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By email

Andy Willicott
Chief Executive Officer
Cambridge Water

14 September 2021

OFFICIAL

Dear Andy,

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

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

- Fens Reservoir and Anglian to Cambridge transfer

The RAPID partner regulators would like to thank Cambridge 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 document for this solution, which is published alongside this letter. Both this letter and the draft decision document 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 Cambridge Water-sponsored solution. Further details are contained in the accompanying draft decision document.

Draft decision summary in respect of Cambridge Water-sponsored solution

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

Solutions' progress and funding

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.

Submission quality

Whilst not part of the RAPID gated process a submission was made for the Fens Reservoir at gate one. Our overall classification is that the submission meets 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 Fens Reservoir.

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 Cambridge 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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