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By email

Steve Mogford
Chief Executive Officer
United Utilities

8 December 2021

OFFICIAL

Dear Steve,

Strategic regional water resource solutions: Standard gate one final decision for United Utilities

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

- Vyrnwy Aqueduct
- United Utilities sources
- River Severn to River Thames transfer

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

Final decision summary in respect of United Utilities-sponsored solutions

Recommendation item	Vyrnwy Aqueduct	United Utilities sources	River Severn to River Thames transfer
Solution sponsors	United Utilities	United Utilities	Severn Trent Water, Thames Water, United Utilities
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	Yes
Delivery incentive penalty?	No	No	No
Is there any change to partner arrangements?	No	No	No
Is there a need for a remediation action plan?	No	No	No

Solutions' progress and funding

Funding is allowed for all of the above solutions to continue to be developed to standard gate two. We agree that Vyrnwy Aqueduct and United Utilities sources should be combined into a single solution and receive the funding to both solutions for gate two. The total allowance for the combined solution will be £3,285,000. The name for the combined solution will be North West Transfer.

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

- North West Transfer - £3.84m
- River Severn to River Thames transfer - £12.63m

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 of £4.014 million is efficient and appropriate and we are therefore allowing it in full.

For Vyrnwy Aqueduct, we determine that all expenditure of £1.02 million is efficient and appropriate, and we allow it in full. For United Utilities Sources, we determine that all

expenditure of £0.61 million 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 submission for Vyrnwy Aqueduct is that it is "Good (meets expectations)".

Our overall classification of the submissions for United Utilities sources and River Severn to River Thames Transfer is that they are 'Satisfactory (falls short of meeting expectations in some areas)'. We have decided not to impose delivery incentive penalties for these solutions.

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 United Utilities 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 United Utilities 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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