

Regulators' Alliance for Progressing  
Infrastructure Development

September 2021



# Strategic regional water resource solutions: Standard gate one draft decision for London Effluent Reuse



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# 1. Introduction

The purpose of this publication is to set out our draft decision in respect of the London Effluent Reuse strategic regional water resource solution submitted for the standard gate one assessment by solution sponsor Thames Water<sup>1</sup>. The solution includes the following four options; the Mogden South Sewer scheme providing up to 50Mld, the Mogden Effluent Reuse scheme providing 50–200 Mld, the Teddington DRA scheme providing 50–150Mld and the Beckton Effluent Reuse scheme providing 100–300 Mld. Further information concerning the background and context of the Thames Water London Effluent Reuse strategic regional water resource solution can be found in the London Effluent Reuse SRO publication document on the [Thames Water website](#)<sup>2</sup>.

This publication should be read in conjunction with the draft decision letter issued to Thames Water. Both this document and draft decision letter have been published on our website today.

The assessment process is overseen by RAPID, with input from the partner regulators Ofwat, the Environment Agency and the Drinking Water Inspectorate. The Environment Agency together with Natural England and, where a solution impacts Wales, Natural Resources Wales, have reviewed the environmental sections of the submissions, and provided feedback to RAPID. The Consumer Council for Water provided input to the assessment on customer engagement.

The solution sponsor and other interested parties can now respond to the draft decision. Representations are invited by email to [rapid@ofwat.gov.uk](mailto:rapid@ofwat.gov.uk) and the representation period will close at 5pm on 8 October 2021. All representations will be considered before our final decision is published on 16 November 2021.

We will publish representations on our website at [www.ofwat.gov.uk/regulated-companies/rapid](http://www.ofwat.gov.uk/regulated-companies/rapid), unless you indicate that you would like your representation to remain unpublished. We will also share representations with our partner regulators, Ofwat, the Environment Agency and the Drinking Water Inspectorate and with Natural England and Natural Resources Wales. Information provided as representations, including personal information, may be published or disclosed in accordance with access to information legislation – primarily the Freedom of Information Act 2000 (FoIA), the General Data Protection Regulation 2016, the Data Protection Act 2018, and the Environmental Information Regulations 2004. For further information on how we process personal data please see our [privacy policy](#).

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<sup>1</sup> Referred to in PR19 final determination as “London Effluent Reuse”

<sup>2</sup> [gate-one-submission-london-reuse.pdf \(thameswater.co.uk\)](#)

If you would like the information that you provide to be treated as confidential, please be aware that under the FOIA there is a statutory [Code of practice](#) which deals, among other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on Ofwat.

We would like to thank Thames Water for the level of engagement, collaboration, and innovation that it has exhibited during this stage in the gated process.

## 2. Solution assessment summary

Table 1 Draft decision summary

Recommendation item	London Effluent Reuse
Solution sponsors	Thames Water
Should further funding be allowed for the solution to progress to gate two?	Yes
Is there evidence all expenditure is efficient and should be allowed?	Yes
Delivery incentive penalty?	N/A
Is there any change to partner arrangements?	No
Is there a need for a remediation action plan?	No

### 2.1 Solution progression and funding to gate two

The evidence suggests that the solution is a potentially valuable way of supplying water to customers. Based on our assessment of the potential solution costs and benefits we have concluded that the solution should progress through the gated process to gate two, and that further funding be allowed.

### 2.2 Evidence of efficient expenditure

The PR19 final determination specified that any expenditure on activities outside the gate activities for the identified solutions (or solutions that transfer in) will be considered as inefficient and be returned to customers. We will consider whether gate activity is efficient by considering the relevance, timeliness, completeness, and quality of the submission which should be supported by benchmarking and assurance.

Our assessment of the efficient costs as spent on gate one activities results in an allowance for this solution of £2.78 (of £2.78m claimed).

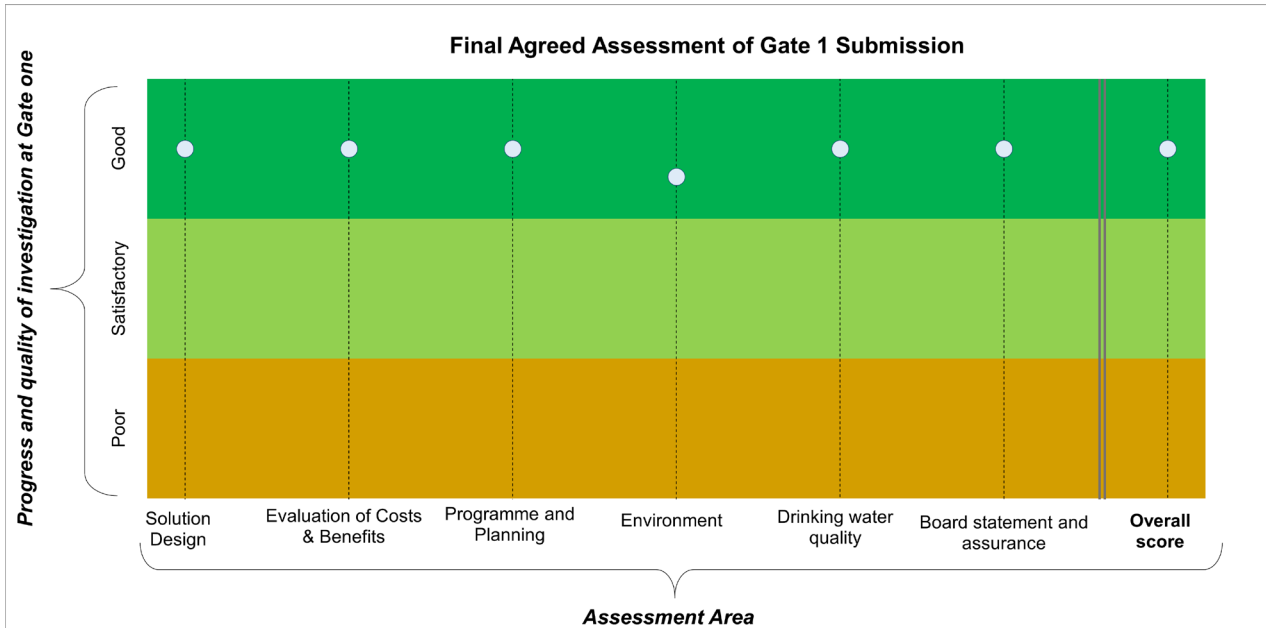
We have made no adjustments to the costs claimed.

### 2.3 Quality of submission

The aim of the assessment was to determine whether appropriate progress has been made towards delivery of the solution. We recognise at this stage solutions may be at different development points and the assessment takes this into account.

Figure 1 shows our assessment of the work completed on the solution, which was presented in the submission. Our assessment was made against the criteria of robustness, consistency and uncertainty to grade each area of the submission as good, satisfactory or poor in accordance with [our guidance published on 22 February 2021](#)<sup>3</sup>. We also assessed the Board assurance provided.

**Figure 1 - Submission Assessment**



Our overall assessment for the solution submission is that it is good (meets expectations).

### 2.3.1 Solution Design

Our assessment of the solution design considered the quality of the evidence provided on the initial solution and sub-options; the anticipated operational utilisation of solutions; the interaction of the solution with other proposed water resource solutions and stakeholder and customer engagement. The assessment also considered whether information was provided on the context of the solution's place within company, regional and national plans.

We consider that Thames Water provided good evidence of progress in developing the solution design for gate one, although we expect to see this expanded upon with more detail in the gate two submission.

<sup>3</sup> <https://www.ofwat.gov.uk/publication/rapid-strategic-regional-water-resource-solutions-guidance-for-2021/>

### **2.3.2 Evaluation of Costs & Benefits**

Our assessment of the evaluation of costs and benefits considered the quality of the information provided on initial solution costs; the societal, environmental, and economic cost and benefits, water resource benefits and wider resilience benefits. The assessment also considered whether evidence was provided on how the solution delivers a best value outcome for customers and the environment.

We consider that Thames Water's evaluation of the costs and benefits of the solution for gate one has been good, although we expect to see this expanded upon with more detail in the gate two submission.

Natural Capital Assessments, and Biodiversity Net Gain assessments need to be reassessed at gate two. Wider benefits will need to be refined for the preferred sub-option and the size and yield of the option will need to be confirmed following outcome of regional plans.

### **2.3.3 Programme and Planning**

Our assessment of the programme and planning considered whether Thames Water presented a programme with key milestones and whether its delivery is on track. The assessment also considers the quality of the information provided on risks and issues to solution progression, the procurement and planning route strategy and subsequent gate activities with outcomes, penalty assessment criteria and incentives.

We consider the progress and quality of the gate one investigation completed by Thames Water regarding the programme and planning, risks and issues and the procurement and planning route strategy for London Effluent Reuse has been good. Going into gate two, a full risks register should be shared with the National Appraisal Unit to ensure a work programme is in place to address environmental risks.

### **2.3.4 Environment**

Our assessment of environment considered the initial environmental assessment; the identification of environmental risks and an outline of potential mitigation measures; the detailed programme of work used to address environmental assessment requirements and the initial outline of how the solution will take into account the carbon commitments.

We consider that the progress and quality of the gate one submission provided by Thames Water regarding the environmental assessment, potential mitigations, future work programmes and embodied and operational carbon commitments has been good and expect to see this work expanded upon for gate two.

Environmental assessments should be refined for gate two, including a review of scopes and further monitoring.

### **2.3.5 Drinking water quality**

Our assessment of drinking water quality considered drinking water quality and risk assessments; evidence that the solution has been discussed with the drinking water quality team and a plan for future work to develop Drinking Water Safety Plans (DWSPs).

We consider that the information provided in this submission on drinking water quality risks, stakeholder engagement and DWSPs for gate one was good. We expect to see further development of DWSPs, water quality monitoring, including for emerging contaminants, and wider stakeholder engagement with ongoing dialogue with the respective water quality teams in gate two.

### **2.3.6 Board Statement and assurance**

The evidence provided relating to assurance has been assessed as good.

The solution sponsor has provided a Board statement that indicates:

- its support of submission recommendations for solution / option progression;
- it is satisfied that progress on the solution is commensurate with the solution being construction ready for 2025-30;
- it is satisfied the work carried out to date is of sufficient scope, detail and quality as would be expected for a large infrastructure project of this nature at this stage; and
- that expenditure has been incurred on activities that are appropriate for gate one and is efficient.

This statement is accompanied by an explanation of the approach to assurance and a description of the evidence and information that the Board has relied on in giving the statements.



### **3. Proposed changes to partner arrangements**

There are no proposed changes to partner arrangements.

## 4. Actions and recommendations

Where the submission has not been assessed as ‘meeting expectations’ we have provided feedback on where we will seek remediation of the issues. We have also identified specific steps that solution owners should take in preparing for gate two.

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

Priority actions are those that should have been completed at gate one and must now be addressed on a short timescale in order to make sure the solutions stay on track. They require urgent remediation in full and for this reason directly relate to the assessment of delivery incentives set out in this publication. The response to the priority actions will determine whether a delivery incentive is imposed; and the extent to which the delivery incentives can be mitigated by the solution sponsors. If all priority actions are satisfactorily completed, then the penalty will not be imposed. If one or more of priority actions are not satisfactorily completed, then the whole of the penalty will be imposed.

We have also identified actions that should be addressed in full in the gate two submission. The response to these actions will influence the assessment of the gate two submission.

Recommendations are issues where additional information or clarification could improve the quality of future submissions.

No priority actions have been identified for London Effluent Reuse and therefore we do not require the solution sponsors to provide us with a remediation action plan. The full list of other actions and recommendations can be found in the Appendix.

## 5. Gate two activities

The solution will continue to be funded to gate two as part of the standard gate track.


For its gate two submission, we expect Thames Water to complete the activities listed in [PR19 final determinations: strategic regional water resources solutions appendix](#) as expanded on in section 15 of its gate one submission.

## 6. Next steps

Following publication of this gate one draft decision solution sponsors and other interested parties are invited to respond to the draft decision. Representations can be made by email to [rapid@ofwat.gov.uk](mailto:rapid@ofwat.gov.uk) and will close at 5pm on 8 October 2021. All representations will be considered before our final decision is published on 16 November 2021.

## Appendix: Actions and Recommendations

<b>Actions – to be addressed in gate two submission</b>		
<b>No</b>	<b>Section</b>	
1	Solution Design	Develop utilisation figure to be determined by regional modelling and to consider impacts of in-combination effects.
2	Costs and Benefits	Use outcomes from the regional Modelling to determine drought resilience.
3	Costs and Benefits	Ensure a best value analysis, following relevant guidelines and including environmental/social/economic costs, is undertaken and presented for all of the sub-options within this SRO.
4	Environment	Review the scope of environmental impacts and ensure engagement with regulatory partners to identify where mitigation can be built into solution design.
5	Environment	Review the scope of any future statutory Strategic Environmental Assessment (SEA) to agree objectives and recommendation additions/subtractions (for example, the guide questions in SEA focus on reducing carbon emissions and the longevity of the option, and less so on the impacts on the environment in light of climate change).
6	Environment	Update environmental annexes to reflect comments and agreed actions as a priority, including consideration of Swanscombe MCZ in the SEA.
<b>Recommendations</b>		
<b>Number</b>	<b>Section</b>	<b>Detail</b>
1	Stakeholders	Produce a detailed stakeholder engagement plan, including identification of wider / local stakeholders.
2	Costs and Benefits	Further consider social and amenity value, if this is limited due to type of solution, this can be explained in the submission.
3	Planning	Carry out a detailed assessment of interdependencies and in combination impacts with other SRO and non-SRO options, including Deephams reuse, following outputs of regional modelling.
4	Environment	Explain how Thames Water will seek to influence the supply chain to reduce scope 3 carbon emissions and outline how the root cause of the issues ties in with the SRO behaviour change/consumption/wastewater disposal etc
5	Water Quality	Particular attention should be paid to the recommendations and learning from previous DWI events where effluent discharge impacted on drinking water supplies.



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**OGI**