

Part B9 – Overlap Programme**Summary Report by REPORTER****Summary of Audit Findings & Reporter Opinion**

The Company has included five schemes in its overlap programme: Deephams STW, Swindon Network, Swindon STW, Rye Meads STW, Aylesbury Network.

We consider that all meet the criteria for inclusion in the overlap programme, although it could be argued that in the case of the proposed works for Swindon STW and Rye Meads STW, the AMP5 and AMP6 elements at each works could be promoted as separate schemes although this could result in the schemes benefit being delivered later in AMP6 than the Company requires.

In the case of Aylesbury Network, we have noted that the location of the proposed development and a different solution at a different cost to that included in the FBP may be needed.

Summary of Thames Water's Proposals

The Company has included one quality and three supply demand schemes in its overlap programme. These are as follows:

Deephams STW - Quality

The Company has proposed to rebuild the existing treatment capacity on an adjacent brownfield site to meet a new quality requirement. This is a major scheme. (TEXT REDACTED)

The Company proposals are based on a seven year programme of delivery. (TEXT REDACTED) We consider that this length of programme is realistic and appropriate for a project of this size and that it is consistent with the EA National Environmental Programme, which shows the new consent conditions coming into force in 2017.

We noted in our review of the Company's proposals that proper consideration had not been given to the option of down rating and retaining the existing plant and building a smaller extension. We consider that this option should be evaluated before the costs of the scheme are confirmed.

We consider that this scheme is consistent with the reporting guidance and qualifies for inclusion in the overlap programme.

Swindon Network and STW Schemes - Growth

We consider that the network scheme meets the criteria for inclusion in the overlap programme. The Company has judged that the impact of the recession will mean that one element of the scheme can be slipped into AMP6. However, it is logical and should be most cost effective to design the whole scheme as one activity. The Company also needs to be able to accelerate the implementation of the second stage of the works, if recovery in the economy leads to a more rapid recovery in development activity than has been assumed.

The treatment works scheme has two elements:

- inlet works and storm tank extensions – AMP5
- treatment capacity extensions – AMP6

We consider that these works could be implemented as two separate schemes. However, there are advantages in planning both elements together in order to deliver an efficient and integrated solution ensuring early delivery in AMP6, and so meets the criteria for inclusion as an overlap scheme.

Rye Meads STW – Growth

This scheme also has two components:

- power supply upgrade and sludge thickening – AMP5
- hydraulic and treatment capacity extensions – AMP6

Again, we consider that these works could be implemented as two separate schemes, but accept that there may be benefits in progressing both elements in an integrating manner which would allow planning issues to be dealt with in AMP5 allowing earlier completion of the scheme in AMP6 to meet forecast growth requirements. We therefore consider that this scheme meets the criteria for inclusion as an overlap scheme.

Aylesbury Network Scheme – Growth

This scheme was planned for implementation in AMP5 in the DBP, but the Company has deferred the programme as a result of the impact of the recession on development activity, and is now anticipating delivery over AMP5 and AMP6. We consider that in this respect it meets the criteria for inclusion in the overlap programme.

It should be noted that there is considerable uncertainty concerning the location of the development. The Company has based its solution and the cost included in the FBP on its assessment of the site that is most likely to

proceed. However, should a different site proceed then a different solution at a higher or lower cost would need to be implemented.

Summary of Audit & Review

The Company has cooperated with Reporter's team through the audit process and has provided commentary and data tables and suitable supporting information.

We are satisfied that the Company has fully disclosed its assumptions, methodology and data sources used for the preparation of its B9 submission for the sewerage service. These have been drawn from the sources it used to support its B4 and B5.

We consider that it is reasonable to include the four identified schemes in the overlap programme, although we have identified several issues Ofwat may wish to consider.

We consider that the Company's commentary provides a full and detailed explanation of its plans and the bases for these and that its methodology is based on the latest guidance.

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