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By email

Peter Simpson
Chief Executive Officer
Anglian Water

8 December 2021

OFFICIAL

Dear Peter,

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

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

- Anglian to Affinity transfer
- South Lincolnshire Reservoir
- Fens Reservoir

The RAPID partner regulators would like to thank Anglian 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 Anglian Water-sponsored solutions. Further details are contained in the accompanying final decision

documents.

Final decision summary in respect of Anglian Water-sponsored solutions

Recommendation item	Anglian to Affinity transfer	South Lincolnshire Reservoir	Fens Reservoir
Solution sponsors	Anglian Water and Affinity Water	Anglian Water and Affinity Water	Anglian Water and Cambridge Water
Should further funding be allowed for the solution to progress to gate two?	Yes	Yes	Yes
Is there evidence all expenditure is efficient and should be allowed?	Yes	Yes	Not applicable
Delivery incentive penalty?	No	No	Not applicable
Is there any change to partner arrangements?	No	No	Not applicable
Is there a need for a remediation action plan?	No	No	No

Solutions' progress and funding

Funding is allowed for the Anglian to Affinity transfer and the South Lincolnshire Reservoir solutions to continue to be developed to standard gate two. All options should continue to be investigated.

Our decision in respect of the Fens Reservoir solution is to allow funding for it to join the RAPID programme.

Funding is allowed for the Fens Reservoir solution to continue to be developed to standard gate two. The following options are to be investigated:

- Fens Reservoir 99 Ml/d water resources benefit option as per the gate one design
- Anglian to Cambridge transfer

The costs allowance for the Fens Reservoir and Anglian to Cambridge transfer is shown in the table below for gates one to four.

	Gate one	Gate two	Gate three	Gate four	Total	Total Anglian Water	Total Cambridge Water
Fens reservoir	N/A	£3.78m	£8.82m	£10.08m	£22.68m	£11.34	£11.34m
Anglian to Cambridge Transfer	N/A	£0.47m	£1.09m	£1.24m	£2.8m	Nil	£2.8m
Adaptive planning allowance	10% allowed for gate one	-£158k	-£368k	-£419k	-£943k	-£943k	Nil
Total	N/A	£4.09m	£9.54m	£10.91m	£24.55m	£10.4m	£14.14m
Comment	10% of Fens Reservoir's share of the adaptive planning allowance allowed for gate one	15% of combined lower estimate of £28.31m minus Fens Reservoir's share of the adaptive planning allowance	35% of combined lower estimate of £28.31m minus Fens Reservoir's share of the adaptive planning allowance	40% of combined lower estimate of £28.31m minus Fens Reservoir's share of the adaptive planning allowance	90% of combined lower estimate of £28.31m minus Fens Reservoir's share of the adaptive planning allowance		

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

- Anglian to Affinity transfer - £2.29m
- South Lincolnshire Reservoir - £7.27m

Funding for the Fens reservoir will be shared equally between the solution sponsors, Anglian Water and Cambridge Water. Funding for the Fens Reservoir to Cambridge Water transfer, is allocated in full to Cambridge Water. Anglian Water is therefore allocated a funding allowance of £10.4m in respect of this solution.

We note that Essex and Suffolk Water is an active stakeholder in the Fens Water Partnership and associated technical workshops and that it will decide whether to become a partner in the Fens reservoir at gate two.

Evidence of efficient expenditure

For the Anglian to Affinity Transfer and South Lincolnshire Reservoir we determine that all expenditure of £0.57 for the former and £2.38m for the latter is efficient and appropriate, and we allow it in full. This reflects final and reconciled costs information provided during the representation period.

Submission quality

Our overall classification of the submissions for the Anglian to Affinity Transfer, South Lincolnshire reservoir and Fens Reservoir 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 Anglian to Affinity transfer, South Lincolnshire Reservoir and Fens Reservoir and therefore Anglian 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 Anglian 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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