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Dear Cat,

Thank you for your email of 16 October to the Prime Minister about Thames Water and public ownership. We have been asked to reply. We apologise for the delay in responding.

The government recognises that the water industry has not been working for people for far too long. That is why we are looking at how we can give the public more control and help keep bills as low as possible. We are focused on reforms that will deliver cleaner waterways, stronger accountability and better outcomes for customers. The Prime Minister has been clear that the government's priorities must be the public's priorities. Later in the year, our 10-year plan for Britain will set out plans for stronger public control over essential utilities like water, making them work for people and places again.

In relation to concerns regarding the proposed deal between Ofwat and Thames Water's creditors, Defra's former Secretary of State was clear in their letter of 16 June to Ofwat that they did not believe that the Consortium's current proposal went far enough to protect customers and the environment.

As part of the former Secretary of State's preliminary views, they listed the following concerns:

- The proposal expects consumers to fund an unprecedented level of regulatory adjustments.
- They were not yet convinced that the proposal demonstrated sufficient protection for consumers' interests as it was understood that there would be some bill impacts in this price review period and further rises in the next period as a direct result of these regulatory adjustments. They were concerned that consumers would ultimately bear an undue cost for these adjustments.
- The proposal requests reduced performance standards, impacting both the environment and consumers.
- The proposal suggests that a significant number of investments would be deferred, in some cases by up to a decade. This would mean delays to environmental improvements, particularly those related to wastewater treatments linked to statutory requirements and to projects important to drinking water safety and supply. They were concerned that the long-term resilience of water and wastewater systems may not be adequately protected.

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The government is in regular contact with Ofwat, which will engage with the Consortium on any revised proposal. It is important to be clear that it is ultimately a matter for Ofwat to decide whether to consult on the Consortium's proposal. Thames Water has statutory and regulatory obligations to both its customers and to the environment that it must meet, and we will continue to ensure it upholds them.

There is a high bar for the use of a Special Administration Regime. The law states that Special Administration can only be initiated if the company becomes insolvent, or is in such serious breach of its principal statutory duties or an enforcement order that it is inappropriate for the company to retain its licence. While the company is stable, we stand ready for all eventualities, including being ready to apply for a Special Administration Regime if necessary.

Yours sincerely,

Ministerial Contact Unit

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