

Vyrnwy Aqueduct SRO

Response to Gate 1 Assessment

October 2021

Attention [REDACTED]
Managing Director
Regulators' Alliance for Progressing Infrastructure Development
Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

Dear [REDACTED]

Vyrnwy Aqueduct SRO: Response to Gate 1 Assessment

Thank you for the draft decision letter and the feedback provided for our Gate 1 submission for the Vyrnwy Aqueduct SRO project. We welcome your decision that expenditure to date has been efficient and to allow the project to continue to Gate 2. We also note your agreement to amalgamate the UU Sources and Vyrnwy Aqueduct solutions as we move to Gate 2 and as a result we are progressing the new combined North West Transfer project.

We acknowledge the overall good score and welcome the specific actions provided for Gate 2. We have included our response to each of these in Table 1 below, in addition to incorporating the associated activities within our Gate 2 delivery programme.

With respect to our Gate 2 programme, we would also like to raise awareness of emerging financial pressures. These are primarily related to potential increases in the scope of environmental studies and inflated third party costs due to high demand for consultancy support across the sector. We are working to mitigate these impacts, however we believe it would be prudent to request access to our underspent funds from Gate 1 as a contingency measure. If these risks do not materialise we would return these funds and in accordance with the PR19 final determination they would be used to further develop the scheme post Gate 2 (if we are successfully approved) or returned to customers.

We look forward to continued engagement with you as we develop the North West Transfer project to Gate 2. Should you have any queries, please don't hesitate to contact me.

Yours sincerely

[REDACTED]
Head of Water Trading

Table 1 - Actions to be addressed in Gate 2

Action	Section	Detail	Reponses
G1010	Solution Design	Ensure that further detailed utilisation calculations are undertaken early in gate two in order to feed into the Environmental Impact Assessment (EIA)	More detailed water resources modelling has started and will continue to develop in Gate 2 as we further understand the required overall in-conjunction utilisation for our solution. This can inform the overall operating philosophy for any new sources which in turn will inform the Gate environmental assessments.
G1011	Programme and Planning	Provide further detailed evidence to support programme plans and identify key milestones	We have developed a detailed Gate 2 programme plan illustrating key deliverables, owners, dependencies and timescales. The plan has factored in the Gate 2 requirements outlined in the PR19 Final Determination, the Accelerated Gate 2 template and the actions identified in the Gate 1 assessment. It also aligns with external programmes including regional planning and WRMP24. We will be happy to share this plan – and progress against it – in both the regular checkpoint meetings proposed.
G1012	Programme and Planning	Continue to develop assessment of Direct Procurement for Customers (DPC), including detailed assessment of suitability against technical criteria. More clearly evidence the suitability and impact of the solution on DPC assessment.	At Gate 1 we employed an independent procurement consultancy to undertake a detailed assessment of suitability for DPC using the criteria developed by KPMG on behalf of Ofwat. Our initial assessment indicated that the VA SRO was “somewhat less suitable for DPC”. Although the scheme value is likely to be greater than £100m, the works are likely to involve modification to existing UU assets and integration with the effective operation of the UU supply system. At Gate 2 we will continue to review the applicability of DPC for delivering the scheme as the solution becomes more defined.

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Water for the North West