

Ofwat prepares ground for TTT-style projects

▶ Water regulator plans to unveil construction and financing proposals before the end of the year.

Ofwat will announce initial proposals this December on how competition on construction and financing costs could be applied to other projects in the sector.

The water regulator is keen to implement the process having awarded the Infrastructure Provider licence to the Bazalgette Tunnel consortium to finance and deliver the 16-mile "super-sewer" to tackle the untreated sewage pouring into the Thames, and paid for through Thames Water's customers' bills. Announcing the licence award, Cathryn Ross, Ofwat's chief executive, said the regulator had taken an innovative approach to challenging costs on the project and would see how going out for competition on construction and financing costs – which had resulted in "significant savings" – could be applied to other projects.

Keith Mason, senior director, finance and network, at Ofwat, told WET News areas identified for exploration included "water treatment, water trading, as well as sludge treatment and disposal. The Thames Tideway Tunnel is a unique project, both

in scale and complexity, requiring a bespoke delivery framework. We are not proposing to simply mirror the Tideway model. Rather we want to learn whether a competitive approach to establishing costs could be beneficial for other projects in the sector".

He said the investment would likely be new, have a high value and be clearly distinct from the rest of a companies' portfolio of work. This is important as it allows a clear separation of project risks, enabling an effective competitive tendering process to reveal what is best value," he said. Mason said it was too early to go into further detail but Ofwat was keen to hear ideas from across the sector to see how this could best work.

He pointed to the benefits of competitive tendering evident in the energy sector. "Ofgem has looked to go out to competition on the licensing of offshore electricity transmission. They take a flexible approach, and the result is that electricity generators are partners with the most efficient competitive players in the market.

"This helps lower costs and ultimately lowers bills for customers. Our sense is that we would be talking about projects which require what would be, for a water company, a proportionately significant investment." That could be something that was too big, complex or risky for a company to take on, but not necessarily too expensive. "A project could be very expensive – the water sector has invested more than £120bn since privatisation – but relatively straightforward," Mason said.

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Keith Mason, Ofwat