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By email

Colin Skellett  
Chief Executive  
Wessex Water

1 December 2020

OFFICIAL

Dear Colin,

## **Strategic regional water resource solutions: Accelerated gate one draft decision for Wessex Water**

I am writing to inform you of our draft decisions in respect of the West Country North Sources strategic regional water resource solution.

This letter should be read in conjunction with the draft decision document for this solution, which is published alongside this letter. Both this letter and the draft decision document are published on our website on 1 December 2020.

Following the publication, solution sponsors and other interested parties have the opportunity to respond to the draft decisions. Representations are invited by email to [rapid@ofwat.gov.uk](mailto:rapid@ofwat.gov.uk) and the representation period will close at 5 pm on 31 December 2020. All representations will be considered before our final decision, which we intend to publish on 28 January 2021.

### **Solution funded in 2019 final determination**

The table below summarises the elements of our draft decisions in respect of the joint Bristol Water, Southern Water and Wessex Water sponsored solution. Further details are contained in the accompanying draft publication documents.

## Draft decision summary in respect of West Country North Sources solution

Recommendation item	West Country North Sources
Solution Sponsors	Bristol Water Southern Water Wessex Water
Should further funding be allowed for the solution to progress to gate two?	Yes, but on the standard track
Is there evidence all expenditure is efficient and should be allowed?	Yes
Delivery incentive penalty?	No
Is there any change to partner arrangements?	No
Is there a need for a remediation action plan?	No

### Solutions' progress and funding

Funding is allowed for the West Country North Sources solution to continue to be developed on the standard track of the programme with the next submission expected for gate two. The following options are to continue to be investigated:

- Option 1: 16 Ml/d treated water, Cheddar Two to Testwood;
- Option 2: 65 Ml/d raw water, Cheddar Two to Testwood; and
- at least one "cascade" option through the existing companies' networks with network reinforcement where necessary

Cheddar Two reservoir should be investigated as a regional option for both West Country Water Resources and Water Resources South East. The funding can be used to investigate the feasibility of the Cheddar Two reservoir and the transfer route to Southern Water's area. This work is likely to be helpful for the development of Cheddar Two as a regional option for both West Country Water Resources and Water Resources South East. However, the gated funding cannot be used at this stage to investigate the feasibility of transfer routes solely within the West Country region.

### Evidence of efficient expenditure

Actual expenditure for gate one is reported to be £0.499 million (2020-21 prices) compared to a final determination allowance to gate one of £0.492 million (2017-18 prices). Sufficient evidence has been provided that all spend is appropriate and efficient.

Overall, Wessex Water claimed £150,000 (in 2017-18 prices) as its accelerated gate one expenditure, and we allow it in full.

## Submission quality and delivery incentives

For our assessment, we used the five criteria outlined in ‘Accelerated gate one assessment – summary of process and criteria’<sup>1</sup>, as well as assessing the completeness and sufficiency of work. Our overall classification is that the submission ‘falls short in some areas’. We do not believe that the areas of shortfall are such as to raise concerns regarding the progress that has been made on this solution at gate one. We therefore do not impose a penalty. .

## Application of penalty to total efficient gate spend

No delivery incentive penalty has been applied to this solution.

## Remediation

We have categorised the remediation issues into priority actions, actions and recommendations.

There are no priority actions to be considered for this submission. We have identified actions that should be completed in full in the gate two submission. The response to these actions will influence the assessment of the gate two submission. Recommendations relate to issues where additional information or clarification could improve the quality of future submissions.

A full list of remediation issues is provided in the Appendix of the publication document listing actions and recommendations.

Yours sincerely

**David Black**  
**Chief Regulation Officer**

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<sup>1</sup> <https://www.ofwat.gov.uk/publication/accelerated-gate-one-assessment-summary-of-process-and-criteria/>