

Gate two query process

Strategic solution(s)	London Water Recycling SRO
Query number	LOR001
Date sent to company	22/11/2022
Response due by	24/11/2022

Query

Efficiency of expenditure:

- Can you provide more information on the breakdown of Third party costs – NAU, EA, NE
- Can you provide more information on what is included within Water quality sampling and can this be broken down any further
- Can you break down both Procurement and Planning further into activities

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 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 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.

Table 11-1 in the Gate 2 report for London Water Recycling provided expenditure per RAPID work breakdown structure (WBS). Costs provided were based on actual costs to the end of August 2022 and forecast costs to mid-November. Where a WBS cost estimate exceeded £500k we provided greater detail on the activities, as per the RAPID

Gate 2 guidance¹, within Table 11-1 and also in annex H (Efficiency of Gate 2 Expenditure).

The final account for Gate 2 will be confirmed to RAPID, as requested, as representation on the draft Gate 2 Assessment.

Query LOR001 seeks further detailed breakdown and narrative on selected costs presented in table 11-1, noting this is at a level of detail beyond the Gate 2 Guidance.

Environmental Assessment WBS - Third party activity and costs

The Gate 2 estimate for third party costs as presented in table 11-1 totals £433k, based on quotes deflated to 17/18 price base.

Third party costs through Gate 2 covered the regulatory assessment and advice provided by the Environment Agency (EA) and Natural England (NE) for the SRO to progress through the Gate 2 timetable. The service provided is split into the following:

1. The National Appraisal Unit (NAU), who provide a single point of contact; manage and coordinate the gated process for environmental regulators; develop and comment of guidance and approaches; set environmental expectations; and, review technical outputs.

The NAU costs for the EA and NE are fixed with an allocation of £236k and £26k respectively.

2. Specialist area / technical teams within the EA and NE, who provide specialist input and feedback into technical areas to support the option development. They provide formal review of technical assessments and identify key environmental risks that need to be mitigated.

Costs for these teams are variable depending on the input required and have been estimated based on the programme developed by each SRO. The costs estimated for specialist EA and NE staff are £118k and £54k respectively.

¹ [Strategic regional water resource solutions guidance for gate two – Ofwat](#)

Summary table of third party cost for London water recycling schemes

Activity	Expenditure (17/18 price base)	% Total
NAU - EA fixed cost	£235,538	54%
NAU - NE fixed cost	£25,838	6%
EA area staff (estimate)	£117,586	27%
NE area staff (estimate)	£53,571	12%
Third party costs total	£432,533	100%

Data collection, sampling and pilot trials WBS - Water quality activity and costs

The Gate 2 estimate for water quality sampling and analysis as presented in table 11-1 totals £860,801, based on actuals and forecast costs deflated to 17/18 price base.

An extensive water quality sampling campaign 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 (reported in annex B2.2) has been used to develop aquatic models (see annex B2.1), assess environmental impacts (see annex B2.3, B2.4, B3, B4, and B5) and develop site specific water quality risk assessments (annex C) for all four schemes 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 each of the four water recycling schemes within the River Thames, Thames Tideway, River Lee and Lee Valley reservoirs over a 15-month period.

Monthly staff sampling costs total £17k and therefore £256k for the duration of Gate 2.

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

Laboratory analysis costs increased as sampling suites were amended following requests by the NAU and DWI from c.£35k per month to c. £45k per month. The total laboratory analysis and transport cost through Gate 2 totalled £605k.

Procurement WBS

The Gate 2 estimate for the procurement WBS presented in table 11-1 totals £202,622, based on actuals and forecast costs deflated to 17/18 price base.

Our procurement work was scoped in accordance with the Gate 2 guidance¹ published by RAPID. We commissioned packages of work to update the Gate 1 procurement strategy for each of the four water recycling schemes. This included developing an assessment for the suitability that a scheme be delivered by Direct Procurement for Customers (DPC), an assessment of DPC tender models and an explanation of any alternative procurement strategies.

In the case of Teddington DRA our consultants were required to fully justify our alternative approach and chair a number of meetings with Ofwat. The output from our procurement WBS is presented in our Gate 2 submission in annex E.

Furthermore, we also commissioned a small package of work to develop a requirements management framework and scoping exercise for scheme sponsor's requirements for the SRO.

The cost split for this WBS includes:

- 1) Development of a procurement and commercial strategy for the four schemes within the SRO - £134k
- 2) Scheme sponsor's requirement - £7k
- 3) Thames Water staff technical input to the development of the procurement strategies and technical oversight of the workstream - £61k

Summary cost table for the procurement WBS

Activity	Expenditure (17/18 price base)	% Total
Development of a procurement and commercial strategy for four schemes within the SRO.	£133,759	66%
Scheme sponsor's requirement	£7,436	4%
Thames Water staff technical input and oversight of the workstream	£61,427	30%
Procurement WBS cost total	£202,622	100%

Planning WBS

The Gate 2 estimate for the planning WBS presented in table 11-1 totals £279,140, based on actuals and forecast costs deflated to 17/18 price base.

Our planning work was scoped in accordance with the Gate 2 guidance¹ published by RAPID. We commissioned work to update the Gate 1 planning and lands strategy for each of the four water recycling schemes and undertake early planning engagement work and referencing activities. This is presented in annex G of our Gate 2 submission.

In addition to delivering the planning strategy we wrote to RAPID to seek agreement to undertake additional Gate 2+ pre-planning activities to position preferred schemes (those selected by the WRSE emerging model (Feb22)) ready to start the pre-application planning and EIA process early in Gate 3. This included implementing the planning strategy developed in Gate 2, undertaking further route and site options appraisals, developing a robust decision-making approach to the investigation of alternatives, developing the need case for schemes and setting of an EIA scoping strategy and planning programme for the preferred schemes.

The cost split for this WBS includes:

- 1) Planning leadership through Gate 2, risk review and local authority engagement – £26k
- 2) Development and update of the planning and lands strategy - £37k
- 3) Early planning activities and land referencing work - £91k
- 4) Gate 2+ pre-planning activities - £90k
- 5) Thames Water staff technical input to the delivery of planning related works and technical oversight of the workstream - £35k

Summary cost table for the planning WBS

Activity	Expenditure (17/18 price base)	% Total
Planning leadership, risk review, local authority engagement through Gate 2	£26,288	9%
Development of a planning and land strategy for four schemes	£37,456	13%
Early planning activities and referencing work	£90,660	32%
Gate 2+ pre-planning activities	£90,187	32%
Thames Water staff technical input to the planning and consenting route for schemes	£34,550	12%
Planning WBS cost total	£279,140	100%

If you require any further information on the above, please contact the strategic solution contact below.

Date of response to RAPID	24/11/2022
Strategic solution contact / responsible person	[REDACTED] [REDACTED]