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By email

Keith Haslett
Chief Executive
Affinity Water

30 March 2023

Dear Keith,

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

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

- Anglian to Affinity Transfer (A2AT)
- Grand Union Canal Transfer (GUC)
- Minworth
- South East Strategic Reservoir Option (SESRO)
- South Lincolnshire Reservoir (SLR)
- Thames to Affinity Transfer (T2AT)

The RAPID partner regulators would like to thank Affinity Water for submission timeliness, 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 draft decision documents for these solutions, which were published alongside this letter. Both this letter and the draft decision documents were published on our website on 30 March 2023.

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 11 May 2023. All representations will be considered before our final decisions, which we intend to publish at 10am on 28 June 2023.

Where we have identified issues requiring urgent remediation, we expect the solution owners to resolve them to a suitable quality no later than the dates provided in the Appendix to each draft decision document.

Solutions funded in PR19 final determination

The table below summarises the elements of our draft decision in respect of each of Affinity Water-sponsored solutions. Further details are contained in the accompanying draft decision documents.

Draft decision summary in respect of Affinity Water-sponsored solutions

Recommendation item	A2AT	GUC	Minworth	SESRO	SLR	T2AT
Solution owners	Affinity Anglian	Affinity Severn Trent	Affinity Severn Trent	Affinity Thames	Affinity Anglian	Affinity Thames
Should further funding be allowed for the solution to progress to gate three?	Yes	Yes	Yes, subject to any decisions taken at a Conditional Review Point.	Yes	Yes	Yes
Is there evidence all expenditure is efficient and should be allowed?	Yes	Yes	Yes	Yes	Yes	Yes
Delivery incentive penalty?	No	No	No	No	No	No
Is there any change to partner arrangements?	Yes	No	No	No	Yes	No
Are there priority actions for urgent completion?	Yes	No	Yes	No	Yes	No

Solution progress and funding

Funding allowance is detailed in Table 3 in the draft decision document for each solution.

Anglian to Affinity Transfer

Affinity Water will formally cease to be a solution partner on A2AT from gate two onwards. Anglian Water will progress A2AT with a reduced scope and will take full responsibility for the development costs associated with the solution. Affinity Water will receive no further funding for A2AT beyond gate two.

Grand Union Canal Transfer

Funding is allowed for the Grand Union Canal Transfer to continue to be developed to gate three, subject to decisions taken at a conditional review point for Minworth..

The following options are to continue to be investigated:

- Route 3 - Pipeline route to Atherstone and then Coventry Canal

The following options are not to continue to be investigated as part of the RAPID process:

- Route 1 - Birmingham-Fazeley Canal to Coventry Canal
- Route 6 - Pipeline route to Leamington Spa Trough on the GUC

Minworth

Funding is allowed for Minworth to continue to be developed to gate three, subject to any decisions taken at a Conditional Review Point.

The following options are to continue to be investigated:

- GUC – Potential to provide treated wastewater to the Grand Union Canal system to supply Affinity Water via a new or upgraded WTW.
- STT - Potential for treated wastewater discharged to the River Avon to supplement flows to the River Thames forming part of the Severn to Thames (STT) transfer solution.
- GUC / STT - Potential to support both schemes from Minworth.

South East Strategic Reservoir Option

Funding is allowed for SESRO to continue to be developed to gate three. All options for this solution should continue to be investigated.

South Lincolnshire Reservoir

Affinity Water will formally cease to be a solution partner on SLR from gate two onwards. Anglian Water will progress SLR and will take full responsibility for the development costs associated with SLR. Affinity Water's share of the development allowance for SLR will be reallocated to Anglian Water from gate two onwards. This will be given effect through the revenue reconciliation that will take place at the 2024 price review (PR24).

Thames to Affinity Transfer

Funding is allowed for the T2AT to continue to be developed to gate three.

The following options are to continue to be investigated:

- the Lower Thames Reservoir (LTR) option

The following options are not to continue to be investigated as part of the RAPID process:

- the Beckton Reuse Indirect (BRI) option

Evidence of efficient expenditure

We determine that all expenditure on each of these solutions is efficient and appropriate, and we allow it in full. The efficient costs allowance for the solutions are given below.

- Anglian to Affinity Transfer - £0.83 million
- Grand Union Canal Transfer - £2.98 million
- Minworth SRO - £1.48 million
- South East Strategic Reservoir Option - £7.23 million
- South Lincolnshire Reservoir - £5.18 million
- Thames to Affinity Transfer - £1.82 million

Submission quality

Our overall classification of the submissions for the following solutions is that they are "Good (meets expectations)".

- Anglian to Affinity Transfer
- Grand Union Canal Transfer
- Minworth
- South East Strategic Reservoir Option
- South Lincolnshire Reservoir
- Thames to Affinity Transfer

Remediation

A list of remediation issues is provided in Appendix A of 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 or at an alternative or earlier date where shown in Appendix A of each draft decision document. 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 the Anglian to Affinity Transfer, Minworth and the South Lincolnshire Reservoir. 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 the date stipulated against each priority action in Appendix A of each draft decision document.

We have not identified any priority actions in respect of the Grand Union Canal Transfer, the South East Strategic Reservoir Option or the Thames to Affinity Transfer.

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 Affinity Water for the work that it has carried out over the gate two period.

Yours sincerely

David Black
Chief Executive

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