

Gate three query process

Strategic solution(s)	LWR
Query number	LWR018
Date sent to company	05/02/2025
Response due by	07/02/2025

Query

- In your Efficiency of Expenditure table, expenditure for the activity "Project Manager" is £471,238. From what appears to be a single role, this activity accounts for almost 15% of the overall spend in the "Programme & Project Management" category. Can you please provide an explanation as to why the expenditure for this activity is so significant.
- In your Efficiency of Expenditure table, the expenditure for the category of "Option benefits development and appraisal" is £0. Can you please confirm that there has been no expenditure related to this category and confirm that the expenditure for this category has not been included elsewhere.
- Can you outline the relationship between the following three activities as we can see the potential for there to be degree of overlap and we want to ensure that costs are being allocated appropriately between activities:
 - Scheme design and build procurement management
 - Gate 3 and TP procurement activities
 - Procurement Strategy

Solution owner response

This response has been written in line with the requirements of the RAPID Gate 3 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 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.

Q1: Explanation of Project Manager activity cost

R1: Gate 3 has extended over a period of 2 years, running from the beginning of 2023 through to November 2024. The 'Project Manager' activity accounts for multiple roles and two individuals over this two year duration and includes for a full time project and programme manager and an assistant project manager to manage the London Water Recycling SRO.

The Project Management team has been responsible for the management of all work packages and to ensure the overall Gate 3 requirements were delivered to time and to budget. This management was in addition to leading stakeholder engagement activities, providing technical overview, authoring key components of the Gate 3 submission and undertaking a key governance role.

Q2: Option benefits development and appraisal cost

R2: As set out in table 3.3 of Annex H we can confirm no expenditure occurred in this category through Gate 3 and that costs have not been included elsewhere in the WBS. All external work relating to the regional plan and options benefits were either undertaken through Gate 2 or were deemed 'business as usual' or WRMP24 activity by Thames Water and therefore not allocated to the SRO.

Q3: Relationship between different procurement activities

R3: Costs provided in our Gate 3 submission are based on actual cost incurred between January 2023 through to September 2024 and forecast costs for October and November 2024. Our final cost position will be confirmed in writing to RAPID by the end of AMP7 and some small changes are expected in expenditure across the procurement WBS.

The activity 'Procurement Strategy' relates to Thames Water and portfolio staff time to develop a commercial and procurement strategy for Teddington DRA.

This includes creating an in-house procurement strategy for the delivery of the Project, as set out in Section 7, paragraphs 7.1 to 7.20 of the Gate 3 submission.

The activity 'Scheme design and build procurement management' relates to Thames Water and portfolio staff time to implement the procurement and commercial strategy developed under the 'procurement strategy' activity. This includes development and issuing of PINS and undertaking market engagement as set out in Section 7, paragraphs 7.21 to 7.30. This task has included early procurement works relating to the preparation of prequalification questionnaires and contract Notice documentation set out in table 7-2 of the Gate 3 report.

The activity 'Gate 3 and TP procurement activities' relates to the procurement of services to deliver Gate 3. Tasks within this activity include preparing scopes for tender, tender evaluation and award across all WBSs and the procurement of a Technical Partner to develop the London Water Recycling projects into Gate 4.

These activities consist of clearly defined, interlinked tasks, and we can confirm that costs have been accurately allocated to the appropriate task within each activity.

Date of response to RAPID	07/02/2025
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