

Regulators' Alliance for Progressing
Infrastructure Development

September 2021



Strategic regional water resource solutions: Standard gate one draft decision for Severn Trent Sources



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1. Introduction

The purpose of this publication is to set out our draft decision in respect of the Severn Trent sources solution submitted for the standard gate one assessment by solution sponsor Severn Trent Water¹. The solution includes two options within it to provide supply support to the River Severn to River Thames transfer, although the solution proposes to utilise both. Option 1 utilises 15 Ml/d of unused abstraction licence from Mythe water treatment works for abstraction downstream, whilst option 2 utilises 35 Ml/d of treated discharge from Netheridge wastewater treatment works. Option 2 has four sub-options determining the discharge location to the transfer, which are dependent on the choice of interconnector as the Deerhurst pipeline or the Cotswold Canal. Further information concerning the background and context of the Severn Trent Water Severn Trent sources -can be found in the Severn Trent sources publication document on the [Severn Trent Water](#) website².

This publication should be read in conjunction with the draft decision letter issued to the solution sponsor. 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 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at www.ofwat.gov.uk/regulated-companies/rapid, unless you indicate that you would like your representation to remain unpublished.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

¹ Referred to in PR19 final determination as “Severn Trent sources”

² <https://www.severntrent.com/content/dam/stw-plc/about-us/gate-1-submission-severn-trent-sources.pdf>

Regulations 2004. For further information on how we process personal data please see our privacy policy.

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 Severn Trent 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	Severn Trent sources
Solution sponsors	Severn Trent 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?	No
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 should be allowed.

We are not changing the funding of this solution. This solution's total allowance and gate allowances remain the same as the final determination.

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.

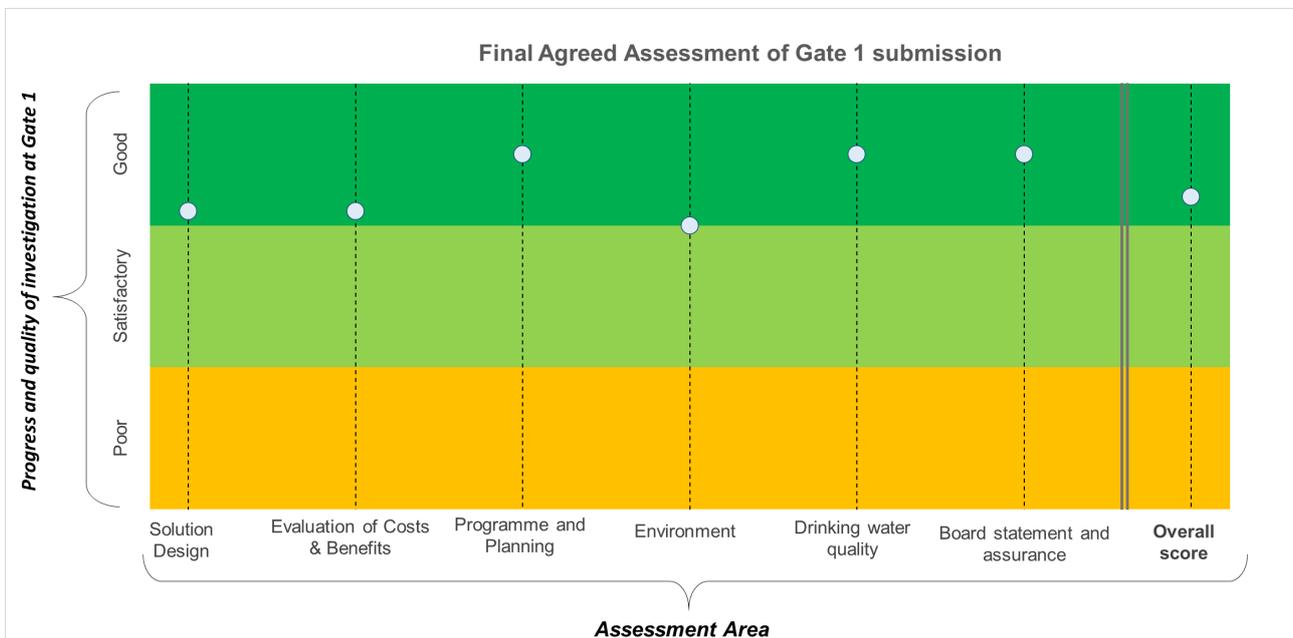
Our assessment of the efficient costs as spent on gate one activities results in an allowance for this solution of £0.308m (of £0.308m claimed).

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](#)³. 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). However, there remain some specific assessment elements where the submission fell short of expectations, which are detailed in the remainder of Section 2.

2.3.1 Solution Design

Our assessment of the solution design considered the quality of the evidence provided on the initial solution and options; the anticipated operational utilisation of solutions; the interaction of the solution with other proposed water resource solutions and stakeholder and

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

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 the progress and quality of the investigation completed by Severn Trent Water in developing the solution design at gate one has been good. The submission evidence still fell short of expectations on some specific assessment elements, including the depth of understanding of the solution's utilisation, and the level and detail of engagement with specific stakeholders beyond those associated with the Regional Group. We acknowledge that the submission highlights additional work to be undertaken in both these areas through gate two.

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 the progress and quality of the investigation completed by Severn Trent Water in evaluating the costs and benefits of the solution at gate one has been good. The submission evidence still fell short of expectations on some specific assessment elements, including the investigation of wider resilience benefits the solution may bring (beyond the resilience of the solution itself), and the discussion of best value of the solution's options, or the solution as a whole.

2.3.3 Programme and Planning

Our assessment of the programme and planning considered whether Severn Trent Water presented a programme with key milestones and whether its delivery is on track. The assessment also considered 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 evidence provided by Severn Trent Water regarding the programme and planning, risks and issues and the procurement and planning route strategy for the Severn Trent Sources solution to be of good detail and quality for gate one.

As a key theme for gate two, we would particularly like to ensure that environmental regulatory barriers and risks are understood, along with progression of associated mitigation measures.

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 investigation completed by Severn Trent Water in evaluating the environmental elements of the solution at gate one has been satisfactory. The submission evidence falls short of gate one expectations on environment in some areas, including work required to assess and understand the impact and risks of the solution on water bodies meeting their environmental objectives under the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017.

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. Severn Trent 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 statement.

3. Proposed changes to partner arrangements

There are no proposed changes to partner arrangements.

As part of gate one discussions, in agreement with relevant solution sponsors and at Severn Trent's request, we agreed that the Shrewsbury Redeployment option would be investigated as part of the River Severn to River Thames transfer solution rather than as an option within Severn Trent sources.

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 these remediation issues and steps 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 the 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 Severn Trent Sources, therefore we do not require the solution sponsor 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 Severn Trent Water to complete the activities listed in the [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 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

Actions – to be addressed in gate two submission		
Number	Section	Detail
1	Solution Design	Ensure that further detailed utilisation calculations are undertaken early in gate two in order to feed into the Environmental Impact Assessment (EIA).
2	Solution Design	For reporting on stakeholders and engagement, please provide detail of issues, themes of discussion with regulators and outcomes of this engagement.
3	Costs & Benefits	Complete drought resilience modelling, taking into account possible restrictions resulting from the 'River Severn Drought Order', which applies to the Mythe abstraction licence.
4	Costs & Benefits	Ensure that best value analysis (following relevant guidelines) is undertaken and presented for all options within the solution, with a focus on incorporating environmental, societal, and economic costs. Link into discussions of best value of this and other enabling solutions for dependant solutions (e.g. Severn Thames Transfer).
5	Environment	Update status and deterioration risks under the (Water Framework Directive) (England and Wales) Regulations 2017 , with particular attention paid to: Class used; standards used; Chemicals; <10% deterioration; Impact at permit limits.
Recommendations		
Number	Section	Detail
1	Solution Design	Develop utilisation figure during key drought events (such as 1:500 year events). This development would require input from other solutions/ regional models. Ensure lead in time for supply, dependent on solutions stand-by operating status, is represented in any receiving solutions decision making.
2	Solution Design	Further engage customers on change of supply source as a result of implementing this solution.
3	Costs & Benefits	Further consider social and amenity value, if this is limited due to type of solution, this can be explained in the submission.
4	Costs & Benefits	Further investigate potential opportunities of wider resilience benefits brought about by specific options within this solution. We recognise types of solution may limit the opportunities available.



Owat
Centre City Tower
7 Hill Street
Birmingham B5 4UA
Phone: 0121 644 7500

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