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By email

Liv Garfield
Chief Executive Officer
Severn Trent Water

8 December 2021

OFFICIAL

Dear Liv,

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

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

- River Severn to River Thames transfer
- Severn Trent sources
- Grand Union Canal transfer
- Minworth Effluent Reuse

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

Final decision summary in respect of Severn Trent Water-sponsored solutions

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

Solutions' progress and funding

Funding is allowed for the River Severn to River Thames transfer, Severn Trent sources, Grand Union Canal transfer and Minworth Effluent Reuse to continue to be developed to standard gate two. All options should continue to be investigated.

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

- River Severn to River Thames transfer - £12.63m
 - Severn Trent sources - £1.06m
 - Grand Union Canal transfer - £3.01m
 - Minworth Effluent Reuse - - £1.80m
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Evidence of efficient expenditure

Following representations submitted by Severn Trent Water, Thames Water and United Utilities for the River Severn to River Thames Transfer, we are satisfied that sufficient evidence has been provided for us to determine that all expenditure on the River Severn to River Thames Transfer is efficient and appropriate and we are therefore allowing it in full.

We determine that all expenditure on each of the other solutions is efficient and appropriate, and we allow it in full.

The efficient costs allowance for the solutions are given below and reflect final and reconciled costs information provided during the representation period.

- River Severn to River Thames Transfer - £4.014 million
- Severn Trent sources - £0.268 million
- Grand Union Canal transfer - £1.49 million
- Minworth Effluent Reuse - £0.45 million

Submission quality

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

Our overall classification of the submissions for Severn Trent sources, Grand Union Canal transfer and Minworth Effluent Reuse 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 River Severn to River Thames transfer, Severn Trent sources, Grand Union Canal transfer and Minworth Strategic resource solutions and therefore, Severn Trent 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 Severn Trent 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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