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By email

Stuart Ledger
Interim Chief Executive Officer
Affinity Water

14 September 2021

OFFICIAL

Dear Stuart,

Strategic regional water resource solutions: Standard gate one draft decision for Affinity Water

I am writing to inform you of our draft decisions in respect of the following strategic regional water resource solutions:

- South East Strategic Reservoir Option
- Thames to Affinity transfer
- Anglian to Affinity transfer
- South Lincolnshire Reservoir
- Grand Union Canal transfer
- Minworth Effluent Reuse

The RAPID partner regulators would like to thank Affinity Water for submission timeliness, collaborative approach and positive engagement which has helped drive the quality and speed of progression.

This letter should be read in conjunction with the draft decision documents for each of these solutions, which are published alongside this letter. Both this letter and the draft decision documents are published on our website on 14 September 2021.

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 and the representation period will close at 5pm on 8 October 2021. All representations will be considered before our final decision, which we intend to publish on 16 November 2021.

The table below summarises the elements of our draft decisions in respect of the Affinity Water-sponsored solutions. Further details are contained in the accompanying draft decision documents.

Draft decision summary in respect of Affinity Water-sponsored solutions

Recommendation item	South East Strategic Reservoir Option	Thames to Affinity transfer	Anglian to Affinity transfer	South Lincolnshire Reservoir	Grand Union Canal transfer	Minworth Effluent Reuse
Solution sponsors	Thames Water and Affinity Water	Thames Water and Affinity Water	Anglian Water and Affinity Water	Anglian Water and Affinity Water	Affinity Water and Severn Trent Water	Affinity Water and Severn Trent Water
Should further funding be allowed for the solution to progress to gate two?	Yes	Yes	Yes	Yes	Yes	Yes
Is there evidence all expenditure is efficient and should be allowed?	Yes	Yes	Yes	Yes	Yes	Yes
Delivery incentive penalty?	No	No	No	No	No	No
Is there any change to partner arrangements?	No	No	No	No	No	No
Is there a need for a remediation action plan?	No	No	No	No	No	No

Solutions' progress and funding

Funding is allowed for all the above solutions to continue to be developed to standard gate two.

Evidence of efficient expenditure

We determine that all expenditure on each of these solutions is efficient and appropriate, and we allow it in full. The efficient costs allowance for the solutions are given below.

- South East Strategic Reservoir Option - £1.75 million
 - Thames to Affinity transfer - £0.86 million
 - Anglian to Affinity transfer - £0.55 million
 - South Lincolnshire Reservoir - £2.50 million
 - Grand Union Canal transfer - £1.62 million
 - Minworth Effluent Reuse - £0.74 million
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Submission quality

Our overall classification of the above listed submissions is that they are "Good (meet expectations)".

Remediation

A list of remediation issues is provided in the Appendix to each draft decision document divided 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 a solution stays on track.

We have not identified any priority actions in respect of the above solutions and therefore Affinity Water does not need to submit a remediation action plan for any of these solutions.

Should you have any questions about this letter or draft decision, please e-mail rapid@ofwat.gov.uk and someone from the team will be in touch.

Once again, Ofwat would like to thank Affinity Water for the work that it has carried out over the gate one period.

Yours sincerely

David Black
Chief Regulation Officer

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