

WATER SERVICES REGULATION AUTHORITY

Direct Procurement for Customers Project Designation Direction

Issued to United Utilities Water Limited

Made on 20 December 2021

Coming into effect on 21 December 2021

The Water Services Regulation Authority (Ofwat) makes this Direction pursuant to Condition U of the Instrument of Appointment (Appointment) of United Utilities Water Limited, a company incorporated in England and Wales with company number 02366678 and with registered office at Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington, WA5 3LP (the Appointee).

Whereas:

- A. The Appointee is the holder of an Appointment and has identified to Ofwat an infrastructure project as suitable to be designated as a "DPC Delivered Project" pursuant to Condition U of its Appointment.
- B. Pursuant to sub-paragraph U1.1.1 of Condition U of the Appointment Ofwat may, by direction and with the consent of the Appointee, designate an infrastructure project as a DPC Delivered Project.
- C. Having considered the scope of the project notified to it, Ofwat has decided to designate it as a DPC Delivered Project as set out in this Direction.
- D. In accordance with section 195A of the Water Industry Act 1991, the reasons for this decision shall be published as soon as reasonably practicable after the making of this Notice.

Now therefore:

1. Citation, commencement, and application

- 1.1 This Direction may be cited as the Haweswater Aqueduct Resilience Programme ("**HARP**") Designation Direction.
- 1.2 This Direction shall take effect on the day after it is signed by Ofwat.

2. Interpretation

- 2.1 In this Direction:

'**CAP**' has the meaning given to it in the Appointment.

'**CAP Agreement**' has the meaning given to it in the Appointment.

'Independent Technical Adviser' has the meaning given to it in the Appointment.

'Project' means the Haweswater Aqueduct Resilience Programme described in the Schedule to this Direction.

Except as otherwise provided in this Direction, words and expressions used in the Appointment shall have the same meaning in this Direction.

3. Designation

3.1 Ofwat is of the opinion that:

- (a) the Project is technically suitable to be a DPC Delivered Project;
- (b) if the Project was a DPC Delivered Project it can reasonably be expected to deliver value for money for customers; and
- (c) designation of the Project as a DPC Delivered Project would be consistent with Ofwat's statutory duties.

3.2 Ofwat has received the consent of the Appointee to the Project being designated as a DPC Delivered Project.

3.3 Accordingly, Ofwat hereby directs the designation of the Project as a DPC Delivered Project.

4. Scope of the DPC Delivered Project

In accordance with sub-paragraph U1.2 of Condition U, a description of the scope of the Project is set out in the Schedule to this Direction.

Signed

Keith Mason

Name: Keith Mason
Designation: Senior Director Ofwat
Date: 20 December 2021

Schedule

Scope of the Project

1. Project overview

- 1.1 The Haweswater Aqueduct Resilience Programme ("**HARP DPC Project**") is intended to mitigate the risk of water service impacts as a result of asset failure of the existing Haweswater Aqueduct.
- 1.2 Originally constructed in the 1930s-1950s, sections of the current asset are now approaching the end of their asset life and pose a significant risk to water quality and loss of supply to customers in Cumbria, Lancashire, and Greater Manchester.
- 1.3 The HARP DPC Project comprises the replacement of 6 tunnel sections of the existing Haweswater Aqueduct, connections to existing multiline siphons between the tunnel sections and associated facilities. It also includes the commissioning and ongoing maintenance of those works for a period of approximately 25 years after completion, as set out in more detail below.
- 1.4 Once commissioned into use, the replacement assets will meet the requirements for potable water standards (replacing the current service).
- 1.5 The HARP DPC Project infrastructure will be required to connect into the retained Appointee asset base and maintain supplies to all bulk supply points currently supplied by the existing Haweswater Aqueduct.

2. General scope

- 2.1. The HARP DPC Project is the delivery or the procurement of the delivery of:
 - (a) design, construction, testing and commissioning of the works;
 - (b) planned and corrective maintenance, including lifecycle maintenance, of the assets following the completion of each section of the tunnel;
 - (c) the project management of the activities set out in sub-paragraphs 3.1(a) and 3.1(b); and
 - (d) financing of the activities set out in sub-paragraphs 3.1(a), 3.1(b) and 3.1(c).
- 2.2. The works and services for delivering the HARP DPC Project comprise:
 - (a) the coordination of activities necessary to undertake the design, construction, and commissioning of the works across multiple worksites, and the carrying out, coordination, implementation, and management of project delivery (including safety management) between various contractors, stakeholders, third parties and the Appointee;

- (b) activities for the avoidance of, or limiting of, impact to the environment, local residents, businesses, third party assets and other third parties, including protection or replacement of water supplies affected by the works;
- (c) securing land and property rights (including by way of land purchases, leases, licences (exercising option agreements) and issuing statutory notices under the Water Industry Act 1991) that are necessary in order to enable design, construction, testing, commissioning of the works, and the subsequent operation and maintenance of the assets;
- (d) obtaining and complying with all necessary consents (including funding s.106 agreements), noticing, permissions, licences, approvals, including under the Town and Country Planning Act 1990 (to the extent consents not already obtained by the Appointee), Water Industry Act 1991, asset protection agreements or other similar agreements protecting property or assets, land purchase agreements, codes of practice, leases, wayleaves, or easements;
- (e) compliance with any environmental, security or social obligations and legal requirements including with respect to Biodiversity Net Gain;
- (f) the design, construction, supply, installation, maintenance, and inspection, testing and commissioning of the works, including:
 - (i) completing any diversions, providing protection of existing assets potentially affected by the works, including any strengthening works necessary, and the provision of any modification and reinstatement of existing utilities and services where required;
 - (ii) demolition and site clearance (including disposal);
 - (iii) worksite preparation, access, and establishment;
 - (iv) land reinstatement that meets the requirements of the Appointee, respective landowners, occupiers or their agents, and any planning constraints;
 - (v) civil works (including tunnels, shafts, buildings, and structures), MEICA works, SCADA works, architectural and landscape works; and
 - (vi) modifications and necessary remediation to highways, utilities, and public rights of way;
- (g) provision of all utilities and services necessary for the permanent operation of the new aqueduct, activation of these supplies and any associated connection fees;
- (h) surveys, monitoring, and instrumentation works and services;
- (i) studies, investigations, and assessments;
- (j) reinstatement of all utilities, highways, footpaths, and hardstanding outside of the worksite that are damaged or temporarily modified during construction of

the works (including payment of any associated costs for any competent authority);

- (k) engagement with stakeholders, local communities and third parties impacted by the HARP DPC Project (with the exception of a list of strategic long-term relationships to be identified by the Appointee) including resolution of all customer / landowner complaints arising from or reasonably associated with the works;
- (l) provision of workforce occupational health services and well-being programmes;
- (m) ancillary activities necessary to ensure that the works and services are carried out in accordance with good industry practice, including workforce management activities, payroll, administration, regulatory compliance, human resources, and risk management;
- (n) protection and maintenance of the works through construction, testing and commissioning periods;
- (o) provision of as-built construction records, operation and maintenance documentation and other documentation for the HARP DPC Project;
- (p) provision of warranties and collateral warranties for plant and materials;
- (q) provision of temporary works to deliver the HARP DPC Project, including:
 - (i) areas for storage of construction materials including temporary enclosures and workshops, fixed and mobile cranes and localised office space and welfare facilities, for use by all staff involved in the HARP DPC Project construction (including those of the Appointee and the Independent Technical Adviser);
 - (ii) temporary power supplies and other utility connections and supplies and payment of associated fees and tariffs;
 - (iii) connections to and within the water network required to construct the works, with all works undertaken in collaboration with the Appointee to limit the impact of the construction of the works on the water network;
 - (iv) provision of transport of plant, materials, and equipment to and from site; and
 - (v) any other temporary works to facilitate construction of the works;
- (r) undertaking the completion, commissioning and acceptance tests and works and services required to ensure these tests are passed and the provision of training for operation and maintenance;
- (s) provision of all elements required for operational and maintenance access;

- (t) securing deeds of easement and rights of access along the entire length of the new Haweswater Aqueduct tunnelled sections;
- (u) monitoring the impact of the works on private water supplies and arranging the provision of alternative water supplies where required (excluding the provision of water supplies by the Appointee in its ordinary role as Appointee);
- (v) provision by the CAP of all such other works, services and activities which are incidental to, or reasonably necessary to ensure that the works can be designed, constructed, and commissioned and to ensure that the infrastructure can be operated and maintained in conjunction with the Appointee's water distribution network in accordance with specified operating techniques, parameters and restraints and water quality standards.

3. Consents

- 3.1. The Appointee will be responsible for the generation, stakeholder engagement, and submission of planning consents under the Towns and Country Planning Act (based on the Appointee's outline design only) to all relevant authorities. The Appointee carrying out such activities will be excluded from the HARP DPC Project. The HARP DPC Project includes the re-submission or, where required, seeking further planning permission/amendments for enhancements, variations, or alternative solutions.
- 3.2. The HARP DPC Project includes the discharging of all planning conditions.
- 3.3. The HARP DPC Project includes acquiring (and subsequently complying with) all other permits and consents required from all relevant authorities including but not limited to:
 - (i) Local Authorities (including highways departments);
 - (ii) National Highways (formerly Highways England);
 - (iii) Network Rail;
 - (iv) Coal Authority;
 - (v) Environment Agency;
 - (vi) Drinking Water Inspectorate;
 - (vii) Natural England;
 - (viii) Lead Local Flood Authorities; and
 - (ix) National Park Authorities.
- 3.4. The HARP DPC Project includes working with the Appointee to gain approval to complete activity in close proximity to Appointee assets and to make connections.

4. Design

- 4.1. The HARP DPC Project includes the carrying out of final and detailed design of the works. The initial design work carried out by the Appointee is excluded from the HARP DPC Project.

5. Survey and investigations

- 5.1. The HARP DPC Project includes conducting any requisite additional ground investigations and other site investigations, over and above those investigations carried out by the Appointee (except in respect of investigations where the Appointee's costs of such investigations are recoverable from the CAP, which shall be included in the HARP DPC Project), and documented and shared with the CAP. The production of a Geotechnical Baseline Report and Environmental Impact Assessment for the area covering the project is excluded from the HARP DPC Project.
- 5.2. The HARP DPC Project includes pre and post construction condition surveys of any assets which are likely to be affected by the works including highway roads, buildings, structures, bridges, fences, walls, private land, hedgerows, trees, public footpaths, soils, and land drainage. The HARP DPC Project also includes further surveys, and implementation of appropriate ground movement monitoring (where required). Any damage discovered during the carrying out of such surveys etc. shall be made good as part of the HARP DPC Project.

6. Land acquisition & Biodiversity Net Gain

- 6.1. The HARP DPC Project includes securing land and property rights that are necessary in order to enable design, construction, testing, commissioning of the works, and the subsequent operation and maintenance of the assets.
- 6.2. The HARP DPC Project includes assessing biodiversity units required and funding all biodiversity net gain activities. The HARP DPC Project includes detailed biodiversity net gain design and discharging associated planning conditions and implementation.

7. Construction

- 7.1. The HARP DPC Project includes the design, construction, and maintenance and inspection of new water aqueduct sections capable of maintaining potable water standards to replace the existing sections of the existing Haweswater Aqueduct located as follows:
 - (a) between [REDACTED] and [REDACTED] (TR1);
 - (b) between [REDACTED] and [REDACTED] (TR2);

- (c) between [REDACTED] and [REDACTED] (TR3);
- (d) between [REDACTED] and [REDACTED] (TR4); and
- (e) between [REDACTED] and [REDACTED] including a connection to [REDACTED] (TR5 between [REDACTED] and the connection point to [REDACTED], and TR6 between the connection point to [REDACTED] and [REDACTED]).

7.2. More particularly, the HARP DPC Project includes:

- (a) replacement of tunnel, conduit and single line siphon sections incorporating associated pipelines, fixings, fittings, air valves, washouts, line valves, chambers, and landscaping works;
- (b) connections to the existing Haweswater Aqueduct during partial or complete shutdowns which may be locally upstream or downstream of the well houses or at the pipeline / manifold listed above to suit the chosen connection strategy and tunnel alignment and level;
- (c) cleaning, disinfecting and water quality sampling of the new tunnelled sections and demonstrating that the works can safely be brought into service;
- (d) transferring flow to the new tunnel sections;
- (e) construction of wells, valves, penstocks, valve chambers, flow meters, bulk supply points and associated structures where the existing facilities are bypassed by the works or where the accuracy of flow meters is compromised by the works;
- (f) provisions constructed within the well structures or conduit sections to facilitate future inspections of the assets;
- (g) works to areas of the decommissioned Haweswater Aqueduct including provision of access, installing permanent strengthening supports to the decommissioned Haweswater Aqueduct, provision of flow and turbidity monitoring and provision of drainage of ground water infiltration from each decommissioned Haweswater Aqueduct section;
- (h) sampling and level monitoring to new and existing well structures and overflows including provision of monitoring data back to the Appointee's control centre;
- (i) security measures to protect the integrity of the Haweswater Aqueduct;
- (j) temporary and permanent access tracks and gates where required to construct the works and for future access;
- (k) highway modifications including passing places to enable access to the works; and
- (l) any requisite ancillary works or temporary works.

8. Provision of power supply and other utilities

- 8.1. The HARP DPC Project includes the procurement of power and other utilities necessary for carrying out the works (including site establishment, construction, testing and commissioning) and for the operation and maintenance of the assets and securing any necessary easements, wayleaves, or private agreements with third party landowners where necessary.

9. Diversion of existing utility assets

- 9.1. The HARP DPC Project includes provision of existing utility diversions. That includes engaging with private landowners and utility owners to identify and procure all necessary utility diversions and securing any necessary easements, wayleaves, or private agreements with third party landowners where necessary.

10. Connections, testing, and commissioning

- 10.1. The HARP DPC Project includes the connection of the replacement infrastructure to the retained infrastructure, maintaining the current supply arrangements to the existing bulk supply points (including the replacement infrastructure to supply [REDACTED] and [REDACTED], with regard to the available connection windows and constraints identified by the Appointee.
- 10.2. The HARP DPC Project will include all commissioning activity and may, under direction from the Appointee, turn flows into the new assets in order to complete the commissioning activity.
- 10.3. The HARP DPC Project includes all of the design and construction activity of the selected connection method.
- 10.4. The HARP DPC Project includes the cleaning and disinfecting of the works, provision of chemicals, water and flows and other materials in each case as part of the process of commissioning the works
- 10.5. The HARP DPC Project includes the testing against project and asset specifications and requirements and the demonstration of compliance with hydraulic and water quality parameters as set out in the construction requirements. This is at the point of commissioning and for the duration of the CAP Agreement.
- 10.6. The HARP DPC Project includes asset registration, provision of as-laid drawings, and complete any handover of O&M documentation and training as required.

11. Existing Haweswater Aqueduct assets, [REDACTED]

- [REDACTED]
- [REDACTED]
- 11.1. The HARP DPC Project includes making the existing Haweswater Aqueduct assets safe post de-commissioning in line with the Appointee's requirements. The Appointee will retain all operational and maintenance responsibility at all decommissioned Haweswater Aqueduct sites.
- 11.2. The HARP DPC Project includes designing, constructing, and commissioning the connecting infrastructure from the new aqueduct to:
- (a) the existing assets at [REDACTED]. The responsibility for operation and maintenance of these existing assets will remain with the Appointee (and therefore is excluded from the HARP DPC Project); and
 - (b) the existing assets at [REDACTED]. The responsibility for operation and maintenance of these assets will also remain with the Appointee (and therefore is excluded from the HARP DPC Project).
- 11.3. The HARP DPC Project may include use of [REDACTED] [REDACTED] for the purposes of commissioning the new asset base. The continued operation of the impounding reservoir will remain the responsibility of the Appointee (and is therefore excluded from the HARP DPC Project).

12. Operations and maintenance

- 12.1. The HARP DPC Project includes the lifecycle maintenance of the assets following the completion of each section of the tunnel. The HARP DPC Project also includes the completion of any corrective maintenance required during the operational phase of the project.
- 12.2. The HARP DPC Project includes the provision of incident support and service recovery should there be an issue detected that results in a deviation to the service as specified in the CAP Agreement.
- 12.3. The HARP DPC Project includes conducting periodic inspections of the associated civil structures, infrastructure, and Mechanical, Electrical, Instrumentation, Control and Automation ("**MEICA**") and reporting the findings to the Appointee.
- 12.4. Some activities associated with the operation and maintenance will be retained by the Appointee, which will be excluded from the scope of the HARP DPC Project, including the Appointee:
- (a) being the system operator, responsible for the day-to-day operation of the asset and for the continuous monitoring of asset performance via on-line and manual sample data; and

- (b) retaining all operation and maintenance responsibilities for the Appointee's retained asset base (decommissioned Haweswater Aqueduct, siphons, bulk supply points and connected water treatment works).
- 12.5. The HARP DPC Project includes securing land and property rights and / or issuing statutory notices as required under the Water Industry Act 1991 to enable access to land to carry out all operation, maintenance, and inspection activities.

13. Handback

- 13.1. The HARP DPC Project includes the CAP's compilation and provision of completed records of all maintenance activity, confirmation to the Appointee of the condition of the assets and confirmation that there has been compliance with the project requirements (such confirmations independently verified by a suitably experienced chartered engineer).
- 13.2. The HARP DPC Project includes provision of all O&M manuals, tools, and other plant required to maintain the assets which must also be handed over to the Appointee in combination with any stocks of spare parts.
- 13.3. The HARP DPC Project includes the repair of any defects subsisting at or before handback of the assets to the Appointee (whether those repairs happen before or after handback) to the extent paid by the CAP.
- 13.4. The HARP DPC Project includes managing, maintaining, and reinstating all land prior to hand back to the Appointee, third party landowners or occupiers.

14. Ancillary Activities

- 14.1. The HARP DPC Project includes:
 - (a) the advanced procurement of certain goods, equipment, land and property rights and services (including electricity connections, ground clearance works and a contribution towards the costs of bidding for the CAP role, payable to unsuccessful bidders) ahead of the appointment of the CAP;
 - (b) the provision of outages to enable connections and inspections;
 - (c) the exercise by the CAP (as agent) of the Appointee's statutory powers under sections 159, 165 and 168 and Schedule 6 Part II of the Water Industry Act 1991;
 - (d) the payment of taxation by the CAP in connection with the HARP DPC Project;
 - (e) compensation payable to third parties (including surveyors' fees where applicable) in respect of any diminution of value of their land and property, loss or damage or injurious affection incurred as a direct consequence of the works or the presence of the assets;
 - (f) management, accounting, legal, IT, human resources, and other administrative support to the CAP;

- (g) the provision of legal services by or on behalf of the Appointee, the costs of which are recoverable from the CAP;
- (h) the Appointee attending any inspection of the assets the costs of which are recoverable from the CAP;
- (i) insuring the works or the assets, or any other matter connected to the HARP DPC Project;
- (j) the payment of irrecoverable VAT incurred by the CAP as a result of certain changes in law; and
- (k) services provided by an Independent Technical Adviser (including assessment of compensation events and cost claims and certifying completion of the works) and approved assurers (including approving revisions to the financial model).

15. Excluded matters

15.1. The following are excluded from the HARP DPC Project:

- (a) the operation and certain elements of maintenance of the assets by the Appointee (other than via the CAP);
- (b) the management and enforcement of the CAP Agreement (except insofar as the Appointee's costs are recoverable from the CAP in which case those activities are included in the HARP DPC Project);
- (c) the rectification of defects (and consequential costs and losses) where the costs are not recoverable from the CAP;
- (d) the reinstatement of assets damaged by uninsured risks (not caused by the CAP, or caused by the CAP and exceeding liability limits) unless the CAP is asked to carry out the works via a variation;
- (e) materials and equipment issued free by the Appointee to the CAP;
- (f) responding to and dealing with any exercise by the CAP's funders under a direct agreement between the Appointee and those funders (except insofar as the Appointee's costs are recoverable from the CAP in which case those activities are included in the HARP DPC Project); and
- (g) the exercise of step-in rights by the Appointee where the costs are not recoverable from the CAP.