

## Gate two query process

<b>Strategic solution(s)</b>	SESRO
<b>Query number</b>	SER004
<b>Date sent to company</b>	12/12/2022
<b>Response due by</b>	14/12/2022

### Query

Although SIPR has been indicated as the preferred procurement route, subject to legislative and regulatory changes, timelines have not been included on the Project Delivery Plan. Please could you provide a timeline and dates for key milestones based on your understanding of the SIPR procurement model? This should include an estimated decision date for the latest point at which this option would need legislation to be in place to progress down the SIPR route.

### Solution owner response

The Gate 2 Project Delivery Plan (Appendix F-1) assumes that a decision on SIPR or DPC would be made by Control Point C in mid 2024, following which Ofwat would designate the scheme, as either a DPC or SIPR project. A SIPR route is likely to require a clear statement of intent from Government (if not already given) to legislate to remove or amend the 'size or complexity' test in the Water Industry Act 1991, together with a proposed legislative vehicle.

To ensure that the detailed Procurement Plan required at Control Point C reflects the desired approach, it is considered that an indication of the Government's willingness to legislate is needed by the end of 2023 at the latest. In the absence of such an indication, Thames Water Utilities Limited (as promoter of SESRO) would need to choose between pursuing specification under existing regulations (which our initial assessment indicates is likely to be challenging), or would need to assume a DPC procurement, in order to be confident of being 'construction ready' during AMP 8.

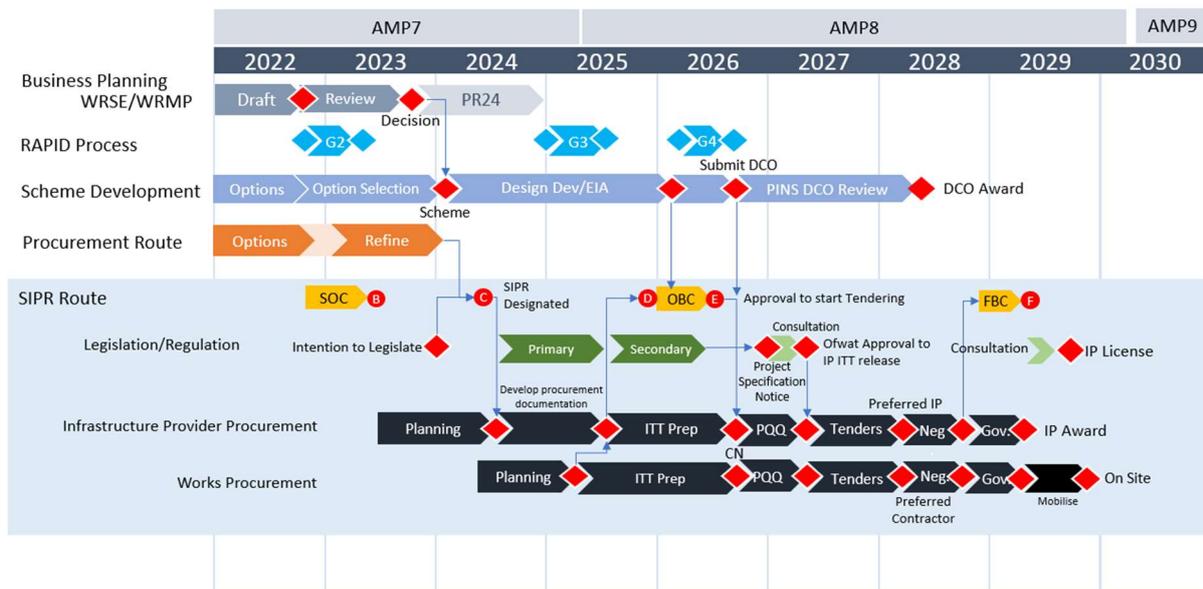
*SIPR procurement – key milestones*

The high level programme below sets out an indicative programme under SIPR, based on our understanding of the SIPR procurement model. This will be further developed as part of Gate 3, but based on this:

- **Spring 2027:** A ‘Specification Notice’ is likely to be required at the start of the main tender process for the Infrastructure Provider (IP), to build investor confidence.
- The necessary changes to primary and secondary legislation would therefore be required by **autumn 2026** – coinciding with Control Point E (OBC) – to allow the Specification Notice to be developed and consulted on.
- Allowing at least 18 months for primary and secondary legislation means that the process of amending the Water Industry Act 1991 would therefore need to start by **spring 2025** at the latest (autumn 2024 would be preferable).

The timings of RAPID gates, Ofwat Control Points and the planning process are aligned with Figure 3.2, Appendix F of the Project Delivery Plan (included for information as an Appendix to this Response).

**Indicative High Level Timeline under SIPR**



*Programme Risks*

The Gate 2 Project Delivery Plan is designed to achieve the earliest possible commissioning date of September 2038. Section 3.4 of Appendix F describes how the inclusion of programme risk allowance in line with the Green Book would result in a later commissioning date of November 2043. Paragraph 3.8 describes how some of the programme risks could potentially be mitigated:

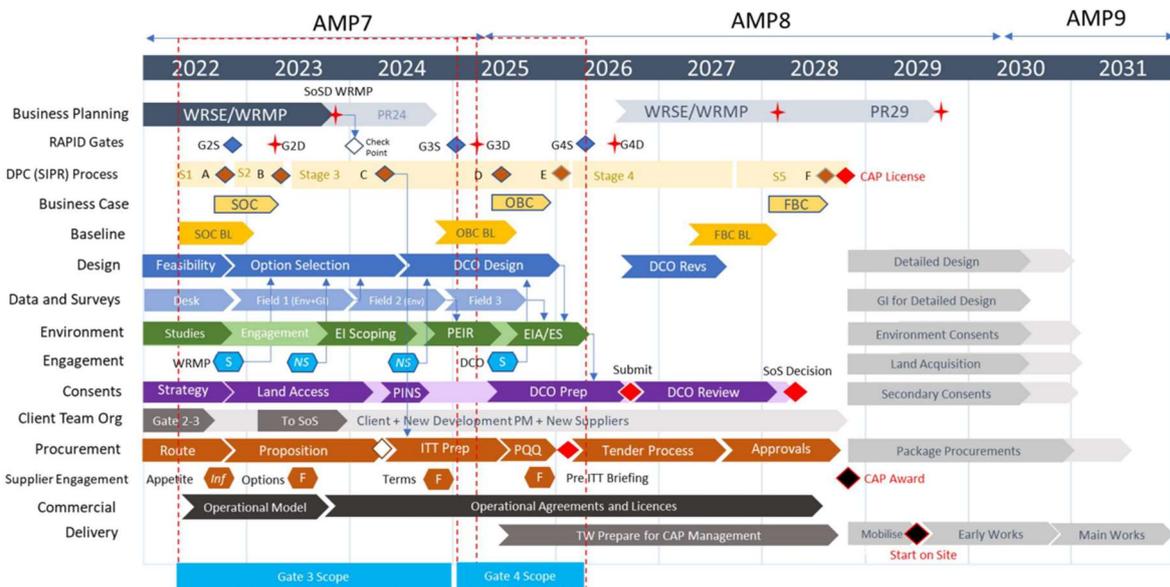
*It is considered that the scheme could still meet the requirement to be "construction ready" in AMP 8 and water delivered by 2040, albeit that additional mitigation could be required, such as running procurement and consenting tasks in parallel.*

The feasibility of the proposal to run procurement and consenting activities in parallel (as assumed in the Gate 2 submission – see Figure 3.2) needs further consideration. The indicative SIPR programme assumes that 'specification' by the Secretary of State takes place soon after the DCO is submitted, to allow procurement and consenting activity to run in parallel. It is possible however that specification will require the scheme to have made substantial progress towards achieving planning consent, e.g. to have been through the examination process (as was the case with Thames Tideway Tunnel), which may mean deferring specification and procurement of the Infrastructure Provider. While this may make a 2038 date more challenging, it may also allow for opportunities such as Early Contractor Involvement in relation to the procurement of the main works to be explored (assuming these are procured separately under SIPR).

The programme will be reviewed and developed in detail as part of Gate 3.

**Appendix: Figure 3.2, Appendix F Project Delivery Plan (Gate 2 submission)**

Figure 3.2 Overview of Phase 3, 4 and 5



Date of response to RAPID	14 December 2022
Strategic solution contact / responsible person	<div style="background-color: black; width: 100px; height: 20px; margin-bottom: 5px;"></div> <a href="mailto:askSESRO@thameswater.co.uk">askSESRO@thameswater.co.uk</a>