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By email

Steve Mogford  
Chief Executive Officer  
United Utilities

14 September 2021

OFFICIAL

Dear Steve,

## **Strategic regional water resource solutions: Standard gate one draft decision for United Utilities**

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

- Vyrnwy Aqueduct
- United Utilities sources
- River Severn to River Thames transfer

The RAPID partner regulators would like to thank United Utilities 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](mailto: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 United Utilities-sponsored solutions. Further details are contained in the accompanying draft decision documents.

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## Draft decision summary in respect of United Utilities-sponsored solutions

Recommendation item	Vyrnwy Aqueduct	United Utilities sources	River Severn to River Thames transfer
<b>Solution sponsors</b>	United Utilities	United Utilities	Severn Trent Water, Thames Water, United Utilities
<b>Should further funding be allowed for the solution to progress to gate two?</b>	Yes	Yes	Yes
<b>Is there evidence all expenditure is efficient and should be allowed?</b>	Yes	Yes	No
<b>Delivery incentive penalty?</b>	No	No	No
<b>Is there any change to partner arrangements?</b>	No	No	No
<b>Is there a need for a remediation action plan?</b>	No	No	No

### Solutions' progress and funding

Funding is allowed for all of the above solutions to continue to be developed to standard gate two. We agree that Vyrnwy Aqueduct and United Utilities sources should be combined into a single solution and receive the funding to both solutions for gate two. The total allowance for the new combined solution will be £3,285,000. A solution name for the new combined solution should be provided during the representation period.

### 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 River Severn to River Thames transfer is £3.66 million of £4.49 million claimed. Further evidence should be submitted during the representation period.

For Vyrnwy Aqueduct, we determine that all expenditure of £1.09 million is efficient and appropriate, and we allow it in full. For United Utilities sources, we determine that all expenditure of £0.67 million is efficient and appropriate, and we allow it in full.

### Submission quality

Our overall classification of the submissions for Vyrnwy Aqueduct and United Utilities sources is that they are "Good (meet expectations)".

Our overall classification of the submission for River Severn to River Thames 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.

## **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 any of the above named solutions and therefore United Utilities 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](mailto:rapid@ofwat.gov.uk) and someone from the team will be in touch.

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

Yours sincerely,

**David Black**  
**Chief Regulation Officer**

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