all subsequent calculations for which the value of the substituted Retail Prices Index is relevant as references to that other index;

**“Revenue Statement”** has the meaning given to it in the Project Licence;

**“Revised IP Charge Notification”** has the meaning given to it in Clause 5.1.3(i);

**“RPI Updated IP Charge Notification”** has the meaning given to it in Clause 5.1.4;

**“S. 106 Agreements”** means the agreements listed in part 3 of schedule 7 (*Necessary Consents*) of the Interface Agreement;

**“S. 106 Obligations”** means the obligations included in the relevant Necessary Consents relating to S. 106 of the Town and Country Planning Act 2008;

**“Screen Removal Works”** means the removal of the covering screens from the storm pumps described in paragraph 1.1.4 of Part C of the Project Requirements;

**“Second Charging Year”** means the Charging Year commencing on 1 April immediately following the end of the First Charging Year;

**“Secretary of State”** means the Secretary of State for Environment, Food and Rural Affairs;

**“Secured Creditors”** for the purposes of Clause 15.2.3 has the meaning given to it in the Discontinuation Agreement;

**“Shareholders Direct Agreement”** means the direct agreement entered into between, among others, the Infrastructure Provider and the Secretary of State dated on or about Licence Award;

**“SIP Regulations”** means the *Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013 (SI 2013/1582)*;

**“Special Administration Offer Agreement”** means the special administration offer agreement entered into between the Infrastructure Provider and the Secretary of State on or around Licence Award;

**“Supplemental Compensation Agreement”** means the supplemental compensation agreement entered into between the Secretary of State and the Infrastructure Provider on or around the Licence Award;

**“System Acceptance Certificate”** means the certificate issued by Thames Water to the Infrastructure Provider upon satisfaction of the System Acceptance Criteria or otherwise in accordance with clause 22 (*System Acceptance Activities*) of the Interface Agreement;

**“System Acceptance Criteria”** means the acceptance criteria set out in paragraph 2.1 of schedule 14 (*System Acceptance Period*) of the Interface Agreement;

**“System Acceptance Date”** means the date set out in the System Acceptance Certificate;

**“System Integrator Contract”** means the contract to be entered into by the Infrastructure Provider and the entity responsible for integration of supervisory control and data acquisition (SCADA);

**“Third Charging Year”** means the Charging Year commencing on 1 April immediately following the end of the Second Charging Year;

**“Total Charges”** means in respect of a Charging Year:

- (a) the TWUL Wastewater Charges for that Charging Year;
- (b) the TWUL Water Charges for that Charging Year; and
- (c) the IP Charge for that Charging Year;

**“TWUL Billing Procedures”** means the billing practices and procedures set out in or required by the Instrument of Appointment, Thames Water’s contractual arrangements with other water companies, Thames Water’s billing systems and software and other Thames

Water practices and policies from time to time in so far they relate to the billing of Wastewater Customers, the summary of which is in the form set out in Schedule 1 (*Summary of the TWUL Billing Procedures*);

**"TWUL Obtained Consents"** means such approvals, consents, permissions, licences, certificates and authorisations (whether statutory or otherwise) obtained or to be obtained by Thames Water in connection with the Project, whether required in order to comply with any Law or as a result of the rights of any third party, including those listed in Part A of schedule 7 (*Necessary Consents*) of the Interface Agreement or Part A of schedule 8 (*Necessary Consents*) of the Operation and Maintenance Agreement;

**"TWUL Wastewater Charges"** means, in respect of a Charging Year, the charges for Wastewater Services billed by or on behalf of Thames Water to Wastewater Customers in accordance with the charges scheme made by Thames Water pursuant to section 143 of the Water Industry Act for that Charging Year;

**"TWUL Water Charges"** means, in respect of a Charging Year, the charges for services other than Wastewater Services billed by or on behalf of Thames Water to Wastewater Customers in accordance with the Charges Scheme for that Charging Year, excluding the IP Charge;

**"VAT"** means value added tax as provided for in the *Value Added Tax Act 1994* and any other tax of a similar nature;

**"WaSC"** has the meaning given to it in paragraph 4.1.1 of Schedule 1 (*Summary of TWUL Billing Procedures*);

**"Wastewater Customers"** means a person for whom Wastewater Services are provided;

**"Wastewater Services"** means the services performed, facilities provided or rights made available in respect of Connected Premises;

**"Water Industry Act"** means the *Water Industry Act 1991*;

**"West Main Works Contract"** means the construction contract of that name to be entered into between the Infrastructure Provider and the West Main Works Contractor for the west component of the Main Works;

**"West Main Works Contractor"** means the construction contractor who is party to the West Main Works Contract; and

**"WOC"** has the meaning given to it in paragraph 4.1.1 of Schedule 1 (*Summary of TWUL Billing Procedures*).

## 1.2 Interpretation

In this Agreement, except to the extent that the context requires otherwise:

- 1.2.1 references to a statute, treaty or legislative provision or to a provision of it shall be construed, at any particular time, as including a reference to any modification, extension or re-enactment at any time then in force and to all subordinate legislation made from time to time under it;
- 1.2.2 references to this Agreement include its Schedules and references to Paragraphs, Clauses or Appendices are references to such provisions of this Agreement;

- 1.2.3 references in the singular shall include references in the plural and vice versa, words denoting any gender shall include any other gender and words denoting natural persons shall include any other Persons;
- 1.2.4 headings are for convenience only and shall not be taken into consideration in the interpretation or construction of this Agreement;
- 1.2.5 references to an agreement, deed, instrument, licence, code or other document (including this Agreement, the other Project Documents and the Project Licence), or to a provision contained in any of these, save where specified to the contrary, shall be construed, at the particular time, as a reference to it as it may then have been amended, varied, supplemented, modified, suspended, assigned or novated;
- 1.2.6 a reference to "**writing**" includes a facsimile transmission and any means (including electronic mail and other electronic means, in accordance with any agreement by the Parties pursuant to Clause 16.1.4 (*Electronic communication*)) of reproducing words in a tangible and permanently visible form;
- 1.2.7 a reference to a "**day**" means a calendar day;
- 1.2.8 a reference to a "**month**" means a calendar month falling within a Charging Year;
- 1.2.9 a reference to a "**judgment**" includes any order, injunction, determination, award or other judicial or arbitral measure in any jurisdiction;
- 1.2.10 references to "**includes**", "**including**", "**in particular**", "**other**" or "**otherwise**" are to be construed without limitation and the *ejusdem generis* rule shall not apply to this Agreement;
- 1.2.11 a reference to a "**Party**" means a party to this Agreement, including its successors and assignees;
- 1.2.12 a reference to a "**Person**" includes any person, firm, company, corporation, government, state or agency of a state, or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing and their successors and permitted assignees or transferees; and
- 1.2.13 words shall bear their natural meaning. The Parties have had the opportunity of obtaining legal advice and accordingly no provision shall be construed *contra proferentem*.

## 2 Term

This Agreement commences on Licence Award and shall continue in full force and effect unless and until terminated in accordance with Clause 10 (*Termination*).

## 3 Charging powers of Thames Water and the Infrastructure Provider

### 3.1 The Parties acknowledge and agree that:

- 3.1.1 the purpose of this Clause 3 is to contextualise this Agreement by reference to the key aspects of the regulatory framework which enable the Parties to perform the obligations imposed on them by this Agreement; and
- 3.1.2 in the event of any discrepancy or conflict between the terms of this Agreement and the obligations imposed (i) on either Thames Water under the terms of the Instrument

of Appointment or the Infrastructure Provider under the terms of the Project Licence or (ii) at Law, the provisions of the Instrument of Appointment, Project Licence or Law, as the case may be, shall prevail.

- 3.2** Subject to Clause 3.1, the Parties acknowledge that the rights and obligations imposed on the Parties by this Agreement are intended to be consistent with the powers conferred upon them by statute, and in particular the powers conferred on each of Thames Water and the Infrastructure Provider by sections 142, 143 and 144 of the Water Industry Act (modified or otherwise), namely:
- 3.2.1** to fix charges for the services provided by the Infrastructure Provider in the course of carrying out its functions, in accordance with this Agreement and in accordance with section 142(1) of the Modified WIA;
  - 3.2.2** to demand and recover the fixed charges from Thames Water to whom the Infrastructure Provider provides services, in accordance with:
    - (i) an agreement with the Infrastructure Provider for the provision of works and services from Licence Award until the System Acceptance Date in accordance with the Interface Agreement, being an agreement which fulfils the requirements of section 144(1A)(b)(i) of the Modified WIA; and
    - (ii) an agreement with the Infrastructure Provider for the use of infrastructure which is owned or operated by the Infrastructure Provider from the System Acceptance Date in accordance with the Operation and Maintenance Agreement, being an agreement which fulfils the requirements of section 144(1A)(b)(ii) of the Modified WIA; and
  - 3.2.3** to make an agreement for the right of the Infrastructure Provider to demand and recover charges from Thames Water to whom it is providing services and who is the person to be charged in accordance with section 142(2) of the Modified WIA.
- 3.3** The Parties acknowledge that the rights and obligations imposed on the Infrastructure Provider by this Agreement are intended to be consistent with the conditions of the Project Licence, and in particular:
- 3.3.1** paragraph 4 of Condition B of the Project Licence which provides that in each Charging Year the Infrastructure Provider must ensure that the IP Charge does not exceed the Allowed Revenue calculated in accordance with Condition B and Appendix 1 (*Calculation of Allowed Revenue*) of the Project Licence;
  - 3.3.2** paragraph 5 of Condition B of the Project Licence, which requires the Infrastructure Provider to provide the Regulator with a Revenue Statement and Thames Water with a notification of the IP Charge for each Charging Year; and
  - 3.3.3** paragraphs 8.3 and 8.4 of Appendix 2 (*Non-Revenue Conditions*) of the Project Licence, which have the effect that, if the Project is Discontinued in accordance with the terms of the Discontinuation Agreement, the Regulator will, having consulted with the Infrastructure Provider and Thames Water, direct Thames Water as to the treatment of any revenue collected by Thames Water with respect to the IP Charge pursuant to Condition B of the Instrument of Appointment which Thames Water has not already passed on to the Infrastructure Provider in accordance with this Agreement.

- 3.4** The Parties acknowledge that the rights and obligations imposed on Thames Water by this Agreement are intended to be consistent with the modifications to the Instrument of Appointment which relate to the Project, and in particular:
- 3.4.1** the modifications to Condition B of the Instrument of Appointment which permit Thames Water to levy charges for the purpose of collecting and paying to the Infrastructure Provider the IP Charge;
  - 3.4.2** the modification to Condition D of the Instrument of Appointment which requires Thames Water to ensure that there is in effect a Charges Scheme by which it fixes the IP Charge pursuant to Condition B of the Instrument of Appointment and this Agreement; and
  - 3.4.3** the provisions in Condition T which provide that, upon revocation of the Project Specification Notice, revocation of the Project Licence or termination of this Agreement, the Regulator will, having consulted with Thames Water and the Infrastructure Provider, direct Thames Water as to the treatment of any revenue collected by Thames Water with respect to the IP Charge pursuant to Condition B of the Instrument of Appointment which Thames Water has not already passed on to the Infrastructure Provider in accordance with this Agreement.

#### **4 TWUL Billing Procedures**

- 4.1** The summary of the TWUL Billing Procedures is in the form set out in Schedule 1 (*Summary of the TWUL Billing Procedures*).
- 4.2** The Parties acknowledge and agree that Thames Water shall perform its obligations under this Agreement in accordance with the TWUL Billing Procedures, which require, among other things:
- 4.2.1** the billing and collection of some of the Total Charges by agents of Thames Water (including other water companies) rather than Thames Water itself; and
  - 4.2.2** in certain limited circumstances, the application of cash sums received from a Debtor Customer to the oldest relevant outstanding account of that Debtor Customer.
- 4.3** In the event that a change is proposed to the TWUL Billing Procedures which impacts upon either the performance of the obligations or the enjoyment of rights of either Party under this Agreement, Thames Water shall:
- 4.3.1** provide a copy of the proposed changes to the Infrastructure Provider;
  - 4.3.2** consult with the Infrastructure Provider before implementing such changes; and
  - 4.3.3** use reasonable endeavours to minimise any impact of such changes upon either the performance of obligations or the enjoyment of rights under this Agreement.
- 4.4** In the event that, notwithstanding Thames Water's reasonable endeavours to minimise the impact of any changes upon the performance of obligations or the enjoyment of rights under this Agreement, the Infrastructure Provider reasonably considers that the Infrastructure Provider is materially and adversely affected by such changes in the TWUL Billing Procedures, the Infrastructure Provider and Thames Water shall seek to resolve any dispute (including the question of whether the proposed change to the TWUL Billing Procedures is necessary) in accordance with the Dispute Resolution Procedure.

- 4.5 Regardless of the nature of the dispute under Clause 4.4 and notwithstanding the referral of such dispute to the Dispute Resolution Procedure, Thames Water shall be entitled to apply the relevant proposed change to the TWUL Billing Procedures unless and until such change is required by a final determination pursuant to the Dispute Resolution Procedure to be disapplied.

## 5 Billing and collection of the IP Charge

- 5.1 In order to enable Thames Water to perform its obligations in accordance with this Agreement, the Infrastructure Provider shall (subject to Clause 6.8.2):

5.1.1 (where practicable) no later than 1 August in each Charging Year, notify Thames Water of the IP Charge Estimate for the forthcoming Charging Year;

5.1.2 no later than 1 November in each Charging Year, notify Thames Water of the IP Charge for the forthcoming Charging Year, as required by the Project Licence ("**IP Charge Notification**");

5.1.3 no later than 1 December in each Charging Year, provide Thames Water with either:

(i) the IP Charge Notification, revised by the Infrastructure Provider in order to reflect:

(a) any changes requested by the Regulator pursuant to the Project Licence which the Infrastructure Provider, acting reasonably, has had sufficient time to consider and has accepted; and

(b) any changes required by a determination of the Regulator pursuant to the Project Licence,

("Revised IP Charge Notification"); or

(ii) a notice informing Thames Water that, as at 1 December, the Infrastructure Provider has not revised the IP Charge Notification,

as applicable; and

5.1.4 no later than 24 December in each Charging Year, provide Thames Water with an updated IP Charge Notification or an updated Revised IP Charge Notification (as the case may be) which has been changed only to reflect any correction required to the IP Charge Notification or Revised IP Charge Notification following the publication by the Office for National Statistics of the Retail Prices Index for the month of November in that Charging Year (in either case, an "**RPI Updated IP Charge Notification**").

- 5.2 Upon receiving from the Infrastructure Provider either a Revised IP Charge Notification or a notice pursuant to Clause 5.1.3(ii), Thames Water shall:

5.2.1 add the IP Charge to the TWUL Wastewater Charges;

5.2.2 calculate the IP Proportion;

5.2.3 calculate the relevant Total Charges to be billed to Wastewater Customers, and:

(i) update this calculation to reflect any change required by an RPI Updated IP Charge Notification under Clause 5.1.4;

(ii) submit the necessary information to the Regulator as required by the Instrument of Appointment; and

- (iii) publish its Charges Scheme for that Charging Year;
  - 5.2.4 bill, or procure through its agents the billing of, Wastewater Customers for the relevant Total Charges in accordance with the TWUL Billing Procedures;
  - 5.2.5 collect, or procure through its agents the collection of, the relevant Total Charges from Wastewater Customers in accordance with the TWUL Billing Procedures;
  - 5.2.6 in accordance with Clause 6.5 (*Agreeing the quantum of the IP Revenue Payment*), provide information to the Infrastructure Provider in respect of the relevant Total Charges billed and actually collected from Wastewater Customers; and
  - 5.2.7 no later than 1 May, 1 August, 1 November and 1 February in each Charging Year, provide the Infrastructure Provider with the Quarterly Collection Forecast for the remainder of that Charging Year.
- 5.3** In the event that the Infrastructure Provider does not provide Thames Water with the relevant notification or notice within the timeframes set out in Clause 5.1, then Thames Water shall, unless otherwise directed by the Regulator, perform its obligations under Clause 5.2 in reliance on:
- 5.3.1 if the Infrastructure Provider has not provided the RPI Updated IP Charge Notification, the Revised IP Charge Notification or a notice pursuant to Clause 5.1.3(ii) provided to it by the Infrastructure Provider pursuant to Clause 5.1.3; or
  - 5.3.2 if the Infrastructure Provider has not provided the Revised IP Charge Notification or a notice pursuant to Clause 5.1.3(ii), the IP Charge Notification provided to it by the Infrastructure Provider pursuant to Clause 5.1.2; or
  - 5.3.3 if the Infrastructure Provider has not provided the IP Charge Notification pursuant to Clause 5.1.2, the IP Charge Estimate provided to Thames Water pursuant to Clause 5.1.1; or
  - 5.3.4 if the Infrastructure Provider has not provided either the IP Charge Notification pursuant to Clause 5.1.2 or the IP Charge Estimate pursuant to Clause 5.1.1, the IP Charge Notification for the immediately preceding Charging Year,

provided that if the Regulator, in accordance with the Project Licence, subsequently requests revisions to the IP Charge Notification or makes a determination such that the Revised IP Charge Notification is different from the IP Charge Notification, IP Charge Estimate or prior IP Charge Notification upon which Thames Water has relied, there shall be a reconciliation in the following Charging Year to take into account the discrepancy.

## **6 IP Revenue Payment**

### **6.1 Methodology for calculation of the IP Revenue Payment**

- 6.1.1 The IP Revenue Payment for a particular month shall be the IP Proportion of all Available Amounts collected by Thames Water in that month (or previously collected on behalf of Thames Water and in that month passed to Thames Water) as adjusted in accordance with this Clause 6 ("**IP Revenue Payment**").
- 6.1.2 Subject to any reconciliation pursuant to Clause 5.3 and Clause 8.2, the aggregate of the amounts in respect of the IP Charge received by the Infrastructure Provider in respect of a given Charging Year shall not exceed the Allowed Revenue for that Charging Year.



**6.1.3** Subject to Clause 6.1.4, "**Available Amounts**" means all cash sums collected by Thames Water (or on behalf of Thames Water and passed to Thames Water) from Wastewater Customers in respect of:

- (i) TWUL Wastewater Charges; and
- (ii) the IP Charge,

less cash sums which have been applied to the outstanding accounts of Debtor Customers in accordance with Clause 6.1.4(i).

**6.1.4** Where a cash sum is collected by Thames Water (or on behalf of Thames Water and passed to Thames Water) from a Debtor Customer in respect of the TWUL Wastewater Charges and the IP Charge, Thames Water shall:

- (i) apply that cash sum to the outstanding account of that Debtor Customer in accordance with TWUL Billing Procedures, as described in Clause 4.2.2; and
- (ii) to the extent that any cash sum remains after the application described in Clause 6.1.4(i):
  - (a) apply the IP Proportion to that remaining cash sum; and
  - (b) include the amount calculated pursuant to Clause 6.1.4(ii)(a) in the IP Revenue Payment.

## **6.2 Adjustment to the IP Revenue Payment for late payments**

**6.2.1** Any money due and payable under this Agreement shall, if not paid when due, bear interest (after as well as before any judgment) at the default rate of [...] per cent. above the base lending rate of the Bank of England.

**6.2.2** Such interest:

- (i) shall be payable on demand and shall accrue from day to day from the date such money is due and payable, until the date of actual payment in full of such money and such interest; and
- (ii) shall not be treated as amounts received in respect of the IP Charge for the purposes of this Agreement or the Project Licence.

## **6.3 Adjustment to the IP Revenue Payment for overpayments**

If Thames Water pays any amount to the Infrastructure Provider in any month that exceeds the applicable IP Revenue Payment or, subject to Clauses 5.3 and 8.2, if Thames Water pays an amount of IP Charge to the Infrastructure Provider in respect of any Charging Year which exceeds the Allowed Revenue for that Charging Year:

**6.3.1** each Party must notify the other immediately upon becoming aware of the overpayment;

**6.3.2** Thames Water must deduct the amount of the overpayment from the IP Revenue Payment in the next Draft Monthly Collection Statement it prepares after notice of the overpayment is given; and

**6.3.3** if the deduction described in Clause 6.3.2 results in a negative amount for the IP Revenue Payment, the Infrastructure Provider will be required to pay that amount to Thames Water within [...] Business Days of receiving the relevant Final Monthly

Collection Statement or Annual Collection Statement (as applicable), unless Thames Water notifies the Infrastructure Provider that the amount will instead be deducted from the IP Revenue Payment for the subsequent month.

#### **6.4 Adjustment to the IP Revenue Payment for set-off**

**6.4.1** Thames Water shall be entitled to set off from the IP Revenue Payment any amount which:

- (i) is due and payable by the Infrastructure Provider to Thames Water under the Asset Protection Agreement between the Infrastructure Provider and Thames Water;
- (ii) has not been paid to Thames Water by the due date for payment of such amount; and
- (iii) would have been due and payable by the Secretary of State to Thames Water pursuant to clause 9.5 of the Supplemental Compensation Agreement in connection with a relevant Claim (as defined in the Supplemental Compensation Agreement) but for the operation of clause 8.3 and/or clause 10.3 of the Supplemental Compensation Agreement,

provided that the amount which Thames Water shall be entitled to set off under this Clause 6.4 shall be limited to the amount withheld by the Secretary of State from Thames Water pursuant to clauses 8.3 and/or clause 9.3 of the Supplemental Compensation Agreement in connection with such Claim.

**6.4.2** The amount of any set off under Clause 6.4.1 shall not be deducted in calculating the amount received in respect of the IP Charge for the purposes of:

- (i) determining whether such amount received by the Infrastructure Provider in respect of a given Charging Year exceeds the Allowed Revenue for that Charging Year; or
- (ii) the adjustment described in paragraph A7 of Appendix 1 (*Calculation of Allowed Revenue*) of the Project Licence.

#### **6.5 Agreeing the quantum of the IP Revenue Payment**

**6.5.1** Within [...] Business Days of the end of a month:

- (i) Thames Water shall prepare and submit to the Infrastructure Provider a statement which includes the following details:
  - (a) the amount of relevant Total Charges billed and collected by Thames Water in that month (or previously collected on behalf of Thames Water and in that month passed to Thames Water), categorised by the amount of relevant Total Charges collected from each of: Customers billed for TWUL Wastewater Charges and the IP Charge only, and Customers billed for TWUL Water Charges, TWUL Wastewater Charges and the IP Charge;
  - (b) the Available Amounts for that month;
  - (c) the IP Revenue Payment, including any adjustments pursuant to this Clause 6;

in each case categorised by the Charging Year to which each of those amounts relate (the "**Draft Monthly Collection Statement**");

- (ii) Thames Water and the Infrastructure Provider shall meet to discuss the Draft Monthly Collection Statement prepared by Thames Water for that month (the "**Collection Statement Meeting**"); and
- (iii) Thames Water shall issue to the Infrastructure Provider a statement for that month in the form agreed by the Parties at the relevant Collection Statement Meeting (the "**Final Monthly Collection Statement**").

**6.5.2** If the Parties cannot agree on the IP Revenue Payment amount at the Collection Statement Meeting:

- (i) within [...] Business Days of the relevant Collection Statement Meeting, the Infrastructure Provider must:
  - (a) issue an invoice (and, where applicable, a VAT invoice) to Thames Water, for the IP Revenue Payment amount set out in the Draft Monthly Collection Statement prepared by Thames Water in accordance with Clause 6.5.1(i); and
  - (b) refer the matter in accordance with the Dispute Resolution Procedure; and
- (ii) the process set out in Clauses 6.6.2 to 6.6.4 shall apply as though references to the Final Monthly Collection Statement were references to the Draft Monthly Collection Statement.

**6.5.3** Any amount subsequently determined pursuant to the Dispute Resolution Procedure to have been wrongly withheld by Thames Water shall:

- (i) be added to the IP Revenue Payment in the first Draft Monthly Collection Statement prepared by Thames Water after it receives notice of the determination pursuant to the Dispute Resolution Procedure; and
- (ii) incur interest under Clause 6.2 (*Adjustment to the IP Revenue Payment for late payments*).

**6.5.4** A Dispute as to any item payable under this Agreement shall not relieve a Party of its obligations to make any other payment required by this Agreement when due and payable.

## **6.6 Invoicing and payment**

**6.6.1** The Infrastructure Provider shall issue an invoice (and, where applicable, a VAT invoice) to Thames Water, within [...] Business Days of receiving the Final Monthly Collection Statement, for the IP Revenue Payment amount set out in the Final Monthly Collection Statement.

**6.6.2** If Thames Water receives an invoice (and, where applicable, a VAT invoice) from the Infrastructure Provider pursuant to Clause 6.6.1:

- (i) which reflects the IP Revenue Payment amount set out in the Final Monthly Collection Statement, then Thames Water shall pay to the Infrastructure Provider the IP Revenue Payment set out in the invoice within [...] Business Days of receipt by Thames Water of the invoice; or

- (ii) which does not reflect the IP Revenue Payment amount set out in the Final Monthly Collection Statement, then:
  - (a) Thames Water must notify the Infrastructure Provider of the error immediately upon becoming aware of it;
  - (b) as soon as practicable, the Infrastructure Provider must cancel the invoice and issue a new invoice (and, where applicable, a new VAT invoice) to Thames Water which reflects the IP Revenue Payment amount set out in the Final Monthly Collection Statement, and
  - (c) Thames Water shall pay to the Infrastructure Provider the IP Revenue Payment set out in the new invoice received in accordance with Clause 6.6.2(ii)(b) within [...] Business Days of receipt by Thames Water of that new invoice.

**6.6.3** Payments between the Parties pursuant to this Agreement shall be made by direct bank transfer to such account at such bank as a Party may from time to time reasonably notify to the other Party on reasonable notice in respect of such payments in writing, or by such other arrangements as the Parties may agree.

**6.6.4** A Party may, at its discretion, agree to such other due dates for any payments the other Party is required to make pursuant to this Clause 6.

## **6.7 Tax**

The Infrastructure Provider shall be entitled to charge Thames Water VAT on all supplies of goods or services made by the Infrastructure Provider to Thames Water under the Project Documents in respect of which VAT must be paid or accounted for by the Infrastructure Provider to HM Revenue and Customs. Thames Water shall not be obliged to pay such VAT unless and until the Infrastructure Provider has issued to Thames Water a VAT invoice or authenticated receipt within the meaning of the Value Added Tax Act 1994.

## **6.8 Initial Charging Years**

**6.8.1** In the event that Licence Award did not occur by 15 September 2015 and, in accordance with the Instrument of Appointment:

- (i) Thames Water submitted to the Regulator a request for the Regulator to provide an estimate of the likely IP Charge for the period on and from the date that the Regulator determined that Licence Award was likely to occur to and including 31 March 2017; and
- (ii) the Regulator provided the estimate of the likely IP Charge,

for the purposes of this Agreement the estimate of the likely IP Charge provided by the Regulator shall be deemed to be the IP Charge for the following period/s:

- (iii) where Licence Award occurred prior to 1 April 2016, the estimate shall be deemed split between the 2015/2016 Charging Year and the 2016/2017 Charging Year in proportion to the number of days in each such Charging Year, and the amount allocated as a result of such split to the 2015/2016 Charging Year shall be deemed to apply in respect of the 2015/2016 Charging Year and the amount allocated as a result of such split to the 2016/2017 Charging Year shall be deemed to apply in respect of the 2016/2017 Charging Year; or

- (iv) where Licence Award occurred on or after 1 April 2016, the estimate shall be deemed to apply in respect of the Charging Year commencing on Licence Award.

**6.8.2** Upon commencement of this Agreement the Parties shall perform their obligations under this Agreement, provided that:

- (i) where Licence Award occurred prior to 1 November 2016, the Infrastructure Provider shall provide to Thames Water:
  - (a) (if practicable) an IP Charge Estimate under Clause 5.1.1 by no later than 1 August 2016;
  - (b) an IP Charge Notification under Clause 5.1.2 by no later than 1 November 2016;
  - (c) (if applicable) a Revised IP Charge Notification under Clause 5.1.3 by no later than 1 December 2016; and
  - (d) an RPI Updated IP Charge Notification under Clause 5.1.4 by no later than 24 December 2016;

in each case in respect of the IP Charge for:

- (e) the 2017/2018 Charging Year; and
  - (f) unless Clause 6.8.1 applies, if Licence Award occurred:
    - (I) after 15 September 2015 but on or before 31 March 2016, the 2015/2016 Charging Year and the 2016/2017 Charging Year; or
    - (II) between 1 April 2016 and 31 October 2016 (both dates inclusive), the 2016/2017 Charging Year; or
- (ii) where Licence Award occurred on or after 1 November 2016 but prior to 1 April 2017, the Infrastructure Provider shall provide to Thames Water:
    - (a) an IP Charge Estimate under Clause 5.1.1 by no later than 1 August 2017;
    - (b) an IP Charge Notification under Clause 5.1.2 by no later than 1 November 2017;
    - (c) (if applicable) a Revised IP Charge Notification under Clause 5.1.3 by no later than 1 December 2017; and
    - (d) an RPI Updated IP Charge Notification under Clause 5.1.4 by no later than 24 December 2017;

in each case in respect of the IP Charge for:

- (e) the 2018/2019 Charging Year; and
  - (f) unless Clause 6.8.1 applies, the 2016/2017 Charging Year and the 2017/18 Charging Year;
- (iii) where Licence Award occurred on or after 1 April 2017, the Infrastructure Provider shall provide to Thames Water:

- (a) (if practicable) an IP Charge Estimate under Clause 5.1.1 by no later than 1 August immediately preceding the Second Charging Year;
- (b) an IP Charge Notification under Clause 5.1.2 by no later than 1 November immediately preceding the Second Charging Year (or, if not practicable, by no later than 1 November immediately preceding the Third Charging Year);
- (c) (if applicable) a Revised IP Charge Notification under Clause 5.1.3 by no later than 1 December immediately preceding the Second Charging Year (or, if not practicable, by no later than 1 December immediately preceding the Third Charging Year); and
- (d) an RPI Updated IP Charge Notification under Clause 5.1.4 by no later than 24 December immediately preceding the Second Charging Year (or, if not practicable, by no later than 24 December immediately preceding the Third Charging Year);

in each case in respect of the IP Charge for:

- (e) the Second Charging Year, and
- (f) unless Clause 6.8.1 applies, the First Charging Year.

## **7 Annual reconciliation adjustment**

**7.1** In order to enable the Infrastructure Provider to perform its obligations in accordance with the Project Licence and this Agreement, Thames Water shall, no later than 1 May in each Charging Year, provide the Infrastructure Provider with the Annual Collection Statement for the immediately preceding Charging Year.

**7.2** If the Annual Collection Statement indicates that the amount received in respect of the IP Charge by the Infrastructure Provider in respect of the relevant Charging Year is less than the Allowed Revenue for the relevant Charging Year, then the shortfall shall be recoverable pursuant to Clause 8 (*Recovery of the IP Charge*) or through paragraph A7 of Appendix 1 (*Calculation of Allowed Revenue*) of the Project Licence.

**7.3** If the Annual Collection Statement indicates that the amount received in respect of the IP Charge by the Infrastructure Provider in respect of the relevant Charging Year exceeds the Allowed Revenue for the relevant Charging Year, then Clause 6.3 shall apply to such overpayment.

## **8 Recovery of the IP Charge**

**8.1** To the extent that Relevant Bills are not paid by Wastewater Customers as and when they fall due, Thames Water will seek to recover outstanding Total Charges in the same manner and in accordance with the same debt recovery practices as Thames Water seeks to recover outstanding TWUL Wastewater Charges and TWUL Water Charges and in accordance with the TWUL Billing Procedures.

**8.2** To the extent that in a particular month amounts are collected by Thames Water (or amounts previously collected on behalf of Thames Water are passed to Thames Water) in respect of Relevant Bills issued for a previous Charging Year in which the Infrastructure Provider was entitled to the IP Charge, Thames Water shall:

- 8.2.1** separately identify those amounts by the Charging Year to which they relate in:
- (i) both the Draft Monthly Collection Statement and the Final Monthly Collection Statement for that month; and
  - (ii) the Annual Collection Statement for the Charging Year in which that month falls;
- 8.2.2** pay the relevant IP Proportion of those collected amounts to the Infrastructure Provider in addition to the IP Revenue Payment payable in accordance with Clause 6 (*IP Revenue Payment*), provided that:
- (i) the payment of the IP Proportion of those amounts does not result in the Infrastructure Provider receiving amounts in respect of the IP Charge in respect of the previous Charging Year which exceeds the Allowed Revenue for that previous Charging Year; and
  - (ii) for the purposes of Clause 8.2.2(i):
    - (a) the relevant IP Proportion for a particular amount shall be the IP Proportion applicable for the Charging Year to which that particular amount relates; and
    - (b) any amounts received by the Infrastructure Provider but paid back to Thames Water pursuant to Clause 6.3.3 shall not be treated as amounts received in respect of the IP Charge.

**8.3** The Parties agree that, to the extent that:

- 8.3.1** Thames Water proposes to submit information to the Regulator for the purposes of a Periodic Review which includes information directly relating to the recovery of the IP Charge, Thames Water shall co-operate and consult with the Infrastructure Provider prior to submitting such information to the Regulator; or
- 8.3.2** either the Regulator or the Infrastructure Provider proposes to make any change to the calculation of Allowed Revenue pursuant to the Project Licence which could have a material impact on the quantum of the IP Charge that Thames Water will be required to bill in future Charging Years as compared with the IP Charge which Thames Water has been required to bill in previous Charging Years, the Infrastructure Provider shall co-operate and consult with Thames Water prior to proposing or accepting such a change.

## **9 Amendment and variation**

- 9.1** The Parties shall use reasonable endeavours to agree any amendments or variations to this Agreement which is necessary to implement:
- 9.1.1** a special administration order in relation to the Infrastructure Provider or Thames Water;
  - 9.1.2** modifications to the Project Licence;
  - 9.1.3** modifications to the Instrument of Appointment; or
  - 9.1.4** changes to the regulatory regime governing the water and wastewater industry,

having regard to the intention of the Parties that the rights and obligations imposed by this Agreement be consistent with the charging powers conferred on the Infrastructure Provider and the conditions of the Project Licence, as described in Clauses 3.2 and 3.3.

**9.2** No amendment or variation of this Agreement shall be effective unless:

**9.2.1** it is in writing and signed by or on behalf of each Party; and

**9.2.2** it has been approved by:

(i) the Regulator; and

(ii) where clause 3.3.1(i) of the Liaison Agreement applies, the Secretary of State.

## **10 Termination**

**10.1** This Agreement shall terminate:

**10.1.1** upon revocation of the Project Licence, with immediate effect, unless this Agreement has been transferred or is transferring to a licensed transferee pursuant to the Project Licence or Schedule 2 of the Modified WIA;

**10.1.2** upon the commencement of a Charging Year immediately following a Charging Year during which the Infrastructure Provider issues to Thames Water an irrevocable notice to terminate under Clause 10.2; or

**10.1.3** upon the date of a transfer of Infrastructure Provider assets where Thames Water has issued a notice pursuant to Clause 10.3.

**10.2** The Infrastructure Provider may issue to Thames Water an irrevocable notice to terminate where:

**10.2.1** Thames Water has failed to pay an IP Revenue Payment pursuant to Clause 6.6.2;

**10.2.2** the Infrastructure Provider has informed Thames Water of such failure; and

**10.2.3** such failure has not been rectified within three months of the relevant IP Revenue Payment becoming due and payable.

**10.3** If a transfer of IP Works and/or the IP Owned Structures (as applicable) (whether partially or wholly constructed), whether by share sale or asset transfer, is directed or agreed pursuant to the Project Licence, Modified WIA or otherwise in accordance with Law which, subject to Clause 10.4:

**10.3.1** excludes this Agreement and/or any Project Document to which Thames Water is a party; or

**10.3.2** excludes the Project Licence and the relevant transferee has not been granted a project licence pursuant to the Modified WIA,

and Thames Water has not given its express consent to such transfer, Thames Water may, by notice to the Infrastructure Provider, Regulator and Secretary of State terminate this Agreement with effect from the date of such transfer, and no Party shall have any claim against any other Party in respect of such termination.

**10.4** For the purposes of Clause 10.3 only, the references to "this Agreement" and "any Project Document" shall each be construed to exclude:



- 10.4.1 the DCO Powers Transfer and any other documents which are not capable of being transferred at Law;
  - 10.4.2 documents which have expired by operation of their terms;
  - 10.4.3 where the Lease has been entered into, the Agreement for Lease; and
  - 10.4.4 documents which the relevant counterparty has agreed are not required to be transferred.
- 10.5 Termination under this Clause 10 shall not affect any rights or obligations which may have accrued prior to termination, including any in respect of antecedent breaches. The obligations of each Party which are expressed to survive termination or to take effect on termination shall continue in full force and effect notwithstanding termination of this Agreement.

## 11 Direct charging by the Infrastructure Provider

- 11.1 The Parties acknowledge that, upon the issuance of an irrevocable notice to terminate under Clause 10.1.2, subject to the Regulator approving a Charges Scheme for the Infrastructure Provider in accordance with the Project Licence:
- 11.1.1 the conditions set out in Appendix 3 (*Direct Charging Conditions*) of the Project Licence will be implemented; and
  - 11.1.2 from 1 April in the Charging Year immediately following the coming into effect of Appendix 3 (*Direct Charging Conditions*), the modifications to Condition B of the Instrument of Appointment applied by Condition T of the Instrument of Appointment will take effect.

[...]

## 12 Dispute resolution

### 12.1 Dispute Resolution Procedure

- 12.1.1 Any Dispute arising out of or in connection with this Agreement shall be resolved in accordance with the Dispute Resolution Procedure set out in this Clause 12.
- 12.1.2 Unless this Agreement has already been repudiated or terminated, the Parties shall continue to comply with all of their obligations under this Agreement regardless of the nature of any Dispute and notwithstanding the referral of any Dispute for resolution under this Clause 12.

### 12.2 Escalation of Dispute

- 12.2.1 Any Dispute arising out of or in connection with this Agreement shall first be referred to representatives of the Parties with day-to-day responsibility for the administration of this Agreement, who shall meet and endeavour to resolve the Dispute within 28 days.
- 12.2.2 If such Dispute has not been resolved within 28 days between such Parties' representatives, it shall then be referred to a senior executive of each such Party, who shall be supplied with all pertinent information by the Parties in dispute and shall endeavour to arrive at an amicable resolution to such Dispute within 28 days after receipt of such information.

- 12.2.3 Following the expiry of the period set out in this Clause 12.2, either Party may at any time refer any Dispute to be resolved in accordance with the independent expert procedure set out in Clause 12.3 ("**Expert Determination**").
- 12.2.4 This Clause 12.2, and any discussion between representatives or senior executives which takes place pursuant to it, shall be without prejudice to any right or remedy which any relevant Party may ultimately have, should the matter in dispute fail to be resolved by such discussions.

### 12.3 Expert Determination

- 12.3.1 Following the expiry of the period set out in Clause 12.2, either Party may refer a Dispute to Expert Determination by proposing to the other Party the appointment of an expert (the "**Expert**").
- 12.3.2 The Expert shall have experience in the discipline or area of expertise that the Parties agree is appropriate for the Dispute in question and shall be appointed by agreement between the Parties or, failing agreement within 14 days of the initiation of the reference, by the president for the time being of the Chartered Institute of Arbitrators (the "**President**") on the application of either Party.
- 12.3.3 The Parties shall request that the Expert determines the referred Dispute within 30 days of receiving the reference.
- 12.3.4 If the Expert has been appointed but is unable or unwilling to complete the reference, another Expert shall be appointed by agreement between the Parties or, failing agreement within 14 days of the Parties being notified that the Expert is unable or unwilling to complete the reference, by the President on the application of either Party.
- 12.3.5 The Expert shall act as an expert and not as an arbitrator.
- 12.3.6 The Parties shall have the right to make representations and submissions to the Expert. There will be no formal hearing.
- 12.3.7 Each Party shall make all relevant documents and information within their control available to the Expert.
- 12.3.8 The decision of the Expert shall, in the absence of fraud or manifest error, be final and binding on the Parties.
- 12.3.9 The costs of and incidental to the reference shall be awarded by the Expert as he or she thinks fit.

### 12.4 Litigation

- 12.4.1 Following the expiry of the period set out in Clause 12.2 (*Escalation of Dispute*), either Party may issue court proceedings in relation to the Dispute.
- 12.4.2 If court proceedings are issued, the Parties agree that the court may open up, review and revise any opinion, decision, certificate, account, requirement or notice given pursuant to this Agreement and any of the documents entered into between the relevant Parties pursuant to this Agreement and determine all matters in dispute which shall be submitted to it in the same manner as if no such opinion, decision, certificate, account, requirement, notice or determination had been given.

## 13 Personal Data

Each Party warrants to the other that it has, or will have at all material times (and it shall procure that all agents and sub-contractors of any tier have or will have at all material times), the appropriate technical and organisational measures in place against unauthorised or unlawful processing of Personal Data and against accidental loss or destruction of, or damage to, Personal Data held or processed by it and that it has taken, or will take at all material times, all reasonable steps to ensure the reliability of any of its staff which will have access to Personal Data processed in relation to the Project or the Project Documents.

## 14 Information

14.1 At a Party's reasonable request and at the requesting Party's cost, the other Party shall, subject to compliance with Law, provide additional information to enable the requesting Party to:

14.1.1 comply with obligations under this Agreement;

14.1.2 verify or audit any invoice or information provided under the terms of this Agreement; or

14.1.3 conduct forecasting, cash profiling, budgeting or planning, to the extent it relates to obligations under this Agreement.

14.2 Where, under any Clause of this Agreement, a Party is or can be required to furnish information to the other Party:

14.2.1 subject to Clause 14.2.2, there shall be a presumption that the furnishing of that information in accordance with that Clause is sufficient for the relevant purposes of that Clause; and

14.2.2 Clause 14.2.1 will not apply if a Party notifies the other in writing that, in its opinion, further information is or is likely to be necessary for the purpose of performing any of its obligations under this Agreement.

## 15 Confidentiality

### 15.1 Confidential Information

Subject to Clause 15.2 (*Disclosure of Confidential Information*), the Parties shall at all times keep all Confidential Information confidential to the Party receiving it and shall not disclose such Confidential Information to any other person, except with the other Party's written authority.

### 15.2 Disclosure of Confidential Information

A Party shall, without the prior written consent of the other Party, be entitled to disclose Confidential Information that has been provided or received other than in accordance with Clause **Error! Reference source not found.**:

15.2.1 that is reasonably required by the Party engaged in the performance of its obligations pursuant to this Agreement, including the disclosure of any Confidential Information to any employee, consultant, agent, officer, sub-contractor (of any tier) or adviser to the extent necessary to enable that Party to perform its obligations under any of the Project Documents;

- 15.2.2 to enable a determination to be made under the Dispute Resolution Procedure;
- 15.2.3 to any Secured Creditors, Affiliates of the Party or their professional advisers (including any rating agencies, if applicable) or insurance advisers or, where it is proposed that a Person should or may provide funds (whether directly or indirectly and whether by loan, equity participation or otherwise) to the Infrastructure Provider to enable it to carry out its obligations under the Project Documents and the Government Support Package, to that Person and their advisers but only to the extent reasonably necessary to enable a decision to be taken on the proposal;
- 15.2.4 to the extent required by the Water Industry Act, the Modified WIA or any other applicable Law or pursuant to an order of any court of competent jurisdiction, any parliamentary obligation or the rules of any stock exchange or governmental or regulatory authority having the force of Law;
- 15.2.5 to register or record any authorisations and to effect property registration that may be required;
- 15.2.6 for the purpose of the examination and certification of any Party's accounts;
- 15.2.7 in relation to disclosure by Thames Water, in order to fulfil the obligations under the Instrument of Appointment or assist in the planning or execution of other maintenance, renewal or enhancement projects;
- 15.2.8 in relation to disclosure by Thames Water, to any Person in connection with or in anticipation of that person becoming a shareholder of Thames Water, and
- 15.2.9 in relation to disclosure by the Infrastructure Provider, in order to fulfil its Project Licence obligations,

provided that any such disclosure is made in Good Faith.

### **15.3 Obligations preserved**

Where disclosure is permitted under Clause 15.2 (*Disclosure of Confidential Information*), other than Clauses 15.2.4 and 15.2.5, the Party making such disclosure shall ensure that the recipient of the information is subject to the same obligation of confidentiality as that contained in this Agreement.

### **15.4 Exploitation of information**

Subject to Clauses 15.2.3, 15.2.4, 15.2.6 and 15.2.7, neither Party shall make use of any information arising out of the Project issued or provided by or on behalf of either Party in connection with this Agreement otherwise than for the purposes of this Agreement, the Liaison Agreement and the Project Licence, except with the written consent of the Party by whom or on whose behalf the information was provided.

## **16 General provisions**

### **16.1 Notices**

#### **16.1.1 Communications in writing**

Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by hand or recorded delivery or letter.

### 16.1.2 Addresses

The address (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Agreement are as follows:

#### **Thames Water**

Thames Water Utilities Limited,  
The Point, 37 North Wharf Road, Paddington,  
London W2 1AF  
Attention: [...]

#### **Infrastructure Provider**

Bazalgette Tunnel Limited  
Address: [...]  
Email: [...]  
Attention: [...]

or any substitute address or department or officer as either Party may notify in writing to the other Party by not less than five Business Days' notice.

### 16.1.3 Delivery

- (i) Any communication or document made or delivered by one Party to the other Party under or in connection with this Agreement shall only be effective:
  - (a) if by hand or recorded delivery, when so delivered; and
  - (b) if by letter, two Business Days after being deposited in the post (postage prepaid) in an envelope addressed to the relevant Party at the relevant address,and, if a particular department or officer is specified as part of its address details provided under Clause 16.1.2, if addressed to that department or officer.
- (ii) Any notice under this Agreement shall be irrevocable.

### 16.1.4 Electronic communication

- (i) Any communication to be made under or in connection with this Agreement may be made by electronic mail or other electronic means, if the Parties:
  - (a) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
  - (b) notify the other Party in writing of their electronic mail address and any other information required to enable the sending and receipt of information by that means; and
  - (c) notify the other Party of any change to their address or any other such information supplied by them.

- (ii) Any electronic communication made between the Parties will be effective only when actually received in readable form.

## **16.2 Waiver**

No failure to exercise, nor any delay in exercising, any right, power or remedy under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. Any waiver of any breach of this Agreement must be made in writing and shall not be deemed to be a waiver of any subsequent breach.

## **16.3 Assignment**

**16.3.1** For the purposes of this Clause 16.3:

- (i) “**Security Agreement**” means the Security Agreement entered into as a deed by Thames Water and the other Chargors on 30 August 2007 (as amended from time to time);
- (ii) “**Chargors**”, “**Secured Creditors**”, “**Security Trustee**” each have the meaning given to such term in the Security Agreement; and
- (iii) “**Relevant Chargor**” means each Chargor which is a party to this Agreement.

**16.3.2** The execution of this Agreement is deemed to constitute notice by each Relevant Chargor of:

- (i) the Security Agreement; and
- (ii) the assignment of such Relevant Chargor’s right, title and interest in, to or under this Agreement to the Security Trustee for and on behalf of itself and the other Secured Creditors, and each Party hereby acknowledges such assignment.

**16.3.3** By entering into this Agreement:

- (i) each Relevant Chargor shall be deemed to have given notice to the other Party hereto as required under Schedule 2 Parts 3A and/or 3B (as applicable) to the Security Agreement as if such Relevant Chargor had executed and delivered the same; and
- (ii) each Party upon which notice is deemed to have been given pursuant to Clause 16.3.3(i) shall be deemed to be bound by the terms of the acknowledgement in the form set out in Schedule 2 Parts 4A and/or 4B (as applicable) to the Security Agreement as if each such Party had executed and delivered the same to the Security Trustee.

**16.3.4** Each Party acknowledges that, by virtue of the notice and acknowledgement pursuant to Clause 16.3.3, the Security Trustee is entitled to exercise all of the rights of each Relevant Chargor under this Agreement for itself and on behalf of the other Secured Creditors.

## **16.4 Partial invalidity**

**16.4.1** If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any Law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or

enforceability of such provision under the Law of any other jurisdiction will, in any way, be affected or impaired and the legality, validity and enforceability of the remainder of this Agreement shall not be affected.

**16.4.2** The Parties will negotiate in Good Faith with a view to agreeing one or more provisions which may be substituted for any such invalid, illegal or unenforceable provision and which are satisfactory to all relevant Competent Authorities and produce as nearly as is practicable in all the circumstances the appropriate balance of the commercial interests of the Parties. No failure to agree upon such provisions may be referred to the Dispute Resolution Procedure.

## **16.5 Relationship between the Parties**

**16.5.1** Except as otherwise expressly provided in this Agreement:

- (i) neither this Agreement nor any other agreement or arrangement of which this Agreement forms part, nor the performance by the Parties of their respective obligations under any such agreement or arrangement, shall constitute a partnership between the Parties;
- (ii) neither Party shall have any authority to bind the other Party as its agent or otherwise; and
- (iii) the Parties do not have a fiduciary relationship and each Party is free to act as it considers appropriate and is not restricted from engaging for its own account, by itself or with others, in any business or activity of any nature whatever.

## **16.6 Exclusion of implied terms**

Each Party acknowledges that it has not been induced to enter into this Agreement by any representation, warranty or undertaking not expressly incorporated into it. So far as permitted by Law and except in the case of fraud, each Party agrees and acknowledges that its only rights and remedies in relation to any representation, warranty or undertaking made or given in connection with this Agreement shall be for breach of the terms of this Agreement, to the exclusion of all other rights and remedies (including those in tort or arising under statute). For the purposes of this Clause 16.6 only, "this Agreement" includes all documents entered into pursuant to this Agreement.

## **16.7 Consequential Loss**

In no event shall either Party be liable to the other Party (whether on the basis of breach of contract, indemnity, warranty, tort, breach of statutory duty or otherwise) for any matter arising out of or in connection with this Agreement in respect of any Consequential Loss, save as expressly provided for under this Agreement.

## **16.8 Entire Agreement**

This Agreement constitutes the entire agreement between the Parties with respect to the matters contemplated in it and supersedes any prior written or oral agreement between them with respect to such subject matter.

## **16.9 Further assurance**

Each Party shall, and shall use all reasonable endeavours to procure that any relevant third party shall, execute such documents and do such acts and things as the requesting Party

may reasonably require for the purpose of giving to the requesting Party the full benefit of all the provisions of this Agreement.

#### **16.10 Counterparts**

This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

#### **16.11 Announcements**

Neither Party shall issue any announcement or circular regarding this Agreement or any aspect of its contents without the prior written agreement of the other Party (such agreement not to be unreasonably withheld or delayed), except as may be required by Law or the rules of any stock exchange applicable to either Party or any of its Affiliates. The Party so issuing will use all reasonable endeavours to notify the other Party of the content of such announcement or circular at least 48 hours prior to such issue (unless otherwise required by Law or the rules of any applicable stock exchange) and the Party so issuing shall take such account as is reasonable in the circumstances of comments on the proposed announcement or circular made by the other Party, provided such comments are received within 24 hours of the notification.

#### **16.12 Contracts (Rights of Third Parties) Act 1999**

This Agreement does not create any right under the Contracts (Rights of Third Parties) Act 1999 which is enforceable by any Person who is not a Party to it.

#### **16.13 Governing Law**

Subject to Clause 12 (*Dispute resolution*), this Agreement and the documents to be entered into pursuant to it and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English Law.

#### **16.14 Jurisdiction**

**16.14.1** Subject to Clause 12 (*Dispute resolution*), the Parties irrevocably agree that the courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement).

**16.14.2** The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

**In witness whereof** this Agreement has been delivered on the date first stated above.



SIGNED as a DEED by  
**THAMES WATER UTILITIES LIMITED**  
acting by:



.....  
Authorised Signatory

.....  
Print name

In the presence of:

.....  
Witness's signature

.....  
Print Name

.....  
Witness's Address

EXECUTED and DELIVERED as a  
DEED by **BAZALGETTE TUNNEL  
LIMITED** acting by its authorised  
signatory:



.....  
Authorised Signatory

.....  
Print name

In the presence of:

.....  
Witness's signature

.....  
Print Name

.....  
Witness's Address

## **Schedule 1**

### **Summary of the TWUL Billing Procedures**

This summary of the TWUL Billing Procedures sets out the arrangements for: (i) setting; (ii) billing and collecting; and (iii) allocating, revenues. It assumes Thames Water will not collect any revenue with respect to the IP Charge during 2015-2016 but will start doing so from 1 April 2016.

#### **I. CHARGES SETTING PROCESS**

##### **1 2015-2016**

- 1.1** The Regulator has outlined the timetable and process for companies to set their 2015/16 charges in the information notice IN14/15. This can be found on the Regulator's website.
- 1.2** The Regulator has set out its expectations in respect of the 2015-16 charge setting process. This is in light of the strong likelihood that Defra will now not have time to consult on, lay before Parliament and issue charging guidance to the Regulator before 2015-16 charges have to be set. This means that the necessary legislation required to enable a charging rules framework will not be brought into force. On this basis, the Regulator requires companies to provide their charges schemes and assurances to them by 16 January 2015, in advance of the requirement to publish wholesale and end-user retail charges for household and non-household customers by 2 February 2015. The Regulator will approve companies' charges schemes on the basis of having received assurance from companies that their charges comply with the expectations by the Regulator in its May 2014 consultation on wholesale and retail charges for 2015-16, and that the company is complying with all of its duties and obligations.
- 1.3** In future years, the Regulator's requirement to approve charges schemes will be removed once Defra have issued charging guidance to the Regulator (under The Water Act 2014). Following this, the Regulator will issue charging rules with which companies will be required to comply.

##### **2 2016-2017 and future years**

###### **2.1 Overview**

- 2.1.1** It is expected that the necessary legislation will be in force for setting 2016/17 prices to enable a charging rules framework to be in place. Under this framework Defra will issue charging guidance to the Regulator after which the Regulator will issue charging rules to companies with which they must comply. The Water Act 2014 sets out the changes to the existing governance arrangements to charges under which the Regulator makes charging rules having regard to guidance issued by the UK Government. Companies will continue to be required to produce charges schemes, however, regulatory approval for these schemes will no longer be required. Where companies do not comply with the charging rules published by the Regulator, regulatory action/penalties may result.
- 2.1.2** With the exception of the points raised in paragraph 2.1.1, the process for setting charges for 2016/17 and later years in AMP6 is expected to largely replicate the 2015/16 process.

- 2.1.3 The Regulator has indicated that in 2016/17 and future years companies may need to publish wholesale charges to an earlier timescale and in advance of the end-user tariffs.

## **2.2 Information requirements**

Final 2016/17 prices will be calculated using the following information:

- 2.2.1 forecast 2016/17 charging base information;
- 2.2.2 the Regulator charging guidance and governance requirements;
- 2.2.3 final determination of allowed revenue – published 12 December 2014;
- 2.2.4 the retail price index – published December 2015 (published 3<sup>rd</sup> Tuesday in December); and
- 2.2.5 Infrastructure Provider's revenue notification requirements. In accordance with the Revenue Agreement, the Infrastructure Provider has to provide Thames Water with the Revised IP Charge Notification no later than 1 December 2015 and with the RPI Updated IP Charge Notification by 24 December 2015.

## **2.3 Calculations for wholesale wastewater allowed revenue**

- 2.3.1 2016/17 wastewater allowed revenue (incorporating trade effluent) will be recovered from the full range of wholesale wastewater charges applying to both household and non-household customers. This will include the following charge types:
- (i) rateable value;
  - (ii) metered;
  - (iii) business assessed and household assessed;
  - (iv) trade effluent (Mogden formula); and
  - (v) miscellaneous.
- 2.3.2 The IP Charge will be added to the Thames Water wholesale wastewater allowed revenue and recovered proportionally through a range of wholesale wastewater charges. Wholesale wastewater revenue (with the exception of surface water and highway drainage costs, which will continue to be recovered in relation to pipe size) will primarily be recovered through variable wholesale charges i.e. volumetric charges, rate poundage charges and the various trade effluent components of the Mogden formula. A small element may also be attributed and charged to various miscellaneous charges.

## **II. BILLING AND COLLECTION PROCESS**

### **3 Direct billing**

#### **3.1 Unmetered customers**

- 3.1.1 Customers who are in occupancy in February of each year will receive an advance annual bill covering the period commencing on 1 April of that year and ending on 31 March of the immediately following calendar year.

- 3.1.2 Bills that need to be amended during the year, after the annual bill has been produced, will be adjusted. This adjustment may mean the original bill is cancelled and a bill with the amended details is then produced. An example of this would be when a customer moves house.

### **3.2 Metered customers**

- 3.2.1 Metered customers are billed in arrears and on what is known as a “bill frequency”. Customer type denotes the frequency of the billing:
- (i) key non-household customers are billed monthly;
  - (ii) all other non-household customers are billed quarterly; and
  - (iii) household customers are billed twice a year.
- 3.2.2 The meter readings are taken in order to create an actual bill reflective of the customer's consumption.
- 3.2.3 Changes that occur within the customer base throughout the year i.e. moving home, leak allowances and tariff changes, are reflected through either a credit or cancellation of the bill and the raising of a new bill, when appropriate. The impact of this is seen in the month that it occurs due to the nature of the billing being in arrears.

3.3 [...]

3.4 [...]

## **4 Billing and collection by other entities**

### **4.1 Other Water Companies (“OWC”)**

- 4.1.1 Thames Water has billing and collection relationships with OWCs. OWCs include water only companies (“**WoCs**”) and water and sewerage companies (“**WaSCs**”) where Thames Water wastewater boundaries cross into the WoCs or WaSCs water supply boundary. Approximately [...] % of the TWUL Wastewater Customers are billed by OWCs.
- 4.1.2 TWUL Wastewater Charges are loaded into the OWCs' billing systems and validated by a WOC relationship manager and Thames Water's tariffs manager. OWCs bill customers following the OWC billing cycle and using data held on the OWC billing systems. Cash collection and debt recovery follow the OWCs own prescribed collection processes. Cash is allocated proportionately over water and sewerage based on billing. Payments received that match the exact debt value as shown in the bill will clear that particular debt amount. Payments received that do not match a particular debt amount will clear the oldest debt first.
- 4.1.3 Customer data and information is held on the OWCs billing systems.
- 4.1.4 Payment to Thames Water from OWCs is made in line with current agreements between Thames Water and OWCs.

### **4.2 The Local Authority and Housing Associations (“LAHAs”)**

- 4.2.1 Thames Water uses a “parent/child accounts” billing terminology which enables Thames Water to bill at a property level (i.e. a child account) and summarise a number of accounts on one statement (i.e. a parent account).

- 4.2.2 [...].
- 4.2.3 Payments received that match the exact debt value as shown in the bill will clear that particular debt amount. Payments received that do not match a particular debt amount will clear the oldest debt first.
- 4.2.4 LAHAs pass data to Thames Water on occupants and empty status of the properties, which enables Thames Water to keep property data up to date and bill customers as per the Thames Water charging scheme. Any amendments to properties following this process are reflected to the LAHAs through an end of year process, with any over/under payments processed through the following year's payment plans.

### III. PAYMENT ALLOCATION RULES

#### 5 Payment allocation principles

- 5.1.1 In the preparation of each monthly collection statement, Thames Water will:
  - (i) record the amount of relevant Total Charges billed and collected by Thames Water (or on behalf of Thames Water and passed to Thames Water) (net of adjustments e.g. refunds) from each of:
    - (a) Wastewater Customers who are billed for TWUL Wastewater Charges and the IP Charge; and
    - (b) Wastewater Customers who are billed for TWUL Water Charges as well as TWUL Wastewater Charges and the IP Charge,
 categorised by the Charging Year to which the amounts relate [...]; and
  - (ii) allocate between Thames Water and the Infrastructure Provider the total amount of TWUL Wastewater Charges and the IP Charge collected by Thames Water (or on behalf of Thames Water and passed to Thames Water) from each of:
    - (a) Wastewater Customers who are billed for TWUL Wastewater Charges and the IP Charge; and
    - (b) Wastewater Customers who are billed for TWUL Water Charges as well as TWUL Wastewater Charges and the IP Charge,
 in respect of each Charging Year according to the IP Proportion applicable to that Charging Year.
- 5.1.2 Payments received that match the exact debt value as shown in the bill will clear that particular debt amount. Payments received that that do not match a particular debt amount will clear the oldest debt first.
- 5.1.3 [...].