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By email

Bob Taylor
Chief Executive Officer
Portsmouth Water

1 March 2022

Dear Bob,

Strategic regional water resource solution: Accelerated gate two draft decision for Portsmouth Water

I am writing to inform you of our draft decision in respect of the following strategic regional water resource solution:

- Havant Thicket Raw Water Transfer

The RAPID partner regulators would like to thank Portsmouth Water for submission timeliness, collaborative approach and positive engagement which has helped drive the quality and speed of progression of this solution.

This letter should be read in conjunction with the draft decision document for this solution, which was published alongside this letter. Both this letter and the draft decision document were published on our website on 1 March 2022.

Following the publication of our draft decisions, solution owners and other interested parties have the opportunity to respond to the draft decision. Representations are invited by email to rapid@ofwat.gov.uk and the representation period will close at 6pm on 12 April 2022. All representations will be considered before our final decision, which we intend to publish at 10am on 17 May 2022.

Where we have identified issues requiring urgent remediation, we expect the solution owners to resolve them to a suitable quality no later than 30 June 2022.

Solutions funded in PR19 final determination

The table below summarises the elements of our draft decision in respect of Portsmouth Water-sponsored solution. Further details are contained in the accompanying draft publication document.

Draft decision summary in respect of Portsmouth Water-sponsored solution

Recommendation item	Havant Thicket
Solution owners	Southern Water, Portsmouth Water
Should further funding be allowed for the solution to progress to gate three?	Yes
Is there evidence all expenditure is efficient and should be allowed?	No
Delivery incentive penalty?	Yes – 10% applied to Southern Water
Is there any change to partner arrangements?	No
Are there priority actions for urgent completion?	Yes

Solution progress and funding

Funding is allowed for the Havant Thicket Raw Water Transfer solution to continue to be developed to accelerated gate three.

We have changed the funding of the solution to reflect its revised scope. The revised total allowance is £21.44m.

As at accelerated gate one, we allocate funding in its entirety to Southern Water through gates three and four. Southern Water and Portsmouth Water should, however, agree and propose to RAPID cost sharing proportions before the end of the representation period. These proposals may be for them to remain the same or to change and in either case the rationale for the proposal should be explained.

Evidence of efficient expenditure

The efficient costs allowance for the Havant Thicket Raw Water Transfer solution is £0.63m (of £2.73m million claimed).

If Portsmouth Water disagrees with this decision, then improved evidence of cost efficiency must be submitted as part of their representations by 12 April 2022.

Submission quality

Our overall classification is that the submission for the Havant Thicket Raw Water Transfer solution submission at accelerated gate two is that it is satisfactory overall, but falls significantly short in some important areas. At accelerated gate two, the solution should have been of a suitable standard for inclusion in a final WRMP. We are concerned that some areas of the work are not yet at that standard.

Remediation

A list of remediation issues is provided in the Appendix to each draft decision document divided into priority actions, actions and recommendations. Priority actions are those that should have been completed at gate two and must now be addressed on a short timescale in order to make sure a solution stays on track.

We have also identified actions that should be completed in full in the gate three submission. The response to these actions will influence the assessment of the gate three submission.

Recommendations relate to issues where additional information or clarification could improve the quality of future submissions.

We conclude that there are issues for remediation for this solution. Priority actions have been identified, and where we have identified issues requiring urgent remediation, we expect the solution owners to resolve them to a suitable quality no later than 30 June 2022.

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

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

Yours sincerely

David Black
Interim Chief Executive Officer

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