
Gate two query process

Strategic solution(s)	SESRO
Query number	SER002
Date sent to company	05/12/2022
Response due by	07/12/2022

Query

- 1) In relation to the solution best value assessment, have Ofwat's public value principles been considered when assessing wider social benefits?
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Solution owner response

Introduction

Throughout the development of our Gate 2 submission and the associated concept designs and assessments, we have held to mind Ofwat's public value principles.

We have developed our Gate 2 submission to align with the NIC's design principles for NSIPs (see Section 3 of the Gate 2 report as well as Section 2.1 of Supporting Document A-1, Concept Design Report) and the RAPID guidance for Gate 2, ensuring that the solutions adhere to the key elements associated with the principles of Climate, People, Place and Value. In the following section, we outline how we believe we have aligned our Gate 2 submission to Ofwat's principles.

Aligning our Gate 2 solutions to Ofwat’s public value principles

With regard to the development of the SRO Gate 2 submission, the assessments that we have done on wider social benefits have considered both the Thames Water and Affinity Water public value delivery policies¹² and are well aligned to Ofwat’s public value principles. Section 10.12 of Supporting Document B-2 confirms that the approach for benefits assessment at Gate 2 took account of these principles, stating that:

“The Ofwat Public Value Principles are relevant to the concept of wider benefit assessment...it is important for water companies to demonstrate the costs and benefits (and therefore value) of their activities – in this case the development of SESRO.”

Specifically, the SRO has aligned to these principles, as follows:

- The concept design for the SRO has sought to create further social and environmental value as part of the delivery of our core services, beyond the minimum required to meet statutory obligations. We have considered a holistic Master Plan for the scheme that can deliver enhanced biodiversity net gain and natural capital value, including carbon sequestration and have assessed the societal value that this conceptual scheme could deliver, across areas such as education, economy, public health and wellbeing and climate. This is reported in Section 8 of the Gate 2 Report. This will be considered further as the design develops beyond Gate 2, as required by the Gate 3 Guidance.
- We have tried to ensure that the social and environmental benefits that we have identified would be measurable, lasting and important to customers and communities. This would be further tested through engagement, consultation and design development as the scheme progresses.
- We ensured that the information and insights we have provided in our Gate 2 submission are open and transparent with regard to operational performance and both positive and negative impacts. We hope that future plans for engagement and consultation on scheme choices will help to

¹ Thames Water policy available online at <https://www.thameswater.co.uk/about-us/responsibility>

² Affinity Water policy available online at <https://www.affinitywater.co.uk/corporate/about/responsibility>

identify further opportunities for delivering additional social and environmental value.

- We have assessed customer response and willingness to pay for different societal and environmental benefits, through our SRO customer research projects, as reported in Supporting Document D. As the design progresses, this insight will help to guide the development and design of the future scheme, help shape the design principles that guide it and ensure that the delivery of social and environmental value outcomes will have customer support. We have also ensured that such solutions would be cost-effectively and efficiently delivered, and our proposals for competitive procurement as outlined at Gate 2 will further help meet this aspiration.
- Throughout the Gate 2 process, we have collaborated widely with others to maximise benefits and try to align stakeholder interests. For example, we have engaged extensively with the Environment Agency, with regard to the potential for shared flood risk management benefits, with Oxfordshire County Council, with regard to the layout and configuration of road and Public Rights of Way networks and with the Wilts and Berks Canal Trust, with regard to the share use of the Auxiliary Drawdown Channel as a navigable canal. These discussions will continue as the scheme is developed, including exploration of shared funding where relevant.
- Throughout, we have taken account of our capability, performance and circumstances when considering how SESRO could deliver greater social and environmental value, especially in how we might procure and operate the scheme.

All of these aspects will be developed as the design develops through future engagement and consultation and in line with RAPID Gate 3 guidance.

Alignment within WRSE draft Regional Plan and draft WRMPs

The regional planning team from WRSE has confirmed that, in relation to the best value assessment they have undertaken, they have considered the 6 public value principles, as set out by Ofwat, that they have met and discussed these with Ofwat, and they are implicit throughout their work to develop the draft Regional Plan.


As an SRO team we have not been directly involved in the development of the best-value planning methodology but understand that they have built these principles into the methodology by:

- ensuring that social and environmental value is built into their assessment metrics,
- by measuring social and environmental benefits across both individual options and selected programmes,
- by applying customer research to ensure that the delivery of social and environmental value outcomes are supported by customers and
- by collaborating with others in the development of the draft Regional plan to optimise solutions and maximise benefits, seeking to align stakeholder interests.

Furthermore, the WRMP teams from within Thames Water and Affinity Water have confirmed that although Ofwat’s public value principles were not explicitly considered within the assessment of social benefit when deriving their draft WRMPs, the principles are, however, well aligned with the approach taken to Best Value Planning. In particular, the Environmental metrics use Natural Capital and Biodiversity Net Gain as key metrics. Customer option preferences are also included as a metric within the plan. The reason for this slight misalignment is that these principles are not referenced in either the Water Resources Planning Guideline or the supplementary guidance on Environment and Society in Decision-Making.

Conclusion

In summary, our Gate 2 submission, is completely consistent with Ofwat’s public value strategy, ultimately targeted towards delivering more social and environmental value through our core services and through the delivery of the SRO. We plan to progress the scheme in this way after Gate 2, through the consideration of scheme specific design principles and future engagement and consultation in accordance with RAPID Gate 3 guidance.

Date of response to RAPID	07/12/22
Strategic solution contact / responsible person	 askSESRO@thameswater.co.uk