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By email

Peter Simpson
Chief Executive Officer
Anglian Water

14 September 2021

OFFICIAL

Dear Peter,

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

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

- Anglian to Affinity transfer
- South Lincolnshire Reservoir
- Fens Reservoir

The RAPID partner regulators would like to thank Anglian 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 Anglian Water-sponsored solutions. Further details are contained in the accompanying draft decision

documents.

Draft decision summary in respect of Anglian Water-sponsored solutions

Recommendation item	Anglian to Affinity transfer	South Lincolnshire Reservoir	Fens Reservoir
Solution sponsors	Anglian Water and Affinity Water	Anglian Water and Affinity Water	Anglian Water and Cambridge Water
Should further funding be allowed for the solution to progress to gate two?	Yes	Yes	Yes
Is there evidence all expenditure is efficient and should be allowed?	Yes	Yes	Not applicable
Delivery incentive penalty?	No	No	Not applicable
Is there any change to partner arrangements?	No	No	Not applicable
Is there a need for a remediation action plan?	No	No	No

Solutions' progress and funding

Funding is allowed for the Anglian to Affinity transfer and the South Lincolnshire Reservoir solutions to continue to be developed to standard gate two. All options should continue to be investigated.

Our decision in respect of the Fens Reservoir solution is to allow funding for it to join the standard gate two RAPID programme.

Funding is allowed for the Fens Reservoir solution to continue to be developed to standard gate two. The following options are to be investigated:

- Fens Reservoir 99 Ml/d water resources benefit option as per the gate one design
- Anglian to Cambridge transfer

The costs allowance for the Fens Reservoir and Anglian to Cambridge transfer is shown in the table below for gates one to four.

	Gate one	Gate two	Gate three	Gate four	Total
Fens reservoir	N/A	£3.78m	£8.82m	£10.08m	£22.68m
Anglian to Cambridge transfer	N/A	£0.47m	£1.09m	£1.24m	£2.8m

Adaptive planning allowance	10% allowed for gate one	-£158k	-£368k	-£419k	-£943k
Total	N/A	£4.09m	£9.54m	£10.91	£24.55m
Comment /calculation	10% of adaptive planning allowance allowed for gate one	15% of combined lower estimate of £28.31m minus adaptive planning allowance	35% of combined lower estimate of £28.31m minus adaptive planning allowance	40% of combined lower estimate of £28.31m minus adaptive planning allowance	90% of combined lower estimate of £28.31m minus adaptive planning allowance

Funding will be shared equally between the solution sponsors, Anglian Water and Cambridge Water, unless sponsors agree and notify RAPID of alternative cost sharing proportions before the end of the representation period.

We note that the submission states that Essex and Suffolk Water is also a key stakeholder and that it is actively involved in the solution's development and that it will consider if / whether to join ahead of gate two. We would like to understand in more detail how Essex and Suffolk Water will be involved between gate one and gate two and request that this information is provided during the representation period.

Evidence of efficient expenditure

For Anglian to Affinity Transfer and South Lincolnshire Reservoir we determine that all expenditure of £0.55million for the former and £2.5m for the latter is efficient and appropriate, and we allow it in full.

Submission quality

Our overall classification of the submissions for Anglian to Affinity Transfer, South Lincolnshire reservoir and Fens Reservoir 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 Anglian to Affinity transfer, South Lincolnshire Reservoir and Fens Reservoir and therefore Anglian 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 Anglian 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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