

Regulators' Alliance for Progressing
Infrastructure Development

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Strategic regional water resource solutions: Standard gate one final decision for West Country South Southern Water Transfer



Contents

1. Introduction	3
2. Solution summary	4
3. Summary of representations	6
3.1 Representations received	6
3.2 Our Response	9
3.2.1 Transparency in cost estimates	9
3.2.2 Deployable Output assessments and stochastic flow data	9
3.2.3 Carbon costing	9
Southern potable water transfer option:	10
3.2.4 Option structure and terminology	10
3.2.5 Option progression	10
Southern raw water transfer option:	11
3.2.6 Option structure and terminology	11
3.2.7 Option progression	11
3.2.8 Option funding	11
3.2.9 Option scope	12
Common to both options:	12
3.2.10 Actions	12
3.2.11 Themes document - Environment	13
3.2.12 Themes document - Carbon	13

4.	Solution assessment summary	14
4.1	Solution progression and funding to gate two	14
4.2	Evidence of efficient expenditure	16
4.3	Quality of submission	17
4.3.1	Solution Design	17
4.3.2	Evaluation of Costs & Benefits	18
4.3.3	Programme and Planning	18
4.3.4	Environment	19
4.3.5	Drinking water quality	19
4.3.6	Board Statement and assurance	20
5.	Proposed changes to partner arrangements	21
6.	Actions and recommendations	22
7.	Gate two activities	23
8.	Incentives for gate two	24
	Appendix: Actions and Recommendations	25

1. Introduction

The purpose of this publication is to set out our final decision in respect of the West Country South Southern Water Transfer strategic regional water resource solution submitted for the standard gate one assessment by solution sponsors South West Water, Wessex Water and Southern Water. The solution includes two options within it. Further information concerning the background and context of the South West Water, Wessex Water and Southern Water West Country South Southern Water Transfer can be found in the West Country South Southern Water Transfer publication document on the [South West Water](#)¹, [Wessex Water](#)² and [Southern Water](#)³ website.

This publication should be read in conjunction with the final decision letter issued to each solution sponsor. Both this document and final decision letters have been published on our website today.

The assessment process is overseen by RAPID, with input from the partner regulators Ofwat, the Environment Agency and the Drinking Water Inspectorate. The Environment Agency together with Natural England and, where a solution impacts Wales, Natural Resources Wales, have reviewed the environmental sections of the submissions, and have provided feedback to RAPID. The Consumer Council for Water provided input to the assessment on customer engagement.

The solution sponsors and other interested parties had the opportunity to respond to the draft decision during the representation period, which followed the publication of the draft decisions on 14 September 2021. We have taken all relevant representations into account in making our final decision.

We would like to thank South West Water, Wessex Water and Southern Water for the level of engagement, collaboration, and innovation that they have exhibited during this stage in the gated process.

¹ [South West Water – West Country South – Southern Water transfer SRO gate 1 report July 2021](#)

² [Wessex Water – West Country South – Southern Water transfer SRO gate 1 report July 2021](#)

³ [Southern Water – West Country South – Southern Water transfer SRO gate 1 report July 2021](#)

2. Solution summary

West Country South Southern Water Transfer solution includes two proposed new transfer elements, one of potable water and one of raw water, both of 30 MI/d to Southern Water. The transfers are dependent on the West Country South sources and transfers solution, the former on Roadford reservoir pumped storage and transfer option and the latter on Poole effluent recycling and transfer option.

Option no. 1: Southern Potable Water Transfer Option (linked to Roadford reservoir pumped storage and transfer option):

- Capacity of 30MI/d
- Potable transmission system from centre of Wessex Water's supply area
- Reception at Southern Water's Testwood potable water tanks

Option no.2: Southern Raw Water Transfer Option (linked to Poole effluent recycling and transfer option):

- Capacity of 30MI/d
- Abstraction from the River Stour
- Pre-treatment and transmission to Southern Water's supply area
- Reception at Southern Water's Testwood Lakes

Figure 1 – Red circles identify the options included within the West Country Southern Water Transfer solution



3. Summary of representations

3.1 Representations received

We have received the following representations relevant to West Country Sources South Southern Transfer.

Table 1 Summary of representations

Representation from	Summary of representation
<p>Group Against Reservoir Development (GARD)</p>	<p>Transparency of cost estimates GARD cites concerns over a lack of transparency in solution cost estimates generally, requesting further detail to the level that was included in the Fens reservoir gate one report.</p> <p>Deployable output and stochastic flow data GARD is also concerned about a lack of transparency in deployable output (DO) assessments, suggesting the evidence should be made available for scrutiny of the assumptions, data, and outputs of the modelling.</p> <p>GARD have concerns over the reliability of stochastic river flow data, such as: inaccurate weather data for groundwater-dominated catchments; the stochastic weather base period not containing any long duration droughts; the base period excluding weather since 1997; and the geological difference in catchments not being reflected in the generated Thames and Severn flows.</p> <p>Carbon costing GARD asserts that the gate one reports are poor on the subject of carbon costing of strategic options and have shortcomings in the data presented.</p>
<p>South West Water, Wessex Water and Southern Water</p>	<p>Southern potable water transfer option:</p> <p>- <i>Regarding option structure and terminology</i>, in the draft decision document this is stated as confusing. Rather than describing the scheme as 'Roadford reservoir pumped storage' it is better to describe the scheme in three parts:</p> <ul style="list-style-type: none"> • Part 1: Roadford pumped storage • Part 2: Roadford Transfer SRO from South West Water to Wessex Water [Part 1 and 2 relate to the West Country South sources and transfers final decision] • Part 3: Roadford inter-regional transfer

[Part 3 relates to this West Country Sources South Southern Water Transfer final decision]

-Regarding option progression:

- Part 3: Roadford inter-regional transfer - Agree that this part of the scheme should stop

Southern raw water transfer option:

- Regarding option structure and terminology, agree with the proposal to merge the two parts of the scheme into a single solution. Proposed solution name is Poole effluent recycling.

-Regarding option progression, reassurance sought to continue to investigate sub-options that can deliver for either the Bournemouth area of the West Country Water Resources Group (WCWRG) and/or the Hampshire area of Water Resources South East (WRSE). Stated that the needs of the environment and customers in the Poole/Bournemouth area (in WCWRG area) are of equal merit to the needs of the environment and customers in Southern Water's Hampshire zone (in the WRSE area). Also stated that gate one executive summary conclusions noted that the Poole resource could be used at lower cost to overcome potential deficits in the Bournemouth area and this conclusion seems to have been ignored in the draft decision and that this was interpreted that the scheme should be developed as a raw water transfer to Southern Water only.

- Regarding funding, the proposal that the gate two studies should consider sub-options that can deliver for either the Bournemouth area or the Hampshire area or both. Stated that this would also assist with the impact of the funding formula, which results in South West Water contributing to the gate two costs but without any benefit accruing to their customers. Request to carry over underspend from gate one and for the gate two allowance to be increased to reflect addition of underspend. Request the Environment Agency (EA) National Appraisal Unit (NAU) and area costs are cut by 50%.

-Regarding scope, request flexibility to be able to tailor the scope to the available budget.

Common to both options:

-Relating to actions:

-Action No. 5 relating to programme and planning: Page 8, 2.3.3 last sentence. Please could you clarify what is meant by “need for openness to legal solution to address regulatory barriers”.

-Action No. 7 relating to the environment: Page 8, 2.3.4 Environment para 3 and Appendix action ref 7, state awareness of requirements of the River Avon SAC, being the reason that it was highlighted that the sources under investigation may need to be used to meet deficit in the WCWRG region rather than be exported out of the region. Therefore, state agreement with the proposal to stop the potable water transfer element of this SRO. Further state that the needs of the River Avon SAC are better satisfied through the Poole effluent recycling element (as demonstrated by work on the Knapp Mill/Lower Avon strategy), so propose that the element considers both in region and out of region uses. Very aware of Natural England’s (NE) position that there shouldn’t be any transfers out of area until the water needs of designed sites have been met. State that it is unclear how far the predicted regional deficit will affect the restoration of SSSIs going forwards and comment that this seems a rather circular argument as in large part the deficits are the result of the potential licence reductions for the environmental destination needs.

Representations relating to the themes document – made a number of representations on the RAPID themes document, of specific relevance to the West Country South Southern Water transfer solution were the following representations:

-Regarding carbon, 3.9 Meeting net zero commitments. We note the comments about the need to consider options to reduce carbon through renewable energy and/or sequestration of carbon and other forms of offsetting. These will come with a capital cost of their own. Please could you clarify whether you wish the capital cost of carbon offsetting to added to the scheme cost estimates.

-Regarding the environment, c) 3.12 Environmental assessments. There is no mention of the significant risk to the projects from the uncertainties related to environmental policy which are still being developed or being reviewed by the environmental regulators (Environment Agency and Natural England). For instance, in our area Natural England have been very clear that they do not support transfer out of area whilst there are still designated sites with current or future needs for water for environmental purposes.

3.2 Our Response

We take the representations into account in our final decisions and set out below our response to the key points and issues raised.

Representations relating to the themes document will be covered within a separate response from RAPID however those specific to the West Country South Southern Water transfer solution are included here.

3.2.1 Transparency in cost estimates

We do not consider information about solution costs to be material to gate one decisions. Gate one is a checkpoint and is the first opportunity to check the progress made by solution owners on investigations and development of solutions in the gated process. At gate one, all solutions were expected to progress to gate two and continue to receive ring-fenced funding unless there was a clear reason why they should not.

Solution costs will be considered further from gate two onwards and in regional plans and water resource management plans. We will provide companies with guidance on presenting and publishing solution costs in their gate two submissions.

3.2.2 Deployable Output assessments and stochastic flow data

We consider that the work completed on the DO assessment is sufficient for gate one. The water companies will continue to develop the solutions and evidence surrounding them. Guidance will be provided on our expectations for a more detailed examination of deployable output at gate two. The use of stochastic flow data reflects the requirement to test droughts larger than those observed in the historic record, such as drought events with 1:500 year return periods. Solutions generation of stochastic flow data is expected to follow Water Resource Planning Guidelines Supplementary Guidance: Planning to be resilient to a 1 in 500 drought (England), and Supplementary Guidance: Stochastics. We will pass on the specific points raised to solution owners for consideration as they develop their deployable output assessments further.

3.2.3 Carbon costing

Gate one assessment of solution submissions took account of the fact that assessments of the carbon implications of the solution would inevitably contain a significant degree of uncertainty given the stage of solution development. We consider that the level of information presented on carbon was sufficient for gate one. Solution development to gate

two should follow the Water Resources Planning Guidelines for WRMP24 section 8.3.2 which states expectations for accounting for and reducing greenhouse gas emissions. The design should consider; build nothing, build less, build clever and build efficiently throughout the development of the solution, with offsetting only as a last resort. We expect all direct mitigations to be included in the solution costs. The solution should also be considered by the water company within their wider carbon plans.

We will require any carbon assessment annexes to be published alongside the submission at gate two.

Southern potable water transfer option:

3.2.4 Option structure and terminology

We agree that the Roadford reservoir pumped storage and transfer option within the West Country South sources and transfers solution comprises two option elements the source and the intra-regional transfer:

- Part 1 (Source): Roadford pumped storage
- Part 2 (Intra-regional Transfer): Roadford Transfer SRO from South West Water to Wessex Water.

(covered in the West Country South Sources and Transfers final decision document)

We also agree that there is a third option element Part 3 the inter-regional transfer to Southern Water within the West Country South Southern Transfer solution (covered in this West Country Sources South Southern Transfer final decision document). This is the Southern Potable Water Transfer Option described in section 2, solution summary.

3.2.5 Option progression

We are pleased that there is agreement from the companies that Part 3 inter-regional transfer to Southern water of the scheme (Southern Potable Water Transfer Option) should not progress beyond gate one within the RAPID gated process for the reasons set out in 4.1.

Southern raw water transfer option:

3.2.6 Option structure and terminology

We are pleased that there is agreement from the companies to merge the Poole effluent recycling and transfer option with the Southern Raw Water Transfer option to form one solution. The solution will be called 'Poole Effluent Recycling and Transfers' solution to reflect both the source and transfer elements.

3.2.7 Option progression

Our draft decision allowed for transfer to Bournemouth area of the West Country Water Resources Group (WCWRG) and/or the Hampshire area of WRSE. We agree that you should continue to investigate sub-options that can deliver for either the WCWRG and/or WRSE until the need and timing is established via regional plans. We anticipate that the merged solution name 'Poole effluent recycling and transfers', which removes the reference to 'Southern Water' within the solution name, should help avoid misunderstanding going forward.

3.2.8 Option funding

We consider that investigations of sub-options that can deliver for either the Bournemouth area of the WCWRG and/or the Hampshire area of WRSE should continue. South West Water can therefore continue to contribute funding with the potential to derive benefit from the scheme.

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. 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.

We have therefore decided to merge gate one and gate two allowances for this solution. This 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

We have attributed 50% of the efficient expenditure at gate one to the Southern Potable Water Transfer and 50% of the efficient expenditure to Southern Raw Water Transfer option. We have therefore deducted 50% of total efficient expenditure at gate one from the merged gate one and two allowances to arrive at the allowance available for this solution at gate two.

Any reduction in Environment Agency (EA) NAU and Area costs should be supported by a work programme to justify a reduced level of engagement which remains effective to support scheme progression. There should be continued liaison with the EA NAU to develop a work programme as justification for any EA NAU cost changes.

3.2.9 Option scope

To confirm that there is a need to ensure that the scope is sufficient to cover the RAPID Gate guidance expectations within the gate allowances.

Common to both options:

3.2.10 Actions

Action number 5 relates to programme and planning and states:

'Keep open the possibility for legal solutions (contractual) to be developed to address regulatory barriers. Further investigation of regulatory barriers and how one might overcome these to deliver a best value outcome for customers.'

The advisory comment was in relation to issues/barriers identified with the DWI quality regulations. In the submission the suggestion was that this would not be able to be overcome (and legislative change might be necessary) whereas this is a matter that remains under discussion with DWI. This is with a view to clarifying whether there are routes by which DWI could deliver effective regulation of drinking water quality and sufficiency where a Competitively Appointed Provider (CAP) is involved in the operation and maintenance of a water treatment works.

Action number 7 relates to environment and states:

'In terms of the option level environmental assessment: There is a need to explore how to ensure the River Avon is compliant with flow requirements set out in its Conservation Objective. Investigate whether the solution owners will be able to satisfy their obligations under the Habitats Regulations and under the Wildlife and Countryside Act 1981 in respect of the West Country South Southern Transfer (given that the draft regional water resources plan

identifies future significant deficits of supply and demand when climate change and environmental destination are taken into account and it is currently unclear how this deficit will affect Habitats sites and SSSIs going forward).'

RAPID have no further comment on this action which still holds. See also response under 'Environment Theme' section.

3.2.11 Themes document - Environment

RAPID will be publishing a consultation document that will include consideration of regulatory issues identified by water companies, jointly with environmental regulators, that may affect choice of an optimal programme of solutions. This will set out a proposed programme of work, which includes an action in respect of water transfers that may impact upon a Habitats Directive site. It will seek views as to whether a programme of work to address these issues meets the requirements of stakeholders and whether there are other issues that need to be addressed.

3.2.12 Themes document - Carbon

As noted above, solution development to gate two should follow the Water Resources Planning Guidelines for WRMP24 section 8.3.2 which states expectations for accounting for and reducing greenhouse gas emissions. The design should consider; build nothing, build less, build clever and build efficiently throughout the development of the solution, with offsetting only as a last resort. We expect all direct mitigations to be included in the solution costs. The solution should also be considered by the water company within their wider carbon plans.

4. Solution assessment summary

Table 2. Final decision summary

Recommendation item	West Country South Southern Water Transfer
Solution sponsors	South West Water, Wessex Water and Southern Water
Should further funding be allowed for the solution to progress to gate two?	Yes – Poole effluent recycling and transfers No – Southern Potable Water Transfer
Is there evidence all expenditure is efficient and should be allowed?	Yes
Delivery incentive penalty?	No
Is there any change to partner arrangements?	No
Is there a need for a remediation action plan?	No

4.1 Solution progression and funding to gate two

Poole effluent recycling and transfers

The evidence suggests that the solution is a potentially valuable way of supplying water to customers. Based on our assessment of the potential solution costs and benefits we have concluded that the solution should progress through the gated process to gate two, and that further funding be allowed.

Southern Potable Water Transfer

The evidence suggests that the solution is not a potentially valuable way of supplying water to customers due to the high investment required for a low water resource benefit under a 1 in 500 drought scenario involving a transfer of over 200km. Based on our assessment of the potential solution costs and benefits we have concluded that the solution should not progress through the gated process to gate two, and that further funding should not be allowed.

We would like to reiterate that discontinuation of options within the RAPID gated process should not prevent continued investigation and development of potential transfer solutions which can then be appraised within regional and company water resources plans.

We also propose to combine the West Country South Sources and Transfers and West Country South Southern Water Transfer solutions into a new single solution. The two solutions are intrinsically interdependent, with either solution becoming unfeasible if they both do not progress. Combining the two solutions also brings potential working and reporting efficiencies as the solutions both have the same solution sponsors, under which the same teams work on both solutions.

The removal of Southern Potable Water Transfer results in a 50% funding reduction from the total for the West Country South Southern Water Transfer.

To reflect this reduced solution scope, we are halving the final determination allowance for gate two onwards because we consider that each option received an equal allocation of the allowance i.e. 50% (based on the assumed benefits of each option).

As set out in the PR19 final determination, any money spent during the gate one assessment stage on these options can be claimed at PR24. The new solution's total allowance and gate allowances will be formed by combining the two solutions' reduced allowances and gate allowances from the final determination as shown below. The name for the new single solution is Poole effluent recycling and transfers.

We have decided to merge the gate one and gate two allowances. We have attributed 50% of the efficient expenditure at gate one to the Southern Potable Water Transfer option and 50% of the efficient expenditure to the Southern Raw Water Transfer option. We have therefore deducted 50% of total efficient expenditure at gate one from the merged gate one and two allowances to arrive at the allowance available for this solution at gate two.

The gate allowances for the combine solution are shown below:

Table 3 New solution's total allowance and gate allowances (£million 2017-18 prices)

		Gate one	Gate two	Gate three	Gate four	Total
Gate allowance		10%	15%	35%	40%	100%
Original funding allowance	West Country South Sources and Transfers - Poole effluent recycling and transfer - Roadford reservoir pumped storage	0.55	0.83	1.93	2.21	5.52
	West Country South Southern Water Transfer - Southern Raw Water transfer - Southern Potable Water transfer	0.40	0.59	1.39	1.58	3.96
	Total	0.95	1.42	3.32	3.79	9.48
50% funding adjustment from gate two	New combined solution - Poole effluent recycling and transfers	n/a	0.71	1.66	1.90	4.74
Merge gate one and gate two allowances	New combined solution - Poole effluent recycling and transfers		0.80	1.66	1.9	4.74

4.2 Evidence of efficient expenditure

The PR19 final determination specified that any expenditure on activities outside the gate activities for the identified solutions (or solutions that transfer in) will be considered as inefficient and be returned to customers. We will consider whether gate activity is efficient by considering the relevance, timeliness, completeness, and quality of the submission which should be supported by benchmarking and assurance.

Our assessment of the efficient costs as spent on gate one activities results in an allowance for this solution of £0.28m (of £0.28m claimed) These costs reflect final and reconciled costs.

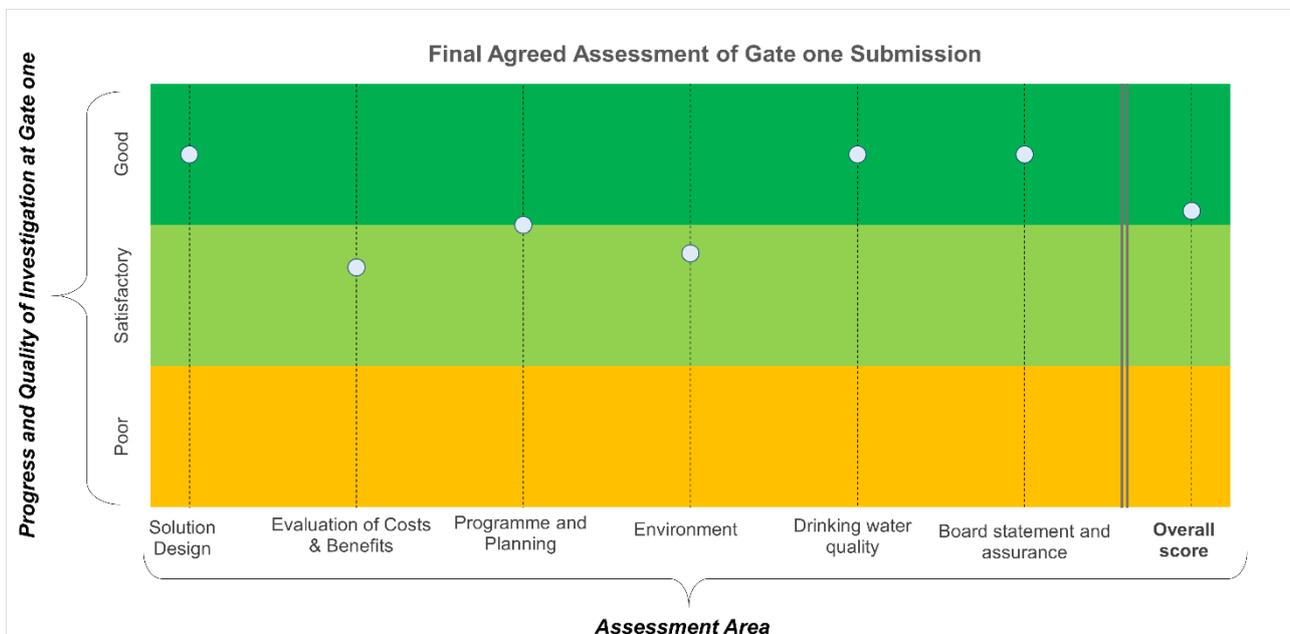
We have made no adjustments to the costs claimed.

4.3 Quality of submission

The aim of the assessment was to determine whether appropriate progress has been made towards delivery of the solution. We recognise at this stage solutions may be at different development points and the assessment takes this into account.

Figure 2 shows our assessment of the work completed on the solution, which was presented in the submission. Our assessment was made against the criteria of robustness, consistency, and uncertainty to grade each area of the submission as good, satisfactory, or poor in accordance with [our guidance published on 22 February 2021](#)⁴. We also assessed the Board assurance provided.

Figure 2. Submission Assessment



Our overall assessment for the solution submission is that it is good (meets expectations).

4.3.1 Solution Design

Our assessment of the solution design considered the quality of the evidence provided on the initial solution and options; the anticipated operational utilisation of solutions; the interaction of the solution with other proposed water resource solutions and stakeholder and

⁴ <https://www.ofwat.gov.uk/wp-content/uploads/2021/02/Strategic-regional-water-resource-solutions-guidance-for-june-2021.pdf>

customer engagement. The assessment also considered whether information was provided on the context of the solution's place within company, regional and national plans.

We consider that the progress and quality of the investigation completed by South West Water, Wessex Water and Southern Water in developing the solution design at gate one has been good, although we expect to see this expanded upon with more detail in the gate two submission particularly regarding operational utilisation and engagement activities following the outputs of regional modelling.

4.3.2 Evaluation of Costs & Benefits

Our assessment of the evaluation of costs and benefits considered the quality of the information provided on initial solution costs; the societal, environmental and economic cost and benefits, water resource benefits and wider resilience benefits. The assessment also considered whether evidence was provided on how the solution delivers a best value outcome for customers and the environment.

We consider that South West Water, Wessex Water and Southern Water's evaluation of the costs and benefits of the solution for gate one is satisfactory but has fallen short of expectations in some areas including the development of a best value discussion comparing the options of this solution and assessment of deployable output of the solution under 1 in 500 drought resilience.

4.3.3 Programme and Planning

Our assessment of the programme and planning considered whether South West Water, Wessex Water and Southern Water presented a programme with key milestones and whether its delivery is on track. The assessment also considered the quality of the information provided on risks and issues to solution progression, the procurement and planning route strategy and subsequent gate activities with outcomes, penalty assessment criteria and incentives.

We consider the progress and quality of the gate one investigation completed by South West Water, Wessex Water and Southern Water regarding the programme and planning, risks and issues and the procurement and planning route strategy for West Country South Southern Water Transfer has been satisfactory at gate one but has fallen short of expectations in some areas including the assessment of whether elements of the solution are eligible for Direct Procurement for Customers (DPC) and a need for openness to legal solutions to address regulatory barriers.

4.3.4 Environment

Our assessment of environment considered the initial environmental assessment; the identification of environmental risks and an outline of potential mitigation measures; the detailed programme of work used to address environmental assessment requirements and the initial outline of how the solution will take into account the carbon commitments.

We consider that the progress and quality of the work presented in the gate one submission provided by South West Water, Wessex Water and Southern Water regarding the environmental assessment, potential mitigations, future work programmes and embodied and operational carbon commitments is satisfactory, it has fallen short of expectations in some areas as detailed below.

The site specific Habitats Regulations Assessment (HRA) has not incorporated developments in the West Country Water Resources (WCWR) Regional Plan HRA.

In terms of the option level environmental assessment, the assessment of the transfer to Southern Water does not adequately consider the implications of exporting water out of the region given that the River Avon Special Area of Conservation (SAC) is currently not compliant with flow requirements set out its conservation objectives. Furthermore, the draft regional water resources plan identifies future significant deficits of supply and demand across the West Country when climate change and environmental destination needs are taken into account. Currently it is unclear how far this deficit will affect the restoration of affected Habitats sites or Sites of Special Scientific Interest ("SSSIs") going forward.

In relation to the programme and monitoring plan, environmental modelling, monitoring plans and an approach to in-combination assessment is lacking.

In relation to carbon, policy, frameworks and methodologies used and to link through to greenhouse gas emissions are unclear.

In working towards gate two, sponsor companies should work with the Environment Agency and Natural England to ensure that potential risks are addressed through a detailed work programme, including a review of the scope of monitoring and environmental assessment. Where impacts are identified appropriate mitigation should be investigated and agreed with environmental regulators.

4.3.5 Drinking water quality

Our assessment of drinking water quality considered drinking water quality and risk assessments; evidence that the solution has been discussed with the drinking water quality team and a plan for future work to develop Drinking Water Safety Plans (DWSPs).

We consider that the information provided in this submission on drinking water quality risks, stakeholder engagement and DWSPs for gate one was good. We expect to see further development of DWSPs, water quality monitoring, including for emerging contaminants, and wider stakeholder engagement with ongoing dialogue with the respective water quality teams in gate two.

4.3.6 Board Statement and assurance

The evidence provided relating to assurance has been assessed as good.

The solution sponsors have provided Board statements that indicate:

- their support of submission recommendations for solution / option progression;
- they are satisfied that progress on the solution is commensurate with the solution being construction ready for 2025–30;
- they are satisfied the work carried out to date is of sufficient scope, detail and quality as would be expected for a large infrastructure project of this nature at this stage; and
- that expenditure has been incurred on activities that are appropriate for gate one and is efficient.

These statements are accompanied by an explanation of the approach to assurance and a description of the evidence and information that the Boards have relied on in giving the statements.

5. Proposed changes to partner arrangements

There are no proposed changes to partner arrangements.

6. Actions and recommendations

Where the submission has not been assessed as ‘meeting expectations’ we have provided feedback on where we will seek remediation of the issues. We have also identified specific steps that solution owners should take in preparing for gate two.

We have categorised these remediation issues and steps 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 the solutions stay on track. They require urgent remediation in full and for this reason directly relate to the assessment of delivery incentives set out in this publication. The response to the priority actions will determine whether a delivery incentive is imposed; and the extent to which the delivery incentives can be mitigated by the solution sponsors. If all priority actions are satisfactorily completed then the penalty will not be imposed. If one or more of priority actions are not satisfactorily completed then the whole of the penalty will be imposed.

We have also identified actions that should be addressed in full in the gate two submission. The response to these actions will influence the assessment of the gate two submission.

Recommendations are issues where additional information or clarification could improve the quality of future submissions.

No priority actions have been identified for West Country South Southern Water Transfer therefore we do not require the solution sponsors to provide us with a remediation action plan. The full list of other actions and recommendations can be found in the Appendix.

7. Gate two activities

Poole effluent recycling and transfers

The solution will continue to be funded to gate two as part of the standard gate track.

For its gate two submission, we expect South West Water, Wessex Water and Southern Water to complete the activities listed in [PR19 final determinations: strategic regional water resources solutions appendix](#) as expanded on Section 15 of its gate one submission.

Southern Potable Water Transfer

The solution will not continue to be funded to gate two as part of the standard gate track for the reasons set out in section 4.1.

8. Incentives for gate two

For gate two we maintain the same arrangements for incentives as applied in gate one – that is, a maximum penalty of 30% of company’s total efficient gate funding that could be applied to solutions that have not made adequate progress, where work is of inadequate quality, or the submission deadline is missed.

Penalties will be determined on a case by case basis taking into account:

- the level of completeness and the overall quality of the work carried out in investigating and developing the solution based on the evidence summarised in the submission;
- the evidence and justification provided where aspects of the work carried out fall short of expectations; and
- the impact on the decisions and delivery of solutions, including the extent to which deficiencies adversely impact customers.

Penalties will be applied through the PR24 reconciliation mechanism, as described in ‘[PR19 final determinations: Strategic water resource solutions](#)’.

There will be no opportunity to remediate deficiencies identified at the assessment in order to defer penalties.

Appendix: Actions and Recommendations

Actions – to be addressed in gate two submission		
Number	Section	Detail
1	Costs & Benefits	Include metric benefits associated with the options and how the solution provides best value to customers beyond cost as part of the gate two submission. Ensure social and economic metric benefits are considered.
2	Costs & Benefits	Ensure wider resilience benefits are investigated and quantified as part of the gate two submission. Include WRSE resilience metric benefits associated with the option and how this contributes to the solution providing best value to customers beyond cost as part of the gate two submission.
3	Costs & Benefits	Compare costs and benefits of the options considered and demonstrate which of the solution options are considered to provide best value for customers as part of the gate two submission. Include both WCWR and WRSE regional plan Best Value Plan outputs in the gate two submission.
4	Programme and planning	A detailed consideration of how DPC might impact on the delivery timetable due to the solution not passing the discreteness test a requirement for the full analysis against the six technical criteria.
5	Programme and planning	Keep open the possibility for legal solutions (contractual) to be developed to address regulatory barriers. Further investigation of regulatory barriers and how one might overcome these to deliver a best value outcome for customers.
6	Programme and planning	Provide the full discreteness test analysis against the six technical criteria in respect of the discreteness test. To review whether elements of the solution could be delivered by DPC, eg interconnectors/pipelines/treatment works etc.
7	Environment	In terms of the option level environmental assessment: There is a need to explore how to ensure the River Avon is compliant with flow requirements set out in its Conservation Objective. Investigate whether the solution owners will be able to satisfy their obligations under the Habitats Regulations and under the Wildlife and Countryside Act 1981 in respect of the West Country South Southern Transfer (given that the draft regional water resources plan identifies future significant deficits of supply and demand when climate change and environmental destination are taken into account and it is currently unclear how this deficit will affect Habitats sites and SSSIs going forward).
8	Environment	The site specific HRA should incorporate developments in the WCWR Regional Plan HRA.

Recommendations		
Number	Section	Detail
1	Solution design	Ensure utilisation is determined through regional modelling as part of gate two, including uncertainty and sensitivity. Provide detailed explanation of the methodology for defining utilisation from the regional modelling at gate two.
2	Solution design	Ensure outputs of further engagement activities included for gate two. Need to ensure Consumer Council for Water are included in WCWR regional plan stakeholder engagement going forward and is consulted on any plans for customer research.
3	Costs & Benefits	Reassess and refine solution Deployable output (DO) benefits under 1 in 500 drought resilience and the best value metrics and assessment following the outputs of regional modelling with uncertainty and sensitivity and methods explained
4	Costs & Benefits	Interactions and possible positive synergies of each plan with other strategic plans and projects delivering environmental and societal benefits should be identified eg. Dorset Heaths Planning Framework, Stour Valley Park, Solent Nutrient Neutral Development.
5	Environment	Develop as a priority environmental modelling, monitoring plans and approach to in-combination assessment.
6	Environment	Relating to carbon, be clearer in the main submission on relevant greenhouse gas emissions frameworks, methodologies, and industry and national policy commitments and ambitions used. Clearly explain how these have been used to determine and manage greenhouse gas emissions of project.



Owat
Centre City Tower
7 Hill Street
Birmingham B5 4UA
Phone: 0121 644 7500

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