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By email

Liv Garfield
Chief Executive
Severn Trent Water

30 March 2023

Dear Liv,

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

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

- Grand Union Canal (GUC)
- Minworth
- River Severn to River Thames Transfer (STT)
- Severn Trent Sources (STS)

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 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 Severn Trent Water-sponsored solutions. Further details are contained in the accompanying draft decision documents.

Draft decision summary in respect of Severn Trent Water-sponsored solutions

Recommendation item	Grand Union Canal	Minworth	River Severn to River Thames Transfer	Severn Trent Sources
Solution owners	Affinity Water Severn Trent Water	Affinity Water Severn Trent Water	United Utilities Severn Trent Water Thames Water	Severn Trent Water
Should further funding be allowed for the solution to progress to gate three?	Yes	Yes, subject to any decisions taken at a Conditional Review Point.	Yes, subject to any decisions taken at a Conditional Review Point.	Yes, subject to any decisions taken at a Conditional Review Point
Is there evidence all expenditure is efficient and should be allowed?	Yes	Yes	Yes	Yes
Delivery incentive penalty?	No	No	No	No
Is there any change to partner arrangements?	No	No	Yes	No
Are there priority actions for urgent completion?	No	Yes	Yes	Yes

Solution progress and funding

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

Grand Union Canal

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.

River Severn to River Thames Transfer

Funding is allowed for the River Severn to River Thames Transfer 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:

- Option 1 - Deerhurst to Culham Pipeline
- And the proposed further engagement around the Cotswold canal options

Severn Trent Sources

Funding is allowed for Severn Trent Sources 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:

- Netheridge Wastewater Treatment Works

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

- Mythe Water Treatment Works

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.

- Grand Union Canal - £2.98 million
- Minworth - £1.48 million
- River Severn to River Thames Transfer - £7.21 million
- Severn Trent Sources - £0.81 million

Submission quality

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

- Grand Union Canal (GUC)
- Minworth
- Severn Trent Sources (STS)

Our overall classification of the River Severn to River Thames Transfer (STT) submissions for the following solutions is that they are "Good (meets expectations)", but does fall short in some important areas.

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 have not identified any priority actions in respect of the Grand Union Canal Transfer and therefore Severn Trent.

We conclude that there are issues for remediation for Minworth, River Severn to River Thames Transfer and Severn Trent Sources. 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 dates provided in Appendix A of each draft decision document.

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

Yours sincerely

David Black
Chief Executive

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