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By email

Stuart Ledger
Interim Chief Executive Officer
Affinity Water

8 December 2021

OFFICIAL

Dear Stuart,

Strategic regional water resource solutions: Standard gate one final decision for Affinity Water

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

- Thames to Affinity transfer
- Anglian to Affinity transfer
- South Lincolnshire Reservoir
- Grand Union Canal transfer
- Minworth Effluent Reuse

The RAPID partner regulators would like to thank Affinity Water for submission timeliness, its collaborative approach and positive engagement which has helped drive the quality and speed of progression of these solutions.

This letter should be read in conjunction with the final decision documents for each of these solutions, which are published alongside this letter. Both this letter and the final decision documents are published on our website on 8 December 2021.

The solution sponsors and other interested parties had the opportunity to respond to the draft decisions 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 decisions.

The table below summarises the elements of our final decisions in respect of the Affinity Water-sponsored solutions. Further details are contained in the accompanying final decision documents.

Final decision summary in respect of Affinity Water-sponsored solutions

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

We have not yet made our final decisions regarding the South East Strategic Reservoir Option ("SESRO") because the representation period for SESRO was extended to 19 November 2021. We intend to publish this decision on 5 January 2022.

Solutions' progress and funding

Funding is allowed for all the above solutions to continue to be developed to standard gate two.

We have decided to merge the gate one and gate two allowances. This results in the following allowances being available at gate two:

- Thames to Affinity transfer - £1.87m
 - Anglian to Affinity transfer - £2.29m
 - South Lincolnshire Reservoir - £7.27m
 - Grand Union Canal transfer - £3.01m
 - Minworth Effluent Reuse - £1.80m
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Evidence of efficient expenditure

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

- Thames to Affinity transfer - £0.86 million
- Anglian to Affinity transfer - £0.57 million
- South Lincolnshire Reservoir - £2.38 million
- Grand Union Canal transfer - £1.49 million
- Minworth Effluent Reuse - £0.45 million

These reflect final and reconciled costs information provided during the representation period.

Submission quality

Our overall classification of the above listed submissions is that they are "Good (meets expectations)".

Remediation

A list of remediation issues is provided in the Appendix to each final 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 above solutions and therefore Affinity Water does not need to submit a remediation action plan for any of these solutions.

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

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

Yours sincerely

David Black
Interim Chief Executive Officer

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