By email

Stuart Ledger

Interim Chief Executive Officer

Affinity Water

5 January 2022

OFFICIAL

Dear Stuart,

# Strategic regional water resource solutions: Standard gate one final decision for Affinity Water on South East Strategic Reservoir Option

I am writing to inform you of our final decisions in respect of the South East Strategic Reservoir Option ("SESRO").

The RAPID partner regulators would like to thank Affinity Water 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 document for this solution, which is published alongside this letter. Both this letter and the final decision document are published on our website on 5 January 2022.

The solution sponsors and other interested parties had the opportunity to respond to the draft decision during the representation period, which followed the publication of the draft decisions on 14 September 2021 and was extended to 19 November 2021 for this solution. 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 this Affinity Water-sponsored solution. Further details are contained in the accompanying final decision document.

Final decision summary in respect of the SESRO Affinity Water-sponsored solution

|  |  |
| --- | --- |
| Recommendation item | South East Strategic Reservoir Option  |
| Solution sponsors | Thames Water and Affinity Water |
| Should further funding be allowed for the solution to progress to gate two? | Yes |
| Is there evidence all expenditure is efficient and should be allowed? | Yes |
| Delivery incentive penalty? | No |
| Is there any change to partner arrangements? | No |
| Is there a need for a remediation action plan? | No |

Solutions’ progress and funding

Funding is allowed for the above solution to continue to be developed to standard gate two. We have decided to merge the gate one and gate two allowances. This results in an allowance of £28.90m being available at gate two.

Evidence of efficient expenditure

We determine that all expenditure on this solution is efficient and appropriate, and we allow it in full. The efficient costs allowance for this solution is £1.53m, which reflects the final and reconciled costs information provided during the representation period.

Submission quality

Our overall classification of the above listed submission is that it is "Good (meets expectations)".

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 the above solution and therefore Affinity Water does not need to submit a remediation action plan for any of these solutions.

Should you have any questions about this letter or final decision, please e-mail rapid@ofwat.gov.uk and someone from the team will be in touch.

Once again, Ofwat would like to thank Affinity Water for the work that it has carried out over the gate one period.

Yours sincerely

David Black

Interim Chief Executive

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