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By email

Liv Garfield
Chief Executive Officer
Severn Trent Water

17 May 2022

Dear Liv,

Strategic regional water resource solutions: gate one final decision for Severn Trent Water

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

- Upper Derwent Valley Extension

The RAPID partner regulators would like to thank Severn Trent 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 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 17 May 2022.

The solution owners and other interested parties had the opportunity to respond to the draft decision during the representation period, which followed the publication of the decisions on 1 March 2022. We have taken all relevant representations into account in making our final decision.

The table below summarises the elements of our final decisions in respect of the Severn Trent Water-sponsored solution. Further details are contained in the accompanying final decision document.

Final decision summary in respect of Severn Trent Water-sponsored solution

Recommendation item	Upper Derwent Valley Extension
Solution owners	Yorkshire Water and Severn Trent 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 Upper Derwent Valley Extension solution is to allow funding for it to join the gate two RAPID programme. Funding is allowed for the Upper Derwent Valley Extension solution to continue to be developed to gate two.

The costs allowance for the Upper Derwent Valley Extension is shown in the table below for gates one to four.

	Gate one	Gate two	Gate three	Gate four	Total
Upper Derwent Valley Extension	N/A	£ 5.98m	£ 13.94m	£ 15.94m	£ 35.86m
Comment /calculation	N/A	15% of development allowance calculated as 6% of option to raise Howden and Derwent dams	35% of development allowance calculated as 6% of option to raise Howden and Derwent dams	40% of development allowance calculated as 6% of option to raise Howden and Derwent dams	90% of development allowance calculated as 6% of option to raise Howden and Derwent dams

Funding will be shared equally between the solution owners, Yorkshire Water and Severn Trent Water.

Submission quality

Whilst not part of the RAPID gated process, a submission was made for the Upper Derwent Valley Extension at gate one. Our overall classification is that the quality of the submission does not meet gate one expectations in many areas.

We consider that a significant amount of work will need to be completed quickly to enable the solution to reach the stage of investigation and development expected at gate two.

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 identified ten priority actions in respect of the Upper Derwent Valley Extension, that cover solution and options development, water resource benefit, procurement, environmental programme, drinking water quality and carbon.

Some of these should be completed by 18 July 2022; the remainder should be progressed by 18 July 2022 and completed by gate two as set out in the Appendix to our final decision document.

Gate two timetable

We agree to changing the date of the gate two submission to April 2023. The exact date is still to be confirmed and will be published on the RAPID website¹.

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 Severn Trent Water for the work that it has carried out over the gate one period.

Yours sincerely,

David Black
Chief Executive

Encs

¹ <https://www.ofwat.gov.uk/regulated-companies/rapid/the-rapid-gated-process/timetable-for-the-rapid-gated-process/>
