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By email

Sarah Bentley
Chief Executive Officer
Thames Water

8 December 2021

OFFICIAL

Dear Sarah,

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

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

- Thames to Southern transfer
- Thames to Affinity transfer
- River Severn to River Thames transfer
- London Reuse

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

Final decision summary in respect of Thames Water-sponsored solutions

Recommendation item	Thames to Southern transfer	Thames to Affinity transfer	River Severn to River Thames transfer	London Reuse
Solution sponsors	Thames Water, Southern Water	Thames Water, Affinity Water	Thames Water, Severn Trent Water, United Utilities	Thames 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

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 the Thames to Southern Transfer, Thames to Affinity transfer, River Severn to River Thames transfer and London Reuse solutions 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:

- Thames to Southern transfer - £3.12m
- Thames to Affinity transfer - £1.87m
- River Severn to River Thames transfer - £12.63m

- London Reuse - £13.20m

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

- River Severn to River Thames Transfer - £4.01 million
- Thames to Affinity transfer - £0.86 million
- Thames to Southern Transfer - £0.63 million
- London Reuse - £2.54 million

Submission quality

Our overall classification of the submissions for the Thames to Southern Transfer Thames to Affinity Transfer, and London Reuse is that they are "Good (meets expectations)".

Our overall classification of the submission for 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.

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 any of the above named solutions and therefore Thames 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 Thames 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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