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By email

Sarah Bentley
Chief Executive
Thames Water

30 March 2023

Dear Sarah,

Strategic regional water resource solution: gate two draft decision for Thames Water

I am writing to inform you of our draft decision in respect of the following strategic regional water resource solutions:

- London Water Recycling
- River Severn to River Thames Transfer (STT)
- South East Strategic Reservoir Option (SESRO)
- Thames to Affinity Transfer (T2AT)
- Thames Water to Southern Water Transfer (T2ST)

The RAPID partner regulators would like to thank Thames Water for submission timeliness, collaborative approach and positive engagement which has helped drive the quality and speed of progression of these solutions.

This letter should be read in conjunction with the draft decision documents for these solutions, which were published alongside this letter. Both this letter and the draft decision documents were published on our website on 30 March 2023.

Following the publication of our draft decisions, solution owners and other interested parties have the opportunity to respond to the draft decisions. Representations are invited by email to rapid@ofwat.gov.uk and the representation period will close at 6pm on 11 May 2023. All representations will be considered before our final decisions, which we intend to publish at 10am on 28 June 2023.

Where we have identified issues requiring urgent remediation, we expect the solution owners to resolve them to a suitable quality no later than the dates provided in the Appendix to each draft decision document.

Solutions funded in PR19 final determination

The table below summarises the elements of our draft decision in respect of each of Thames Water-sponsored solutions. Further details are contained in the accompanying draft decision documents.

Draft decision summary in respect of Thames Water-sponsored solution(s)

Recommendation item	London Water Recycling	Severn to Thames Transfer	SESRO	Thames to Affinity Transfer	Thames Water to Southern Water Transfer
Solution owners	Thames Water	United Utilities Severn Trent Thames Water	Thames Water Affinity Water	Thames Water Affinity Water	Thames Water Southern Water
Should further funding be allowed for the solution to progress to gate three?	Yes	Yes, subject to any decisions taken at a Conditional Review Point.	Yes	Yes	Yes
Is there evidence all expenditure is efficient and should be allowed?	Yes	Yes	Yes	Yes	Yes
Delivery incentive penalty?	No	No	No	No	No
Is there any change to partner arrangements?	No	Yes	No	No	Yes
Are there priority actions for urgent completion?	Yes	Yes	No	No	No

Solution progress and funding

Funding allowance is detailed in Table 3 in the draft decision document for each solution.

London Water Recycling

Funding is allowed for the River Severn to River Thames Transfer to continue to be developed to gate three.

The following options are to continue to be investigated:

- Teddington DRA
- Mogden Effluent Reuse Scheme
- Beckton Effluent Reuse Scheme

The following options are not to continue to be investigated as part of the RAPID process:

- Mogden South Sewer Scheme

River Severn to River Thames Transfer

Funding is allowed for the River Severn to River Thames Transfer to continue to be developed to gate three, subject to any decisions taken at a Conditional Review Point.

The following options are to continue to be investigated:

- Option 1 - Deerhurst to Culham Pipeline
- And the proposed further engagement around the Cotswold canal options

South East Strategic Reservoir Option

Funding is allowed for SESRO to continue to be developed to gate three. All options for this solution should continue to be investigated.

Thames to Affinity Transfer

Funding is allowed for the T2AT to continue to be developed to gate three.

The following options are to continue to be investigated:

- the Lower Thames Reservoir option

The following options are not to continue to be investigated as part of the RAPID process:

- the Beckton Reuse Indirect option

Thames Water to Southern Water Transfer

Funding is allowed for the Thames Water to Southern Water Transfer to continue to be developed to gate three.

The following options are to continue to be investigated:

- Option B – West of the A34 at Drayton, west of Newbury, remaining west of the A34 to Winchester
- Option C – West of the A34 at Drayton, west of Newbury, crossing over the A34 to Winchester

The following options are not to continue to be investigated as part of the RAPID process:

- Option A – West of the A34 at Drayton, west around Swindon to Winchester
- Option D – West of the A34 at Drayton, east of Newbury, crossing over the A34 to Winchester
- Option E – Between Reading and Pangbourne, south westwards via Basingstoke to Winchester

Evidence of efficient expenditure

We determine that all expenditure on each of these solutions is efficient and appropriate, and we allow it in full. The efficient costs allowance for the solutions are given below.

- London Water Recycling Strategic Resource Option – £5.71 million
- River Severn to River Thames Transfer – £7.21 million
- South East Strategic Reservoir Option – £7.23 million
- Thames to Affinity Transfer – £1.82 million
- Thames Water to Southern Water Transfer – £2.17 million

Submission quality

Our overall classification of the submissions for the following solutions is that they are "Good (meets expectations)".

- London Water Recycling Strategic Resource Option
- South East Strategic Reservoir Option (SESRO)
- Thames to Affinity Transfer (T2AT)
- Thames Water to Southern Water Transfer (T2ST)

Our overall classification of the River Severn to River Thames Transfer (STT) submissions for the following solutions is that they are "Good (meets expectations)", but does fall short in some important areas.

Remediation

A list of remediation issues is provided in Appendix A of each draft decision document divided into priority actions, actions and recommendations. Priority actions are those that should

have been completed at gate two and must now be addressed on a short timescale in order to make sure a solution stays on track.

We have also identified actions that should be completed in full in the gate three submission or at an alternative or earlier date where shown in Appendix A of each draft decision document. The response to these actions will influence the assessment of the gate three submission.

Recommendations relate to issues where additional information or clarification could improve the quality of future submissions.

We conclude that there are issues for remediation for London Water Recycling Strategic Resource Option and the River Severn to River Thames Transfer. Priority actions have been identified, and where we have identified issues requiring urgent remediation, we expect the solution owners to resolve them to a suitable quality no later than the dates provided in Appendix A of each draft decision document.

We have not identified any priority actions in respect of the South East Strategic Reservoir Option, the Thames to Affinity Transfer, or the Thames to Southern Transfer.

Should you have any questions about this letter or draft decision, please e-mail rapid@ofwat.gov.uk and someone from the team will be in touch.

Once again, Ofwat would like to thank Thames Water for the work that it has carried out over the gate two period.

Yours sincerely

David Black
Chief Executive

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