

FAO RAPID,

29th October 2021

THE THAMES TO AFFINITY TRANSFER (T2AT) STRATEGIC RESOURCE OPTION (SRO) – RESPONSE TO GATE 1 DRAFT DECISION

This letter follows the recommendation by RAPID to Ofwat that the Thames to Affinity Transfer (T2AT) Strategic Resource Option (SRO) should continue to progress past Gate 1. It forms Affinity Water and Thames Water’s joint representation in respect of the Gate 1 draft decision published on 14 September 2021.

We are delighted to read that the draft decision proposes that Gate 2 funding be allowed, and confirms that all Gate 1 expenditure has been deemed efficient and allowed and T2AT is recognised as having the top rating of ‘Good’. We are similarly pleased to learn that as solution sponsors, it is proposed that neither Affinity Water nor Thames Water will receive any delivery incentive penalty and that there is no proposed need for a remediation action plan.

Costs

Section 2.2 of the draft decision reiterates the amount of expenditure published in our Gate 1 submission. At the time of submission, this included an estimate for the final few months of Gate 1 activities as costs were reconciled and invoices received. Having finalised the assessment of Gate 1 costs, the actual costs were less than the estimated figure. As a result we are pleased to say that the total Gate 1 expenditure has reduced. We will provide specific figures to RAPID directly, outside of this letter format, as previously discussed and agreed between the partner companies and RAPID.

Recognising there is an underspend at Gate 1, we would like to propose further discussions with RAPID regarding the possibility of utilising this underspend, if required, during the more detailed work required at the next Gate stage to address regional planning needs and our regulators’ expectations.

Actions & Recommendations

We are pleased to note that RAPID have not identified any priority actions for the T2AT SRO.

We have reviewed the actions & recommendations in the draft decision as a Programme Management Board (PMB) and are able to confirm that we have no concerns with any of the items listed, and that we will proceed to Gate 2 intending to resolve each item.

We have already shared and discussed our responses to your proposed actions and recommendations with our RAPID representative. We would be pleased to provide regular updates on these, and on our other Gate 2 technical workstreams through the next gated process, so that RAPID can have confidence that we are on track to a resolution.

Summary

We would like to take this opportunity to thank RAPID, EA, Ofwat & DWI for their engagement and collaborative working throughout Gate 1, and for their positive draft response to our Gate 1 submission.

Regards,

[REDACTED] Director of Asset Strategy, Affinity Water)

[REDACTED] Strategic Resources Director, Thames Water)