

Regulators' Alliance for Progressing
Infrastructure Development

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Standard gate one key themes and final decisions overview



About this document

This document sets out the key themes which have emerged from RAPID's assessment of the submissions at standard gate one and the representation period. The document has two intended purposes. The first is to describe common themes that emerged across the submissions, assessments and representations and to identify areas of focus before gate two, which should be acted upon by the solution sponsors. The second is to enable stakeholders with an interest in more than one solution to understand common themes without needing to read all the decision documents and letters.

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1. Introduction

The purpose of this publication is to set out an overview of the decisions made across strategic regional water resource solutions submitted for the standard gate one assessment by solution sponsors and to highlight areas of focus for the next gated period. Further information concerning the submissions, queries, representations and the gate one final decisions for each solution and letters to each company can be found on the RAPID webpages of the Ofwat website www.ofwat.gov.uk/regulated-companies/rapid.

The assessment process is overseen by RAPID, with input from the partner regulators (Ofwat, the Environment Agency and the Drinking Water Inspectorate). The Environment Agency together with Natural England and, where a solution impacts Wales, Natural Resources Wales, have reviewed the environmental sections of the submissions, and have provided feedback to RAPID. The Consumer Council for Water provided input to the assessment on customer engagement.

We would like to thank all of the water companies, Canal & River Trust and stakeholders for their engagement, collaboration, and innovation during this stage in the gated process.

The solution sponsors and other interested parties were invited to respond to the draft decisions. All representations were considered in Ofwat's final decisions and can be found in full on Ofwat's website www.ofwat.gov.uk/regulated-companies/rapid. Responses to representations have been included in the final decision documents for the solution(s) to which they relate. We have also provided a response in this themes document to some representations that were common to a number of the solutions.

RAPID appreciate the representations made by all stakeholders. Ofwat's decisions relate to funding of investigation and development of solutions including deciding whether companies should be allowed funding to further investigate and develop a solution to gate two. Water resources planning at a regional and company level is following a best value approach considering all solutions at a regional and national scale. We encourage stakeholders to also provide feedback on specific solutions directly to the water companies through their consultations on water resources management plans and to regional groups through the regional plan consultation process, which starts in January 2022.

1.1 Background

At PR19 Ofwat allowed a £469 million ring-fenced development fund for companies to investigate and develop strategic water resource solutions that benefit customers, protect and enhance the environment and benefit wider society. This was in response to Ofwat identifying limited cross-company, strategic water resource solutions being proposed in the last round of water resources management plans and company business plans, yet these will be vital over the next five to 15 years to meet future demands. This funding provides

companies with the ability and certainty to accelerate the development of solutions to be ‘construction ready’ for the 2025–2030 period; it encourages joint working, enables additional analysis where required and provides outputs with greater certainty than would be available without it.

Delivery of these solutions is subject to a formal gated process where decisions are made on delivery penalties and solution funding progression. The details of gate allowances, activities at each gate and delivery incentives are described in more detail in [‘PR19 final determinations: Strategic regional water resource solutions’](#). The Regulator’s Alliance for Progressing Infrastructure Development (RAPID) supports and oversees the development of the solutions that benefit from this funding. Working with the partner regulators, Natural England, Natural Resources Wales and the Consumer Council for Water, RAPID’s role in the gated process is to assess the progress made in development of each solution and to provide advice and recommendations to enable Ofwat to make decisions on continued ring-fenced funding for solution progression.

1.2 Purpose of the gated process

The purpose of the gated process is to ensure at each gate that:

- companies are progressing strategic water resource solutions that have been allocated funding at PR19;
- costs incurred in doing so are efficient; and
- solutions merit continued investigation and development during the period 2020 to 2025.

The process is intended to support companies in progressing the investigation and development of solutions more quickly to the ‘construction ready’ state.

Whilst it is not expected that all future water resources solutions will join the RAPID strategic water resource solutions structured development process, up to gate three, water companies are invited to propose new strategic solutions to join the gated programme which would help to increase the resilience of our water supply. These solutions will be considered against the following questions:

- Is there value in accelerating the solution’s development to be ‘construction ready’ for the 2025–2030 period?
- Does the solution need additional enhancement funding for investigations and development?
- Does the solution need the additional regulatory support and oversight provided by the Ofwat gated process and RAPID?
- Does the solution provide a similar or better cost / water resource benefit ratio compared to current solutions?

- Does the solution have the potential to provide similar or better value (environmental, social and economic value – aligned with the Water Resources Planning Guideline) compared to current solutions?

1.3 Purpose of gate one

At gate one the focus was on eliminating solutions that are demonstrated to be unsuitable, no longer require further development funding or will not benefit from the structured gate process. All solutions have a range of risks, some more material than others.

Gate one has highlighted a number of risks which require further investigation. Additional risks may emerge through the work planned in advance of gate two and these will need to be mitigated. At gate one, we expected solutions to progress unless they were shown not to be viable or there is another showstopper, which cannot be mitigated.

1.4 Assessment process at gate one

The assessment was made on the basis of evidence presented in the submission and responses to queries. The assessment of each solution determines:

- whether the solution (and which of its options) should progress through the gated process and continue to use the development allowance to support this;
- whether sufficient work has been carried out on a solution and the evidence provided in the submission is of sufficient quality to demonstrate that; and if not, what remedial actions are required to get solutions back on track;
- the level of delivery incentive penalty, if appropriate, that should apply in the light of the quality and completeness of the evidence, including, for gate one, what proportion of the penalty can be mitigated by delivering the remediation actions;
- whether expenditure has been allocated to the solution in line with the PR19 final determination and the submission has evidenced that it has been incurred efficiently;
- whether there should be any change to solution partnering arrangements; and
- confirmation of subsequent gate activities for the solution.

The work completed on the solution, which was presented in the submission, was assessed against the criteria of: robustness, consistency, and uncertainty. We also assessed the assurance provided by sponsor company Boards. At gate one, solutions are expected to be developed to a standard suitable for submitting into draft regional plans or draft Water Resource Management Plans (WRMPs). Further information about the assessment process can be found in the '[Strategic regional water resource solutions: guidance for 2021](#)', which was published in June 2021.

The assessments are included in the final decision documents for each solution.

2. Summary of gate one submissions and final decisions

Evidence of investigations for 15 solutions was submitted at gate one. Ofwat has agreed that all solutions should be funded to continue investigations to gate two. All submissions were assessed as good or satisfactory and consequently no delivery incentive penalties are being applied.

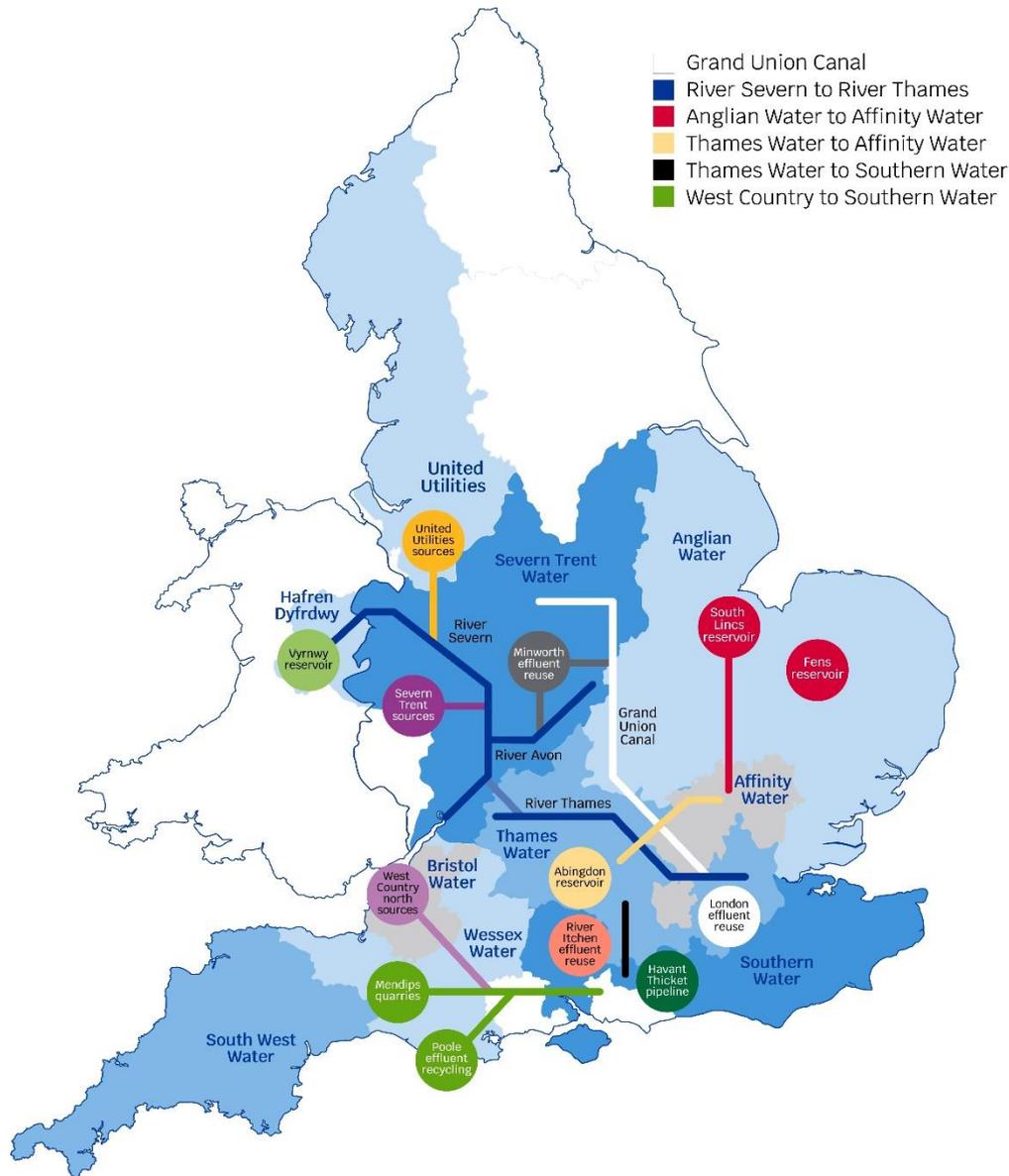


Figure 1: Solutions in the programme following gate one

All solutions are funded to continue investigations. All options within solutions should continue except the Roadford pumped storage and transfer options of West Country South sources and West Country Southern transfer. Funding is reduced for this solution accordingly. Ofwat and the solution sponsors have agreed to combine these two solutions

into one due to their interdependence on each other. The combined solution is called "Poole effluent recycling and transfers".

The United Utilities sources solution and the Vyrnwy Aqueduct solution will be combined to form a combined solution, as proposed by the solutions' sponsors. The combined solution is called North West Transfer.

The expenditure of all solutions at gate one has been assessed as appropriate and efficient and will be allowed.

The gate one and gate two allowances have been merged to allow underspend at gate one to be used for gate two activities. Companies remain responsible for management of cost risk to meet gate requirements.

One new solution, Fens reservoir and Anglian to Cambridge transfer, proposed by Anglian Water and Cambridge Water, has applied to join the programme at gate one. This solution will join the programme and be funded for investigation to gate two.

The following changes were made to draft decisions following consideration of representations:

Table 1: Changes to draft decisions following representations

Solution	Change
River Severn to River Thames Transfer	The cost efficiency challenge has been removed as the evidence provided by the solution owners was sufficient to justify that the expenditure was efficient and should be allowed.
Severn Trent Sources	Removal of the recommendation to further engage customers on change of supply source as a result of implementing this solution because this solution does not entail a change in supply source for customers.
Thames to Affinity Transfer	An additional recommendation has been included that solution owners thoroughly consider Chalk Stream First's proposal for flow recovery at gate two and engage with RAPID and interested stakeholders on how this might best be accomplished.
West Country South Sources and West Country South Southern Transfer (now Poole effluent recycling and transfers)	Removal of part of action one, which relates to assessment of costs and benefits. The statement <i>"Biodiversity Net Gain assessment to be repeated and refined and include an assessment of the depleted reach on the River Exe."</i> was deleted as Roadford reservoir pumped storage and transfer option is not progressing past gate one and therefore this is not relevant.

3. Assessment themes

Overall, the solution owners have made good progress developing their solutions and identifying issues which need to be resolved for gate two. The common methodologies and approaches developed by the All Company Working Group (ACWG) have been particularly beneficial in driving consistency of approach.

The submissions cover a wide range of infrastructure solutions that are, as expected, at differing levels of development. Overall, the level of development of these submissions was broadly at the level that we would expect for standard gate one. The progress so far lays a solid foundation for the work required before standard gate two. The key dependency before standard gate two is completion of the regional plans which will inform decisions around progression. While the programme is in a good position there are areas that require additional focus in the run-up to gate two that we wish to highlight. These are presented below.

3.1 Solution costs

The costs of the individual solutions are not material to the decisions made at gate one. However, they are included in this document for interest and transparency. Solution costs will be an important factor in the regional plans although decisions on which come forward will be based on achieving best value rather than least cost. Going forward, submissions should demonstrate that the costs are consistent, reliable, and present them at increasing levels of granularity.

The solution costs have been calculated using a methodology developed by the ACWG. This means that the derivation of costs is comparable across the solutions. It also means that the costs are not directly comparable with the figures included in the last round of water resource management plans (WRMP19). The cost of the solutions is likely to change as additional risk mitigation is added or as the allowance for optimism bias is reduced. It is important that all risk mitigations are costed so that solution costs are compared fairly in the regional plans.

Table 2 presents the range of estimated costs across each of the solutions. The numbers below represent the range of the total planning period's indicative solution cost net present value (NPV) for each of the options within a solution reported for maximum utilisation. The £/Megalitre (MI) figures were calculated by dividing total planning period indicative solution cost NPV in £s by the total planning period solution benefit NPV in MI, calculated by companies using the ACWG cost consistency methodology and reported in Section 10 of each submission. Those solutions without a £/MI figure in the table below did not report the total planning period solution benefit NPV in the main submission.

Table 2: Solution costs

	Gate one Submission			
	Min Solution Cost NPV (£ million)	Max Solution Cost NPV (£ million)	Min £/Ml	Max £/Ml
SESRO	£ 1,051.4	£ 1,437.7	804.79	2,472.35
T2AT	£ 184.2	£ 402.6	413.81	756.17
T2ST	£ 604.5	£ 1,307.9	930.45	2,107.95
SLR	£ 1,257.7	£ 1,814.4	1,189.32	2,044.68
A2AT	£ 622.5	£ 1,229.5	892.01	1,974.21
Fenland	£ 1,154.9	£ 1,471.3	2,008.48	2,558.73
GUC	£ 500.0	£ 1,160.0	- ¹	- ¹
London Reuse	£ 275.5	£ 2,381.7	448.50	1,820.32
Minworth	£ 25.8	£ 482.6	32.54	364.13
Vrynwy	£ 25.1	£ 271.1	35.91	177.89
UU Sources	£ 9.2	£ 545.3	115.11	1,094.49
STW Sources	£ 27.3	£ 80.5	96.45	215.08
STT	£ 67.0	£ 1,706.0	89.85	1,978.42
WCS Sources	£ 174.2 ²	£ 174.2 ²	- ¹	- ¹
WCS Transfer	£ 277.0 ³	£ 277.0 ³	- ¹	- ¹

3.2 Gate one costs

All solutions underspent against their gate one allowances. Table 3 compares gate one spend with the gate one allowances.

Table 3: gate one costs

	Gate one				
	Gate one Allowance	Gate one Submission Expenditure	Gate one Final Expenditure	Change from Submission to Final	Final Underspend
SESRO	£12,170,000	£1,745,656	£1,525,038	-£220,618	-£10,644,962
T2AT	£1,092,000	£855,471	£855,218	-£253	-£236,782
T2ST	£1,500,000	£795,000	£628,000	-£167,000	-£872,000
SLR	£3,860,000	£2,504,000	£2,380,000	-£124,000	-£1,480,000
A2AT	£1,146,500	£553,000	£574,044	£21,044	-£572,456
GUC	£1,800,000	£1,615,621	£1,489,869	-£125,752	-£310,131

¹ Cost unavailable in gate one submission

² Poole only

³ Poole raw water transfer only

London Reuse	£6,290,000	£2,779,508	£2,536,640	-£242,868	-£3,753,360
Minworth	£900,000	£740,664	£448,552	-£292,112	-£451,448
Vyrnwy	£1,470,000	£1,091,865	£1,022,160	-£69,705	-£447,840
UU Sources	£720,000	£667,984	£610,014	-£57,970	-£109,986
STW Sources	£530,000	£307,917	£267,568	-£40,349	-£262,432
STT	£6,659,500	£4,492,000	£4,014,000	-£478,000	-£2,645,500
WCS Sources	£552,000	£522,000	£496,000	-£26,000	-£56,000
WCS Transfer	£396,000	£305,000	£282,000	-£23,000	-£114,000

3.3 Best value planning

We wish to see further consideration of the wider resilience, social and economic benefits of solutions. This should include local economic and amenity value. Fully exploring this will be vital for the development of best value plans for gate two. It will also be important should the solutions progress to apply for land use planning permission, either under the Planning Act 2008 or through local planning routes.

Best value should be a focus of the preparation for gate two. Consideration should be broadened to consider local economic and amenity value added. As part of this, solution owners should provide clarity over how the different decision and valuation processes being promoted will align. As set out in the water resources planning guideline⁴, solution owners should use a range of planning techniques and various qualitative and quantitative valuation methods to demonstrate which solutions deliver best value outcomes in the regional context.

3.4 Water resources modelling

At the time of the gate one submissions many solutions were waiting for results of the regional plan modelling reconciliation process to determine deployable output and utilisation, where they were dependent on availability from other solutions. Therefore, in some cases minimal water resources modelling had been undertaken for the gate one submission, with solution owners recognising this would be a gate two activity. The regional reconciliation process began in earnest in September 2021. This, and further modelling by the regional groups, will provide the required information for gate two. At gate two, solution owners should take account of the regional modelling results as a priority, supporting the refinement of solutions, and thoroughly investigating their likely utilisation.

⁴ [Water resources planning guideline - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/97822/water-resources-planning-guideline.pdf)

Whilst we understand the importance of the regional modelling and the ongoing work informing the development of best value regional plans, this process is about accelerating the exploration of the solutions. In some cases, more could have been done to fast-track solution-specific modelling for gate one and funding was allowed for this purpose. This needs to accelerate for gate two given that the companies have been given extra funding to develop these solutions to be “construction ready” in 2025-30.

3.5 Anticipated utilisation

The frequency and volume at which a solution is used (its utilisation) at both peak and average demand is particularly important for an effective environmental assessment of both the aquatic impacts and operational carbon emissions. At gate one it was understood there would be large uncertainty surrounding the utilisation of solutions. Submissions that were assessed as "good" in this area provided a qualitative description of a likely range of utilisation and ran a range of quantitative scenarios of utilisation rates to provide an understanding of the sensitivity and uncertainty. A thorough explanation of how utilisation would be further refined for gate two, beyond simply relying on regional modelling, was provided in some cases and contributed to the "good" assessment, particularly discussion and analysis of possible operating rules. The expectations for gate two will build on this.

3.6 Interactions between solutions

Investigations of the interactions between solutions were evidenced in some of the gate one submissions. For gate two assessments more complex interactions should be conducted, detailing how each solution contributes to solving the regional and national planning problems. In-combination assessments should be conducted to review all potential environmental impacts and explore conjunctive use water resource benefits. Solution sponsors should also review the environmental opportunities presented by the solutions. For example, the potential to alleviate low flow issues in rivers by moving abstractions / discharges or by transferring water in such a way that augments river flows sustainably.

3.7 Water resources benefits

Gate two investigations should provide strong, clear evidence of the justification of the need for a solution, as was identified for the majority of solutions at gate one. For gate two, this should include the wider need from other sectors where possible, such as agriculture and energy including emerging technologies such as hydrogen production, together with an exploration of how other sectors might use water which is available when not needed for public water supply, to increase utilisation (where appropriate) and enable third party contributions to the costs. Explanation of the methodologies used to calculate the water resource benefits were evident in some submissions at gate one and will be expected again in future submissions as further assessments are undertaken. For gate two, the full range of wider resource benefits of the solutions should be reassessed and refined post regional

modelling at both average and peak following WRMP24 guidance⁵, referencing 1:500 drought resilience values. Thorough consideration of climate change impacts on deployable output in line with WRMP24 methodology will be expected using the latest available UKCP18 climate predictions and gate two submissions will be expected to thoroughly explain the approach taken.

3.8 Wider resilience benefits

The assessment of wider resilience benefits of each solution was broadly in line with expectations for gate one. It was recognised that the scope and potential in this area is highly dependent on solution type, some solutions having much greater potential in this area than others. Expectations for gate two will be that these are further explored for each solution and that reference to relevant regional modelling metrics alone will not be sufficient. The wider resilience benefits of each solution should be reassessed and refined following the regional modelling outputs, thoroughly exploring best value approaches. Consideration should be made as to how the solutions enhance operational supply resilience, for example to mitigate single points of failure. Wider resilience aspects including flood risk management, climate change adaptation and supporting the resilience of the natural environment will be expected, including how the solutions enhance resilience for significant aquatic habitats, such as chalk streams. Where benefits are provided to third parties, those parties should contribute a fair share of the costs according to their own responsibilities and the benefits they realise.

3.9 Meeting net zero commitments

Our gate one assessment of solution submissions appreciated that assessments of the carbon implications of the solution would contain a significant degree of uncertainty given the stage of solution development. Therefore, gate one assessments focused on consideration of carbon in line with WRMP24 guidance. Attention was paid, during the assessment, to the citations of the relevant company and regional policies, frameworks and methodologies proposed within the submissions to support an increased focus on reducing carbon emissions through the next gates. We saw statements of alignment with the water sector's commitment to net zero by 2030⁶ for operational emissions in many submissions, along with recognition of the carbon ambition developed by the ACWG. There was a recognition that the water sector has come a long way in recent years in its approach to carbon reduction. Gate two assessments will look for evidence of how these policies, frameworks and approaches are driving down wholelife carbon within the solution design. We would like to see solutions embracing innovative designs and opportunities to generate or be powered by renewable energy and/or sequester carbon and exploring joint opportunities with other sectors. Evidence may be sought as to whether a focus on carbon reduction has been

⁵ [Water resources planning guideline - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/672222/water-resources-planning-guideline.pdf)

⁶ [Water UK – Net Zero 2030 Routemap](https://www.water.gov.uk/net-zero-2030-routemap)

able to drive down solution costs. The level of uncertainty associated with the solution carbon assessments will be expected to reduce as solutions are refined through the gated process.

3.10 Drinking water quality

The engagement with regulators and information provided on drinking water quality risks, stakeholder engagement and Drinking Water Safety Plans (DWSPs) was broadly what we would expect for gate one.

We expect to see further development of DWSPs, water quality monitoring, including for emerging contaminants, and wider stakeholder engagement for gate two. This early engagement is particularly important with customers who will be affected by a change in raw water sources, which often lead to changes in taste and hardness, to ensure that there are no issues with acceptability and for planning any interim mitigation that may be required.

3.11 Stakeholder engagement

The stakeholder engagement conducted for standard gate one was broadly what we would expect at this stage. At gate one the design maturity of the solutions means that they do not yet have finalised location options or designs which would support meaningful stakeholder engagement. Engagement with all stakeholders should be continuing through regional planning. It tended to focus on regulatory engagement and engagement with direct partners. However, gate two will require wider and more detailed engagement as the solutions develop. In particular, stakeholder engagement should be extended to consider both customers and regions affected by the solutions. This should include customers directly affected by the solution, such as those living or working nearby. RAPID will not be prescriptive on the approach as it will need to be tailored to the particular needs of the scheme. All solutions should engage with the CCW throughout the gated process.

3.12 Environmental assessments

Many areas of environmental assessment are at early screening and scoping stages, which is expected at this level of development for many of the solutions. The environmental data and monitoring plans which underpin the evidence base for the assessments are progressing but need to be developed at pace in places. As more information comes from regional planning and operational utilisation details are progressed, these aspects should be fully incorporated within individual solution designs. This will allow environmental risks and opportunities to be more fully identified and addressed in subsequent detailed assessments.

Key environmental concerns relate to the potential impacts on protected habitats and species, water resources and water quality. Formal statutory assessments will need to be addressed in future submissions including those required by the Habitats Regulations and the Water Environment (Water Framework Directive) Regulations. Potential risks already

identified from invasive non-native species for some solutions needs to be further investigated. Biodiversity and environmental net gain and natural capital assessments need to be progressed using the latest available guidance.

Where solutions affect Wales, work is required on any elements that impact on Welsh ecosystem resilience. This will help achieve the sustainable management of natural resources as well as helping to achieve goals set out in the Well-being of future Generations Act. Any proposal which has implications for Wales must meet the requirements of this Act and the Environment (Wales) Act. This is in addition to the natural capital and biodiversity net gain requirements for England.

3.13 Delivery incentives

For gate one delivery incentives a framework was put in place that considers submission timing, quality and progress through a two-stage assessment.

Ofwat has agreed that there will be no change to the gate one delivery incentives for gate two. No changes were put forward by the companies either in their submissions or in representations. The incentives framework will therefore be carried forward with the same delivery incentive percentages applying to gate two allowances. This is appropriate because both gates one and two are feasibility stages. Gate three incentives will need to work differently, and we will make proposals on these in advance of standard gate two, taking account of any proposals for gate three incentives from Portsmouth Water or Southern Water at accelerated gate two.

4. Representations

The solution sponsors and other interested parties were given the opportunity to respond to the draft decisions. All representations were considered in Ofwat's final decisions and can be found in full on our website www.ofwat.gov.uk/regulated-companies/rapid.

Responses to representations have been included in the final decision documents for the associated solution(s). We have also provided a response in this themes document to some representations that were common to a number of the solutions and also to concerns that stakeholders raised regarding about the gated process.

4.1 Transparency of the gated process

A number of stakeholders raised some concerns regarding the RAPID process, particularly regarding the level of redaction in some of the environmental reports published as part of the query responses for SESRO, and the period of time allowed for representations to be made.

We are committed to transparency and ensuring that stakeholders are able to engage with the gated process. We are grateful to all individuals and organisations that raised their concerns with us. We will continue to consider any such concerns that are drawn to our attention.

In response to the concerns raised, we and solution owners reviewed the extent of redactions in the environmental reports and these were republished, with limited redactions and explanations were provided for those redactions that remain. We extended the representation period for SESRO to allow stakeholders to have time to review the republished reports.

At gate two, we will be requiring companies to publish their full submissions including appendices and annexes when they submit these to RAPID. We will be providing further guidance to companies regarding redactions to ensure a transparent and robust process. The representation period for gate two will be six weeks.

4.2 Transparency of Costs

We do not consider information about solution costs to be material to gate one decisions. Gate one is a checkpoint and is the first opportunity to assess the progress made by solution owners on investigations and development of solutions in the gated process. At gate one, all solutions were expected to progress to gate two and continue to receive ring-fenced funding unless there was a clear reason why they should not.

Solution costs will be considered further from gate two onwards and in regional plans and water resource management plans. We will provide companies with guidance on presenting and publishing solution costs in their gate two submissions.

4.3 Technical Challenge

The scope and maturity of deployable outputs, modelling data, and environmental impacts were challenged in some representations. We consider that the work completed was sufficient for progression through gate one. The water companies will continue to develop the solutions and evidence surrounding them. Guidance will be provided on our expectations for a more detailed evidence base at gate two. We have passed on the specific points raised to solution owners for consideration as they develop their assessments further.

4.4 Use of Stochastic Data

A challenge was received in a representation against the use of stochastic flow data generally across all the solutions. The use of stochastic flow data reflects the requirement to test droughts larger than those observed in the historic record, such as drought events with 1:500 year return periods. Solutions generation of stochastic flow data is expected to follow Water Resource Planning Guidelines Supplementary Guidance: Planning to be resilient to a 1 in 500

drought (England), and Supplementary Guidance: Stochastics. For Wales, approaches are also covered in UKWIR's Risk-based planning guidance⁷. We have passed on the specific points raised to solution owners for consideration as they develop their deployable output assessments further.

4.5 Carbon accounting

Gate one assessment of solution submissions took account of the fact that assessments of the carbon implications of the solution would inevitably contain a significant degree of uncertainty given the stage of solution development. We consider that the level of information presented on carbon was sufficient for gate one.

Solution development for gate two should follow the Water Resources Planning Guidelines for WRMP24 section 8.3.2 which states expectations for accounting for and reducing greenhouse gas emissions. The design should consider: build nothing, build less, build clever and build efficiently throughout the development of the solution, with offsetting only as a last resort. We expect all direct mitigations to be included in the solution costs. The All Company Working Group (ACWG) ambition for carbon should be taken into account. The solution should also be considered by the water company within their wider carbon plans, and net zero commitments.

We will require any carbon assessment annexes to be published alongside the submission at gate two.

4.6 Why new supply, not reduction in leakage or demand

A number of representations suggested that demand management including a reduction in leakage should be considered instead of the RAPID solutions. Solutions will be selected as part of regional plans and WRMPs. These plans consider both demand side measures and supply side measures as part of the twin track approach to water resources. The National Framework – published by the Environment Agency in 2020 – set out expectations that the industry reduces demand to around 110 litres per person per day and reduces leakage by 50% both by 2050. Even with these reductions in demand the sector is going to need to invest in infrastructure to improve drought resilience, reduce the impact of abstraction on the environment, supply a growing population and adapt to climate impacts. The need to adhere to a twin track approach is also set out in Water Resource Planning Guideline⁸, and applies to companies impacting both England and Wales.

⁷ [WRMP 2019 Methods – Risk Based Planning \(ukwir.org\)](https://www.ukwir.org/wrmp-2019-methods-risk-based-planning)

⁸ [Water resources planning guideline - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/water-resources-planning-guideline)

4.7 Alternative solutions or capacities

Stakeholders also made suggestions for solutions that should be considered outside of the gated process. The gated programme is not designed to be comprehensive - not all large solutions included in WRMP19 preferred or alternative plans are in the RAPID programme. Companies are also funded to investigate and develop evidence to deliver WRMP19 and prepare WRMP24 through inclusion in their business plans. Additional solutions can enter the RAPID programme if they are proposed by water companies and meet the programme criteria, which are outlined in our published guidance.

4.8 Utilisation of gate one underspend at gate two

Some solution owners raised concerns in their representations regarding whether gate two allowances would be sufficient for completion of gate two activities and suggested that gate one underspend should be carried forward to gate two.

In response, Ofwat decided to merge gate one and gate two allowances for each of the solutions. This is in recognition of the position that the percentage allocations to each gate in the Final Determination at PR19 were inherently imprecise and were based on an understanding of likely profile of activities to be carried out in progressing the development and investigation of solutions taking into account companies' proposals in this respect. There is now an improved understanding of the activities to be carried out at gate two and Ofwat considers that it will be beneficial to allow funding allowance that has not been used at gate one to be made available to solution owners for carrying out gate two activities.

Ofwat's decision to merge gate one and gate two allowances will allow any underspend on gate one activities to be used for gate two activities. We will continue to scrutinise expenditure to ensure that it is appropriate and efficient. Companies remain responsible for management of cost risk to meet gate requirements.



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