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By email

Mel Karam
Chief Executive Officer
Bristol Water

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OFFICIAL

Dear Mel,

Carrying gate one underspend to gate two

I am writing to inform you of an update in relation to your participation in the West Country North Sources solution in the RAPID programme.

We have recently published our final decisions in respect of gate one for solutions on the standard gate. The solution sponsors and other interested parties had the opportunity to respond to our draft decisions during the representation period, which followed the publication of the draft decisions on 14 September 2021.

Some solution owners raised concerns in their representations regarding whether gate two allowances would be sufficient for completion of gate two activities and suggested that gate one underspend should be carried forward to gate two.

In response, we have decided to merge gate one and gate two allowances for each of the solutions. This is in recognition of the position that the percentage allocations to each gate in our Final Determination at PR19 were inherently imprecise and were based on our understanding of likely profile of activities to be carried out in progressing the development and investigation of solutions taking into account companies' proposals in this respect. We now have an improved understanding of the activities to be carried out at gate two and consider that it will be beneficial to allow funding allowance that has not been used at gate one to be made available to solution owners for carrying out gate two activities.

Our decision to merge gate one and gate two allowances will allow any underspend on gate one activities to be used for gate two activities. We will continue to scrutinise expenditure to ensure

that it is appropriate and efficient. Companies remain responsible for management of cost risk to meet gate requirements.

The revised allowance available for West Country North Sources at gate two will be £0.731m.

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

Yours sincerely,

David Black
Interim Chief Executive
