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By email

Susan Davy
Chief Executive Officer
South West Water

01 March 2022

Dear Susan,

Strategic regional water resource solutions: gate one draft decision for South West Water

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

- Mendip Quarries

The RAPID partner regulators would like to thank South West 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 is published alongside this letter. Both this letter and the draft decision document are 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 decisions. 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.

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

Draft decision summary in respect of South West Water-sponsored solution

Recommendation item	Mendip Quarries
Solution owners	South West Water and Wessex Water
Should funding be allowed for the solution to progress to gate two?	Yes
Is there evidence all expenditure is efficient and should be allowed?	Not applicable
Delivery incentive penalty?	Not applicable
Is there any change to partner arrangements?	Not applicable
Are there priority actions for urgent completion?	Yes

Solution progress and funding

Our decision in respect of the Mendip Quarries solution is to allow funding for it to join the gate two RAPID programme. Funding is allowed for the Mendip Quarries solution to continue to be developed to gate two.

The costs allowance for the Mendip Quarries is shown in the table below for gates one to four.

	Gate one	Gate two	Gate three	Gate four	Total
Mendip Quarries	N/A	£5.01m	£11.70m	£13.37m	£30.08m
Comment /calculation	No gate one allowance for new solutions	15% of development allowance calculated as 6% of total solution cost including WCWR transfers	35% of development allowance calculated as 6% of total solution costs including WCWR transfers	40% of development allowance calculated as 6% of total solution costs including WCWR transfers	90% of development allowance calculated as 6% of total solution costs including WCWR transfers

Funding will be shared equally between the solution owners, South West Water and Wessex Water, unless sponsors agree and notify RAPID of alternative cost sharing proportions before the end of the representation period.

Submission quality

Whilst not part of the RAPID gated process a submission was made for the Mendip Quarries at gate one. Our overall classification is that the submission meets expectations.

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 one and must now be addressed on a short timescale in order to make sure a solution stays on track.

We have identified two priority actions in respect of the Mendip Quarries, which should be addressed during the representation period.

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 South West Water for the work that it has carried out over the gate one period.

Yours sincerely,

David Black
Interim Chief Executive Officer

Encs
