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By email

Liv Garfield
Chief Executive Officer
Severn Trent Water

14 September 2021

OFFICIAL

Dear Liv,

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

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

- River Severn to River Thames transfer
- Severn Trent sources
- Grand Union Canal transfer
- Minworth Effluent Reuse

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

Draft decision summary in respect of Severn Trent Water-sponsored solutions

Recommendation item	River Severn to River Thames transfer	Severn Trent Sources	Grand Union Canal transfer	Minworth Effluent Reuse
Solution sponsors	Severn Trent Water, Thames Water & United Utilities	Severn Trent Water	Affinity Water, Canal & River Trust, & Severn Trent Water	Severn Trent Water & Affinity Water
Should further funding be allowed for the solution to progress to gate two?	Yes	Yes	Yes	Yes
Is there evidence all expenditure is efficient and should be allowed?	No	Yes	Yes	Yes
Delivery incentive penalty?	No	No	No	No
Is there any change to partner arrangements?	No	No	No	No
Is there a need for a remediation action plan?	No	No	No	No

Solutions' progress and funding

Funding is allowed for the River Severn to River Thames transfer, Severn Trent sources, Grand Union Canal transfer and Minworth Effluent Reuse to continue to be developed to standard gate two. All options should continue to be investigated.

Evidence of efficient expenditure

We have not received sufficient evidence to assess whether two elements of the costs ("tripartite company activity" and "programme management & delivery") for the River Thames to River Severn transfer solution are efficient and appropriate. Until we receive sufficient evidence to assess these elements in full, the efficient costs allowance for the River Severn to River Thames transfer is £3.66 million of £4.49 million claimed. Further evidence should be submitted during the representation period.

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

- Severn Trent sources - £0.31 million
 - Grand Union Canal transfer - £1.62 million
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- Minworth Effluent Reuse - £0.74 million

Submission quality

Our overall classification of the submission for the River Severn to River Thames transfer is that it is "Satisfactory (falls short of meeting expectations in some areas)". We have decided not to impose a delivery incentive penalty for this solution.

Our overall classification of the submissions for Severn Trent sources, Grand Union Canal transfer and Minworth Effluent Reuse 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 River Severn to River Thames transfer, Severn Trent sources, Grand Union Canal transfer and Minworth Strategic resource 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 Severn Trent 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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