

March 2021

Havant Thicket Reservoir: Ofwat's reasons for modifying the conditions of appointment of Portsmouth Water and Southern Water Services

1. About this document

Ofwat has modified the conditions of appointment (licence) of Portsmouth Water Limited (Portsmouth Water) and Southern Water Services Limited (Southern Water) in order to facilitate the development, construction and operation of the Havant Thicket Reservoir. This document is a notice under section 195A of the Water Industry Act 1991 (the Act), setting out the reasons for these modifications.

The [modifications to Southern Water's licence conditions](#) and the [modifications to Portsmouth Water's licence conditions](#) came into effect on 23 March 2021.

Alongside this document, we are also publishing the [final guidance on the regulatory framework for the Havant Thicket reservoir](#).

2. The Havant Thicket Reservoir

Portsmouth Water has entered into an 80 year Bulk Supply Agreement with Southern Water which will facilitate a trade of up to 21 Ml/d from Portsmouth Water to Southern Water. In support of the proposed transfer, Portsmouth Water will develop, construct, finance and operate a new water resource scheme, the Havant Thicket Reservoir. The Havant Thicket Reservoir is expected to complete in 2029. An earlier modification to Condition B of Portsmouth Water's licence enabled us to determine a separate 10 year price control for delivery of the Havant Thicket Reservoir. Our final determination of efficient costs for the delivery of the Reservoir is set out in an [Appendix to our PR19 Final Determination for Portsmouth Water](#).

The payments from Southern Water to Portsmouth Water under the Bulk Supply Agreement will fund the Havant Thicket Reservoir, and be recovered from Southern Water's customers.

3. Overview of licence changes

The licence changes that are being implemented are designed to ensure that both parties, Portsmouth Water and Southern Water, comply in all material respects with the Bulk Supply Agreement that they have entered into. The effect of the changes is that Ofwat will be able to intervene if either party fails to comply with the Agreement as that failure will also be a breach of the relevant parties' licence conditions.

We have consulted on the proposed changes and we only received 3 responses, two from the companies confirming that they consent to the proposed changes and a further response from the Consumer Council for Water in support of the project and the proposed licence changes.

Reason for the modifications

In our [Statutory Consultation](#) published in February, we provided our reasons for our proposal to modify the licence conditions of the affected companies. In summary our reasons for making the modifications are:

- to protect Southern Water's customers from a failure to supply by Portsmouth Water as Southern Water's customers will be reliant on the provision of the transfer of up to 21 Ml/d;
- to protect Portsmouth Water's customers from a failure to pay by Southern Water and ensure that Portsmouth Water's customers aren't left with liabilities for an asset that they do not need;
- to allow Ofwat to intervene to protect customers in the event that either party to the Bulk Supply Agreement fails to comply with that agreement;
- to facilitate investor confidence in the Havant Thicket Reservoir by indicating that Ofwat supports the parties entering into the Bulk Supply Agreement and to provide regulatory certainty that the efficient costs of delivering the Reservoir will be recoverable from customers.

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.**

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