

Regulators' Alliance for Progressing
Infrastructure Development

September 2021



Strategic regional water resource solutions: Standard gate one draft decision for South Lincolnshire Reservoir



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1. Introduction

The purpose of this publication is to set out our draft decision in respect of the South Lincolnshire Reservoir strategic regional water resource solution submitted for the standard gate one assessment by solution sponsors Anglian Water and Affinity Water¹. The solution includes three options within it. Further information concerning the background and context of the Anglian Water and Affinity Water South Lincolnshire Reservoir can be found in the South Lincolnshire Reservoir publication document on the Anglian Water and Affinity Water websites².

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at www.ofwat.gov.uk/regulated-companies/rapid, unless you indicate that you would like your representation to remain unpublished.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

¹ Referred to in PR19 final determination as “South Lincolnshire reservoir”

² <https://affinitywater.uk.engagementhq.com/strategic-resource-options>

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 Anglian Water and Affinity Water for the level of engagement, collaboration, and innovation that they have exhibited during this stage in the gated process.

2. Solution assessment summary

Table 1 Draft decision summary

Recommendation item	South Lincolnshire Reservoir
Solution sponsors	Anglian Water and Affinity 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 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 £2.50m (of £2.50m claimed).

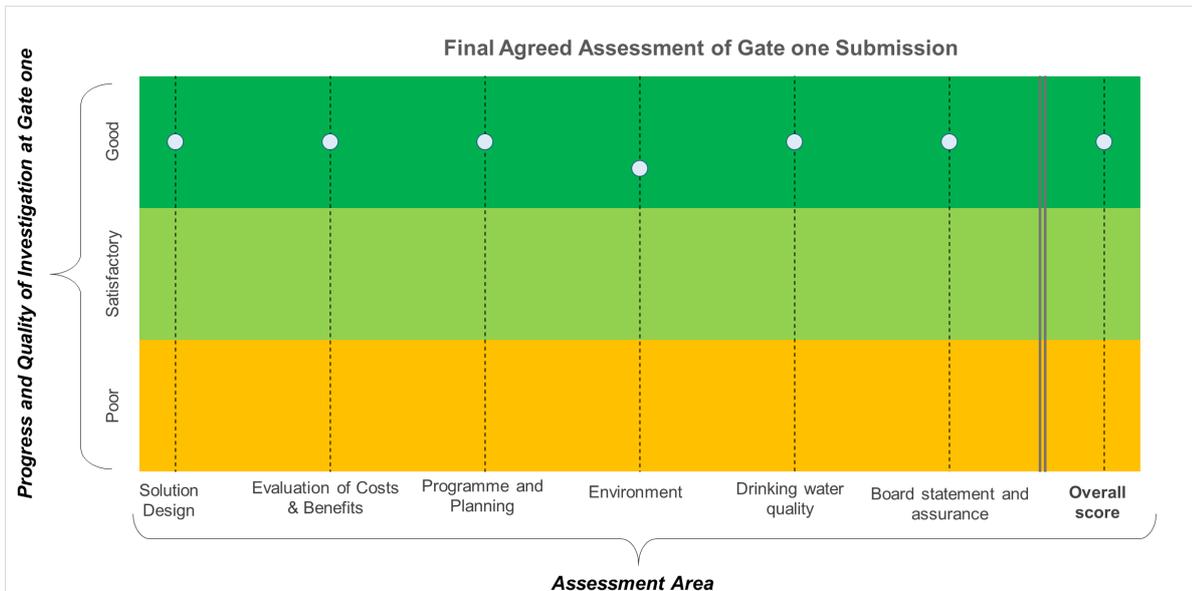
We have made no adjustments to the costs claimed.

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](#). 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 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 Anglian Water and Affinity Water have provided good evidence of progress in developing the solution design for gate one. More detailed assessment of operation, utilisation, and interdependencies should be undertaken following regional modelling, including interaction with other options.

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 Anglian Water and Affinity Water have provided good evidence of evaluating the costs and benefits of the solution to an appropriate standard for gate one, although we expect to see this expanded upon in the gate two submission.

Water customers should only be expected to fund solutions consistent with the proper carrying out of the functions of a water company. As the solution develops, we expect third parties who will benefit from the solution to contribute a fair share of costs according to their own responsibilities and the benefits they realise.

Regional model outputs should confirm the size and yield of the solution. Wider benefits, natural capital assessment and biodiversity net gain should be reassessed for gate two. We support the concept of providing resilience benefits to other water users and developing the solution so that it enhances environmental and flood resilience in the local catchment.

2.3.3 Programme and Planning

Our assessment of the programme and planning considered whether Anglian Water and Affinity 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 Anglian Water and Affinity Water regarding the programme and planning, risks and issues and the procurement and planning route strategy for SLR to be of good detail and quality for gate one. A full risk register should be shared with the Environment Agency 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 Anglian Water and Affinity Water to have provided good evidence of progress in the environmental assessment, potential mitigations, future work programmes and embodied and operational carbon commitments for gate one.

The regulatory and environmental assessments will need to be refined, this includes reviewing the scopes of the environmental assessment and undertaking further monitoring. Anglian Water and Affinity Water will need to work with the Environment Agency and Natural England to ensure potential risks are addressed through detailed work program, including scope and mitigation requirements for identified impacts.

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 sponsors have provided Board statements that indicate:

- their support of submission recommendations for solution / option progression;
- they are satisfied that progress on the solution is commensurate with the solution being construction ready for 2025-30;
- they are 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.

These statements are accompanied by an explanation of the approach to assurance and a description of the evidence and information that the Boards have 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 South Lincolnshire Reservoir; 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 Anglian Water and Affinity Water to complete the activities listed in [PR19 final determinations: strategic regional water resources solutions appendix](#) as expanded on in 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	Evaluation of costs and benefits	Report the deployable outputs for 1:200 years drought and explain why the 1 in 500 years deployable output figures are higher than the 1 in 200 figure in the 2019 water resources management plan.
2	Solution design	The in-combination assessment should include all relevant interactions between options. It will be beneficial to consider the potential competing resources from the energy sector
3	Programme and planning	The invasive non-native species (INNS) treatment design should consider pathways, likely future risks and mitigation measures for the River Trent.
4	Evaluation of costs and benefits	Engage third parties who will benefit from the solution to contribute a fair share of the development costs, particularly where this significantly increases solution costs.
Recommendations		
Number	Section	Detail
1	Solution design	A permanent siphon into the South Forty Foot Drain (SFFD) is proposed for the safe removal of the water from the reservoir in an emergency. Evidence is needed to show the SFFD has capacity to accommodate high volumes of water in an emergency.
2	Evaluation of costs and benefits	Include which option is considered best value (rather than just least cost) for customers and the environment and the criteria and method used for best value. More detail on amenity features should be provided when the site has been selected

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3	Evaluation of costs and benefits	Develop as a priority environmental modelling, monitoring plans and approach to in-combination assessment. The yield of the solution should be considered in-combination with the Fens reservoir, the Anglian to Affinity transfer and existing water resources assets.
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