
Gate two query process

Strategic solution(s)	Thames to Affinity Transfer (T2AT)
Query number	TAT001
Date sent to company	22/11/2022
Response due by	24/11/2022

Query

Efficiency of expenditure:

- Can you break down Environmental Assessment further into separate activities
 - Can you break down Data collection, Sampling, and Pilot Trials further into separate activities
 - Can you confirm there is nothing included in the category 'Other'
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Solution owner response

This response has been written in line with the requirements of the RAPID Gate 2 Guidance and to comply with the regulatory process pursuant to Thames Water's and Affinity Water's statutory duties. The information presented relates to material or data which is still in the course of completion. Should the solution presented in the Gate 2 documents be taken forward, Thames Water's and Affinity Water's will be subject to the statutory duties pursuant to the necessary consenting process, including environmental assessment and consultation as required. This response should be read with those duties in mind.

Extensive information on the cost breakdown of all categories of work where the cost was in excess of £500k, aligned with the RAPID guidance for Gate 2¹, was provided in the Gate 2 submission, detailed in Supporting Document F-2, Efficiency of Spend. This response seeks to further explain the breakdown of certain costs as requested by RAPID, noting that this is at a level of detail beyond the Gate 2 Guidance.

As discussed in the Gate 2 report, all costs submitted are based on actual costs to the end of September 2022 and estimated forecast costs to the Gate 2 submission in November 2022. The final account for Gate 2 will be confirmed to RAPID, as requested, as representation on draft Gate 2 Assessment. As a result the reported forecast costs at Gate 2 do include for a residual contingency/risk allowance as part of the forecast, which will be reconciled for final Gate 2 account.

Environmental Assessment

The activities that make up the overall costs for the “Environmental Assessment” category are shown in Table 1 below.

Table 1 Environmental Assessment, breakdown of Gate 2 activities

Activity	Spend	% total
EA costs, NAU and Local Area staff	£57,404	16%
NE costs	£5,528	2%
Water quality modelling (River Thames)	£20,931	6%
Environmental desk-based assessments	£92,605	26%
Natural capital assessment and benefits assessment	£14,286	4%
Habitats Regulations Assessment	£6,611	2%
Updates to Strategic Environmental Assessment for Gate 2	£27,300	8%
Invasive Non-Native Species (INNS) risk assessment	£14,507	4%
Water Framework Directive Assessment	£5,110	1%

¹ RAPID, April 2022, “Strategic regional water resource solutions guidance for gate two”, page 10 – “Incurred costs for the gate activity should be presented in the 2017-18 price base and provided aligned to the agreed gate activities within each category listed above. These costs should be further broken down if any cost line is greater than £0.5 million in value.”

Activity	Spend	% total
Environmental technical lead, including day-to-day technical management and oversight of all tasks plus authoring reports	£111,150	31%
TOTAL	£355,431	100%

The EA and NE staff costs account for the costs that the SRO pays to fund the EA and NE’s involvement in the SRO programme, including a part share of the NAU costs and also meeting local (Area level) costs, as required for meetings, technical review and the like.

The NAU costs have been agreed with the EA on a lump sum basis, payable quarterly. The local Area costs are agreed on the basis of actual (timesheet recorded) hours and costs incurred. This agreement stems from an overarching agreement reached between the NAU and all SROs at Gate 1², which was then subsequently extended to cover the period to Gate 2 in a subsequent letter³.

Costs for NE were agreed on a similar basis⁴, with an element of lump sum charge per quarter and an element of time-charge for input from specialist staff, agreed to a ceiling fee.

Data collection, Sampling, and Pilot Trials

The activities that make up the overall costs for the “Data collection, sampling and pilot trials” category are shown in Table 2 below. These activities were all critical to developing the environmental baseline for the two T2AT solutions presented at Gate 2, against which robust environmental appraisal and water quality risk assessment could be completed.

Table 2 Data collection, sampling and pilot trials, breakdown of Gate 2 activities

Activity	Spend	% total
Algal sampling (River Thames)	£9,386	3%

² Letter from Phil Lodge, Deputy Director Operations, Operations Catchment Services, Environment Agency, dated 17 November 2020.

³ Letter from John Giles, Deputy Director, Operational Catchment Services, Environment Agency dated 9 November 2021

⁴ Quote reference RAPID A001099, dated 29 June 2021

Flow cytometry analysis (River Thames)	£9,827	3%
Fish and Macrophyte surveys (River Thames and River Lee)	£42,487	12%
INNS and Macroinvertebrate surveys (River Thames and River Lee)	£34,928	10%
Water quality monitoring (River Thames and River Lee)	£265,539	73%
TOTAL	£362,167	100%

An extensive water quality sampling campaign, shared across all Thames SROs for efficiency, was implemented within Gate 1 and expanded and continued through 2021 and 2022. All sampling sites, the duration and frequency of sampling, and the analysis suite developed were discussed and agreed with the NAU, EA, NE and the Drinking Water Inspectorate early in the programme. Continued engagement and review resulted in the analysis suites being refined through the Gate 2 programme including with the introduction of emerging substances and PFAS51 suite in summer 2022.

The data collected has been used to assess aquatic environmental impacts (see Supporting Document B-1 and B-3) and to develop site specific water quality risk assessments (Supporting Documents Ca and Cb) for both solutions within the SRO.

The cost is split into the following elements:

1. Staff time and expenses to collect water samples, algae samples and setup, calibrate and download in-situ physical parameter sondes for a range of sampling points within the River Thames and River Lee since Gate 1.
2. Laboratory analysis and sample transport for the following suites (depending on site locations):
 - i. Water Framework Directive (WFD) sampling suite
 - ii. Environmental Quality Standards Directive (EQSD) sampling suite
 - iii. Drinking Water Safety Plan sampling suite
 - iv. PFAS parameters (initially PFAS20 increasing to PFAS51)
 - v. Olfactory determinands

Can you confirm there is nothing included in the category 'Other'?

We can confirm that there are no costs to assign to the “other” cost category.

We would like to ensure that all residual queries are addressed prior to Draft Assessment of the Gate 2 submission. Therefore, if you require any further information or clarification on any of the preceding matters, please let us know.

Date of response to RAPID	24-11-22
Strategic solution contact / responsible person	 AskT2AT@thameswater.co.uk